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# Protecting millions of small dairy farmers

The ongoing negotiations under the RCEP for reducing or rationalising import duty structure by India would open a floodgate for dumping of cheaper dairy products from Australia or New Zealand, which would hit millions of Indian dairy farmers

**I**N THE REGIONAL Comprehensive Economic Partnership (RCEP), many participating developed countries like New Zealand and Australia have been urging India to open up the dairy sector through reduction of import duties. At the 8th RCEP (a formidable trade block of 16 countries, including India) meeting of the inter-sessional ministerial held in Beijing last

month, trade negotiators focused on two aspects. While New Zealand demands greater market access for its dairy products, apples, kiwis and wine into India, India has been demanding greater access of professionals into New Zealand and easing the market barrier that it imposes.

The Indian dairy industry says that import concessions on dairy products from milk-surplus member countries

like New Zealand and Australia will have an adverse impact on India's dairy sector. This might impact around 100 million dairy farmers and people associated with the sector in the country.

In the 1950s, India was a milk-deficit country, depending largely on imports. Launched in 1970s, the three-phase Operation Flood helped the country's milk production soar, providing livelihoods to millions of farmers through the cooperative model. And because of the success of the Operation Flood, brands like Amul (Gujarat Cooperative Milk Marketing Federation), Nandini (Karnataka Milk Federation), Milma (Kerala Cooperative Milk Marketing Federation) and Verka (Punjab State Cooperative Federation of Milk Producers Unions) became household names.

By 1998, India overtook the US to become the largest milk producer in the world. India continues to be the largest milk producer with a production of 176 million metric tonnes in 2018-19. The country's dairy sector, the largest among agricultural commodities, is estimated to have a value of \$100 billion and constitutes 20% of the total global milk production. According to International Farm Comparison Network (IFCN, 2018), this value is expected to double and will account for more than 30% of the world's milk production by 2033. As per a NITI Aayog Working Group report, the total demand of milk during 2033-34 would be around 292 million metric tonnes, as against supply of around 330 million metric tonnes.

Of India's 100-million-plus dairy farmers, more than 70 million hold 2-3 milch animals per head. RCEP negotiations are crucial to the survival of India's dairy sector as milk production in India is smallholder-centric. Moreover, the Indian dairy sector employs millions of

people on an annual basis, of which more than 70% are women and 69% belong to socio-economically deprived sections of the communities.

An Indian dairy producer in the organised sector receives more than 60% share of the consumer rupee as against 30% for a New Zealand-based producer. According to the IFCN (2018), in Australia and the EU, the farmers' receipt is 27% and 40% of the consumer's rupee spent, respectively (see table). Today, India is self-sufficient in milk, having surplus trade balance in dairy. Moreover, the production would grow, leaving substantial market surplus in the future.

According to the IFCN (2018) report, places like New Zealand, Australia, the EU and the US have milk self-sufficiency of more than 800%, 117%, 111% and 105%, respectively. It is, thus, natural that these countries would look for market push in countries they could manage through the RCEP.

At this juncture, we must learn from China, a country that is demographically similar to India. China's CAGR in dairy dropped from 22% (2000-06) to 0.06% (2006-17), leading to increased dependency on imports. Post-FTA, China's dairy imports increased from 3.5% to 20% by 2017. Even back home, in the case of edible oil, the entire industry has moved from self-sufficiency to import dependency post the WTO implementation in 1996-97.

According to industry estimates, the market share of Indian dairy products comprising of skimmed milk powder, butter and cheese is estimated to be around 0.5 million metric tonnes. If we allow imports, say, from New Zealand, across all value-added dairy products equivalent to 5% of their total exports in each of the above product category, it will be around 0.133 million metric tonnes. In this scenario, New Zealand alone will capture almost one-third of the market of domestic players in India, who are instrumental in procuring milk from a huge number of dairy farmers of the country. This will have an untimely

impact on the organised dairy sector, which has been improving slowly but steadily over the past few years. Indian farmers are getting better returns compared to other dairy-developed countries like New Zealand, Australia and the US. In the current scenario, import tariffs on value-added dairy products are around 64%, which helps protect the domestic dairy industry as well as the interest of small and marginal farmers (see table).

