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“Bridging the gap between increasing knowledge and decreasing resources”

An Exploratory Analysis of the Effectiveness of Milk Market in Odisha, India

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Abstract

The dairy sector plays an important role for Odisha, an Eastern Indian state, contributing a large share of the agricultural gross domestic product (GDP) and supporting the socioeconomic development of millions of rural households. In Odisha, 80 percent of rural households depend on dairy and draw 30 per cent of their annual income from it. Also, dairy constitutes a major share of the value of output from the livestock sector – the share has increased from less than 50 percent in 1950–51 to about 65 percent in the 2000s. Nevertheless, the dominating small, resource constrained farmers have not been able to extract the potential benefits from the growing demand as they have failed to improve their linkages with markets and consumers. Improving the efficiency of the value-chain system is seen as a major opportunity for the development of the dairy sector.

To explore the effectiveness of milk markets in Odisha 130 villages were randomly selected from two districts (Puri and Bhadrak), based on their milk production and marketing systems. The data were collected with a focus group questionnaire covering the following topics: village characteristics, cattle population, milk production, market channels, feed markets and female participation. The results show that 70 percent of the produced milk was consumed as liquid while 30 percent was processed – into curd, ghee and cheese. Where dairy co-operatives are not very strong, farmers process most of the milk themselves and sell the products to middlemen and sweetshops. 55 percent of milk and cheese are sold while only 20 percent of ghee is sold. Among the different market channels, middlemen play an important role, while co-operatives have only a limited role. Farmers are selling 55 percent of their milk through middle-men while 38 percent are sold to co-operatives and 5 percent to household consumers. Finally, farmers benefit more from dairy in terms of high milk price, input subsidies and health care support where co-operatives are strong compared to the weak region. The results give an indication for appropriate policy structures to be created for improving the integration of milk producers and consumers.

Keywords: Milk market, Odisha, smallholder