

Breakeven Analysis in Dairy Farm Enterprises and Strategies for its Sustainable Growth under National Dairy Plan-I in Selected States of India



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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 providing equity in terms of employment and poverty alleviation as well. It cannot be merely a coincidence 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. Besides 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 cover cost of milk production. One of the main problems identified is that many dairy producers, especially small operators, 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 is 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 for two groups - members and non-members of dairy cooperative society for two categories of dairy farmers (small and medium) in case of milch Cow and buffalo. In view of above, as desired by the NDDDB, Anand, the present study was undertaken in selected milk unions of four states 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 adopt strategic interventions to enhance net income of the milk producers.

I am thankful to authors and the 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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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
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
LTPD	- Litres per day
MAAHI	- Maahi Milk Producer Company Limited, Rajkot
M.T./mt	- Metric Tone
MCLR	Marginal Cost of Funds Based Lending Rate
MGNREGA	- Mahatma Gandhi National Rural Employment Guarantee Act
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
TC	- Total Cost
TR	- Total Revenue
Y	- Yield