



CHAPTER 6

**SUMMARY OF FINDINGS,  
SUGGESTIONS AND CONCLUSION**



## CHAPTER - VI

### SUMMARY OF FINDINGS, SUGGESTION AND CONCLUSION

#### 6.1 FINDINGS:

1. Due to implementation of operation flood programme and five year plan the milk procurement in the State were to 36,38,314 kgs., per day and sales were 23,77,364 liters per day.
2. At present dairy co-operatives in the country are exporting along with serving the domestic need. E.g., KMF is supplying Good Life Milk in Singapore and Saudi Arabia.
3. The BEMUL procures the milk from co-operative societies constituted by the farmer members, from other dairy and by making standardization. Depending on the distance between the dairy and co-operative societies, the BEMUL follows the two types of milk procurement methods such as
  - If co-operative societies are near to the dairy, it procure the milk directly from co-operative societies.
  - If co-operative societies are existed at distance place, then it procure the milk from co-operative societies through collection cum chilling centres.

#### Physical Performance:

1. The trend of milk procurement is fluctuating throughout the study period on account of the followings:
  - There is a huge competition from the private dairies, since, procurement rate paid by these dairies is about Rs.14/liter of cow milk of 3.5 Fat and 8.5 SNF and Rs.18/litre of buffalo milk of 6.00 Fat and 9.00 SNF which is comparatively more than the BEMUL. The average procurement rate paid by BEMUL is Rs.11.70/liter of cow milk and Rs.15.95/liter of buffalo milk. The BEMUL cannot increase the milk procurement rate itself to compete with private dairies, since the power of fixing the milk procurement rate remains with the mother dairy Karnataka Milk Federation (KMF).

- Due to existence of short distance between city and villages, most of the milk producers in such villages sell the milk produced by them and also collect from other small producers in village by paying higher rate than the union, directly to the ultimate users to enjoy more profit margins.
  - There is a low yielding capacity of cow and buffalo in summer season because of feeding dry grass.
  - In flush season that is from the month of October to January, the milk yielding capacity is more, since, more or less, calves were born almost in these periods.
2. As we know that, a better quality of finished product is the result of quality raw material used. To ensure this, the BEMUL conducts the number of platform tests like smell (odour), extraneous matter appearances, temperature, sediment and acidic test to avoid bad and low quality of raw milk due to inclusion of dust and other foreign materials in it and also churning of fat content by the farmer members.
  3. Highest quantity of milk is procured from Gokak and Athani, since Gokak has nine procurement routes and Athani has four routes. The excess milk procured by the union is to be sent to the dairies like DEMPO, Dharwad Milk Union and Gokul Dairy for conversion of it into butter and skim milk powder.
  4. The capacity of the milk storage is 1,40,000 liters, of which, it is processing and storing merely 74,000 liters due to low procurement of milk.
  5. There is a decreasing trend of total milk sales from initial period 1999-2000 to the year 2005-06. There onwards it was increasing. Like this there is a fluctuation in sale of milk throughout the period due to the followings:
    - There is an existence of huge competition from private brand like Arokya, Gokul, Sri.Krishna and Aditya etc. The private brands attracting the milk dealers by allowing higher rate of profit margin of Rs. 2.00 to Rs. 3.00. Where as in case of BEMUL, it allows merely Rs. 0.75 per liter. Hence, dealers show more interest in sale of private brand milk.

