

---

## **CHAPTER - VII**

---

## CHAPTER 7

---

### FINDINGS CONCLUSIONS AND SUGGESTIONS

---

7.1 Findings

7.2 Conclusions

7.3 Suggestions

GARR. BALAJANES KHARDEKAR LIBRARY  
SHIVAJI UNIVERSITY, KOLHAPUR



## CHAPTER 7

---

### FINDINGS, CONCLUSIONS AND SUGGESTIONS

---

The present study analyses the performance of a co-operative dudh sangh based on its Annual reports for last ten years. To supplement this quantitative data, qualitative information was procured through the administration of a questionnaire to 25 Primary Milk Societies and 75 milk supplying farmers to these societies from Miraj Taluka. The findings, conclusions are presented in this chapter.

#### 7.1 FINDINGS

- [1] The Krishna Khore Dudh Utpadak and Puravatha Sangh was established on 5th April, 1963 for collection and supply of milk from 5 Talukas of Sangli District, out of 8 Talukas.
- [2] There was monopoly of Sangh in the first twenty years of its establishment. However, after 1986-87, when the operations were restricted only to Miraj taluka, the business profile started sliding in the reverse direction.

- [3] The membership of the Sangh started increasing from 86 since its inception to 222 in the year 1991-92. However, the milk supplying societies throughout the period constitute only one third of the total membership with a few exceptions.
- [4] Inspite of the above mentioned facts, the share capital of the Sangh has increased more than ten times in thirty years of its existence.
- [5] The milk collection through primary milk societies during this period has been fluctuating significantly. The net yearly change in these thirty years varies from +300 percent to -35 percent.
- [6] The Sangh distributes the collected milk to dairy and private customers. The milk is supplied at a controlled rate to Government Dairy, whereas at market rate, which is at least twice the controlled rate to the private customers.
- [7] The Sangh collects spoiled milk from the farmer members and processes. The percentage of spoilage has been observed to be in the range of 0.2 percent to 1.8 percent of the total collected milk.
- [8] The price paid to the primary society varies from Rs.2.75 in 1981-82 to Rs.4.00 in 1990-91.



- [9] The receipt obtained for the supplied milk from the dairy has increased from Rs.2.95 in 1981-82 to Rs.4.46 per litre in 1990-91.
- [10] The Sangh is allowed to supply part of its milk (25 percent from 1-5-92) to private customers at the market price which is about 1.5 times the Government rate. In spite of this, the Sangh has supplied only 2 to 5 percent of its collected milk (except 15 percent in 1987-88) to private customers.
- [11] The per litre price obtained from private sale has increased from Rs.4.83 in 1983-84 to Rs.6.89 per litre in 1989-90.
- [12] The milk sales have shown an increasing trend from Rs.471.59 lacs in 1981-82 to Rs.675.99 lacs in 1984-85. Thereafter they have been ever declining except in the year 1987-88, to Rs.411.51 lacs in 1990-91.
- [13] The Sangh in addition to milk procurement and supply started ice factory in the year 1972-73 with an installed capacity of 37 tonnes.
- [14] To cope up with the increasing demand for cattle feed the Sangh has started a cattle feed manufacturing unit in 1981-82.
- [15] The sales of cattle feed are found to increase in first four years of its operation to Rs.47.28 lacs in

1984-85. Thereafter the sales have declined upto 1987-88. In 1988-89 the sales have increased to Rs.41.54 lacs and again decreased to Rs.23.51 lacs.

[16] As regard the ice sales, the figures hover around 4 to 5 lacs during 1981-82 to 1989-90. The sales have significantly reduced to Rs.1.06 lacs in 1990-91.

[17] The gross profit reported by the Sangh has been increasing during the period 1981-82 to 1984-85, from Rs.23.24 lacs to Rs.42.27 lacs. The gross profit has reduced in the next two years and again showed an increase in the subsequent two years. In the last two years there is decreasing trend in the gross profit.

[18] The net profits on the other hand are reported during the period 1981-82 to 1983-84 and in the year 1988-89. The net loss however, has been significant in the years 1985-86, 1986-87 and 1990-91. The maximum loss being Rs.12.97 lacs in the year 1986-87.

[19] The Sangh has three units namely, milk collection and supply, cattle feed and ice factory. The composition of sales for these three units are in the range of 92-99 percent, 1 to 7 percent and 0.2 to 1 percent respectively.

