

## Original Research Article

### **AN ECONOMIC ANALYSIS OF MARKETING COSTS, PRICE SPREAD, AND MARKETING EFFICIENCY OF MILK IN THE VISAKHAPATNAM DISTRICT OF ANDHRA PRADESH**

#### **ABSTRACT**

The present study entitled “An Economic analysis of marketing costs, Price spread, and marketing efficiency of milk in the Visakhapatnam district of Andhra Pradesh” was undertaken to know Marketing cost and margins, Price spread, Marketing efficiency of Buffalo and Cow milk. The study has been undertaken in the Paravada block of Visakhapatnam district. A total of 100 sample respondents are analyzed. Among these 55 are small farmers, 34 are medium farmers and 11 are large farmers. For buffalo milk, in channel-I, the overall average net price received by the producer is Rs. 49.43, and the consumer purchase price is Rs.56.07. In channel-II, The overall average net price received by the producer is Rs. 46.34, and the consumer purchase price is Rs.58.55. In channel-III, the net price received by the producer is Rs. 39.23, and the consumer purchase price is Rs.60. For cow milk, in channel-I, the overall average net price received by the producer is Rs. 36.50, and the consumer purchase price is Rs.45.22. In channel-II, The overall average net price received by the producer is Rs.33.93, and the consumer purchase price is Rs.48.87. In channel-III, the net price received by the producer is Rs.30.50, and the consumer purchase price is Rs.50. Market efficiency revealed that for buffalo milk Market efficiency of channel-I is high with 8.4, market efficiency revealed that for cow milk Market efficiency of channel-I is high with 5.18.

*Keywords: Marketing cost, marketing efficiency, marketing margin, Price spread.*

#### **INTRODUCTION**

Agriculture acts as the spine of the Indian economy. Along with agriculture, animal husbandry and dairy are also integral parts of the Indian economy. Britishers used to call our economy a monsoon gamble as in the past our agriculture is mostly dependent on unpredictable monsoon rains. But these days, conditions were improved a lot and the government tried very hard to increase the net irrigated area through major irrigation projects are on-board. Even though the dairy sector is not much dependent on monsoons but fodder and its availability are much more dependent on monsoons. The world's milk production

reached nearly 906 million tonnes in 2020, appreciably there is a 2 percent rise from 2019. This growth was shown in all geographical regions except in Africa, where the production remained stable. In India, milk output is 195 million tonnes in 2020. India is the largest milk producer in the entire world contributing 23 percent of world milk production. India's greatest step in turning the country from a milk deficient to a milk surplus is the "White Revolution" which led the country to the top over many years and showed a tremendous impact on the countries livestock population. As mentioned before dairy sector and animal husbandry are important subsectors of agriculture in the Indian economy. They grew at a CGAR of 8.15 percent during 2014-15 to 2019-20 (at constant prices). The livestock sector contributed 4.35 percent of the total GVA in 2019-20 (Economic survey 2021-22). Dairy farming is an important secondary source of income for millions of farmers, particularly marginal and women farmers. Attributed to total milk production in India, 48 percent of milk is either consumed at the producer level or sold to non-producers in rural areas. The balance of 52 percent milk is a marketable surplus available for sale to consumers in urban areas. Out of marketable surplus it is estimated that about 40 % of the milk sold is handled by the organized sector i.e. 20 percent by cooperative societies and 20 percent by private dairies and the remaining 60 percent by the unorganized sector (Dept. of Animal Husbandry Dairy & Fisheries ministry of Agriculture, 2020-2021). Milk production in India reached 209.96 million tonnes in 2020-2021. The per capita availability of milk is 427 grams per day in 2020-2021 (Economic survey 2021-2022). Andhra Pradesh is one of the agriculturally developed states in the country. Mixed cropping and livestock farming is the important farming system in the state which is used by more than 80 percent of rural households.

