

COMPETITION COMMISSION OF INDIA

Case No. 05/28 MRTPC

Dated 1-6-2010

T.Venkatiah, Consumer Care Centre, Guntur, A.P.

Complainant

v.

Krishna District Milk Producers Mutually
Aided Cooperative Union (KDMPU)

Respondent

Order

The case has been received by the Competition Commission for consideration under Section 66 of the Competition Act, 2002. The relevant facts of the case are as follows:

T.Venkatiah, Consumer Care Centre, Guntur, A.P.(the complainant) has filed a complaint against Krishna District Milk Producers Mutually Aided Cooperative Union Limited (the respondent) on 15th July, 2008. It has been stated in the complaint that the respondent has increased the price of milk arbitrarily, three times in a year by Rs. 2/litre, while the milk marketed by AP Dairy Development Federation (APDDCF) is lesser by Rs. 2/ liter. The complainant has alleged that it amounts to restrictive trade practice by the respondent under the Monopolistic and Restrictive Trade Practices Act, 1969 (MRTP Act). The erstwhile Monopolistic and Restrictive Trade Practices Commission had taken up the matter and after conducting preliminary investigation asked the respondent to submit its comments.

2.1 The respondent in its reply *vide* letter dated 24.09.2008, has stated that their organization works on a non-profit basis and has 519 Member Presidents. It has further been stated that there are 1,31,272 member producers in the 950 village societies and about 5 lakhs rural people depend on dairy industry in the District. Whatever is earned is distributed to the poor farmers. The respondent has further stated that the rates have been increased due to the hike in the rates of cattle feed, raw materials, transport charges, packing material etc. and the organization

represented by the Board of Management has taken the decision because of the unavoidable reasons *viz.* milk is a source of income to about one and one half lakh poor member producers who belong to the weaker sections of the society in the villages. Every paisa earned belongs to the poor farmers who are owners of the organization, unlike the private dairies owned by single individuals/capitalists. The rate of all essential commodities has abnormally increased due to the impact of inflation. Of late dairying is not at all remunerative to the farmers as the cost of production of milk has increased substantially. As per the existing prices of commodities the price of production of milk has even touched around Rs. 30/- per liter. The rates of raw materials for cattle feed like molasses, maize, bran, oil cakes etc., have increased significantly e.g. the cost of molasses which was at Rs. 2400/- per ton in April 2008 has increased to Rs. 3600/- per ton during July, 2008 and at present it is Rs. 7300/- per ton. Transport charges have also increased because of the hike in prices of oil and diesel. The rates of packing material especially poly-film have enormously increased.

2.2 It is further stated that the price of double toned milk has not been increased which still is Rs. 18 per liter and is lower by Rs. 1 per liter as compared to APDDCF rate of Rs. 19 per liter. The respondent had enclosed copy of annual report with the reply. The respondent has stated that in order to save the interests of the farmers and consumers, the procurement and the consumer rates have to be increased and the board of management has taken the decision on par with sister unions. The respondent has provided a list of the rates of different types of milk by itself and APDDF respectively and stated that APDDF has also taken similar steps subsequently and increased the rate at par with other dairies.

3. A copy of the reply was forwarded by the office of The Director General of Investigation and Registration (DGIR) *vide* letter dated 13th August, 2009, to the complainant for comments. The complainant's comments were received *vide* letter dated 28th August, 2009, wherein they have mentioned that the increased sale rates by the respondent had a cascading effect on milk market in Krishna District, to the disadvantage of the milk consumers. Further, they alleged that the costing procedures do not seem to be scientifically based and accepted. They have also mentioned that submitting to public pressure the respondent reduced the rates, but the reduction was mere token one and only in respect of double toned milk.

4. The first allegation of the complainant that the increase was not necessitated is countered by the respondent saying that the procurement rate of the milk has increased considerably as it reached Rs.27 per liter from Rs. 9 per liter. an increase of twenty five times since 1992 which in turn led to the increase in the rate of consumer price. However, consumer price has increased only fourteen times since then.

5. The complainant had made averments against the respondent that it has increased the rates of milk arbitrarily while APDDF is selling the same product at a lesser rate. The respondent countered the said argument by placing the comparative chart of the rates of different types of milk wherein the rates of milk by both the producers is more or less similar. Thus this allegation of the complainant appears to be untrue on the basis of the material on record. The complainant has argued that the costing procedures do not seem to be scientifically based and accepted, the respondent has refuted this allegation by citing examples, how cost of cattle feed, transport, and packing material has increased which led to the consequential increase in the consumer prices.

6. Thus the complainant has failed to substantiate its averments and allegations made in the complaint with any documents or other material, while the respondent has reasonably explained the increase of rate in the prices of the milk by giving cogent reasons and provided facts in support thereof that the decision was rational keeping in view the welfare of large number of rural people. It is also pertinent to note that it appears from the material on record that the respondent is working for the benefit of the large chunk of farmers who depends upon the dairying for their livelihood. The respondent claimed that it's a non-profit making body and is committed to the welfare of farmers. The respondent has intensely argued that every paisa earned is shared by the farmers. They get procurement price along with the bonus for every liter of milk they supply in addition to other benefits in the form of cattle vaccinations, de-wormings, fodder seed and cattle insurance etc. The complainant has not addressed these contentions of the respondent in his comments. The contention of the respondent that if in the backdrop of given facts and circumstances, had the respondent not increased the rates of milk the interests of quite a lot of farmers and rural people were likely to be jeopardized, is not controverted by the complainant.

7. In view of the forgoing discussion and arguments of the respondent no case is made out against the respondent and no violation of the provisions of the concerned law, seems to have taken place. Therefore, after going through the entire material on record and taking into consideration the facts and circumstances of the case and the issues involved therein, the Commission is of the opinion that ^{no case has been established against the} respondent ~~has not indulged in any kind of~~ ^{the} restrictive trade practices. Hence the commission decides to close the matter. _{about}

8. The matter is closed hereby. The Secretary is directed to inform the parties accordingly.