CHAPTER V

FINDINGS AND CONCLUSIONS

The study has been with reference to the Performance of Co-operative Milk Dairy with reference to Kurnool District Co-operative Milk Producers Union Ltd, Nandyal. Milk is one of the necessities of human beings in the civilised world. Milk is the primary input to the dairy industry. The individual producers and even dairy co-operatives have been facing the problem of obtaining good quality of milk at reasonable price and at the right time. The multiplicity of middlemen and unscrupulous master agriculturists and other intermediaries have captured the supply and distribution of milk.

The remedy sought was the establishment of co-operative dairy societies by milk producers, and the co-operative societies to produce and supply milk direct to the milk society.
The problem to be investigated in the study is quite distinct because of cottage nature of milk production, rural orientation and co-operative character of milk producers society. It may be mentioned that the problems to be investigated include the study of evolution of co-operative movement, co-operative societies of milk producers, share capital, production performance, financial operations and working results. As regard to the review of pertinent literature on the subject of co-operation in general and dairy co-operatives in particular, the review of literature reveals that there has been a mine of literature on the subject of co-operation and dairy industrial co-operatives. But studies at micro-level are not significant. It is with this view the present study is taken up for detail investigation and to find out working performance.

To mention, the object of the present study is to collect relevant statistical data and other information relating to working and performance of co-operative dairy of a sample unit. The object generally covers to over review historical retrospect, to examine the financial structure and performance of the sample unit to study production performance and working results.
As regarding the scope of the study, it investigated the working of the sample unit to understand how it is promoting the economic interest of the milk producers.

In Andhra Pradesh there are nine co-operative dairy societies under productions.

As against them one unit has been selected for detailed study. The name of the society is the Kurnool District Co-operative Milk Producers Ltd, Nandyal.

The common statistical tools namely mean, co-efficient of variation, annual growth rate were employed for analysis and interpretation. For pictorial presentation of data, charts and graphs are also incorporated.

Thus the study has been undertaken to understand co-operative efforts of the milk dairy societies. The study has become necessary to understand how this sector in dairy field has been acting as a balancing sector. Its value lies in its being not so much theoretical presentation but a model focussing the attention on the problem with relevant empirical evidence.
India has the largest livestock population. India has emerged as the second largest producer of milk in the world, next only to the USA and aims to become the largest producers by the year 2000. The Indian per capita availability of milk has merely doubled over the past 20 years. The average land holding is two hectares with a milk cow or buffaloe and nearly 35 per cent of the milk production comes from buffaloes.

Women and child labour plays an important role in the business of livestock of rearing and dairying. In fact, the dairy business in India is mostly carried on a very small scale and as such, however, the dairy scene in India looks bright and is steadily marching to prepare itself for further progress in the years to come. The country already set in motion in the White Revolution which has been acclaimed all over the world.

The Constitution of India after recognising the role of co-operatives, stipulates that the state shall endeavour to promote cottage industries on co-operative basis in rural areas. The Directive Principles of our Constitution stipulates that the ownership and control of material resources of the community to be distributed as to subserve the common good and that operation and the economic
system does not result in the concentration of wealth and means of production to the detriment of common people.

Co-operatives have entered in industrial field to undertake production, distribution and service activities. Co-operative dairy industry constitute by far the most important and the largest group in the co-operative industrial structure. Industrial co-operatives actually came into force only after the enactment of Co-operative Societies Amendment Act 1912. It is true industrial co-operatives of production purchase and sales type had, however, been in existence before 1912 in the country, but insignificantly. In the year 1918 the Indian Industrial Commission had first blessed distinctly co-operative bias to the cottage and small scale industries. The word 'industrial co-operative society' has not been defined anywhere either in Andhra Pradesh Co-operative Society Act or co-operative society rules.

But the objectives of them can be understood by reference to co-operative context and industrial nature. However, the purpose of co-operative society is to facilitate the formation and working on co-operative principle for the promotion of thrift, and self help among the members. Its activities include production,
processing and marketing. Its principal object is the production of articles with the help of the members and through them, and include any society. Marketing activities include the arrangement for the marketing of products of its members.

The structure of milk co-operative industry is federal in character with three-tier structure. They are primary societies, central societies and apex society. The State level federation is affiliated to national level federation, Apex society is an organisation whose area of operations extend to whole of the State.

A dairy co-operative society means an association of milk producers and other societies who have voluntarily associated by themselves for some common purpose, to promote by themselves, their economic interest collectively.