## **RESEARCH METHODOLOGY**

### **Locale of the study**

Visakhapatnam is known as the "Jewel of the East Coast" and it is one of the smart cities in the country and the fourth cleanest city in India. It is the financial capital of the state. The length of the coastal line is 132 km on the coast of the Bay of Bengal. The area of the city is 682 square kilometers. It is situated between the Eastern Ghats and the Bay of Bengal. The district coordinates lie between 17.7041°N and 83.2977°E. The district is sharing boundaries with Vijayanagaram in the north, Orissa in the West, Bay of Bengal in the east, and East Godavari in the south.

## Sampling Design

Multi-stage purposive cum random sampling technique was used for selecting the district, block, villages, and farmers.

### Selection of District

There are 13 districts in the state of Andhra Pradesh, One district named Visakhapatnam was selected purposively. And Visakhapatnam is selected because there is a lot of potential for agriculture which needs to be made use of.

### Selection of Block

A list of all the blocks in the district was prepared and one block namely Paravada was selected purposively.

### Selection of Villages

A list of all villages of the selected block was prepared in ascending order based on the number of cattle reared and the top five villages were selected namely Paravada, Cheppurupalli, Naidupalem, Muthyalamapalem, and kalapaka.

**Table 1: Distribution of Selected Sample Respondents in Different Groups**

| S.No         | Village         | Small farmers | Medium Farmers | Large farmers |
|--------------|-----------------|---------------|----------------|---------------|
| 1.           | Paravada        | 10            | 7              | 3             |
| 2.           | Cheppurupalli   | 12            | 6              | 2             |
| 3.           | Naidupalem      | 10            | 7              | 3             |
| 4.           | Muthyalamapalem | 12            | 7              | 1             |
| 5.           | Kalapaka        | 11            | 7              | 2             |
| <b>Total</b> |                 | <b>55</b>     | <b>34</b>      | <b>11</b>     |

### Selection of sample respondents

A list of all the farmers involved in milk production in the selected villages was prepared. Further, these farmers were divided into three groups based on the number of milch animals viz.,

a) Small farmers (up to 2 milch animals)

b) Medium farmers (3-4 milch animals)

c) Large farmers (above 4 milch animals)

Samples of 20 respondents from each selected village were taken randomly, making a total sample of 100 farmers. Thus, the study was based on an intensive inquiry of 100 farmers selected randomly from 5 villages of the Paravada block of Visakhapatnam district.

## **Methods of data collection**

### **Method of Inquiry**

#### **1) Primary data**

Primary data was collected from the farmers by interviewing them personally with the help of a pretested schedule.

#### **2) Secondary data**

Secondary data was collected from various sources like journals, articles, books, magazines, and particular websites apart from this data are collected from government offices like block offices, village panchayats, and veterinary offices.

### **Period of Inquiry**

The study is conducted during the agricultural year 2021-2022.

### **Analytical tools and techniques employed**

The following statistical formula was used for data analysis which are given below:

1. The weighted average of the variable x was calculated by using the following formula.

$$\text{Weighted average} = \frac{\sum W_i X_i}{\sum W_i}$$

Where,

$W_i$  = Weight assigned

$X_i$  = Value of the variable

Along with this tabular analysis is used to analyze the data.

2. Marketing cost and marketing margins were worked out using the following formula

$$\text{Marketing cost} = T_c = c_p + \sum_{i=1}^n M_{ci}$$

Where,

$T_c$  = Total cost of marketing

$C_p$  = Cost incurred by the producer in the marketing of his produce.

$M_{ci}$  = Marketing costs incurred by middlemen or traders

### Marketing margin

The fraction of the total amount between producer and consumer made by middlemen in different marketing channels is known as the marketing margin.

$$Am = P_m - (P_b + M_c)$$

Where,

$Am$  = Absolute margin of the middlemen or traders

$P_m$  = Selling price of the middlemen or traders

$P_b$  = Buying price of the middlemen or traders

$M_c$  = Marketing costs of the middlemen or traders

3. The marketing efficiency in milk marketing through different channels was compared by using the shepherd's formula:

$$\text{Marketing efficiency} = \frac{\text{Consumer purchase price}}{\text{Total cost and margins}}$$

### Price spread:

The difference between the price paid by the consumer and the net price received by the producer was taken as the concept of spread.

