

REPORT ON CHALLENGES FACED BY GANGOL DUGDH UTPADAK SAHAKARI SANGH LTD, MEERUT IN MARKETING OPERATIONS

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ABSTRACT

This paper studies challenges faced by Gangol Dugdh Utpadak Sahakari Sangh Ltd, Meerut in marketing operations in Uttar Pradesh in context to dairy cooperatives operations. Uttar Pradesh is the largest milk producing state, contributing about 17% of the total milk production in the country. However, the dairy cooperative structure in the state has been weak in comparison to many other states in the country such as Gujarat, Karnataka, Rajasthan and Maharashtra etc. The coverage of Pradeshik Cooperative Development Federation (PCDF) & its affiliated Unions in terms of villages, milk producers and share of milk procurement in surplus milk is low. They procure less than 1% of the total milk production and marketable surplus of the state.

KEYWORDS: Milk Production, Marketable Surplus, Dairy Cooperative, Milk Union, Dairy Federation.

INTRODUCTION

In many states dairying is an organized business; Uttar Pradesh is all set to go in the same direction as awareness about quality milk is spreading. For any business, "Markets" are important and they are changing fast. It is important to realize that Dairy Cooperative have the right inclination and the earnestness by which they are the definitive tools to transfer the consumer's money into the rural households. This is the tool that can transfer the "Power to Dream" into the hands of the rural poor. In such a case, markets are the place to explore. Cooperatives require intervention in the milk marketing field, which will strengthen the whole system of dairy cooperative, the same can certainly lead to a sustainable development.

BACKGROUND

The Gangol Sahakari Dugdh Utpadak Sangh Ltd was established in December 1980. The area of operation of the Union is five districts of the State, namely Meerut, Hapur, Baghpat,

Bulandshahr, Ghaziabad and Noida districts. Detail of profile of operational area of Union is given in the table below:

Table 1: Details of Operational Area of the Union

No.	Particulars	Unit	Operational area of Lucknow Milk Union
1	Districts	Nos.	06
2	Cities/Towns (> 25000)	Nos.	30 approx.
3	Total population	Lakh Nos.	6918
4	Urban population	Lakh Nos.	3421
5	Rural Population	Lakh Nos.	3497

Milk procurement network:

As of March 2021, the Union has 1429 organised DCS of which 998 are functional. About 0.42 lakh milk producers are members of DCS with 0.14 women members. Milk procurement of the Union is decreasing at a CAGR of -5% over the past 5 years. Details of past performance of the Union are given in the Table below:

Table 2: Details of Past Performance of the Milk Union

No.	Particulars	Unit	Past performance				
			16-17	17-18	18-19	19-20	20-21
1	Functional DCS/MPP	'Nos.	674	716	819	905	919
2	Producer member (Functional DCS/ MPP)	'000 'Nos.	30.48	34.36	38.37	40.38	40.61
3	Pourers	'000 'Nos.	15.61	17.51	19.60	23.79	19.97
4	Women Members	'000 'Nos.	3.96	4.48	5.0	5.26	5.57
5	Total Milk procurement	TKgPD	63.25	79.42	76.33	78.75	54.75
	- from DCS/ MPI	TKgPD	93.84	110.92	93.2	87.01	59.57

Quality of milk:

About 100% of total milk procured is received through tankers (60.00 TKgPD) and 40% through

Cans (37000 TKgPD). Average Fat of the milk received is 5.2% and average SNF is 8.5 % and average MBRT of packed milk is 5.30 hours.

