

Marketing Channels Used by Small-scale Milk Producers: A Study in Azamgarh District

Dr. Kaushlendra Vikram Mishra¹

Associate Professor & Head, Department of Economics, Sri Gandhi P.G. College, Maltari,
Azamgarh (Affiliated to V.B.S.Purvanchal University, Jaunpur, UP).
Email: dr.kvm77@gmail.com

Dr. C.K. Goyal²

Associate Professor & Head, Institute Of Business Management And Research, IPS Academy, Indore
(Affiliated to DeviAhilya University, Indore, Madhya Pradesh, India)
Email: goyalck@rediffmail.com.

ABSTRACT

India is the world leader in the milk production since long. This has been achieved by the millions of small-scale milk producers in the country. Though, the role of marketing channels has great importance for any field of production however, the perishable nature of raw milk makes the marketing channels more crucial for the small-scale milk producers. Like other developing countries, in India there is co-existence of “direct” and “indirect” channels for the marketing of milk and dairy products. In indirect channel, there are many intermediaries between milk producers and final consumers. These are - the milk vendors (dudhia) 'halwais', hotel & restaurants, private dairies, and co-operative dairies. They collect milk from cattle breeders and supply milk to the customers at their doorstep. The direct channel of milk marketing, milk producers not only produces the milk but also, distribute to the final consumers. Of the estimated milk production of about 132.4 million tons of milk during 2012-13, the organized sector, primarily through the dairy cooperatives and organized private dairies, handled 10-12% of the total milk production, and the rest finds its way into India's large, complex, highly differentiated traditional milk marketing channels.

In the present study, an attempt has been made to examine the different marketing channels applied by small-scale milk producers in the research area.

Key Words: Marketing channels, small-scale milk producers, direct channel, indirect channel, Dairy cooperatives etc.

INTRODUCTION:

The role of marketing channels has great importance for any field of production but the perishable nature of raw milk makes the marketing channels more crucial for the small-scale milk producers. Like other developing countries, in India there is co-existence of “direct” and “indirect” channels for the marketing of milk and dairy products. The direct channel of milk marketing, milk producers not only produces the milk but also, distribute it to the final consumers. However, in the indirect channel, there are many middlemen between milk producers and final consumers.

In this research, we have elaborated about all the milk marketing channels first and then studied the different Marketing Channels available for Small-scale Milk Producers in the research area. It also includes the advantages and disadvantages of marketing channels, type of milk marketing channels available in the study area. Besides this “SWAT” analysis of the small-scale milk producers has also done here.

REVIEW OF LITERATURE:

Ibrahim M.N.M., Staal S.J., Daniel S.L.A. and Thorpe W. (1999) have studied and found that Milk collecting organisations and private milk collectors play a key role in the formal milk collection network while small scale processors, restaurants, hotels, canteens, neighbouring consumers etc. are dominant in the informal milk market.

Ghosh Ashoke Kumar and Keshav Lall Maharjan (2002), in their study “**Milk Marketing Channels in Bangladesh: A Case Study of Three Villages from Three Districts**” observed that most of the dairy farmers were small in size, their milk production low and they market the surplus milk after consumption. The milk price is not fixed under the traditional marketing system and milk producers frequently suffer from low price,

seasonal price fluctuation, and irregular payments. Intermediaries on the other hand, appropriate larger margins from milk market. However, the cooperative price was fixed and it varied according to the fat content of the milk. The marketing channels of cooperative are more efficient than the other channels.

Khare Prashant, H. O. Sharma and T.B. Singh (2003) in their study “**Marketing Analysis of Milk Production in Bhopal District of Madhya Pradesh**” observed that as the distance of the milk producer's co-operative societies increases from the dairy plant, the volume of milk collection decreases. Producers got only 71.84 per cent share in consumers rupees.

Rajendran, K. (2005), in his study “**Dairy Co-Operatives and Milk Marketing In India: Constraints and Opportunities**” found that the 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.

Sharma Vijay Paul, Kalpesh Kumar and Raj Vir Singh (2009), in their study “**Determinants of Small-Scale Farmer inclusion in Emerging Modern Agrifood Markets: A Study of the Dairy Industry in India**” found that market infrastructure such as road, provision of veterinary services, distance from milk collection centre, markets, milk collection centre, price risks, etc. are found to have significant effect on farmers' marketing choices. Moreover, the study revealed that education, membership of producers' association/cooperatives, provision of veterinary services, and herd size have significant impact on cooperative marketing channel. Modern market channel farmers have higher dairy income than traditional channel farmers, which is explained by higher yields obtained by modern channel farmers but they receive lower prices than traditional market channel farmers.