- The Union is to be restricted to maintain the quality as per the standard and to sell milk at a price fixed by the KMF. Due to this, it is not allowed to sell the milk containing more Fat and SNF than that of standard fixed, to compete with the private brand milk.
  - 70% of the sales promotional and advertising cost is borne by the mother dairy KMF and the remaining 30% is borne by union itself. If it increases such cost to attract more number of customers, it is not having sufficient profit to meet it, because it is setting off its earlier loss in present profit. If advertisement cost increases, it leads to increase the sales price. But the power to increase the sales price is not in the hands of the union, since it is restricted by mother dairy.
  - Most of the household and others like hotels, sweet mart in Belgaum city purchase milk from local producers, since the dairy milk is pre heated and separated cream from the milk which lead less fat content in milk which is essential for making Ghee.
6. The sale of toned milk and shubham brand milk was comparatively more in Karnataka than in Goa. But the sale of other milk like full cream milk homogenized milk and standardized milk was higher in Goa than in Karnataka. Now-a-days, on an average the sale of milk is comparatively more in Goa than in Karnataka due to increase of its market size in Goa. Since, in earlier the BEMUL was allowed to sell only in Southern part of Goa and Northern market, which belongs to Dharwad Milk Union. But now, the KMF allowed the BEMUL to enjoy the entire Goa for marketing its products.
  7. Except the lassi, the sale of other type of milk products was comparatively more in Karnataka than Goa.
  8. The BEMUL sold the milk under shubham brand till the year 2004-05 because of huge competition from private brand milk .
  9. As the milk is a perishable product, the union holds it for a period of one day which ensures better quality, and the unsold milk is utilized for producing the milk product.

10. The function of artificial insemination of union reflects that, the union closed the existing 12, 2, 3, and 10 AI centres during the year 2001-02, 2002-03, 2006-07 and 2008-09 respectively. Except these periods, the BEMUL opened the new AI centres. Due to this, there is a variation in functioning of AI centres. The number of AI done trend is fluctuating and at the end of the year 2008-09 it was increased to 1, 17, 564.00.
11. There is a fluctuating trend of Sale of cattle feed, mineral mixture, seeds fodder plot raised and root slips due to variation in temperature, availability of green grass, provision of competitor 's facility.

#### **Financial Performance :**

1. The liquidity position of the union indicates that, on an average it is having enough current assets to meet its liability. But, the current ratio for the year 2007-08 and 2008-09 were 0.92:1 and 0.75:1 respectively are found to be below the standard of 2:1.
2. From initial period to the year 2002-03 there is safety from the point of view of creditors since, quick ratio is higher in such period. But it leads idle keeping of liquid assets which earns nothing. But, there onwards except the year 2008-09, it is having optimum quick assets to meet its current liability. The quick ratio in the year 2008-09 was 0.62:1 which indicate poor liquidity position of the union. This is due to reduction in current assets except stock.
3. The use of debt capital was comparatively more than the owners contribution in BEMUL. Due to loss in the earlier years, owners contribution was drastically reduced.
4. The BEMUL is earning enough profit to cover its interest expenses except the year 1999-2000 and 2004-05. In remaining period, the interest coverage ratio was satisfactory.
5. The activity position of the firm reflects that, for the first five years, there is a decreasing trend in inventory turnover ratio and there onwards it was

increasing. This indicates existence of good inventory Management on the part of the union.

6. Throughout the study period the debtors turnover ratio in BEMUL is high which indicates that, it is following good credit policy and recovery mechanism, since, it allows the credit for maximum of 7 to 10 days.
7. Asset turnover ratio of BEMUL indicates that, BEMUL is not utilizing its capital in tune with its sales in recent years as compared to the year 2002-03. However, in general the BEMUL was utilizing its resources efficiently.
8. The profitability of the BEMUL indicates that, the BEMUL has maintained satisfactory gross profit ratio, but it is fluctuating throughout the period due to the varying sales and direct expenses. But, net profit ratio of the union has not increased in tune with its gross profit due to incurring of large amount of indirect expenses. Also on an average, the net profit ratio of BEMUL was less than the 1:1 which indicates poor efficiency on the part of the Management in handling its indirect expenses.
9. There is a drastic fluctuation in return on investment (ROI) in BEMUL, since there is a large amount of fictitious assets included in the net worth.

