



Ministry of Fisheries, Animal Husbandry & Dairying

Interest subvention on Working Capital Loans for Dairy sector due to lockdown

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To offset the economic impact of Covid-19 on Dairy Sector, Ministry of Fisheries, Animal Husbandry and Dairying has introduced a new scheme “Interest subvention on Working Capital Loans for Dairy sector” for Supporting Dairy Cooperatives and Farmer Producer Organizations engaged in dairy activities (SDC&FPO) for implementation during 2020-21.

Due to higher milk procurement and lower sales during the COVID-19 lockdown, the milk/dairy cooperatives have resorted to large scale conversion into high shelf-life products like milk powder, white butter, ghee, and UHT milk etc. Such conversion into high shelf-life products resulted in blockage of funds and caused difficulty in payment to the farmers. Due to decrease in demand for high valued products like ice-cream, flavoured milk, ghee, cheese etc., only a small quantity of milk are converted into value added products like Paneer and Dahi impacting the sales turnover and realization. This will result in limiting the ability of cooperatives to procure milk at the current level or they would be forced for downward revision of procurement price, which will affect the farmers.

In order to meet the working Capital needs of the Cooperatives and Farmer owned milk producer companies, Interest subvention will be given on working capital loan taken from scheduled Commercial Banks/R.R.Bs/Cooperative Banks/Financial Institutions between 1st April 2020 and 31st March 2021 by Cooperatives/FPOs for conversion of milk into conserved commodities and other milk products.

The scheme has made provisions for providing interest subvention of 2% per annum, with an additional incentive of 2% per annum interest subvention to be given in case of prompt and timely repayment/interest servicing.

This will help to ease out the working capital crisis for handling surplus milk and enable timely payment to the farmers. The scheme will be implemented by this Department through National Dairy Development Board (NDDB), Anand.

The modified scheme envisages a budgetary provision of Rs 100 Crore earmarked for the component “Interest Subvention on Working Capital Loans for Dairy sector” during 2020-21. The scheme envisages to have the following benefits:

- a. It will help in providing stable market access to milk producers.
- b. Enable the Producer Owned Institutions to make timely payment of milk bill to milk producers.
- c. It will help Producer Owned Institutions in supplying quality milk and milk products to consumers at a reasonable price and will also help in stabilizing the domestic market price of conserved dairy commodities and other milk products.
- d. Consistent increase in farmers’ income from dairying even during flush season making the dairy operations viable for milk producers. This in turn will lead to reduced dependency on imported

commodities during the period of shortage, thereby helping in stabilising the domestic prices of milk and milk products.

Due to the onset of the situation owing to Covid-19, a large number of small private dairies are reported to have closed operations resulting in diversion of milk to Cooperatives. These small private dairies were mainly catering to milk-based sweet making shops and local supplies in towns. Due to the restrictions imposed in view of the Covid-19 epidemic, the supplies to hotels and restaurants by private as well as cooperatives have been affected. Due to problems faced such as shortage of Contractual labour, closure of distribution points, difficulties in getting packaging material etc. as well as supply challenges being faced by distributors, transporters, and staff etc. most private dairies have either restricted their supplies or even closed down their shops .

However the Cooperatives have continued with the procurement mostly at their earlier declared procurement rates and some cooperatives have even increased their procurement price. The price of Toned Milk (TM) and Full Cream Milk (FCM) by Cooperatives in January 2020 was Rs. 42.56/ litre and Rs. 53.80/litre and on 08.04.2020 was Rs. 43.50/litre and Rs. 54.93/litre respectively.

The milk procurement by major cooperatives during March 2019 was 510 lakh litres per day (LLPD) and as on 14th April 2020 is approximately 560 LLPD, despite start of the lean season. In the last one year there is an increase of 8%. Although procurement of milk varies seasonally and based on the domestic & international demand, the sale of milk at the domestic market is more or less stable. Sale of milk by Cooperatives of India has dropped from 360 LLPD in February 2020 to 340 LLPD as on 14th April 2020. Thus, while milk procurement increased by 8%, the sale reduced by 6 %. The total gap between procurement and sales is approximately 200 LLPD per day.

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