Chaturvedi Bhartendu Kumar (2013), in his study “**Economic Viability of Milk Producing Units with intervention of Marketing Strategy in Rural Areas of Uttar Pradesh, India**” found that there was three types of marketing strategy used by milk producing units in the study area. Type-I: complete control over the chain of production to marketing, Type-II: joint arrangement in marketing and Type-III: wholesaler and retailer system of marketing. Study revealed that only the units opting for strategy Type-III is economical viable.

OBJECTIVES OF THE STUDY:

Following are the main objectives of the study-

1. To understand advantage and disadvantage of different milk marketing channels,
2. To find out marketing channels available for small-scale milk producers,
3. To understand strength and weakness of small-scale milk producers,

RESEARCH METHODOLOGY:

●Method of Research

Descriptive research method has been used for this research. This study is based on three various socio economic groups, therefore a systematic and organized methodology was obtained for the research study. A survey design was used to obtain the required information.

●Selection of the Sample:

The study has conducted at Azamgarh district of Uttar Pradesh. The present study covers 100 households in the district. Using multistage random sampling a sample of 100, households representing various socio-economic groups have been selected.

Stage-I: In the first stage, among 7 tehsil, 1 tehsil has selected at random from the Azamgarh district.

Stage-II: In the second stage, five revenue villages have selected randomly from tehsil.

Stage-III: In the third stage, ten households have been selected from each revenue village.

●Collection of Data:

The primary data were collected through personal interview with the milk producers by the aid of the schedule designed for the study. Personal observation of the facts were also given due consideration.

●Tools and Techniques:

A number of statements indicating the marketing channels relating to small-scale milk producers have been developed and the respondents have to ask to express their agreement/disagreement with this statement.

●Limitations of the Study:

Doing research on milk marketing channels is complicated because majority of the producers being illiterate do not understand modern marketing techniques. Moreover, their natural reluctance to reveal the details makes it very difficult to obtain reliable information. In spite of the above difficulties, an attempt is made here to bring out information and analyze it with all care.

Marketing Channels - Meaning and Definition:

Marketing channel; also known as a distribution channel is a set of activities necessary to transfer the ownership of goods, from the point of production to the point of consumption. It is the way products and services reach to the final consumer. It can be direct or indirect marketing channels. In Direct marketing channel the method of selling goods and services directly to the end buyer from the manufacturer with no middle man or intermediary involved. However, in Indirect channel of distribution a chain of intermediaries through which a product moves in order to be made available for purchase by a consumer. An indirect channel of distribution typically involves a product passing through additional steps as it moves from the manufacturing business via distributors to wholesalers to retail stores and then finally to the consumers. Distribution or marketing channels are systems of mutually dependent organisations included in the process of making goods or services available for use or consumption.

According to Black's Law Dictionary "The path from vendor to the consumer of a company's goods and services, flowing in one direction. Also, this is the path that payments from consumer to the vendor generated by sales flow in the opposite direction. A marketing channel is simple, direct from the vendor to the consumer, or is complex, with several fairly independent but mutually dependent intermediaries, like wholesalers, distributors, agents, retailers. As each intermediary receives the item, it is at one price. The item moves to the next intermediary with a higher price until it reaches the final buyer, the consumer. This is also known as channel of distribution or distribution channel."

According to Business Dictionary "The path through which goods and services travel from the vendor to the consumer or payments for those products travel from the consumer to the vendor. A distribution channel can be as short as a direct transaction from the vendor to the consumer, or may include several interconnected intermediaries along the way such as wholesalers, distributors, agents and retailers. Each intermediary receives the item at one pricing point and moves it to the next higher pricing point until it reaches the final buyer. Coffee does not reach the consumer before first going through a channel involving the farmer, exporter, importer, distributor and the retailer. It also called the channel of distribution."

Place or physical distribution refers to the aspect of the channels through which the product has to move before it reaches the consumer. It also includes the logistics aspects of distribution such as warehousing, transportation, etc needed for geographical distribution of the products. The organisation must decide whether it should sell through wholesalers and then to retailers or whether directly to the consumers. There are many ways, in which a product can be moved from the producer to the consumer. The optimum method has to be determined in terms of both consumer satisfaction and profitability to the organisation.

●Importance of Marketing Channels:

When it comes to the importance of marketing channels, the share of their costs in the final selling price should be emphasized. The expense of the marketing channel system used by a company, account for 30 to 50% of the final selling price of a product. The importance of distribution channels for

producers/manufacturers lies in the fact that traders need to include their products into their stores' assortment. Therefore, producers/manufacturers observe certain types of trading companies, i.e. trading business units and use them in the development and innovation of their channels.

