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Strengths, obstacles and opportunities in marketing of dairy products: An analysis of dairy farmers in private and cooperative sectors of Uttarakhand

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Abstract

The investigation was conducted with the objectives to study strength and weaknesses of milk and milk products marketing in private and cooperative sectors. A random sample of 60 farmers comprising of 30 milk producers selling milk to private and 30 milk producers selling milk to cooperative sectors was drawn for the study purpose. Then a random sample of 10 private milk product producers was drawn from Rudrapur and Khatima blocks of district Udham Singh Nagar. Ghee and paneer were the only two common milk products found in private and cooperative sectors whose comparative study could be made. The respondent was asked to allot marks to various variables indicating strengths and weaknesses. A three-point scale method was adopted to find out the rank. Surety of price was reported to the most favorable strength of cooperative milk marketing, while lack of quality control measures was judged as the severe weakness of cooperative milk marketing. Milk and milk product producers under private sector considered high price of milk and current payment facility to be most favorable strengths and highly competitive marketing conditions was considered to be the severe weakness. Milk and milk product producers under private system faced acute problem of highly personal competitive market condition. Customer oriented market research and development should be accorded higher attention by the cooperative sector, so as to attract consumer preferences. So emphasis should be made on products like Shrikhand, Paneer, Khoa, Lassi, ice-creams, flavoured milk, dairy sweets etc that offer good flexibility in the market place. Infant foods, designer milk or milk products for a niche market like low calorie, low fat, cholesterol free, Sugar free etc. should also be taken care of.

Keywords: DUSS, Three-point grading scale, constraints

Introduction

Livestock plays a vital role in Indian economy and farming system. More than half of the population depends upon livestock. The Indian dairy sector is the largest contributor in the Agriculture Gross Domestic Product (GDP). India is the largest producer of milk in the world with an annual milk production of 176.3 million tonnes (Economic survey 2017-18). Around 46 per cent of the milk is consumed in the form of liquid milk, 47 per cent as traditional dairy products and 7 per cent as western dairy products. Although India is one of the world's leading milk producers, yet the northern parts of the country are facing acute shortage of milk supply. After formulation of Uttarakhand there was emergence of functional cooperative society “Uttarakhand Cooperative Dairy Federation Ltd.” trade named “Aanchal” for milk procurement and processing in Uttarakhand. Major milk producing animals in Uttarakhand are cattle and buffalo which constitute about 43% and 24 % of the total livestock population in the state respectively. The annual milk production is about 1,195 thousand tonnes. (Dairy India 2007). Out of total milk produced in Uttarakhand, only 21900 thousand litres of milk is handled by cooperative, which is about 7.6 percent of total milk produced (Smarika, UCDF, Lalkuan).

Problem Statement: India has emerged as a largest producer of milk in the world. Bulk of milk produced is utilized for drinking purposes (direct use) and processing is mainly done in

unorganized sector for making traditional product like Khoa, curd etc. Value addition consequently is low. Demand for milk and milk products is income elastic. Further it has also been estimated that supply of milk and milk products has been growing at a faster rate than its demand giving rise to expected surplus (71.54million tones) of milk in the country by 2020. Therefore there exists good prospects for value addition in Indian dairy industry.

In Uttarakhand percapita consumption of milk is 220 gms per day, whereas percapita availability is 365 gms per day, which is more than as recommended by WHO (283gms per day) (Dairy India 2007). Thus the state is having substantial surplus of milk. In spite of sincere efforts being made for the development of organized sector, only 15% of the total milk produced in the country and 7.6 % in the state of Uttarakhand is marketed through organized sector. Efficiency in a dairy plant involves the procurement, processing, packaging and marketing of a high quality products at the lowest cost. The above problematic situation calls for a thorough investigation into constraints faced by dairy farmers in marketing of milk and milk products under cooperative and private sectors. Therefore to sustain the pace of production and processing of milk in the state, the results of the present study would serve as a guide to the policy makers, producers in improving the efficiency of various functions of the system, which would ultimately benefit the private producers as well as cooperative organization on which a good deal of emphasis is being placed for planned economic development of the country. With this practical utility in mind, this study has been undertaken in Udham Singh Nagar district of Uttarakhand with the following objectives.

