

Daily milk procurement of KMF more than doubles in a decade

With the financial incentive programme getting farmers to choose it over private industry, KMF gets nearly 70% of the total marketable supply of milk

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In about a decade since the State government began providing financial incentives to milk producers, the daily milk procurement of Karnataka Milk Federation (KMF) has more than doubled – from about 32 lakh litres a day to 80 lakh litres.

Of an estimated 1.6 crore litres of milk produced daily in Karnataka – of which about 1.2 crore litres is “marketable supply” – KMF procures about 80 lakh litres, which translates to almost 70% of the milk produced. Before the introduction of the incentive scheme, KMF procured roughly 50% of the milk produced in the State.

The increase in procurement, sources in the KMF say, began after the State government announced a financial incentive of ₹2 a litre for farmers in September 2008. Subsequently, the in-

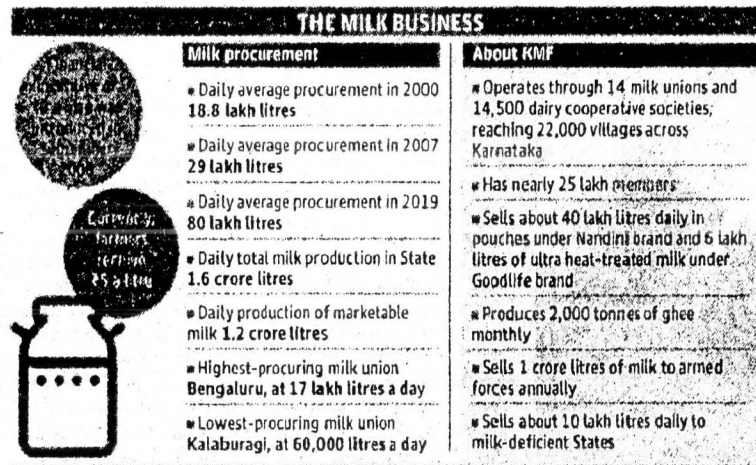


Of the 80 lakh litres of milk procured daily by Karnataka Milk Federation, just 10% comes from north Karnataka. ■FILE PHOTO

centive was raised to ₹5 a litre. Shortly, the government is expected to hike it by another rupee.

In 2000-01, KMF, on an average, procured almost 19 lakh litres of milk daily. This grew to about 29 lakh litres daily by 2007. If the average annual growth rate in pro-

urement of milk between 2000 and 2008 was around 3%, KMF sources indicated that milk procurement grew by double digit rates after 2010. “The last few years have shown an almost 14% growth year-on-year,” KMF director (marketing) Mrutyunjaya Kulkarni said.



A study conducted by the Animal Husbandry Department recently showed a huge growth in the number of cattle since 2008. The cumulative growth in cross-bred milk cows between 2007 and 2016 was over 70%, fuelling an increase in milk production in the State.

The incentive, however, has affected a large number of private dairies, especially in south Karnataka, many of which have folded up owing to non-availability of milk or have restricted their operations to the production of ice cream, ghee or curd. “Of the total marketable milk supply,

only about 40 lakh litres come through private supply. In north Karnataka, private dairies play a big role. In the rest of the State, the supply of loose milk adds up to the number,” said Dharwad Milk Union president Basavaraj Arabgad.

Incidentally, of the 80 lakh

litres of milk procured by KMF, just 10% comes from north Karnataka. Mr. Basavaraj acknowledged the low procurement as milk unions in the region were late to start and did not have the financial power to penetrate deeper into the market. The growth in north Karnataka is also affected by the climatic conditions, he added.

Marketing challenges

The incentive has added to the challenges for KMF, which now needs to market all the milk it procures. Though it has created a market to exhaust all the milk that it procures at present, it went through a difficult time in the initial years after the incentive programme was announced. “With almost a flat market and increased procurement, KMF struggled to sell the milk and huge quantities of skimmed milk powder, which has a shelf life,

piled up. International prices falling and a restricted market meant that a good quantity of skimmed milk powder could not be used at all,” a former KMF employee said.

Today, while the KMF’s main market is for its milk sold under the Nandini brand, it has also expanded the market for Nandini milk in Mumbai, Chennai and Hyderabad, competing with AMUL on pricing. “The KMF also has an order on hand to supply 1 crore litres of milk annually to the armed forces,” Mr. Kulkarni said.

However, the biggest relief for KMF comes from the State government. Apart from offering incentives to farmers, the government purchases milk powder to provide milk to children in schools and anganwadis. Nearly 7 lakh litres of milk is used daily for conversion to milk powder for the Ksheera Bhagya scheme.