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ABSTRACT

Operation Flood and dairy co-operatives emerged in India as the largest rural employment scheme, enabling the modernization of the dairy sector to a level from where it can take off to meet not only the country's demand for milk and milk products but can also exploit global market opportunities. This study reviews the existing status of milk marketing and dairy co-operatives in India and provides recommendations to meet future challenges. The results of the study indicate that 80 percent of the milk produced by the rural producer is handled by an unorganized sector and the remaining 20 percent is handled by an organized sector. It is found that the dairy co-operatives play a vital role in alleviating rural poverty by augmenting rural milk production and marketing. Involvement of intermediaries; lack of bargaining power by the producers; and lack of infrastructure facilities for collection, storage, transportation, and processing are the major constraints which affect the prices received by producers in milk marketing. Milk quality, product development, infrastructure support development, and global marketing are found to be future challenges of India's milk marketing.

KEYWORDS

Bargaining, Employment, Marketing, Product development, Unorganized sector.

INTRODUCTION

The national income is contributed by many sectors and among them occupies an important place the agricultural sector. In the agriculture sector, the dairy sector plays a vital role. The dairy sector of India has witnessed some major changes over the last two decades. As a result of concerted efforts towards total dairy development, our milk production has nearly trebled. "The milk has now become the largest single agricultural commodity with dairy industries estimated at more than Rs. 52,000 crores, a figure which is expected to reach Rs. 88,000 crores per annum by the next century"¹ In the beginning of next century. "The milk production of India which had stagnated at around twenty million tonnes for the past twenty years (1980 - 2000), began rising from 2000 onwards and crossed over 50 million tonnes mark in 2002. In 2007-2009 the milk output was around 59 million tonnes. The milk production is poised to reach the 76 million tonnes.

As a matter of fact, encompassing a wide geographical area and reflecting different political systems, differing level of economic development, social systems, changes in tastes, preferences and traditions, the approach to dairy development has varied widely from region to region in India. The prosperity of any land from time immemorial has been measured in terms of the flow of milk. History establishes that India was a land of milk before foreign innovations. After the break of the services union, India has become the second largest milk producer in the world next to the USA.

REVIEW OF LITERATURE

The dairy sector is a very important productive activity in Indian agriculture, as milk is the second largest agricultural commodity contributing to GNP, next only to rice, and generates a regular flow of income to the farmer's family throughout the year. It is recognized as an important activity suitable for employment generation and value addition in the agricultural sector in the Indian economy in general and for rural families especially, small and marginal farmers and landless agricultural laborers in particular. But the success of dairy farms (or plants) largely depends on the effective management of operations like milk marketing, because marketing provides a stimulus to greater production and thereby increases demand, which provides its own incentive to increase supply. An efficient marketing system results in a higher proportion of producer profit in the consumer rupee, which influences the producer's decision to invest resources in a particular economic activity in a particular time period. An efficient marketing system also helps bring quality product to the consumers at the lowest possible cost.

Therefore the analysis of milk marketing channels, marketing costs, and the margins of market middleman are essential for dairy development at the micro level, and in formulating plans for improvements in the dairy sector through higher value addition and increased employment generation in agriculture, based on sound economic principles, at the macro level. In India dairy plants have different systems of milk marketing, namely non-cooperative and cooperative. But the marketing of milk and milk products in India is dominated by the unorganized sector, and the organized sector handles only about 14 % of total milk production (Gol, 2004). The dairy cooperatives are considered a vital channel for the improvement of production and the reduction of the cost of procurement, processing, and marketing of dairy products through the economy of scale approach, together with the provision of quality milk to the consumer at the lowest cost. It is also important to mention that dairy cooperatives accounted for the major share of processed milk in the country during 2007- 08 (NDDB: 2007-08). Operation Flood (currently White food), launched in 1970 by the National Development Dairy Board and the world's largest dairy development programme, has been acclaimed as one of the most successful development cooperative programmes¹. In spite of the significant contribution to milk production and marketing by cooperatives in India, many non-cooperative dairy farms have simultaneously been producing and marketing milk. But the study of milk marketing is less in relation to the study of milk production under both cooperative and non-cooperative system.

However there have been several studies of the marketing of liquid milk in both cooperative and non-cooperative Indian dairy plants (Rangaswamy and Dhaka, 2008; Pawar and Sawant, 1979; Devaraja, 2001; Rajendran and Mohanty, 2004; Sharma et al, 2007; Kanmony and Gnanadhas, 2004; Sujatha et al, 2004; Duhan et al, 2004; Singh and Dayal, 2004; Naik and Dalwai, 1998, Koshta and Chandrakar, 1998; Beohar, 1998; Singh and Rai; 1998). These studies show that there is great variation in the marketing efficiency of different cooperative and non-cooperative milk producing firms in different resource situations, due to variations in marketing costs and marketing margins. Keeping this in view, the present study is an attempt to examine empirically the price spread, marketing costs, marketing margins, marketing efficiency, and profit efficiency among market middlemen in cooperative and non-cooperative marketing channels in the domestic trade market of liquid milk in India

OBJECTIVES OF THE STUDY

The following are the objectives of the present study:

1. To review the structure and functions of the Co-operative milk supply society
2. To find out the existing marketing practices and to identify the problems which it has to face in the marketing of milk.
3. To analyse the cost structure involved in the pricing of milk.
4. To assess the functioning of the society from the consumers point of view.
5. To offer suitable solutions to overcome the problems identified.