The primary purpose of any channel of distribution is to bridge the gap between the producer of a product and the user of it, whether the parties are located in the same community or in different countries thousands of miles apart. The channel of distribution is defined as the most efficient and effective manner in which to place a product into the hands of the customer. The channel is composed of different institutions that facilitate the transaction and the physical exchange.

Advantages and Disadvantages of Various Milk Marketing Channels:

There are various channels used by small-scale milk producers in this region; however, they have some advantages and disadvantages, which we described below:

(i) Cooperatives:

Following are the main advantage and disadvantage of the milk co-operatives:

●Advantages:

Co-operatives offer an assured permanent market. A milk producer can supply any amount of milk production. They exert quality control over milk. Milk Collection centers are usually near to the producers. Usually, Milk producers get their payment daily. Milk producers have sense of ownership and feel that their cash is safe. Besides, they get bonus payment from time to time. It also offers inputs like Artificial Insemination, feed and other veterinary services to the cattle owners.

●Disadvantages:

Milk producers get relatively lower prices as compare to private venders. Milk producers have to bear the cost of any mismanagement in the cooperative societies.

(ii) Middlemen/Dudhiya/Venders:

Following are the main advantage and disadvantage of the Middleman/Dudhiya/Venders:

●Advantages:

Middlemen not only pay somewhat higher prices but also prompt payment in cash where competition exists. Milk payment can be negotiated as daily or monthly. They collect milk from milk producers' doorstep. They also advance short-term loans to the milk producers. Moreover, they provide only available market where no any formal procurement systems present.

●Disadvantages:

This is not a reliable market; chances exist that middleman may disappear with milk producers' money. They apply no quality control over milk. They do not provide inputs and veterinary services to the small-scale milk producers. Even they change of milk prices without prior knowledge of milk producers.

(iii) Hotels and Restaurants:

The main advantage and disadvantage of the hotels and restaurants are following:

●Advantages:

Hotels and Restaurants pay slightly higher prices of milk to producers than cooperatives. Payment of milk can be negotiated as daily or weekly. These are reliable marketing channels and cannot disappear suddenly.

●Disadvantages:

There is no security of trading, anytime the business can close by the Hotels and Restaurants. They cannot take all the milk, produced by cattle owners. They do not provide inputs and veterinary services to the milk producers. Sometimes they change the milk prices without prior notice to the milk producers.

(iv) Neighbors:

The main advantage and disadvantage of the neighbors is following:

●Advantages:

Neighbors provide flexible times for collection of milk due to easy accessibility. Here, prices of milk are not only secure but also usually higher than co-operatives.

●Disadvantages:

This is not a reliable market; it can stop trading anytime. Even neighbors can delay the milk payments or refuse to pay. They cannot provide inputs services.

(v) Private Dairies:

There are some advantage and disadvantage of the private dairies:

●Advantages:

Private Dairies pay relatively better prices where competition exists. They give prompt milk payments to the milk producers.

●Disadvantages:

Private Dairies are not always reliable. They not only arbitrary change the amounts of milk they buy but also the price of milk without warning to milk producers. They also cannot provide inputs services.

Marketing Channels Used by Small-scale Milk Producers:

On the one hand, marketing channels of middlemen, neighbors, motels/restaurants and private dairies pay somewhat higher prices, prompt payment in cash and provide short-term loans to the milk producers but these are not a reliable marketing channel; it can stop trading anytime. On the other hand, in co-operative channel milk producers get relatively lower prices as compare to other marketing channels but they provide assured and regular income. Besides, it offers inputs like Artificial Insemination, feed and other veterinary services to the cattle owners at the affordable cost.

In the study area generally, after consuming milk for themselves small-scale milk producers have very less marketable surplus of milk. The amount of surplus milk decides the marketing channels used by the smallholders in this region. If they have enough marketable surplus of milk, they can go for Private Dairies, Hotels, Restaurants and Milk co-operatives channels to sell their milk. However, if they have little amount of surplus milk they can opt either directly to the consumer or intermediary marketing channels for selling their milk.

Table No. 1**Marketing Channels Used by Small-scale Milk Producers**

S. No.	Marketing Channels Used by Small-scale Milk Producers	Frequency (In %)
1.	Private Dairies	6
2.	Middlemen/ Dudhias	21
3.	Directly to the Consumer/Neighbors	56
4.	Hotel and Restaurant	9
5.	Co-operatives	8
	Total	100

In this research, we have asked 100 small-scale milk producers as how they distribute their milk to final consumers. From the above table it can be found that due to having very less amount of marketable surplus most of the milk producers (56 per cent) sell their milk directly to the consumers/ neighbour; whereas, 21 per cent of the milk producers told that they use middleman/dudhiya to sell their milk. Those milk producers who have more marketable milk used to sell their milk through the Hotel / Restaurant (9 per cent) and private dairies (6 per cent). However, for getting assured and regular income 8 per cent of the milk producers prefer to sell their milk by the co-operatives channels.