## RESULTS AND DISCUSSION

### 1. Marketing cost and margins, Price spread

#### Marketing cost and margins, Price spread of Buffalo milk

##### a) Channel-I (Milk producer – Consumer)

**Table 1.1: Price Spread for buffalo milk in channel-I (Milk producer – Consumer)****(Rs. /liter)****(n=100)**

| S.No | Particulars                                     | Groups          |                 |                 |                 |
|------|---|-----------------|-----------------|-----------------|-----------------|
|      |   | Small           | Medium          | Large           | Overall average |
| 1.   | Net price received by the producer              | 49.05<br>(87.4) | 49.50<br>(88.2) | 49.75<br>(88.9) | 49.43<br>(88.2) |
| 2.   | Marketing cost incurred by the producer         | 7.10<br>(12.6)  | 6.61<br>(11.8)  | 6.20<br>(11.1)  | 6.64<br>(11.8)  |
| a.   | Handling charges                                | 2.50<br>(4.5)   | 2.50<br>(4.5)   | 2.50<br>(4.5)   | 2.50<br>(4.5)   |
| b.   | Losses  | 1.95<br>(3.5)   | 1.80<br>(3.2)   | 2.03<br>(3.6)   | 1.93<br>(3.5)   |
| c.   | Misc. charges                                   | 2.65<br>(4.7)   | 2.31<br>(4.1)   | 1.67<br>(3.0)   | 2.21<br>(3.9)   |
| 3.   | Producer sale price/<br>Consumer purchase price | 56.15<br>(100)  | 56.11<br>(100)  | 55.95<br>(100)  | 56.07<br>(100)  |

(Figures in the parentheses indicate percentages to consumer purchase price)

Table 1.1, indicates the disposal of milk from producer to consumer directly without the involvement of middlemen. The overall average net price received by the producer is Rs. 49.43 and the marketing cost incurred by the producer is Rs. 6.64 and the overall average consumer purchase price is Rs. 56.07 and the producer's share in consumer rupee is 88.2 percent.

**b) Channel – II (Milk Producer – Milk vendor – Consumer)**

**Table 1.2: Price spread of buffalo milk in the channel- II (Milk Producer – Milk vendor- Consumer) (Rs. /liter) (n=100)**

| S.No | Particulars                             | Groups          |                 |                 |                 |
|------|---|-----------------|-----------------|-----------------|-----------------|
|      |   | Small           | Medium          | Large           | Overall average |
| 1.   | Net price received by the producer      | 46.03<br>(78.9) | 46.43<br>(79.2) | 46.56<br>(79.3) | 46.34<br>(79.1) |
| 2.   | Marketing cost incurred by the producer | 2.80<br>(4.8)   | 2.80<br>(4.8)   | 2.80<br>(4.8)   | 2.80<br>(4.8)   |
| 3.   | Vendor purchased price                  | 48.83<br>(83.7) | 49.23<br>(84.0) | 49.36<br>(84.1) | 49.14<br>(83.9) |

|    |   |                 |                 |                 |                 |
|----|---|-----------------|-----------------|-----------------|-----------------|
| 4. | Marketing cost incurred by the vendor         | 6.97<br>(12.0)  | 6.91<br>(11.8)  | 6.85<br>(11.7)  | 6.91<br>(11.8)  |
| a. | Handling charges                              | 2.03<br>(3.5)   | 1.99<br>(3.4)   | 2.01<br>(3.4)   | 2.01<br>(3.4)   |
| b. | Losses  | 1.50<br>(2.6)   | 1.33<br>(2.3)   | 1.35<br>(2.3)   | 1.39<br>(2.4)   |
| c. | Transport charges                             | 1.00<br>(1.7)   | 1.00<br>(1.7)   | 1.00<br>(1.7)   | 1.00<br>(1.7)   |
| d. | Misc. charges                                 | 2.44<br>(4.2)   | 2.59<br>(4.4)   | 2.59<br>(4.4)   | 2.54<br>(4.3)   |
| 5. | Vendor margin                                 | 2.50<br>(4.3)   | 2.50<br>(4.3)   | 2.50<br>(4.3)   | 2.50<br>(4.3)   |
| 6. | Total marketing cost                          | 9.77<br>(16.8)  | 9.71<br>(16.5)  | 9.65<br>(16.4)  | 9.71<br>(16.6)  |
| 7. | Price spread                                  | 12.27<br>(21.1) | 12.21<br>(20.8) | 12.15<br>(20.7) | 12.21<br>(20.9) |
| 8. | Vendor sale price/<br>Consumer purchase price | 58.30<br>(100)  | 58.64<br>(100)  | 58.71<br>(100)  | 58.55<br>(100)  |