HYPOTHESIS

The present study aims at testing the following hypothesis:

1. When there is reduction in the price of milk, the consumers will buy more.
2. The price charged by the society is not a reachable one.

CONCEPTUAL DISCUSSION

The important concepts used in the present study are the Co-operative milk society, vendors, consumers and the appropriate government.

I. CO-OPERATIVE MILK SUPPLY SOCIETY

In this study, the Co-operative milk supply society refers to the institution which is based on the Co-operative principles to distribute milk to the consumers.

II. VENDORS

It includes any person who is engaged for distribution of milk to the consumers either in booths or by door to door delivery.

III. CONSUMERS

For the present study, consumers refers to the persons who are actually the buyers of milk from to society.

IV. APPROPRIATE GOVERNMENT

The appropriate government may be the central or the state government of Tamil Nadu government.

RESEARCH DESIGN

METHODOLOGY

I. SAMPLING DESIGN

A topic of this nature required the selection of a suitable place. In Tamil Nadu, the milk supply societies are concentrated more in Tuticorin district than in any other districts. In Tuticorin district, Kovilpatti milk supply society has been selected purposely since, it is the biggest society covering a vast area in Tuticorin District. Moreover, the researcher belongs to this area.

II. STATISTICAL TECHNIQUES

Progressive mean, standard deviation, chi-square test have been applied to analyze and interpret the data collected.

PERIOD OF THE STUDY

The present study covers a period of one year 2008-2009 in order to ascertain the latest trends in the field.

LIMITATIONS

The members and the private vendors have not been covered by this study due to the time and cost constraints. As there are large number of consumers in the society a limited sample has been taken by "Convenient Sampling method".

ANALYSIS AND INTERPRETATION

The data for the present study was collected from the respondents through a questionnaire. Results were tabulated and analysed by using appropriate statistical techniques mentioned in the research methodology. The results from the statistical analysis and the objective-wise analysis of the study are presented in this section.

A. Channels of Distribution of Milk

TABLE - 1.1

S.No	Channel	No of Booths	In Ltrs	Percent
1.	Through Booths	5	1000	23.53
2.	Through Vendors	28	3250	76.47
		Total	4250	100

Source: Primary Data

76.47% through vendors and the remaining 23.53% of milk through booths. For detailed analysis, the society shall take efforts to increase the number of booths so as to cover all the areas of the society.

B. Timing of Milk Supply

TABLE - 1.2

S.No	Periods	Time
1	Morning	6.00 to 7.30pm
2.	Evening	4.00pm to 5.30pm

Source: Primary Data

It is suggested that the society shall try to supply milk according to the convenience of consumers also by introducing some flexibility in the time schedule.

C. The opinion on timings of the supply of milk

TABLE 1.3

Timing	No of families	Percent
Satisfied	52	65
Not Satisfied	28	35
Total	80	100

Source: Primary Data

Table 1.3 depicts that 65% are satisfied with the present timing. The remaining 35% felt that present timings is inconvenient in the sense that they require milk at least half an hour earlier than then usual timings in the morning and half an hour later than the usual one in the evening.

D. Daily milk requirements of sample families

TABLE 1.4

Income	Family Classification	No. of Families	Milk Requirement in ltr	Average purchase in Ltr
Below 3000	Low Income	16	17	1.00
3001 – 5000	Middle Income	28	49	1.75
Above 5000	High Income	36	72.5	2.00
	Total	80	138.5	

Source: Primary Data

Table 1.3 shows that, there is a direct relationship between income and purchase of milk. It reveals that the high income families are purchasing averagely 2.00 liters of milk per day whereas the middle income families are buying averagely 1.75 liters daily and the low income families are purchasing nearly 1.00 liter per day. It shows that higher the income, higher is the daily consumption. So the society must concentrate on high income people and also it should take efforts to improve the daily consumption of the lower income people.

E. Rate Charged

TABLE 1.5

Rate	No of Families	Percent
Rate High	40	56.25
Rate Reasonable	35	37.5
Rate Low	5	6.25
Total	80	100.00

Source: Primary Data

It has been observed from the above table that only a merge percentage of sample families constituting 6.25% feel that the rate is low and 35 families representing 37.5% feel that the rate is reasonable which has been proved by the Chi – Square test as given, below and the remaining 40 families forming 56.25% are of the opinion that the rate is high. However, it is found through enquiry that, it is the practice of the society to raise the existing price first. Whenever the price is raised by the Society, immediately it is followed by the private vendors. Instead of acting as a price controller the society seems to act as a price fixer now-a-days. It is not good trend.

