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## EMPOWERING DAIRY COOPERATIVES BETTER OPTION THAN FDI IN DAIRY

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### • **Introduction:**

Foreign Direct Investment (FDI) is an investment that is made directly into production in a country by a company located in another country, either by buying a company in the target country or by expanding operations of an existing business in that country. FDI is done for many reasons- take advantage of cheaper wages in the country, and special investment privileges such as tax exemptions offered by the country as an incentive to gain tariff-free access to the markets of the country or the region. FDI is in contrast to portfolio investment which is a passive investment in the securities of another country such as stocks and bonds.

### • **Statement of Problem:**

India ranks first in production of milk in the world but national investment in the dairy industry is less than requirement. The Govt. should empower the present Dairy cooperatives instead of welcoming FDI.

### • **Objectives of the study:**

1. To Study the FDI Policy.
2. To study the role of FDI in Promoting the dairy business.
3. To study the impact of FDI on retailing dairy business.

### • **Research Methodology:**

The necessary information for research is collected from the secondary sources such as published and unpublished data, use of library method, use of websites related with FDI in dairy industry.

### • **Hypotheses:**

1. India is having satisfactory cattle population.
2. The role of Govt. policies is important in dairy development.
3. The impact of FDI is Favorable.

### • **Foreign Direct Investment :**

As part of the national accounts of a country, FDI refers to the net inflows of investment to acquire a lasting management interest (10% or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, other long term capital and short term capital as shown the balance of payments. It usually involves participation in management, joint venture, transfer of technology and expertise. There are two types of FDI : inward FDI and Outward FDI, resulting in a net FDI inflow (Positive or negative) and "Stock of foreign direct investment", which is the cumulative number for a given period. Direct investment excludes investment through purchase of shares.

FDI in India starting from a base line of less than \$1 billion in 1990, a recent UNCTAD survey projected India as the second most important FDI destination (after china) for transactional corporations during 2010-2012. As per the data, the sector which attracted higher inflows was services, telecommunication, construction activities and computer software and hardware. Mauritius, Singapore the Us and Uk were among the leading sources of FDI. According to Ernst and Young, FDI in India in 2010 was \$44.8 billion and in 2011 it experienced an increase of 25% to \$50.8 billion. India has seen an eightfold increase in its FDI in March 2012.

While the Govt. claimed farmers support to FDI in retail, the country's largest dairy co-operative and food brand Amul felt such a move will hurt the interest of both producers' and retailers. Farmers get the least returns from the modern trade and the "So Called efficiency" benefits only the large retailers as they constantly drive down the prices.

The milk producers in the US get only 38% share of the consumers dollar spent on milk, while the rest is earned by the processor and retailers. In the United Kingdom, the milk producers get only 36%. However, in India, the milk producers get more than 70% of the consumer's rupee on an average. Moreover, the milk producer affiliated to co-operatives get more than 80% share of original retail increases.

In the US, the farmers share in the consumer price has declined from 52% in 1996 to 38% in 2009, while in the UK it has declined from 56% in 1996 to 38% in 2009. This decline clearly demonstrates that the milk producers suffer when the share of organized retail increases.

For the Govt., the share of taxes would remain the same irrespective of the format of retail, while on the country; foreign retailers will demand more and more concessions and liberal policies to earn better. Further, the labour prices of large retailers were not employee- friendly and that the Govt. may have to deal with huge labour issues if liberal FDI policies are implemented in retail. If largest and most reputed Indian Corporate houses like Reliance, Tata and Birls have invested in retailing in India, we do not need to look to foreign investors to invest in Indian retail.

The small retailers in India over the past decade have improved their outlets, presentation services levels and consumer orientation significantly. The modern retail and their deep pockets due to foreign investments will destabilize the retail trade, which gainfully employs a very large section of our society. The promised employment generation in modern retail will be at the cost of unemployed shopkeepers who form the back bone of our commerce and economy.

**Conclusions:**

Dairying in India has witnessed tremendous growth during the last few decades and has come to be recognized as a patent instrument to bring about socio- economic changes in the urban and rural sectors alike. Dairying contributes a major share which is more than paddy and wheat in the total GDP of the agriculture sector. This remarkable success of Indian co-operative dairy sector can be attributed to the constant effort of scientist, planners and millions farm families across the country, the strength of Indian dairy sector lies in the fact that, despite limited FDI it has shown constituent and substantial growth. The prominence of large retailers in the dairy business in US & UK shows that it does not benefit the milk producers. Therefore it would be a better policy option to empower co-operative dairy business rather than allowing FDI.

**Suggestions:**

1. The limited FDI should be permitted in research and development of dairy industry.
2. The FDI should be in Training, Processing and Dairy Engineering.
3. There is strong need of constant contact of advanced plants from abroad and Indian co-operative Dairy business should be funded to purchase latest technology from abroad.

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