Milk processing:

At present, the Union has a processing plant of 350 TLPD capacity at Meerut city which was established in the year 1980. The Union manufactures milk products like butter, ghee, Dahi, Chhach, flavoured milk, traditional sweets, Khoya, and Liquid milk in the existing plant. The plant capacity of value added dairy products is given below:

Table 3: Milk processing and Value Added Products Plant Capacity

No.	Particulars	Unit	Capacity
A.	Liquid Milk		
1	Liquid milk processing capacity	TLPD	350
2	Liquid milk packing capacity	TLPD	250
B.	Value Added Products		
1	Butter	MTPD	10.00
2	Ghee	MTPD	5.00
3	Curd	MTPD	5.00
4	Lassi	TLPD	5.00
5	Flavoured Milk	TLPD	5.00
6	Paneer	MTPD	5.00
7	Buttermilk	MTPD	5.00

Marketing of liquid Milk & Milk Products

The milk and milk products of the Union are sold under the brand name "Parag". The liquid milk sale by the Union is 54.50 TLPD which is decreasing at the rate of -8% CAGR over the last 5 years. The Union has presence in 06 cities/towns, major being Meerut, Hapur, Baghpat, Ghaziabad, Noida, Bulandshahr and Delhi-NCR, in which the Union has about 70% of its total liquid milk sales volume. The Union also sells milk in bulk (about 0.25 TLPD approx.).

Financial status of the Union

Table 4: Financial Performance of the Union in past 5 years

No.	Particulars	Past Performance (Rs. lakh)				
		16-17	17-18	18-19	19-20	20-21
1	Annual turnover	24806.17	25992.29	28065.94	42452.06	40764.26
2	Share capital	52233.01	51695.05	51670.34	51574.75	51594.75
3	Net profit	14.74	-178.37	13.5	-1742.14	16.19
4	Accumulated Net Profit/ Loss (-)	-7850.38	-8028.75	-8015.24	-9757.39	-9741.21

Challenges faced by the Union:

- Low market share of packed liquid milk - Against the total urban liquid milk demand of about 5.50 TLPD, the Union is catering to only 10 % of the total urban demand (i.e. 52.46 TLPD).
- Stiff competition from private players - The liquid milk market is primarily dominated by the AMUL and other Private Players. Union market share of about 10%, whereas the market share of other players like AMUL, and Mother Dairy is about 32% and 8 % respectively. However, in value added products, the major market share is captured by AMUL, Mother Dairy, Namaste India and Union is facing stiff competition.
- Inadequate marketing infrastructure - Union has a weak marketing infrastructure and cold chain infrastructure. At present there is almost non availability of insulated supply vehicles.
- Presently Union has around 320 visi coolers, 0 insulated boxes, and 0 insulated crates, which are not adequate looking at the number of sales outlets of the Union. This often results in the perishability of the product and deterioration of quality affecting the Union’s revenue and consumers’ trust on Union’s brand.
- Poor financial health – In the financial year 2020-21, the Union has accumulated a net loss of about Rs.-9741.21 Lakh. The major reason for the loss is decline in liquid milk and milk products sales. This makes it difficult to allocate a higher budget for marketing related activities.
- Lack of professional manpower – The Union completely lacks professional marketing manpower (except mgr. Marketing) due to which it is unable to focus on strategic

marketing & sales related activities and services such as brand building and sales promotion activities, etc. This affects the brand awareness among consumers and sales of milk & milk products in the market. Therefore, there is a need to train them in marketing and brand building areas.

Distribution network

The Union distributes milk & milk products by appointing transporters who also act as a distributor. Responsibility of the distributor is to raise the demand from sales outlets and accordingly collects milk & milk product from the Unions’ dairy plant for onward distribution to the sales outlets. The distributor is also responsible for collection of revenue from the sales outlets.

Distributor is supposed to transport the milk & milk products at ambient temperature in a proper insulated/refrigerated vehicle upto the point of sales. To compensate for the leakage/spoilage/curdling of packed milk, the Union provides 0.2% extra milk pouches to distributors. Retailers are supposed to maintain the required temperature of milk & milk products before selling it to consumers. However, as some sales outlets do not have the required cold chain infrastructure, they indent less quantity of products and go for immediate sales as soon as received from the distributor, especially for liquid milk. The classification of retailers is shown below:

Table 5: Profile of retailers in the operational area of Union

Liquid milk sale by Retailers	Total no.of retailers	Retailers having visi coolers (Nos.)	Retailers having deep freezer (Nos.)	Retailers having insulated box (Nos.)	Retailers not havingvisi cooler/deep freezer/ insulated box (Nos.)
< 50 LPD	933	325	50	250	50
51-100 LPD	148	148	6	0	0
101-200 LPD	145	145	5	0	0
201-300 LPD	25	25	5	0	0
301-500 LPD	10	10	5	0	0
> 500 LPD	13	13	5	0	0
Total	1274	666	75	250	50

Thus, there are only negligible retailers, who are equipped with cold chain infrastructure, affecting the desired temperature of milk & milk products during sale to consumers.

