Final Report

# Breakeven Analysis in Dairy Farm Enterprises and Strategies for its Sustainable Growth under National Dairy Plan-I: Karnataka State


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# Foreword

Dairying has become an important secondary source of income for millions of poor and rural households and has assumed an important role in providing employment and income generating opportunities particularly for marginal and women farmers. This sector has created a significant impact on equity in terms of employment and poverty alleviation as well. It cannot be merely a co-incidence that the level of rural poverty is significantly higher in states where livestock sector is underdeveloped. This is the sector where the poor contribute to growth directly instead of deriving benefits from growth generated in other sectors of the economy. Milk has always played a critical role in addressing hunger and malnutrition.

Cost plays an important role in portraying economic viability of a dairy enterprise. It is a critical economic indicator for milk producers, consumers and policy makers in order to provide an effective linkage between the milk producers and consumers for fixing the price of milk rationally. Generally, a milk producer can increase his dairy income in two ways either by increasing the milk production or by reducing cost of milk production. Cost of milk production often becomes a policy issue, when milk producers complain that the price of milk they are getting does not the cover cost of milk production. One of the main problems identified is many dairy producers, especially small operations, are unaware of their costs of production and financial breakeven point. During these tough times, it is important for producers to see how they can reduce costs without reducing milk production. Therefore there is a need to know the break-even point to estimate the minimum quantity of milk to be produced to cover the total cost on all the size groups of household for both the cow and buffaloes. Breakeven point is a point where no profit no loss status achieved. The costs that have to be covered by the milk price determine the break-even point, or price. Keeping the above background in mind, it was felt necessary to study the comparative analysis of per liter cost of milk production as well as break even analysis of both group of member and non members of dairy cooperative society for two categories (small and medium) in case of milch Cow and buffalo. In view of above, as desired by the NDDB, Anand, the present study was undertaken to know the break-even point to estimate the minimum quantity of milk to be produced to cover the total cost of milk production for both the cows and buffaloes. The study came out with important and relevant policy implications which would help to enhance efficiency of implementation benefitting the milk producers.

I am thankful to authors and their research team for putting in a lot of efforts to complete this excellent piece of work. I also thank the National Dairy Development Board, Anand for giving us an opportunity to undertake this study. I hope this report will be useful for policy makers and researchers.

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# Contents

# List of Tables

# List of Figure



# List of Map



# List of Boxes



# List of Annexures

# List of Abbreviations

| | | |
|---|---|---|
| ACZ | - | Agro Climatic Zone |
| A.I | - | Artificial Insemination |
| ADP | - | Annual Development Plan |
| AN | - | Animal Nutrition |
| ASMM | - | Area Specific Mineral Mixture |
| Av. | - | Average |
| B | - | Buffalo |
| CB | - | Cross Breed |
| DCS | - | Dairy Cooperative Society households |
| DM | - | Dry Matter |
| EIA | - | End Implementing Agency |
| FGD | - | Focus Group Discussion |
| GOI | - | Government of India |
| ha | - | Hectare |
| HH/hh | - | Household |
| LC | - | Local Cow |
| LTPD | - | Litres per day |
| M.T./mt | - | Metric Tone |
| MCLR | | Marginal Cost of Funds Based Lending Rate |
| mha | - | Million hectares |
| MU | - | Milk Union (district level) |
| NA | - | Not Available/ Not Applicable |
| NDCS | - | Non-Dairy Cooperative Society households |
| NDDB | - | National Dairy Development Board |
| NDP | - | National Dairy Plan |
| NITI Ayog | - | National Institution for Transforming India |
| No./Nos | - | Number |
| PDCS | - | Primary Dairy Cooperative Society (village level) |
| PMC | - | Project Management Cell |
| PMU | - | Project Management Unit |
| Prodvty. | - | Productivity |
| Rs. | - | Rupees |

| | | |
|---|---|---|
| SAUs | - | State Agricultural University |
| SC | - | Scheduled Caste |
| SF/MF/AL | - | Small Farmer, Marginal Farmer, Agricultural Laborer |
| ST | - | Scheduled Tribe |
| ST | - | Scheduled Tribe |
| Y | - | Yield |