(Figures in the parentheses indicate percentages to consumer purchase price)

In table 1.2, the disposal of milk from producer to vendor then finally reaches to consumer. Here the Producer's share in the consumer rupee is 79.1 percent which is less than the channel-I because there one middleman is involved here between the producer and consumer i.e., the milk vendor. The overall average net price received by the producer is Rs. 46.34. And the marketing cost incurred by the producer is Rs. 2.80, the vendor purchased price is Rs. 49.14, Marketing cost incurred by the vendor is Rs. 6.91. And Vendor margin is Rs. 2.50. The overall price spread of channel-II is Rs.12.21.And Finally, the vendor sale price or consumer purchase price is Rs.58.55.

**c) Channel- III (Milk producer - Cooperative society – Cooperative milk plant - Consumer)**

**Table 1.3: Price spread of buffalo milk in the channel-III (Milk producer -Cooperative society – Cooperative milk plant – Consumer) (Rs. / liter) (n=100)**

| S.No | Particulars | Groups |        |       |                 |
|------|-------------|--------|--------|-------|-----------------|
|      |             | Small  | Medium | Large | Overall average |

|    |   |                 |                 |                 |                 |
|----|---|-----------------|-----------------|-----------------|-----------------|
| 1. | Net price received by the producer              | 39.33<br>(65.5) | 39.21<br>(65.3) | 39.15<br>(65.3) | 39.23<br>(65.4) |
| 2. | Marketing cost incurred by the producer         | 2.25<br>(3.7)   | 2.30<br>(3.8)   | 2.20<br>(3.6)   | 2.25<br>(3.7)   |
| 3. | Co-operative society purchase price             | 41.58<br>(69.3) | 41.51<br>(69.1) | 41.35<br>(68.9) | 41.48<br>(69.1) |
| 4. | Marketing cost incurred by co-operative society | 6.10<br>(10.2)  | 6.15<br>(10.2)  | 6.17<br>(10.3)  | 6.14<br>(10.2)  |
| a. | Handling charges                                | 1.10<br>(1.8)   | 1.00<br>(1.7)   | 1.15<br>(1.9)   | 1.08<br>(1.8)   |
| b. | Losses  | 2.50<br>(4.2)   | 2.30<br>(3.8)   | 2.57<br>(4.3)   | 2.46<br>(4.1)   |
| c. | Misc. Charges                                   | 2.50<br>(4.2)   | 2.85<br>(4.7)   | 2.45<br>(4.1)   | 2.60<br>(4.3)   |
| 5. | Co-operative society Margin                     | 3.00<br>(5.0)   | 3.00<br>(5.0)   | 3.00<br>(5.0)   | 3.00<br>(5.0)   |
| 6. | Co-operative milk plant purchase price          | 50.68<br>(84.5) | 50.66<br>(84.5) | 50.52<br>(84.2) | 50.62<br>(84.4) |
| 7. | Marketing cost incurred by milk plant           | 7.32<br>(12.2)  | 7.34<br>(12.2)  | 7.48<br>(12.5)  | 7.38<br>(12.3)  |
| a. | Transportation charges                          | 2.00<br>(3.3)   | 2.00<br>(3.3)   | 2.00<br>(3.3)   | 2.00<br>(3.3)   |
| b. | Loading/unloading charges                       | 0.75<br>(1.2)   | 0.75<br>(1.2)   | 0.75<br>(1.2)   | 0.75<br>(1.2)   |
| c. | Handling charges                                | 0.50<br>(0.8)   | 0.50<br>(0.8)   | 0.50<br>(0.8)   | 0.50<br>(0.8)   |
| d. | Chilling charges                                | 0.50<br>(0.8)   | 0.50<br>(0.8)   | 0.50<br>(0.8)   | 0.50<br>(0.8)   |
| e. | Boiling charges                                 | 0.64<br>(1.1)   | 0.64<br>(1.1)   | 0.64<br>(1.1)   | 0.64<br>(1.1)   |