Income centrality of small and marginal farmers in India is towards dairying. We must learn from the strategic positions every country takes for allowing imports on dairy products. For example, Canada imposes a duty of 208% on all dairy products. The EU promotes non-tariff barriers with high residual and pesticide limits. Australia does not permit non-retorted dairy products from India. Countries like South Africa, Mexico, Venezuela and Chile do not permit import of dairy products from India.

According to the World Tariff Profiles (2017) of the WTO, Pakistan imposes 100% protection on its dairy products, which is the highest amongst the milk-producing countries, followed by India (64%), Brazil (49%) and Australia (4%), which is the lowest protection amongst the milk-producing countries.

The Make in India policy is the most amenable to its dairy producers and processor companies who mostly use locally available resources. Most of the resources are available as India continues to have a healthy growth in foodgrains and other crop production. For achieving the government's aim of doubling farmers' incomes by 2022-23, India needs to protect the interest of its small, marginal and landless dairy farmers.

(For this article, the author was assisted by his team at the Verghese Kurien Centre of Excellence.)

## Making a case for green bonds

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Set up a Green Investment Trust to fund green infrastructure projects in India

**T**HE EARTH SUMMIT (Brazil, 1992) brought a paradigm shift in our concept of development with the recognition that environment and economic policies must work in tandem to improve the quality of life. One of the ways to incentivise sustainable development is through low-cost financing for sustainable projects. Developed world has already recognised the need of dedicated funds for greener projects at low cost.

India is implementing the National Action Plan on Climate Change (NAPCC) to reduce emissions intensity—GHG emissions per unit of GDP—by 33-35% below 2005 levels by 2030. At least 40% of its energy in 2030 would be generated from non-fossil fuel sources. Achieving it requires massive investment as green technologies are capital-intensive. Most of the cases fall under the categories of renewable and sustainable energy that use clean technology; clean transportation, including mass/public transportation; sustainable water management; and efficient and green building.

Responding to environmental problems used to be an unappealing, no-win proposition for managers, and economic forces at work in industry are making it tougher to integrate environmental excellence into a business strategy. Hence, we need a far-sighted programme and creative solutions to address the environmental challenge. Financing, which is considered a passive activity, can contribute a lot towards reducing the cost of doing business in a greener way. Green bonds have emerged as a way to fund green projects that can reduce the cost of capital and improve returns.

Green bonds are the same as corporate bonds, but their proceeds are preallocated to green activities. Fund-raising through green bonds was done first in 2007 when the European Investment Bank raised 600 million euros under Climate Awareness Bonds. The latest success story comes from Russian Railways, whose eight-year green bond raised 500 million euros and was priced at 2.2%. The issuance was over-subscribed with an order-book of over 1.8 billion euros.

Transport is responsible for 23% of all energy-related carbon dioxide emissions globally and 14% of total GHG emissions. Road transport is responsible for 73% of carbon dioxide emissions from all transport. And India's scenario is no different.