Opportunity and Issue Analysis

SWOT Analysis

A SWOT analysis (Strengths and Weaknesses, Opportunities and Threats) of the Union is given below:

Strengths	<ul style="list-style-type: none">▪ Strong backward integration with a wide network of milk producer members.▪ Established brand in the operational area, especially for packed liquid milk.▪ Sufficient processing capacity available with the Union.
Weakness	<ul style="list-style-type: none">▪ Less variants in value added dairy products▪ Weak cold chain infrastructure affecting quality of milk & milk products delivered to the consumers.▪ Limited reach in the market because of weak marketing infrastructure.▪ Limited budget available for marketing activities.
Opportunities	<ul style="list-style-type: none">▪ Consumers' preference shifting towards healthy food and beverages.▪ Untapped potential in the peri-urban area.▪ Underutilised processing capacity.
Threats	<ul style="list-style-type: none">▪ Presence of private players in the value added dairy product segment.▪ Presence of Unorganised▪ Strong acceptance of fresh milk among consumers.

FUTURE OF STRATEGIES TO DEVELOP MARKETING OPERATIONS –

Need for strengthening the marketing operations of the Union

- To mitigate the above challenges, there is a need to strengthen marketing operations of the Union.
- To increase its coverage, the Union plans to increase sales of liquid milk and value added products and introduce new products such as Diet Milk as well as Long shelf life products in the market. If good quality milk & milk products are made available to consumers, the demand will amplify. A robust marketing cold chain infrastructure will play an important role in maintaining the shelf-life, avoiding spoilage and maintaining quality of the milk & milk products resulting in higher acceptability by consumers, and positively influencing consumer's perception towards the brand.
- Strengthening of the Union's operations through building marketing infrastructure will help to enhance its market share and improve the financial health in the long run.
- Proper marketing strategies will help the Union in efficient utilisation of limited resources and building strong brand presence in the current competitive market.
- At present, the Union has low brand visibility due to limited point of sale material and other sales promotion material. The Union needs to strengthen its brand visibility. If required, brand revamping may be done with the support of a professional marketing agency.

Conclusion

The Dairy Sector in Uttar Pradesh offers an immense opportunity to increase employment, incomes, and livelihood in rural areas. We need to transmit modern dairying and livestock management practices which are technology-driven and are well organised. Dairy generates employment with least unit cost of employment. The Indian dairy sector registered a spectacular growth rate in the last few decades and as a result, India emerged as the world's largest producer of milk. Milk and milk products being the second largest contributor next to agricultural products play a vital role in the country's economy. It is believed that for maintaining self-sufficiency in milk production there is a need for collective efforts of stakeholders, including, milk producers, processors, supporting institutions, services providers and dairy professionals towards achieving this sector socially, economically and environmentally sustainable.

Meerut Union needs to focus on spreading their marketing outreach to NCR and potential areas

with the old brand image with new marketing planning through renowned marketing agencies. Parag cooperatives have always been encouraged by the State government by providing financial support to build up new dairy plants and gap or loss funding to revive cooperatives in the State. Cooperative needs to work like private dairies should take quick decisions to earn the profits. The co-operatives consist of a large number of decision-makers hence, decision making is slow therefore the efficiency is less. The case of the private sector, the owners themselves will be the decision-makers hence are more efficient.

Parag Union needs to ensure the consistent quality of milk throughout the year to attract consumers. Consumers now prefer genuine, local products. Local positioning subsumes benefits like high quality, freshness, trustworthiness, environmental friendliness, and support to the local community. Parag needs to reach out to the consumers to remind them about the state-owned old brand with new products and quality textures.

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