|     |                                   |                 |                 |                 |                 |
|-----|-----------------------------------|-----------------|-----------------|-----------------|-----------------|
| f.  | Processing charges                | 0.50<br>(0.8)   | 0.50<br>(0.8)   | 0.50<br>(0.8)   | 0.50<br>(0.8)   |
| g.  | Packing charges                   | 0.50<br>(0.8)   | 0.50<br>(0.8)   | 0.50<br>(0.8)   | 0.50<br>(0.8)   |
| h.  | Losses                            | 0.67<br>(1.1)   | 0.69<br>(1.1)   | 0.83<br>(1.4)   | 0.73<br>(1.2)   |
| i.  | Misc. Charges                     | 1.50<br>(2.5)   | 1.50<br>(2.5)   | 1.50<br>(2.5)   | 1.50<br>(2.5)   |
| 8.  | Co-operative Milk plant<br>Margin | 2.00<br>(3.3)   | 2.00<br>(3.3)   | 2.00<br>(3.3)   | 2.00<br>(3.3)   |
| 9.  | Total Marketing cost              | 15.67<br>(26.1) | 15.79<br>(26.3) | 15.85<br>(26.4) | 15.77<br>(26.2) |
| 10. | Price spread                      | 20.67<br>(34.4) | 20.79<br>(34.6) | 20.85<br>(34.7) | 20.77<br>(34.6) |
| 11. | Consumer purchase price           | 60<br>(100)     | 60<br>(100)     | 60<br>(100)     | 60<br>(100)     |

(Figures in the parentheses indicate percentages to consumer purchase price)

In table 1.3, the disposal of the milk from milk producer which is collected by Co-operative society and then Co-operative milk plant then reaches to Consumer. Overall average of the Producer's share in consumer rupee is 65.4 percent in the channel –III which is less compared to the other two channels. The net price received by the producer is Rs. 39.23, the marketing cost incurred by the producer is Rs. 2.25, the Co-operative society Purchase price is Rs. 41.48, the marketing cost incurred by the co-operative society is Rs. 6.14, the Co-operative society margin is Rs. 3.0, the co-operative milk plant purchase price is Rs.50.62, the marketing cost incurred by the co-operative milk plant is Rs. 7.38, the Co-operative milk plant margin is Rs. 2.0, The overall average total marketing cost is Rs.15.77 and the price spread is Rs. 20.77. The consumer Purchase price is Rs. 60.00.

#### **Marketing cost and margins, Price spread of Cow milk:**

##### **a) Channel-I (Milk producer – Consumer)**

**Table 1.4: Price Spread for Cow milk in channel-I (Milk producer – Consumer)**

(Rs. /liter)

(n=100)

| S.No | Particulars                                     | Groups          |                 |                 |                 |
|------|---|-----------------|-----------------|-----------------|-----------------|
|      |   | Small           | Medium          | Large           | Overall average |
| 1.   | Net price received by the producer              | 36.15<br>(80.0) | 37.05<br>(82.1) | 36.30<br>(80.1) | 36.50<br>(80.7) |
| 2.   | Marketing cost incurred by the producer         | 9.05<br>(20.0)  | 8.10<br>(17.9)  | 9.00<br>(19.9)  | 8.72<br>(19.3)  |
| a.   | Handling charges                                | 3.15<br>(7.0)   | 3.00<br>(6.6)   | 3.10<br>(6.8)   | 3.08<br>(6.8)   |
| b.   | Losses  | 2.80<br>(6.2)   | 2.45<br>(5.4)   | 2.70<br>(6.0)   | 2.65<br>(5.9)   |
| c.   | Misc. charges                                   | 3.10<br>(6.8)   | 2.65<br>(5.9)   | 3.20<br>(7.1)   | 2.98<br>(6.6)   |
| 3.   | Producer sale price/<br>Consumer purchase price | 45.20<br>(100)  | 45.15<br>(100)  | 45.30<br>(100)  | 45.22<br>(100)  |