Objectives

1. To study strength and weaknesses of milk and milk product marketing in cooperative sectors.
2. To study strength and weaknesses of milk and milk product marketing in private sectors.

Data and Its Sources: The study was based on primary and secondary data in order to analyse economic status of milk and milk products in potential sectors. The primary data was collected through the personal interview method from milk producers as well as from milk product producers on a well constructed survey schedule, questionnaire through personal interviews. The secondary data was collected from Dughd Utpadak Sahkari Sangh, Khatima and from various published records.

Sampling Technique: A multistage random sampling was used to achieve the objectives of the study. Two samples were drawn for the study, one for milk and another for milk products. The district Udham Singh Nagar comprises seven development blocks. These are Rudrapur, Gadarpur, Bajpur, Kashipur, Jaspur, Khatima and Sitarganj. The blocks are more or less agriculturally homogeneous. In the first stage, two highest milk producing blocks were purposively selected from district Udham Singh Nagar. Rudrapur and Khatima are the two highest milk producing blocks in district Udham Singh Nagar. So in the first stage, these two blocks were purposively selected for the study. In the next stage, a list of all the villages in the selected blocks was prepared and then two

villages were purposively selected from each block; one having majority of farmers selling milk to cooperatives and other village having majority of farmers selling milk to private sectors. From Rudrapur block Jawahar Nagar was randomly selected to study farmers selling milk to cooperative and from Kiccha to study farmers/milk producers selling milk to private sector. Majhola and Melaghat were the two villages which were randomly selected to study respectively the cooperative and private milk production in Khatima block of district Udham Singh Nagar.

Finally a random sample of fifteen farmers was drawn from each village. Thus a random sample of 60 farmers was drawn for the study purpose (30 milk producers selling milk to private and 30 milk producers selling milk to cooperative sectors). The detail of sampling is presented in Table 1.

Table 1: Udham Singh Nagar District (Two Blocks)

Rudrapur		Khatima	
Villages			
Jawahar Nagar (Coop.) (15)	Kiccha (private) (15)	Majhola (Coop.) (15)	Melaghat (Private) (15)
Total sample milk producers =60			

In case of milk products, there is only one cooperative unit namely Dugh Utpadak Sahkari Sangh (DUSS), Khatima in U.S. Nagar district and was selected for the study purpose. A random sample of 10 private milk product producers was drawn from Rudrapur and Khatima blocks of district Udham Singh Nagar.

Analytical Procedures

Constraints of milk and milk product marketing in cooperative and private sectors

A grading scale was adopted to fulfill the objective of the study. A three-point scale was adopted to find out the rank.

Table 2: The grade scale and constraints

Strengths	Grade scale	Weaknesses/constraints
Not of accounting	0–3.5	Least severe
Favourable	3.5–7.5	Severe
Most favourable	7.5–10	Most severe

The respondent was asked to allot marks to various variables indicating strengths and weaknesses. For grading of weaknesses, variables accounting for 7.5 or above in the three point scale was treated as most severe constraint, followed by severe weakness having grade point between 3.5 to 7.5. However, variables attaining less than 3.5 grade was considered least severe weakness.

Results

1. Strength in marketing of milk and milk products in cooperative sectors

As indicated in Table 3 the major strength of cooperatives as viewed by the respondents was surety of prices and receiving payment in lump sum amount for the milk and accordingly the respondents allotted 8.5 marks to the first one and 8.0 to the latter one. However, transportation facilities for milk and milk product marketing and assured market round the year for milk producers was regarded as favourable strength of cooperatives.

Table 3: Strengths of cooperative marketing

S. No.	Strengths	Marks allotted
(a)	Surety of price	8.5
(b)	Payment of lump sum amount	8.0
(c)	Transportation of milk and milk products	6.5
(d)	Assured market round the year to milk producers	5.5
(e)	Quality maintenances facilities provided at booths and parlors	5.0
(f)	Autonomy to milk unions in fixing milk prices	3.0

Quality maintenance facilities provided at booths and parlors was regarded as favourable strength by 5 milk product agents or distributors of cooperatives selling ghee and paneer in local markets. However, according to five respondents, autonomy of milk unions in fixing milk prices was allotted 3.0 marks and thus was considered as strength of not much importance.