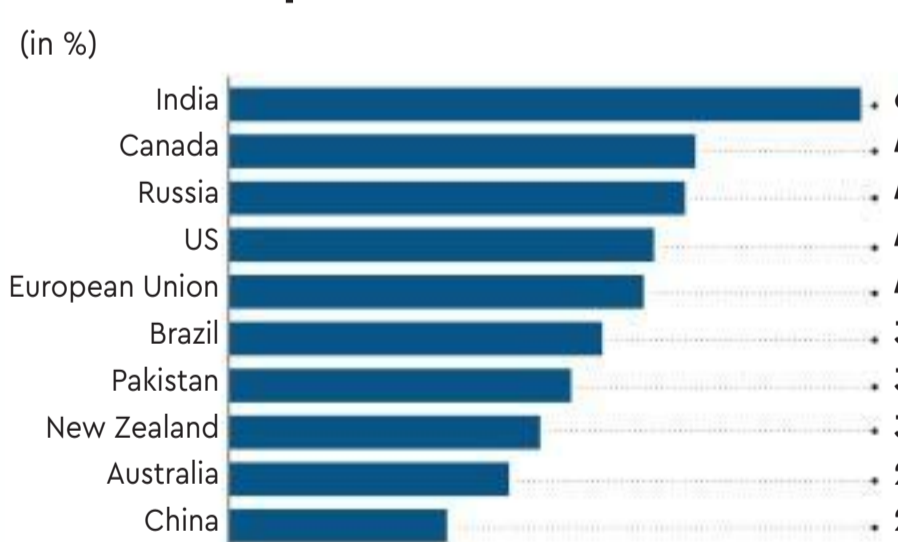
Leveraging debt capital markets towards sustainable transport infrastructure development and services has a huge potential to help achieve climate goals—71% of climate-themed bonds issued relate to low-carbon transport. This is due to a number of rail issuers, which have a long history of using bonds to raise finance. As per the Climate Bonds Standard and Certification Scheme of Climate Bonds Initiative, certain areas are most likely to get acceptance in the green bond market. These include transport infrastructure; alternative (low-carbon) energy refuelling infrastructure; vehicle technologies to significantly increase emissions efficiency (including fuel efficiency, fuel type and other vehicle improvements); and new vehicle technologies and hybridisation, autonomous/semi-autonomous vehicles.

The Indian Railway Finance Corporation (IRFC) set up a Green Bond Framework for fund raising. The proceeds were proposed to be used for financing the Dedicated Freight Corridor and electrification of railways. The IRFC had raised \$500 million in 2017 from the 10-year green bond through India INX, GIFT City. In June 2019, Adani Green Energy issued green bonds worth \$500 million through India INX at a coupon of 6.25% with three times over-subscription at a time when infra companies struggled raising funds.

The Economic Survey 2018-19 notes that India needs to almost double its annual spending on infrastructure at \$200 billion, which will require harnessing private investment. Nirmala Sitharaman, in her Budget speech, talked about international debt issuance. Issuing green bonds overseas can help realise the goal of creating a clean environment. The government can do well by setting up a Green Investment Trust, an agency for green financing, to fund green infrastructure projects. The trust can tap green funds abroad and channel the same towards green projects in India. The financial incentives in terms of low-cost funds will trigger infrastructure investments in clean transport.

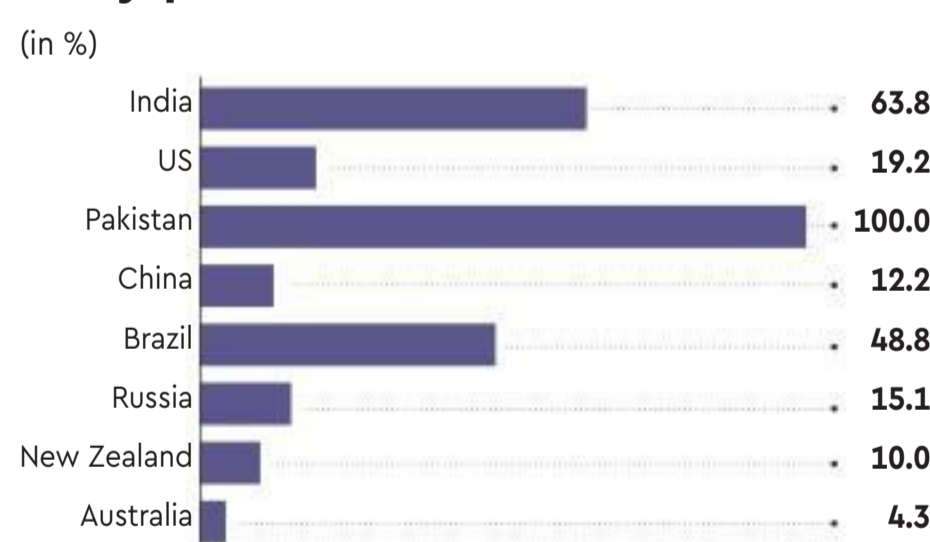
Issuing green bonds overseas can help realise the goal of creating a clean environment