(Figures in the parentheses indicate percentages to consumer purchase price)

In table 1.4, it indicates the disposal of milk from producer to consumer directly without the involvement of middlemen. The overall average net price received by the producer is Rs. 36.50 and the marketing cost incurred by the producer is Rs. 8.72 and the overall average consumer purchase price is Rs. 45.20 and the producer's share in consumer rupee is 80.7 percent.

**b) Channel – II (Milk Producer – Milk vendor – Consumer)**

**Table 1.5: Price spread of cow milk in the channel- II (Milk Producer – Milk vendor- Consumer) (Rs. /liter) (n=100)**

| S.No | Particulars                             | Groups          |                 |                 |                 |
|------|---|-----------------|-----------------|-----------------|-----------------|
|      |   | Small           | Medium          | Large           | Overall average |
| 1.   | Net price received by the producer      | 33.90<br>(69.8) | 34.10<br>(69.5) | 33.80<br>(69.1) | 33.93<br>(69.4) |
| 2.   | Marketing cost incurred by the producer | 2.75<br>(5.7)   | 2.75<br>(5.6)   | 2.75<br>(5.6)   | 2.75<br>(5.6)   |
| 3.   | Vendor purchased price                  | 36.65<br>(75.4) | 36.85<br>(75.1) | 36.55<br>(74.7) | 36.68<br>(75.1) |

|    |   |                 |                 |                 |                 |
|----|---|-----------------|-----------------|-----------------|-----------------|
| 4. | Marketing cost incurred<br>by the vendor      | 8.95<br>(18.4)  | 9.25<br>(18.8)  | 9.35<br>(19.1)  | 9.18<br>(18.8)  |
| a. | Handling charges                              | 2.85<br>(5.9)   | 3.10<br>(6.3)   | 3.20<br>(6.5)   | 3.05<br>(6.2)   |
| b. | Losses  | 2.00<br>(4.1)   | 2.05<br>(4.2)   | 2.20<br>(4.5)   | 2.08<br>(4.3)   |
| c. | Transport charges                             | 1.00<br>(2.0)   | 1.00<br>(2.0)   | 1.00<br>(2.0)   | 1.00<br>(2.0)   |
| d. | Misc. charges                                 | 3.10<br>(6.4)   | 3.10<br>(6.3)   | 2.95<br>(6.0)   | 3.05<br>(6.2)   |
| 5. | Vendor margin                                 | 3.00<br>(6.2)   | 3.00<br>(6.1)   | 3.00<br>(6.1)   | 3.00<br>(6.1)   |
| 6. | Total marketing cost                          | 11.70<br>(24.1) | 12.00<br>(24.4) | 12.10<br>(24.7) | 11.93<br>(24.4) |
| 7. | Price spread                                  | 14.70<br>(30.2) | 15.00<br>(30.5) | 15.10<br>(30.9) | 14.93<br>(30.5) |
| 8. | Vendor sale price/<br>Consumer purchase price | 48.60<br>(100)  | 49.10<br>(100)  | 48.90<br>(100)  | 48.87<br>(100)  |

(Figures in the parentheses indicate percentages to consumer purchase price)

In table 1.5, the disposal of milk from producer to vendor then finally reaches to consumer. Here the Producer's share in the consumer rupee is 69.4 percent which is less than the channel-I because there one middleman is involved here between the producer and consumer i.e., Milk vendor. The overall average net price received by the producer is Rs. 33.93. And the marketing cost incurred by the producer is Rs. 2.75, the vendor purchased price is Rs. 36.68, Marketing cost incurred by the vendor is Rs. 9.18. And Vendor margin is Rs. 3.00. The overall price spread of channel-II is Rs.14.93. And finally, the vendor sale price or consumer purchase price is Rs.48.87.