The country which is paving the way for the development of co-operative dairy industry was the establishment of the Anand Milk Producers Union Ltd, popularly called as AMUL, located in Anand, Gujarat State in the year 1946. The dairy development in the State in the organised sector has emerged only in 1960s with the launching of a pilot milk supply scheme linking the milk producing areas of Krishna delta with the consuming area of Hyderabad.
Subsequently, the UNICEF provided financial assistance for the implementation of the integrated milk project. However, dairy development progress in the State has been at a slow pace till 1974.

The State Government constituted a specialised body for dairy development known as Andhra Pradesh Dairy Development Corporation. The object of the Corporation is to provide undivided attention to the progress of the dairy industry in the State.

The Corporation assumed the role of marketing agent for individual dairies. It has adopted a distinct brand name called VIJAYA with a view to ensuring an effective distribution of milk products in the market.

In 1977, at Vadlamudi in Guntur district the first co-operative dairy has been launched known as Sangam dairy. This unit was started with a view to replicate the AMUL pattern of Anand and Operation Flood I programme. At national level the Indian Dairy Corporation and the National Dairy Development Board have been extending financial support. The Operation Flood Programme was aimed at the implementation of the milk production enhancement programmes with the long-term objective of achieving self-sufficiency in milk.
The Operation Flood III Programme has also been implemented by the Government of Andhra Pradesh with the support from Indian Dairy Corporation. The schemes formulated under the programme were the formation of 5,100 villagers milk producers co-operative societies, enrollment of nine lakh milk producers as members, development of milch animals to the tune of 12.10 lakhs and maximisation of milk production and procurement.

The important activity of the milk society is the procurement of milk from individuals, families, dairy units and societies. It includes procurement of milk from rural producers or contractors including setting up of chilling centres. The production activities may include making of various types of milk like conventional, toned, low fat milk. The processing activities include the production of related milk products such as butter, cheese, and dairy whiteners, butter oil etc.

The distribution function plays an important role in the successful marketing of most products by adopting a number of marketing intermediaries. For instance the VIJAYA dairy has three types of distribution methods.
In the context of co-operative business organisation the owners are called members, becoming by virtue of purchasing shares. The term member and share holder are interchangeably used in co-operative society. The members have been classified into two categories. They are ordinary members and nominal members. The registered primary milk producers co-operative societies can become as primary members. The persons who have financial dealings with union such as suppliers, contractors, selling agents are eligible to become nominal members.

The sample milk society has been mobilising funds from various sources. For the convenience of the study the sources may be divided into internal source and external source. The main sources of funds are entrance fee, share capital, deposits, loans, grants, subsidies, etc. The authorised share capital of the society is Rs.50 lakhs divided into 50 thousand shares of Rs.100 each. Among the various sources, share capital is the primary and constitutes long-term funds. According to bye-laws, every ordinary members shall hold atleast one share of Rs.100/- each. However, the union shall have the right to call upon ordinary members to subscribe to the share capital in proportion to the business to the union as prescribed by the board from time to time.
The figures relating to share capital particulars are shown in Table 3.1. In Chapter III, the financial performance of the society has been discussed. In the year 1990-91, the amount of paid up share capital was Rs.5.08 lakhs which progressed slowly and steadily and reached the level of Rs.31.52 lakhs in the year 1996-97, which includes Rs.26.44 lakhs of share capital suspense.

Ploughing back of profits is yet another important source of internal finance in recent years. Reserves and surplus in cooperative societies have been considered as the most important internal financing, is the chief method of financing.

The total amount of reserve fund of various types put together amounted to Rs.53.92 lakhs in 1991-92 which gradually went upto Rs.236.81 lakhs in the year 1996-97. The progress in building up reserves and surplus has been presented in Chapter III and results are arranged in Table 3.3.

The sample unit is characterised by acute shortage of capital, the poor members alone themselves cannot contribute adequate funds to financial operations. Hence, the society has been heavily depending on debt financing also. As regarding the debt financing, the bye-laws of the society restricts the borrowing
capacity. Accordingly, the maximum borrowing limit of the society is limited by 12 times the aggregate of paid up share capital and reserve funds. The total amount of borrowings of the society accounted Rs.3.20 lakhs in 1990-91. In the year 1996-97, the accounts revealed a raise to an unprecedented level of Rs.722.32 lakhs.

Table 3.6 in Chapter III shows the trend and asset-wise distribution of current assets. The composition of current assets of the society includes cash, cash at bank and inventory items including polythene film, coal, sugar etc.