### Share of farmgate milk price in consumer price (in %)



Source: International Farm Comparison Network (IFCN), Dairy Report 2018

### Average final bound duties on dairy products (in %)



Source: World Tariff Profiles 2019

## HIGHER EDUCATION

**H**IGHER EDUCATION IS now a priority area for the government, as is obvious from the recommended standards and budgetary provisions for the same in the recent Union Budget. While higher education is booming in many countries, including in India, managing the massive expansion of higher education has become challenging for governments and regulatory bodies alike. In many countries, higher education is suffering from problems such as falling standards and quality, poor infrastructure and maintenance services, inadequate support systems, capacity overload, and inadequate manpower and good faculty.

In the context of growing global competition in the higher education space, a university or a higher education institution (HEI), as an organisation, may have to cope with changes in demographic structures, descriptive technologies, regulatory reforms, new learning products and frontier research. The paradigm of a university being a static instrumental entity appears to be obsolete in terms of scope and scale. While a modern university seeks to explore new frontiers of knowledge through learning and research, it also faces issues relating to scale and scope. By scale what is implied is the capacity of a university to absorb the growing number of learners and their unmet needs in pursuit

# The university as an organisation

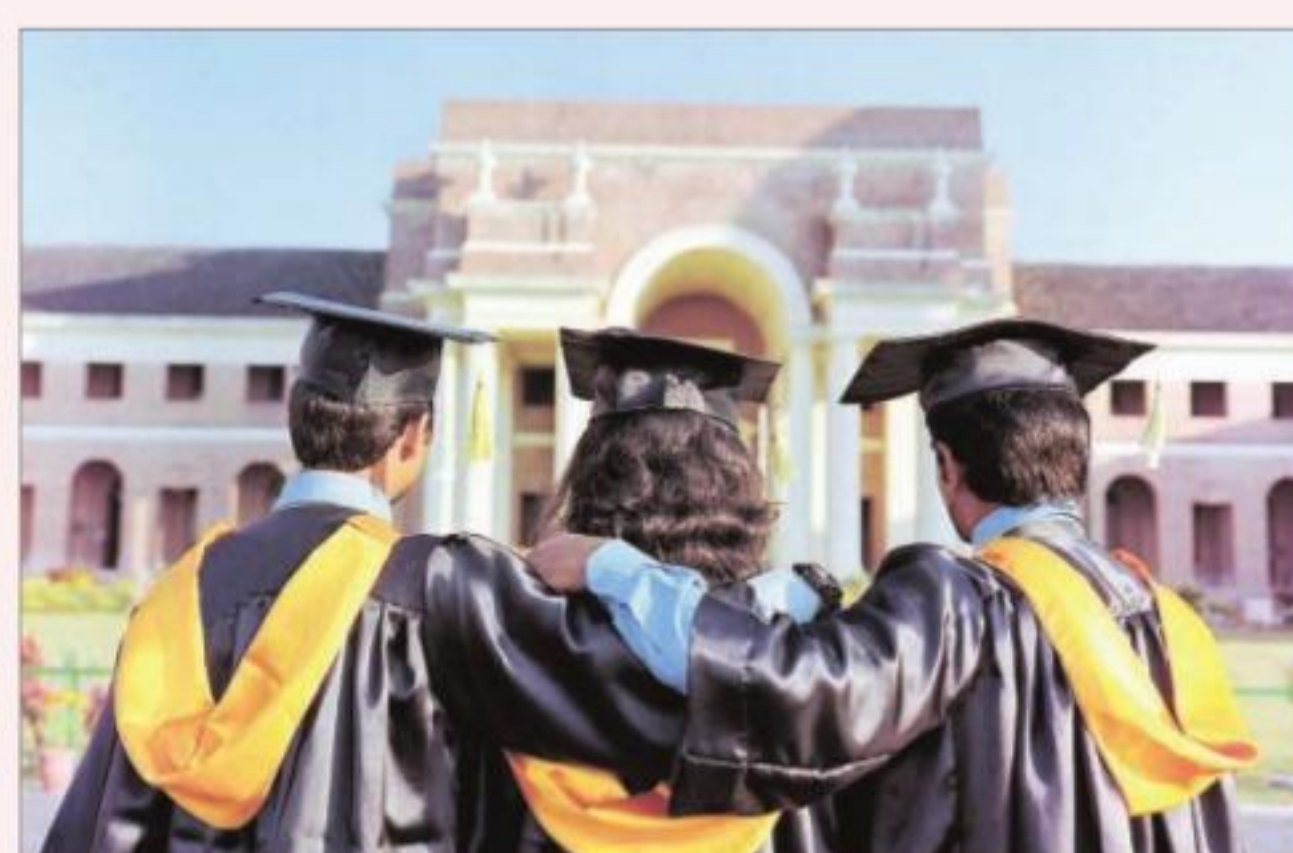
There is a need for expert management, and innovative and professional human resource development systems at higher education institutions