**c) Channel- III (Milk producer - Cooperative society – Cooperative milk plant – Consumer)**

**Table 1.6: Price spread of cow milk in the channel-III (Milk producer – Cooperative Society – Cooperative milk plant – Consumer) (Rs. / liter) (n=100)**

|  |  | Groups |
|--|--|--------|
|--|--|--------|

| S.No | Particulars                                     | Small           | Medium          | Large           | Overall average |
|------|---|-----------------|-----------------|-----------------|-----------------|
| 1.   | Net price received by the producer              | 29.90<br>(59.8) | 30.70<br>(61.4) | 30.80<br>(61.6) | 30.50<br>(61.0) |
| 2.   | Marketing cost incurred by the producer         | 2.30<br>(4.6)   | 2.10<br>(4.2)   | 2.15<br>(4.3)   | 2.18<br>(4.4)   |
| 3.   | Co-operative society purchase price             | 32.20<br>(64.4) | 32.80<br>(65.6) | 32.95<br>(65.9) | 32.68<br>(65.4) |
| 4.   | Marketing cost incurred by co-operative society | 8.62<br>(17.2)  | 7.80<br>(15.6)  | 7.60<br>(15.2)  | 7.97<br>(15.9)  |
| a.   | Handling charges                                | 2.53<br>(5.1)   | 2.45<br>(4.9)   | 2.40<br>(4.8)   | 2.46<br>(4.9)   |
| b.   | Losses  | 3.34<br>(6.7)   | 2.55<br>(5.1)   | 2.40<br>(4.8)   | 2.76<br>(5.5)   |
| c.   | Misc. Charges                                   | 2.75<br>(5.5)   | 2.80<br>(5.6)   | 2.80<br>(5.6)   | 2.78<br>(5.6)   |
| 5.   | Co-operative society Margin                     | 2.50<br>(5.0)   | 2.50<br>(5.0)   | 2.50<br>(5.0)   | 2.50<br>(5.0)   |
| 6.   | Co-operative milk plant purchase price          | 43.32<br>(86.6) | 43.10<br>(86.2) | 43.05<br>(86.1) | 43.15<br>(86.3) |
| 7.   | Marketing cost incurred by milk plant           | 6.98<br>(14.0)  | 7.00<br>(14.0)  | 7.10<br>(14.2)  | 7.03<br>(14.1)  |
| a.   | Transportation charges                          | 2.00<br>(4.0)   | 2.00<br>(4.0)   | 2.00<br>(4.0)   | 2.00<br>(4.0)   |
| b.   | Loading/unloading charges                       | 0.75<br>(1.5)   | 0.75<br>(1.5)   | 0.75<br>(1.5)   | 0.75<br>(1.5)   |
| c.   | Handling charges                                | 0.50<br>(1.0)   | 0.50<br>(1.0)   | 0.50<br>(1.0)   | 0.50<br>(1.0)   |
| d.   | Chilling charges                                | 0.50<br>(1.0)   | 0.50<br>(1.0)   | 0.50<br>(1.0)   | 0.50<br>(1.0)   |
| e.   | Boiling charges                                 | 0.64<br>(1.3)   | 0.64<br>(1.3)   | 0.64<br>(1.3)   | 0.64<br>(1.3)   |
| f.   | Processing charges                              | 0.50<br>(1.0)   | 0.50<br>(1.0)   | 0.50<br>(1.0)   | 0.50<br>(1.0)   |