COMPUTATION OF VALUE OF CHI – SQUARE

TABLE 1.6

Observed Frequency	Expected Frequency	(O-E)	(O-E) ²	$\frac{(O-E)^2}{E}$
40	26.67	13.3	178	6.67
35	26.67	8.33	69	17.62
5	26.67	-12.67	470	2.54
80		8.96	717	26.88

Source: Primary Data

Degree of Freedom = (r-1)
 = 3-1
 = 2

For 2 d.f, Chi – square value = 5.99 (table value)

Since the calculated value of Chi-Square is more than the table value, the hypothesis viz, “the prices charged by the society is not a reasonable one” is rejected.

F. Reduction in the price of Milk

Since the price factor is a decisive one in any purchase, an analysis has been made regarding the impact of price reduction if resorted to on the level of their purchase and put forth in Table 1.7

THE IMPACT OF PRICE REDUCTION ON THE PURCHASE OF MILK

TABLE 1.7

Rate reduced by (paises)	No of families nearly to buy			No. change in Families
	½ ltr	1 litre	1.5 litre	
0-10	-	-	-	80
10-20	3	-	-	77
20-30	5	3	2	67
30-40	22	11	-	34

Source: Primary Data

From the above table, it is evident that out of 80 families, 46 families are willing to purchase as additional quantity of milk if the price is reduced by 10 to 40 paises per litre. This means that there is a great impact on the slight reduction in price. It shows that the purchase is not standardized. This has again been proved by the application of statistical technique namely standard deviation as given below. Since, the mean value is more than the calculated standard deviation value, the hypothesis, viz., “the consumers will buy more there is a reduction in price” is accepted. The impact of price raise has not been analysed since 56.25% of the sample families already feel that the price is very high as reported in table 1.6. If the increased price considered, the purchases might be affected. Hence, it is suggested that the society shall take all efforts to maintain this existing price at least.

CALCULATION OF STANDARD DEVIATION

THE IMPACT OF PRICE REDUCTION ON THE PURCHASE OF MILK

TABLE 1.8

Class Interval	Frequency (f)	Mid Value (m)	D= $\frac{m-5}{5}$	Fd	Fd ²
0-10	0	5	0	0	0
10-20	3	15	2	6	36
20-30	10	25	4	40	1600
30-40	33	35	6	196	39204
	46		12	244	40840

Source: Primary Data

Value of std deviation = 146

G. Behaviour of the Co-operative Staff

TABLE 1.9: OPINION OF THE STAFF

Behaviour	No. of Families	Percent
Courteous	44	55
Moderate	20	25
Rough	16	20
Total	80	100

Source: Primary Data

The growth of any business depends on the efficiency of the staff members. At present, there are 38 staff members working in the society. An overall idea regarding the behaviour of staff towards the consumers is analysed and presented in table 1.9

It is heartening to note from the above table that a vast majority of the sample families, representing 55% feel that the behaviour of staff is only courteous and it moderate in the case of 20 families. Only a very low percentage 20% of families feels that they rough service. So, to improve the behaviour of staff, it is suggested that a complaint book shall be placed both in the office and at the booth and it must be made known to every consumers.

MAJOR FINDINGS

1. As far as the Kovilpatti Co-operative milk supply society is concerned, the management is vested with a board, which consists of nine members elected by the general body as per the election procedures. In addition to the procurement and sale of milk, making arrangements with the nationalized banks for issuing loans to members. Selling green fodder to its members at subsidized prices and providing employment are the other functions of the society.
2. The current study has given due importance to the marketing practices of the society. At present, the society procures milk both from its members and the chilling centre in order to meet the demand and requirements of the consumers in Kovilpatti.
3. A careful analysis of the selling price shows that the price has increased from Rs. 12.00 in 2005-2007 to Rs24.00 in 2008-2009, thus representing an increase of Rs 12.00. On personal enquiry, it was found that it is due to the fact that the rate charged by the chilling centres has considerably increased during that period.
4. The pricing policy of the society is divided into two stages, namely policy regarding purchase price and selling price. Regarding the purchase policy, it is found that the society is following the two axis pricing system for its procurement from the members. Under this system, the society is making payment on the basis of Fat & SNF contents in the procured milk.
5. Regarding the sales policy, it is found that the society is not having any scientific policy, it is found that the society is not having any scientific policy. All the costs incurred are not independently and scientifically maintained by the society. Hence, an attempt has been made by the researcher to find out the actual cost on scientific lines by adopting the single or unit output costing.

SUGGESTIONS

1. To increase the numbers of milking members and to procure more milk from members. It is suggested that the area of operation of the society shall be extended to a radius of at least 12 kms.
2. It is also recommended that the society shall make their procurement rates known to all residing in the area of operation so as to attract more suppliers of private dealers and thereby achieve the target of the required number of milking members.
3. In order to tackle out the problems related to the payment of high price to the chilling centers, it is advised that the society shall take efforts to take payment on the basis of the Fat and SNF contents so that the society can have an effective control over its procurement price.
4. Again, the study suggests that the society shall try to supply milk according to the convenience of consumers also by introducing some flexibility in their distribution time schedule.
5. Regarding the reduction in price of milk the present study would like to suggest that the society shall try to reduce its existing price at least by a very small margin since the price reduction has much impact on the level of their purchases.
6. The Success of any business depends on the attitude and preferences of the consumers.

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