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of learning and research. For a dynamic university, enrolment tends to grow over time rather than remain constant over the years. Scaling up may generate quality concerns with regard to learning and research outcomes. What transforms a scaling-up university to an innovative one is its ability to invent progressive processes that coordinate between scaling up and quality concerns. In the context of scaling up that induces more quality in terms of scope for new research and learning

streams, the pivotal aspect in transforming the organisation to an innovative and resilient one depends on how a university is evolving as an organisation through systems, processes and praxis (practice). In this milieu, along with other organisation processes, human resource management is an indispensable component in organising a dynamic and innovative university into a globalised higher education system. The term 'human resource development (HRD)' has been widely used by man-



agement experts in the corporate sector. Given the recent development of HEIs metamorphosing from an institute to an organisation, HRD has to play a key role. Initially, the governance of a university or an HEI was fully taken care of by academic staff members. However, given the various challenges, objectives, accountability, governance structure, challenges of fund management in absence of full support from the government, dependence on student fees, brand-building, etc, the respon-

sibility has at least partially shifted to such challenges. This responsibility includes manpower management, recruitment, training and development, designing good HR policies for attracting and retaining talent, performance evaluation systems, staff welfare measures, etc. Currently, the role and importance of HRD is ignored at most Indian academic institutions. Given that human resources of an HEI is extremely important, whether it is

academic or non-academic, both need to be taken care of professionally to achieve the ultimate goals—bright graduates and research output—in a consistent manner.

India's HEIs have grown enormously since 1947, but the condition of higher education is still not up to global standards, and very few Indian HEIs make it to the list of the top universities in the world.

Most HEIs in India still follow traditional management systems such as the old personnel management style; instead, we need expert management systems and innovative development systems.

The primary objective of an academic institute is to develop the knowledge, skills and all-round personality of its students, and provide them high-quality and comprehensive educational training, development and opportunities. The realisation of these goals is only possible if the development and motivation of academic and non-academic staff is also taken care of.

In this context, HEIs in India should develop dynamic professional human resource management systems that should focus on (1) recruitment and selection, (2) training and development, (3) strategic human resource management, (4) higher education and development, (5) performance management, (6) human resource planning, (7) labour relations, (8) social welfare development, and (9) compensation and benefits.