|     |                                   |                 |                 |                 |                 |
|-----|-----------------------------------|-----------------|-----------------|-----------------|-----------------|
| g.  | Packing charges                   | 0.50<br>(1.0)   | 0.50<br>(1.0)   | 0.50<br>(1.0)   | 0.50<br>(1.0)   |
| h.  | Losses                            | 0.58<br>(1.2)   | 0.60<br>(1.2)   | 0.70<br>(1.4)   | 0.63<br>(1.3)   |
| i.  | Misc. Charges                     | 1.25<br>(2.5)   | 1.25<br>(2.5)   | 1.25<br>(2.5)   | 1.25<br>(2.5)   |
| 8.  | Co-operative Milk plant<br>Margin | 2.00<br>(4.0)   | 2.00<br>(4.0)   | 2.00<br>(4.0)   | 2.00<br>(4.0)   |
| 9.  | Total Marketing cost              | 15.60<br>(31.2) | 14.80<br>(29.6) | 14.70<br>(29.4) | 15.00<br>(30.0) |
| 10. | Price spread                      | 20.10<br>(40.2) | 19.30<br>(38.6) | 19.20<br>(38.4) | 19.50<br>(39.0) |
| 11. | Consumer purchase price           | 50.00<br>(100)  | 50.00<br>(100)  | 50.00<br>(100)  | 50.00<br>(100)  |

(Figures in the parentheses indicate percentages to consumer purchase price)

In table 1.6, the disposal of the milk from milk producer which is collected by Co-operative society and then Co-operative milk plant then reaches to Consumer. Overall average of the Producer's share in consumer rupee is 61.0 percent in the channel –III which is less compared to the other two channels. The net price received by the producer is Rs. 30.50, the marketing cost incurred by the producer is Rs. 2.18, the Co-operative society Purchase price is Rs. 32.68, the marketing cost incurred by the co-operative society is Rs. 7.97, the Co-operative society margin is Rs. 2.50, the co-operative milk plant purchase price is Rs.43.15, the marketing cost incurred by the co-operative milk plant is Rs. 7.03, the Co-operative milk plant margin is Rs. 2.0, The overall average total marketing cost is Rs.15.00 and the price spread is Rs. 19.50. The consumer Purchase price is Rs. 50.00.

## 2. Marketing efficiency:

### a) Marketing efficiency of buffalo milk in different channels:

**Table 2.1: Marketing efficiency of buffalo milk in different channels (n=100)**

| Channel | Consumer purchase price<br>(Rs. / liter) | Total Marketing costs<br>and margins<br>(Rs. / liter) | Marketing efficiency |
|---------|--|---|----------------------|
| I       | 56.07                                    | 6.64  | 8.40                 |

|     |       |       |      |
|-----|-------|-------|------|
| II  | 58.55 | 12.21 | 4.80 |
| III | 60.00 | 20.77 | 2.90 |

In table 2.1 marketing efficiency of buffalo milk in different channels is tabulated. And Market efficiency of channel-I is high with 8.4, followed by channel-II and channel-III with 4.8 and 2.9. In channel-I it is high because no intermediaries were involved and here farmers are getting more price than in other channels.

#### b) Marketing efficiency of cow milk in different channels:

**Table 2.2: Marketing efficiency of cow milk in different channels (n=100)**

| Channel | Consumer purchase price<br>(Rs. / liter) | Total Marketing costs<br>and margins<br>(Rs. / liter) | Marketing efficiency |
|---------|--|---|----------------------|
| I       | 45.22                                    | 8.72  | 5.18                 |
| II      | 48.87                                    | 14.93   | 3.27                 |
| III     | 50.00                                    | 19.50   | 2.56                 |

In table 2.2 marketing efficiency of cow milk in different channels is tabulated. And Market efficiency of channel-I is high with 5.18, followed by channel-II and channel-III with 3.27 and 2.56 respectively. In channel-I it is high because no intermediaries were involved and here farmers are getting more price than in other channels.

#### CONCLUSION

The study on economics of milk production in Visakhapatnam district revealed that there is a need for more attention for the milk production as there is major chances for increasing the production value. Profits of the farmers is more in channel –I then followed by the channel-II and Channel-III for both buffalo and cow milk. But disposal of milk is high in channel-III followed by channel-II then channel-I. Per liter of milk small farmers receiving more profit followed by medium farmers and then large farmers. Marketing efficiency of channel-I is high in both buffalo and cow milk as there are less middlemen/intermediaries are there and they are adding fewer marketing costs and margins then followed by the channel-II and channel-III respectively.

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