Thus, it can be concluded that due to having less marketable surplus of milk majority of milk producers (56 per cent) sell their milk directly to the consumers. However, the second best option to sell their milk is middleman/dudhiya and third best way is to sell hotel and restaurant. Only few milk producers sell their milk through co-operatives and private dairies.

“SWOT” Analysis of Small-Scale Milk Producers:

The small-scale milk producer has many strengths and weaknesses. The privatization and globalization have opened up many opportunities but also posed many threats to the small-scale milk producer. This is an attempt to a brief Strength, Weaknesses, Opportunities, Threats (SWOT) analysis of the small-scale milk producer in this study area.

(i) Strengths:

- Due to good agricultural base feed and fodder are easily available for the small-scale milk producer.
- Because of population explosion, abundant labour force available in this region.
- The people are well aware about the skill needed for dairying and hence, they need no extra training.
- Demand of milk is high due to improved purchasing power of the consumers.
- No near substitute of milk available.
- Good road connectivity across the district makes the milk transportation easy.
- District's vast rural base offer immense potential for growth and development of dairying.

(ii) Weaknesses:

- Perishable nature of milk need quick disposal.
- There is no quality control over the milk.
- There are not adequate cold chain facilities available here. Moreover, uncertain electric supply makes the situation worse.
- There is not much milk processing plants available here.
- Due to scattered small-milk producer, bargaining power of inputs is low.
- Due to small-milk producers, they are bound to sell raw milk rather than value addition of milk.
- Because of low level of surplus milk, the small-milk producers have to accept the middleman's offer price.
- Seasonal fluctuations in milk production pattern make difficulty to the small producers.
- Lack of inputs services like- veterinary service, Artificial Insemination, and insurance cover in this region.
- Species-wise variation (buffalo & cow) in milk quality demanded by consumers.
- Lack of marketing avenues for the dairy produce.
- There is lots of adulteration in milk created by intermediary as well as milk producers in this area.

(iii) Threats:

- Introduction of liquid tetra pack milk by “Amul”, “Nestle” and “Mother Dairy”. These tetra milk packs need no refrigeration and expire up to 6 month of time.
- Even milk powder of these milk brands compete up to some extent with fresh milk.
- There are increasing chemical contaminants as well as residual antibiotics in milk.
- Small-scale milk producers unable to compete with private dairy and multinational brands
- There is Excessive-grazing pressure on marginal and small community lands resulting in complete degradation of land.
- There is loss of the indigenous breeds of cattle due to indiscriminate use of crossbreeding programme to enhance milk production.
- There is poor microbiological quality of milk.
- The liberalization of the Dairy Industry is likely to be exploited by multi-nationals. They will be interested in manufacturing milk products which yield high profits. It will create milk shortage in the country adversely affecting the consumers.

(iv) Opportunities:

In spite of all these problems and threats, we have clear cut and tremendous opportunities before us-

- There is expanding market for fresh milk as well as traditional dairy products.
- There is availability of large resources of unconventional feeds and fodders in this region.
- Liberalized policies in dairy sector make more avenues in front of small-scale milk producers.
- There are great-improved exports potential for milk products of western as well as traditional types.
- There are increasing per capita income in this area fueling the demand of milk.

CONCLUSION:

From the above discussions it can be concluded that due to having small amount of surplus milk, largely the milk producers (56 per cent) sell their milk directly to the consumers or neighbour. The conclusion of 'SWAT' analysis of small-scale milk producers are:

Strengths: Here on the one hand, easily availability of feed, fodder and skilled manpower strengthen the supply of milk. On the other hand the improved purchasing power of consumers and no near substitute of milk make the demand of milk very high.

Weaknesses: The low productivity of milk animals, perishable nature of milk, no quality control over the milk, inadequate cold chain facilities, low label of surplus milk and lack of proper marketing channels are the main weakness of the small-scale milk producers in the research area.

Threats: Availability of milk powder and liquid milk tetra pack produced by multinationals and big milk co-operatives are competing up to some extent with fresh milk. Small-scale milk producers are unable to compete with these giant dairy firms and multinational brands. Moreover, manufacturing of value added milk products make the condition worse for the small holders.

Opportunities: Due to increasing per capita income, there is expanding market for fresh milk as well as traditional dairy products. Besides this liberalized policies in dairy sector make more avenues in front of small-scale milk producers.

Hence, it is advised that Small-scale milk producers need to form co-operative society which can not only enhance their collective marketing strength but also make different milk products according to need of the consumers.

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