**General:**

1. At the end of the year 2008-09 there are 456 registered District Co-operative Societies of BEMUL. Among these merely 330 District Co-operative Societies were functioning.
2. Total members of the BEMUL were increased to 69172 in the year 2008-09 from 56827 in the year 1999-2000.
3. It has separate department and each department has its own responsibilities and functions.
4. In union, the payments which are more than Rs. 20,000/- are made through cheque and there is a time gap of 10 days for making payments.
5. The list of debtors details reflects that, the credit allowed to milk selling agents is more than the deposits hold from them.

6. It is observed that, the due amount collected from the dealers is deposited with union after unduly adjusting in the hire rental payments.
7. The BEMUL has joined its hands with government in making successful of Mini Dairy, programmes to SC and ST, STEP and Yashaswini schemes etc. for the following purpose :
  - a) To improve the standard of living of the schedule cast and schedule tribe by withstanding them economically and to uplift the village women financially and socially.
  - b) To make them aware about maintaining the health of individuals, community, especially health of pregnant women and children's about polio, usefulness of nutritional food, importance and benefits of health checkup camp.

## 6.2 SUGGESTIONS:

In India more than 75% of people engaged in farming. The farmers are the members of the milk co-operatives. Hence, it is essential to achieve further development of dairy co-operatives in India and also in Karnataka, since co-operatives are generally viewed with fulfilling social and economic objectives of its member's interest.

### Physical Performance:

1. To procure more quantity of milk, the union must have to increase the milk procurement routes, increase the number of societies by encouraging the villagers to join the society by warning them about the use and importance of joining such society. To procure more milk, it is essential effort on the part of the union to increase the procurement rate by obtaining approval from the mother dairy KMF.
2. To enhance the milk yielding capacity and quality of milk in summer season, the union has try to sell more quantity of seeds like cotton, maze, lucrel etc., at reasonable price and also allow them to purchase on credit base.
3. To increase the yielding capacity of local breed, the union has to conduct training and make aware the society members about the benefits of artificial insemination.
4. To reduce the chances of rejection of milk at union level due to its bad or low quality, the union has to ensure at society level only procuring milk is to be checked and also to take proper measure to maintain its quality.
5. To take proper legal actions and measures against societies which are not supplying or supplying less quantity of milk.
6. The BEMUL has to frame need based marketing policies. That means it has to study the customer behavior and adopt its product according to their desires and requirement. For this, it has to conduct consumer survey and product test. The management of the union has to understand that the creation of satisfied customer is the prime responsibility of the union.

7. To create satisfied customer, the union has to adopt proper distribution network, ensure timely supply to all outlets, and make price and quality changes as per the market trend by obtaining approval from the mother dairy, monitor market feedback and gives prompt attention to customer complaints.
8. Checks and controls on accuracy of testing weightment of milk and milk products by quality control department can make significant contribution in controlling quality. Preparation of process control instructions for each manufacturing operation and meticulous implementation of the same will avoid losses and would improve quality.
9. Along with customer care, it has to give preference to the dealers whose role is eminent in reaching its product to the ultimate users. The union has to encourage such dealers to take more interest in selling its milk and milk products by increasing their profit margin on holding approval from the mother dairy.
10. Like other private dairies, the BEMUL has to undertake appropriate sales promotional strategies and effective advertisement to create more demand for its products.
11. To enhance its local sales, it has to open the milk and milk products parlors in busy places of cities/towns.

**Financial Performance:**

The BEMUL has to analyse its financial strengths and weaknesses to protect the interest of the milk producers and cooperate in achieving objective of dairy development.

1. To achieve the optimum liquidity position, BEMUL has to increase its current assets by increasing the sales and by reducing current liabilities by way of reducing credit purchases.
2. To increase the cash balance which is most liquid in its nature, the union has to release the stock of milk product as early as possible and influence

the debtors to pay their dues in time. This will ensure the union to meet its current obligations in time.