[20] The fixed cost and the variable cost of milk operation have been observed to be increasing during the period

1981-82 to 1985-86. Thereafter there is declining trend in the next five years, except in the year 1987-88.

[21] The milk sold by the Sangh has been increasing from 157 lakh litres in 1981-82 to 186 lakh litres in 1984-85. After this there is a sharp decline in the collection and supply of the milk to the extent of almost 50 percent in the year 1990-91.

[22] The fixed cost per litre of milk sold has been found to be increasing from Rs.0.15 in 1981-82 to Rs.0.31 in 1990-91 with a exception in the year 1989-90.

[23] The variable cost per litre also shows an increasing trend from Rs.2.82 in 1981-82 to Rs.4.29 in 1990-91.

[24] The total cost per litre shows an increasing trend from Rs.2.97 in 1981-82 to Rs.4.60 in 1990-91.

[25] The sale price per litre in the last ten years has been observed to be more than the total cost per litre.

[26] The Sangh gets commission for the collection and supply of milk to the Government Dairy. This was unchanged from 1981-82 to 1987-88 and was Rs.0.22 per litre. It was hiked during 1988-90 to Rs.0.28 per litre and then to <sup>k</sup><sub>^</sub>0.42 per litre in 1990-91. From 1st April 1992 the commision is hiked to 0.55 paise per litre.

[27] The analysis of fixed cost reveals that labour charges and other expenses assume 63 percent of the fixed cost

per litre. The labour cost has increased 4 times during the last ten years while the other expenses have doubled. The management expenses on the other hand have hardly changed. Whereas, depreciation has shown an increasing followed by a decreasing trend in the first and the last five years respectively.

[28] The analysis of variable cost per litre has revealed that 90 percent of the cost is attributed to raw material and the rest comprises of transportation, pasteurization and overheads.

[29] The analysis of operational profit and loss of three units revealed that the operational loss is maximum in milk unit followed by cattle feed and ice unit.

[30] The Sangh undertakes various activities like medicine facility for cattle, holding camps for advancement of knowledge of the farmer members, prize distribution for maximum milk production and collection, development of new green fodder seeds, etc. The Sangh has planned to start a bread factory in 1993.

[31] The assets of the Sangh, namely, cash and bank balance, investments, fixed assets, advances, loans, bills receivable and closing stock are decreasing during the last five year period, 1986-87 to 1990-91.



[32] On the other hand, the liabilities namely, share capital, reserves and surplus, other current liabilities, loans are showing increasing trend from 1986-87 to 1990-91. The loans taken from the other sources instead are decreasing during the same period.

[33] The current liabilities are twice the current assets during the last five years resulting in negative working capital. This is showing increasing trend during the same period.

[34] The basic accounting ratios like fixed asset ratio, current ratio, liquid ratio, fixed assets to current assets ratio, proprietary ratio, debt equity ratio and reserve to capital ratio are not satisfactory for its successful business operation.

[35] The analysis of the financial policies of the Sangh revealed that there are no specific clear-cut policies laid by the management in sources and uses of funds, working capital management, credit and collection policy, pricing and costing policy, dividend policy, distribution policy, production policy and investment policy. In general, the Sangh is not having a good long term policy and planning.

## 7.2 CONCLUSIONS

Though the Sangh has been effective in the earlier 20 years, of its establishment the performance in the last decade has not been satisfactory. Based on the findings the following conclusions can be drawn. To validate the quantitative findings, qualitative information was collected from the farmers and Primary Milk Societies.

- [1] Right from the inception of the Sangh the number of milk collecting Primary Milk Societies have been approximately one third. Thus it appears that two third of its members were namesake members, perhaps for enjoying the benefits accrued to them. The Sangh has not attempted to persuade them to supply milk exclusively to the Sangh.
- [2] The milk collection, especially during the last five years has drastically reduced by fifty percent. The Sangh has not made any attempts to increase the milk collection.
- [3] By and large the operations of the milk collection and supply are not profitable. This is because the Sangh has failed to achieve breakeven point. The major reason being controlled and unchanged fixed Government rate for the milk supply by the Sangh.

