

The Sustainable Conditions and Support System for Bangladesh Dairy Sector under the Global Competition Structure: Case Studies on the main dairy farming areas in Bangladesh

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Bangladesh Dairy Sector (BDS) has a long history and paramount importance in the livelihood of local people and in generating employment, income, nutrition, and energy. By taking into account the importance of this sector in the local economy, the government established Milk Vita in 1973 by reorganizing a dairy cooperative system which was functioning since 1947. Since establishment, Milk Vita has been rendering various free services to dairy farmers and arranging development programs. As a result, members in Milk Vita have increased by times. This scenario has resulted in an increase of productivity of dairy farms, raw milk production and cattle population in the country. Per capita milk consumption also increased (BSH, 2005).

Since 1995, the government undertook the trade liberalized policy with regard to milk products while reducing the subsidy in dairy farming. Especially in late 2008, the government reduced the tariff level on imported powder milk from 75% to 36%. This change in the tariff policy resulted to a drastically increase in import of cheap powder milk in the milk market. This was not only a danger for the children who were affected by melamine but also a threat for the participants in the dairy food supply chain of the country. Especially dairy farmers and Milk Vita were confronted with a complex and rapidly changing of the milk market environment. The dairy farmers found it difficult to adjust to a situation marked by the trade liberalization and had a very little breathing time to face the challenges of global competition. Therefore, this study finds out an urgent problem for the sustainable conditions and support system of BDS.

Chapter 3 analyzed the impact of imported powder milk on the change of raw milk marketing structure and the change of private processors' behaviors and revealed the followings. 1) The sweet shops, which were the biggest user of local raw milk and, had a strong link with local dairy farmers, changed their use from raw milk to imported powder milk. 2) Most of the main processors except Milk Vita have decreased raw milk collection from dairy farmers. 3) Private processors have changed the SNF test standard from 2.5 to 4, decreased number of collection days, and changed collection times. 4) Milk Vita has bought raw milk from members and other dairy farmers at fully level of its capacity but unable to collect all the milk from the farmers. 5) Dairy farmers had to sell their raw milk at lower price rather than the existing management cost. This situation has influenced the dairy farmers to change their job, stop their business and sell their cows to the meat market.

Chapter 4 evaluated the sustainable conditions of small scale dairy farmers under the liberalized market and revealed the following. 1) 62% of the surveyed dairy farmers were small scale, but continuing their farming along with other agricultural activities. 94% of them have adopted diversified farming system. 2) 44% of them have practiced contract marketing to sell raw milk at reasonable price to urban consumers and hospitals. 3) Most of them needed an economical organ instead of middleman in the local market.

Chapter 5 analyzed the impact of the private processors' competition on Milk Vita and revealed the followings. 1) The net income of Milk Vita decreased while increasing the raw milk market share of private processors. 2) The private processors developed their strategies in raw milk collection and made miss-match between the members and Milk Vita. 3) Some of the members had their own technique of milk processing, sold only the minimum amount of raw milk to Milk Vita and used the rest to produce their products.

Chapter 6 considered the sustainable conditions of dairy farmers in the country under the global competitive structure. Although the sustainability in dairy farming was very low under the liberalized marketing system, this study considered the support system for the development of dairy sector under the global competitions. 1) The government should consider the quality checking of imported powder milk strictly, limit the quantity, increase the tariff level on powder milk, and take responsibility to protect vulnerable dairy farmers through subsidy. 2) The dairy farmers should consider a diversified agriculture, a contract marketing of raw milk with urban consumers, and following the cooperative system for avoiding the middleman in the local market. 3) Milk Vita should expand its activities by informing the purposes of the free services to dairy farmers, setting a simpler micro credit system as well as a refund system, developing an advanced raw milk collection systems for the members, adopting the joint business venture with members cum processors.