3. Today profits earning of the BEMUL has increased, hence it is advisable to maintain the same debt-equity ratio of 2.20:1 pertaining to the year 2008-09 in future also which ensures the owners to retain control of the firm with a limited stake and increased return on capital employed, since fixed interest is to be paid on outside debt.
4. It is also suggestible that, the BEMUL has to make effort to improve the operating efficiency to retire debt and to have a comfortable interest coverage ratio.
5. It is advisable that, the union has to reduce the cost of average inventory in order to achieve high inventory turnover ratio. If the absolute inventories are written off, this will adversely affect the working capital and liquidity position of the firm. Again a high inventory turnover should be carefully analysed.
6. The union has to manage its assets efficiently in order to maximum its sales, this ensures the balance between the capital employed and sales.
7. The union must try to increase the gross profit by way of increasing the sales price and maintaining cost of goods sold remain constant or by reducing the cost of goods sold and keeping sales price constant depending upon the market condition.
8. In order to increase net profit ratio, the management of the union must concentrate on incurring indirect expenses. A considerable due care must be taken while incurring such expenses.
9. With a view to maximize the return on capital employed, the union has to write off the accumulated losses as early as possible. So that real assets can be increase.

**General :**

1. It is essential to serve sincerely from the point of interest of farmers and the union and need a transparency in providing sufficient information to Board.
2. It is advisable that, to follow a proper methods in maintenance of accounts and to ensure proper classifications of such accounts.
3. It is advisable that, to maintain a systematic internal management.
4. To ensure healthy conditions in union by maintaining good relation between workers group and management team.
5. To reduce the repair cost for old vehicle and to maintain vehicle in good condition.
6. To utilize fully capacity of human resources and for the interest of such resources it is essential to maintain co-operation and co-ordination among them.
7. To confine registration of those dealing with union like contractors, milk dealers etc.
8. To ensure smooth functioning of all departments it has to allocate the work among the staff and officers of such departments and to make internal change to ensure them to do all activities in the union easily.
9. To ensue fully utilization of milk storing capacity, the union must give more importance to milk storing and milk sales especially to increase local sales.
10. To compel the marketing officers personally responsible if they allow the milk supplying contractors to adjust the amount collected by them from the dealers in their hire rental bill to be paid by the union.

### **6.3 CONCLUSION:**

The Belgaum Milk Union Limited (BEMUL) was established in 1985 by Karnataka Milk Federation (KMF) by reconstituting the Belgaum Dairy which was under the control of Government of Karnataka, under the World Bank Aided Development Project to achieve the reorganization of the dairy industry. With its establishment, the BEMUL has taken over the assets of Belgaum dairy and has become the nodal agency through which the dairy development activities are undertaken in Belgaum District as per the direction of KMF.

The BEMUL, besides procurement, processing, production, marketing of milk and milk products has a virtual control over every aspects of dairy development in the district. In order to attain the objectives of developing dairying on organized lines in the district, the BEMUL performs functions like co-ordination of activities of the dairy co-operative societies, marketing of milk and milk products within the district and outside the state and to institutional buyers, provision of inputs like cattle feed, fodder, seeds, mineral mixture and growing rootslips under the fodder development programme etc. It is conducting artificial insemination in order to increase the milk yielding capacity of local breed, training and development of society members to make them aware about the importance of the technique of artificial insemination, Along with these, it is joining its hands with the Government for implementing the STEP (Support to training and employment programme) to uplift the women financially. Thus the role of BEMUL in organized dairy development has been pivotal.

The performance of physical activities take place in the union was satisfactory. To enhance the such performance, it has to adopt proper strategies and mechanism at every level of activity.

The financial performance of the union is such that, from the last two years the liquidity position of the union was poor. Compared to the debt capital, the owner's contribution was reduced due to heavy loss incurred in earlier years. Now it is in position that is able to meet its interest expenses. The

financial activities like inventory management, debt recovery, utilization of available resources are going on efficiently. The profitability of the union was satisfactory. Due to setting off its previous loss in present profit, the return on capital was not improved, but, such loss is reduced at least and from the last two years it is in under tax liability.

In order to improve its financial performance, the union has to identify its financial strengths to make their best use and to spot out its financial weaknesses to take suitable corrective action.