2. Weaknesses in marketing of milk and milk products in cooperative sectors

Lack of quality control measures at milk collection centres and sales outlets was the most severe weaknesses and accordingly milk and milk product producers allotted 8.5 marks out of 10 to this constraint as indicated in Table 4. Cooperatives system lacked new advanced machinery and equipments, thus the constraint old machinery and equipment was allotted 8.0 marks by the respondent. This was viewed as the second most severe weakness of cooperative marketing by milk and milk product producers.

Table 4: Weaknesses of cooperative marketing

S. No.	Weaknesses	Marks allotted
1.	Lack of quality control measures	8.5
2.	Old machinery and equipment	8.0
3.	Spoilage of milk and milk product due to late arrival or breakdown of vehicle and due to poor keeping quality in sales outlets	7.5
4.	Lack of advertisement	7.0
5.	Lack of funds	6.5
6.	Negligence and dishonesty of employees	6.0
7.	Low incentives and salaries to marketing staff	3.0

Cooperative give less importance to advertisement and sales promotion activities. Thus was allotted 7.0 marks by the respondents and was one of the severe weakness of cooperative system. Lack of funds, dishonesty and negligence of employees with 6.5 and 6.0 marks were revealed as severe weaknesses of cooperative marketing system.

3. Strength in milk and milk product marketing in private sector

According to the milk producers under private system, the current payment facilities was the most favourable strength of private and as such they allotted 9.5 marks in the three point scale (Table 5). Milk producers under this system also enjoyed the high price of milk and accordingly was considered one of the most favourable strength of private system and was allotted 8.0 marks. Dudhia collects milk from the milk producers house and milk product is being sold from the producer counter itself and as such no problem of transportation arise in private system. This was considered as the favourable strength of private system.

Table 5: Strengths of private system

S. No.	Strengths	Marks allotted
1.	Current payment facility	9.50
2.	High price for milk	8.00
3.	No transportation problem	6.75

4. Weaknesses in milk and milk product marketing in private sector

Table 6 depicts that the milk and milk product producers under private system faced acute problem of highly personal competitive market condition. Hence allotted 7.5 marks to this weakness. Localized distribution of dairy products scoring 6.0 marks was considered as the next severe weakness of private marketing system. Poor keeping quality in the sales outlets and high packaging cost with 5.5 and 5 marks respectively in 10 point scale were considered as the severe weaknesses of private marketing system. Whereas unassured marketing of milk and milk product under private system due to interior location was considered as least severe weakness of private marketing system.

Table 6: Weaknesses of private system

S. No.	Weaknesses	Marks allotted
1.	Highly personal competitive market condition	7.5
2.	Localized distribution of dairy products	6.0
3.	High packaging cost	5.5
4.	Poor keeping quality in the sales outlets	5.0
5.	Un-assured marketing	3.0

So in order to improve the efficiency of milk and milk products marketing in cooperative and private sectors. Improvement in raw milk by its chilling and refrigerated transport is vital for making quality products. The old machinery and equipments should be replaced to reduce cost on repair and maintenance. Emphasis should be made on advertisement and public awareness about the product. Milk and milk products can be transported over long distances by applying large capacity, fully utilized vehicles, preferably refrigerated or at least insulated, which can carry other products which are compatible with milk. Quality control of dairy products should also be evolved by providing better maintenance facilities at booths and parlors. Qualified and technical staff should be recruited. Competition is being tough in the market. So emphasis should be made on products like shrikhand, paneer, Khoa, Lassi, ice-creams, flavoured milk, dairy sweets etc. that offer good flexibility in the market place. Infant foods, designer milk or milk products for a niche market like low calorie, low fat, cholesterol free, sugar free etc. should also be taken care of.

Policy Implications

- Customer oriented market research and development should be accorded higher attention by the cooperative sector, so as to attract consumer preferences. Brand popularity of its products trade named "Anchal" should also be enhanced.
- The private milk product producers should enhance their scale of production in order to reduce manufacturing cost. Further they should economise on procurement cost of milk by developing their own procurement network instead of depending upon dudhia, and should also focus on adequate planning and increased market sales.

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