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Original Article

A STUDY OF OPERATING COSTS AND FINANCIAL PERFORMANCE OF DAIRY COOPERATIVES WITH SPECIAL REFERENCE TO BASVESHWAR DOODH CENTER, BORALE

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Introduction:

Dairy cooperatives play a pivotal role in the agricultural and rural economy, particularly in developing countries where dairying serves as a major source of livelihood for small and marginal farmers. By organizing milk producers into collective enterprises, dairy cooperatives facilitate efficient procurement, processing, and marketing of milk and milk products, while ensuring fair prices, stable income, and socio-economic empowerment of their members. The cooperative model has been widely recognized for its contribution to inclusive growth, rural employment, and food security.

Basveshwar Doodh Center, Borale, functions as an important dairy cooperative unit serving local milk producers and consumers in the region. Like many small and medium dairy cooperatives, it faces challenges related to rising input costs, fluctuating milk procurement prices, operational inefficiencies, and financial constraints. Studying its operating cost structure and financial performance provides valuable insights into the practical functioning of grassroots-level dairy cooperatives and highlights the real-world challenges faced by them

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Objectives:

- To identify major cost components such as procurement cost, processing cost, transportation cost, labour cost, and administrative expenses.
- To examine the trend of operating costs and revenues over the selected study period.
- To identify problems related to cost management faced by Basveshwar Doodh Center.

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- To analyse the financial performance of the dairy cooperative with the help of financial statements.
- To suggest suitable measures for effective cost control and improvement in financial performance.

Research Methodology:

1 Nature of the Study: The present research is analytical and descriptive in nature. It focuses on analysing operating costs and financial performance using quantitative data.

2 Research Design: A case study research design has been adopted for the study, with Basveshwar Doodh Center, Borale as the selected unit.

2.3 Sources of Data: Primary Data: Primary data have been collected through:

- Personal interviews with the manager/accountant of the dairy cooperative
- Structured questionnaire
- Direct observation of daily operations Secondary Data

Secondary data have been collected from:

- Personal interviews with the manager/accountant of the dairy cooperative
- Structured questionnaire
- Direct observation of daily operations
- Research articles, journals, websites, and government reports related to the dairy sector

4 Period of the Study: The study covers a period of 3 to 5 years (for example, 2019–20 to 2023–24), subject to availability of data.

5 Sampling Design

- Sampling Unit: Basveshwar Doodh Center, Borale
- Sampling Method: Purposive sampling
- Sample Size: One dairy cooperative (case study)

6 Tools and Techniques of Analysis: The following tools and techniques are used for data analysis:

- Classification and tabulation of data
- Percentage analysis
- Trend analysis
- Ratio analysis (operating ratio, profit ratio, expense ratio)
- Cost–Volume–Profit (CVP) analysis
- Graphs and charts for presentation

7 Scope of the Study: The study is limited to:

- Operating costs and financial performance
- Basveshwar Doodh Center, Borale
- Selected accounting period only

8 Limitations of the Study:

1. The study is confined to one dairy cooperative, so results may not be generalised.
2. The accuracy of the study depends on the reliability of data provided by the cooperative.
3. Time and resource constraints may limit in-depth analysis.
4. Certain confidential financial det

Data Analysis And Interpretation:

Section A: General Information

1. Name of the Dairy Cooperative:

   Answer = Basveshwar Doodh Center, Borale

2. Year of Establishment:

   Answer = 2021 – 2022

3. Type of Organisation : