CHAPTER 9

Summary & Conclusion
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CHAPTER 9
SUMMARY AND CONCLUSION

9.1 SUMMARY:
A Country like India in which the vast majority of population lived below poverty line, concerted efforts to relieve the teeming millions from such condition becomes inevitable. Therefore, co-operative movement was initiated. It is essentially people oriented and people based activity which would necessarily have a crucial role to play. Co-operative as an institute, makes it possible to organize resources on the basis of self help through mutual help and sharing benefits. So Government recognized co-operation is one of the most suitable and potentially effective organization to combat poverty, to break socio-economic stagnation and to narrow the existing wide economic disparities among various strata of Indian economy. It may be said that in the absence of successful co-operative movement, people with more wealth gained more power at the cost of weaker section. Co-operatives, by bringing together the people of small means, enable them to reap benefits for themselves. Therefore, at the initial stage of the planning, co-operation was accepted as an important part of the policy in the development of the economic activities. Main objectives of National Development are raising the productivity level of the economy, alleviation of poverty, creation of the employment opportunities for the people and thereby improve the living standard of the people, and make them economically free and enlightened citizens.

Beginning was made with the Primary Agricultural Credit Society (PACS) which has now become all pervasive due to its inherent benefits. It has made tremendous contribution in the field of agricultural and non-agricultural finance, production, processing and marketing of agricultural produce. The housing co-operatives,

consumer co-operatives, industrial co-operative etc., are working for the upliftment of the weaker sections of the society and dairy industry is no exception.

Indian culture is basically self-sufficient and contended. Farmers in India look upon agriculture not as a business but as a way of life and they are with small means. Therefore they are doing farming as a base of their livelihood. With the advent of industrialization, private dairies came into existence to cater to the needs of the consumers but it also brought the evils of capitalizations i.e. exploitation of milk producers as well as consumers. To protect the interest of the producers, milk dairy on co-operative basis got started by Amul in Anand at very modest scale as is evident from the fact that, in June 1948, it processed about 500 pounds of milk per day and today, it is collecting a million litres of milk per day from 962 primary milk co-operatives.

Resounding success of Amul dairy has given birth to a national level organization named N.D.D.B. in 1965 to organize co-operative dairies in other parts of the country, on the line of Amul. Today, there are about 80,000 primary milk co-operatives and 170 District unions have been functioning under the Operation Flood Programme launched by the N.D.D.B. in 1970.

The researcher has selected purposively five district level unions, situated at different geographical areas covering the entire state of Gujarat. Brief information of the selected dairies are as under:

1. **Rajkot Co-operative Milk Producers Union Ltd. (West area):**
   It is the only dairy of Saurashtra region which is not managed by G.D.D.C., but is run by the co-operative sector.

2. **The Panchmahal District Co-operative Milk Producers Union Ltd. (East area):**
   It is situated in tribal dominated area and it is also drought prone area. Because of poor fertility and hilly area, livelihood of tribal people depends upon the dairying and its allied activities.

3. Ahmedabad District Co-operative Milk Producers Union Ltd. (Uttam Dairy) [Middle area]:
Uttam dairy is able to survive in the competition from the other private dairies. It is also situated in the central part of the state.

4. Banaskantha District Co-operative Milk Producers Union Ltd. (North area):
Banas dairy which is situated at northern side of the state is highly drought prone and having erratic monsoon. Hence, dairying and animal husbandry are sole means for survival of the tribal people.

5. Surat District Co-operative Milk Producers Union Ltd. (South area):
Sumul dairy has been selected by the researcher as it gives the highest remuneration to the milk producers and inspite of that it is able to offer competitive price in the market.

Inspite of its importance as a form of business, it seemsthat the milk co-operatives have not flourished to its fullest extent due to some short comings such as:

1. Political interference
2. Dearth of committed leadership
3. Absence of active participation and involvement of the members in the working of the societies.
4. Inefficient management etc.
5. Domination of vested interests.

The above factors have aggravated the financial ill health of the dairy industry as a whole.

The co-operative sector has not delivered the desired result \(^4\) but it is the duty of the Government and society to make it a success because there is no alternative to co-operation especially in the field of milk co-operatives.

For survival and growth of any form of business, profit or surplus becomes inevitable. Once the principle of profit is accepted, the

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factors affecting the profitability are to be ascertained. There are so many factors affecting profitability but costing and pricing are main contributors. In other words, profitability can be enhanced by two ways, viz.,
1. Either by increasing the total sales revenue through price variation depending upon elasticity of demand or,
2. By reducing the cost.