- [4] In spite of being permitted by the Govt. to sell 15 percent of the milk collected to private customers at higher price, the Sangh has not at all attempted to take an advantage of this facility. The difference between the Government rate and the private rate is approximately 50 percent. If the Sangh had sold at least 15 percent of the collected milk privately, it would have been a most profitable venture.
- [5] The operations of ice factory have also been unsatisfactory. During the last 20 years the Sangh has never achieved full capacity utilisation. Not only the Sangh was able to use its plant to an advantage but has also had to purchase ice from open market.
- [6] The cattle feed unit has shown some good results during the initial period, but later followed the same pattern as the other units of the Sangh. This was due to the low nutritional value of the cattle as compared to its competitors. The sale of cattle feed has been declining in the last five years.
- [7] The annual reports have shown gross profits during the last decade. However, the net profit was shown only in three years. The maximum loss was Rs.12.97 lacs in the year 1986-87.

- [8] The fixed and variable cost per litre have been steadily increasing during the last ten years. This is attributed mainly due to low milk collection besides inflation.
- [9] Inspite of not increasing the staff strength, the labour cost per litre has quadrupled in the last ten years.
- [10] The survey of Primary Milk Societies revealed that some of these societies sell milk privately to other dairies or local customers. This is due to the low price being paid to them by the Sangh.
- [11] The Sangh has stopped giving loans to farmer members for purchase of milch animals through Primary Milk Societies sanctioned by NDDB. In the last few years the Sangh is only instrumental in helping the farmer members to get loans from the banks. The new arrangement is tedious to the farmers and avoided by them. This has resulted in no significant increase in the milch animal population and in turn in milk collection.
- [12] The Sangh, is alleged to give a partial treatment to some members for purchase of cattle feed.
- [13] By and large the Primary Milk Societies are satisfied by the Sangh's cattle feed. However, the farmers are

dissatisfied as is obvious from their purchase of cattle feed from other sources.

[14] As regards the milk purchase rate, majority of the Primary Milk Societies are satisfied with the prevailing rate. On the contrary, majority of the farmers are dissatisfied.

[15] The size of Primary Milk Societies varies drastically. Hence, they require more personnel for collection of milk. This severely reduces the profitability of the Primary Milk Societies.

[16] The farmer members who supply milk to the societies come from various strata, i.e. big, marginal and small farmers as well as agricultural labourers. Depending on this their investment in dairying varies.

[17] The survey revealed that the non-member farmers also supply milk to Primary Societies. The farmers of all categories supply milk to the society, private agent as well as local customers at varying rates from Rs.6.50 to Rs.8.00 and above.

[18] The farmers are of different opinions regarding the milk rates. Their opinion varies between Rs.8.00 to Rs.11.00 per litre.

### 7.3 SUGGESTIONS

The present study on the financial policies of the Krishna Khore Dudha Utpadak and Purvatha Sangh Ltd., based on the findings and the conclusions offers the following suggestions to improvise the business performance of the Sangh in future.

- [1] There appears to be very little touch of professionalisation in the management of the day-to-day matters of the Sangh. As such besides the Board of Directors, only one Manager looks after the entire affairs of the Sangh. At times, he is overburdened. Taking into the strength of 100 employees and vast operations, it is felt that the management should recruit one experienced person who would look after the sales and promotional aspects.
- [2] The Sangh should formulate clear cut policies on production, marketing and financial matters. This will act as directive to its operations and streamline the activities.
- [3] The Sangh has to give more thrust on the procurement of milk, since its 90 percent business depends only on milk collection. In view of the price hike given by the Govt. the Sangh has to take concrete steps in this regard.

- [4] Special efforts need to be made to transform two-third of its (non-supplying) society members to actively participate in milk collection.
- [5] The nutritional value of the cattle feed of the Sangh should be checked and compared with that of the competitors and suitable steps be taken to improve the content. The customers rather prefer costly but quality feed instead of low priced inferior quality feed.
- [6] The idle capacity of the ice factory should be stepped up drastically and utilised in an optimistic manner by identifying the buyers and market forecasting.
- [7] Instead of going into diversifying its activities like going in for the bakery, it is necessary to concentrate on the on-going activities and give more thrust on expansion.
- [8] It appears from the Annual Reports that many expense items are confusing and should be categorised properly to avoid repetition and vagueness.
- [9] In view of the recent increase in the permitted sale of 25 percent of the collected milk to private dairy the Sangh should take advantage to maximise profit.