The data relating to liabilities show wide fluctuations and at the same time steep rise also. The liabilities include current liabilities, statutory liabilities, tax liabilities and non-statutory liabilities. The total liabilities in the year 1990-91 was Rs.548.43 lakhs which slowly and steadily increased upto Rs.713.29 lakhs and it suddenly fell down to Rs.197.42 lakhs. Table 3.7 in Chapter III shows trend of liabilities.

The Chapter also covers analysis of utilisation of funds. The society utilised its funds towards investment in fixed assets, advances etc. The composition of investment, fixed assets in which
investment made include factory building, township, fixed assets, board of federation and union. The details are arranged in Table 3.8 in Chapter III.

The another item of utilisation of funds includes loans and advances to employees and other related departments. Chapter four is devoted to production, marketing and financial results of the sample unit. The factory is ideally located adjacent to the milk producers, as there are many villages around the factory. The milk production capacity of the plant is 1,50,000 litres per day and production capacity of milk powder is 6 tonnes per day and butter production capacity is 8 tonnes. The principal raw material used for manufacturing milk powder, ghee, butter and other milk products is milk.

The principal opening stock particulars of the factory consist of whole milk, skim milk, toned milk, cream, ghee, butter, etc. Table 4.1 in Chapter IV indicates trend of opening stock details. The value of opening stock was Rs.140.95 lakhs in 1990-91 which increased to Rs.210.43 lakhs in the year 1996-97. There has been slow and steady progress to reach this level.
The study also examined the conversion charges which is an important variable to judge the performance of co-operative society. The analysis of conversion cost represents the cost incurred to convert raw materials into finished and semi-finished products. The trend of conversion charges for the period under study are arranged in Chapter IV in Table 4.2.

The analysis of sales transactions of the society has revealed some interesting features. The main products which have been marketed by the sample unit are milk, butter, butter milk, ghee, cheese etc.

The sample unit has its own structure of operations of procurement and sales. The society has 4 tier structure. Nandyal, where milk factory is located producing and processing milk. At Kurnool, there is milk collection centre. There are two milk integration factories one each at Banavasi and Pathikonda.

It may be mentioned that in respect of procurement, the figures show wide fluctuations. However, the figures relating to procurement operations are given in Table 4.4 in Chapter IV. Similarly Table 4.5 indicates figures relating to sales.
The society has been purchasing milk as well as milk products from outside, and supplying to meet local demands. Table 4.7 in Chapter IV where statistical data relating to purchases of milk products are arranged.

As regarding the nature of milk industry the efficient transportation is very much needed for the operation of the society. Its own vehicles are used for collection and distribution of raw material and finished products. Substantial amount has been spent on transport charges in the year 1990-91. The sum total spent towards transportation accounted to Rs.41.45 lakhs in 1990-91, Rs.53.03 lakhs in 1992-93, and which went upto Rs.48.48 lakhs in the year 1996-97.

Table 4.9 in Chapter IV indicates excise and other charges. The analysis of the amount spent on utilities is also considered as an important parameters to measure the performance.

The amount spent on various utilities are shown in Table 4.10 in Chapter IV. The utilities include electricity, furnace oil, coal, diesel, lubricants, stores and spares. The society expended on utilities to the extent Rs.73.46 lakhs in the year 1990-91 which steeply rised to
Rs.109.01 lakhs in the year 1993-94 and in subsequent year it gradually declined and fell down to the level of Rs.62.57 lakhs.

The expenses on communication facilities for the period under study are shown in Table 4.11 in Chapter IV. The major communication media of the society include postage, telegrams, telephone and telex charges. The examination of accounts revealed that the total amount spend on this media of communication was Rs.1.71 lakhs in the year 1990-91, which reached to Rs.2.39 lakhs in the year 1996-97.

The soundness of financial performance can be measured with the help of profit or loss incurred. Earning the reasonable amount of profit is perhaps the ultimate object of any productive society. The financial results in terms of profit earned is not satisfactory. The society has been incurring losses every year, accordingly the society has accounted accumulated losses of Rs.255.35 lakhs as on 31st March 1997, during the period under study. The year-wise analysis indicates that the society incurred loss of Rs.29.24 lakhs in the year 1990-91. The loss in the year 1992-93 recorded an unprecedented level of Rs.14.32 lakhs. In subsequent 4 years of the period of study, the amount of loss has
been gradually declined as such it was Rs.37.64 lakhs in 1993-94, 23.94 lakhs in 1994-95, Rs.9.78 lakhs in 1995-96 and Rs.8.66 in the year 1996-97.

Though the society has been incurring losses it has been promoting the economic interest of the members by rendering procurement, distribution and other services including transport.