In view of the above facts, it is seen that the first cannot always be under the control of the management and particularly in the case of dairy industry, as it works under monopolistic competition. The second fall well within the managerial domain. So detailed costing system is an important requirement for appropriate cost control system.

To control the cost, cost ascertainment and cost presentation are two necessary preliminary steps.

For cost ascertainment, cost collection and classification, allocation and apportionment and overhead absorption are required to be worked out. The cost presentation is the vital link between cost ascertainment and cost control because management is kept informed of their actual performance, their short comings and of the line of action to be pursued. Therefore, the compilation of accurate cost reports prepared in time and thier effectively presentation is necessary to achieve the aim of cost control.

9.2. MAJOR FINDING:

From the analytical study of the performance of the selected dairies narrated in the previous chapters, following findings have emerged.

1. Dairy industry is a continuous process industry but none of the dairies has adopted process costing system.
2. Though cost classification and collection are carried out but cost unit and cost centers have not been identified by any of the dairies, the question of allocation and apportionment of costs
and overhead absorption does not arise. As a result, responsibility cannot be fixed for the variation occurred between budgeted and actual performance.

3. All the dairies collect only historical data which does not give comparative picture of what has happened and what should have happened. To that extent, it lacks in the effective cost control.

4. To curb manufacturing cost, standard costing should be adopted but it seems that no proper device has been practiced by any of the dairies to control manufacturing expenses. Here, it should be noted that as a co-operative venture, dairies are paying higher procurement price to the producers; naturally manufacturing expenses will be higher as distribution of profit according to capital employed is not the sole aim of it.

5. It is seen that no dairy has ever attempted the cost-volume-profit method to control cost, to evaluate the performance, for planning future and in decision making process.

6. In absence of a proper costingsystem, sophisticated techniques such as management by exception, cost reduction and value analysis cannot be utilized to increase the efficiency or productivity.

As far as pricing policy and practices are concerned, it is noticed that none of the dairies has paid proper heed in the matter of sufficient distribution points, affordable (small) packing promotion of the value added products, aggressive advertising to create brand loyalty, adoption of latest scientific packaging and proper sales promotion scheme.

9.3. SUGGESTIONS:
To make co-operative dairies a success, below listed suggestions may be offered:

1. Members of the co-operatives should be educated to understand the importance of co-operation by undertaking various activities under C.D. programme. Co-operative sector should
make every effort to win over the loyalty of the members by making them fully involved in the co-operative activities so that they may not be lured away to private sector dairy.

2. Co-operative dairies should be given maximum autonomy and there should be minimum government interference in day to day working. For that, self reliance and self-management are required. To create sufficient funds of its own, the members should be given the maximum on their investment and, for that, productivity and profitability should be guiding principles.

3. To enhance profitability, proper costing system should be adopted; introduction of process costing is the ideal costing system for the milk industry. Sophisticated techniques such as management by exception, C.V.P. technique, value analysis and cost reduction technique can easily be utilized if proper process costing system is adopted.

4. In co-operative dairy industry, raw material cost constitutes approximately 80% of the total cost. By reducing this cost, profit can be increased and, for that, standard costing system should be introduced. Moreover, price based on standard cost rather than actual cost would be more fair, reasonable and competitive.

5. Proper demarcation between the fixed and the variable costs should be established so that the variable cost can be controlled leading to the enhancement of profit. Identification of the variable cost is also useful for charging the price according to prevalent market situation.

6. Various suitable administrative, scientific, fiscal & managerial steps and devices should be taken to reduce avoidable expenses in respect of processing, transportation, manpower and material cost.

7. Volume of sale should be increased by introducing small sized pouch, opening of sufficient number of distribution outlets.
marketing of value added - ready to eat products, increasing local sales by taking benefit of market segmentation so that the profit could be increased.

To sum up, it may be said that the Co-operative Milk Producers Unions are co-operative institutions. Hence profit should not be its sole aim. However, it should endeavour to supply wholesome and pure milk to its consumers and, at the same time, it is expected of it to discharge its duty for the upliftment of its members by offering them attractive remuneration for their raw-milk. This can only be possible by reducing the cost of production as far as possible. For that, it should utilize man, machine and money with the utmost efficiency and, to achieve overall efficiency of the co-operative institutions, a process costing system should be adopted linking with the competitive pricing policy.
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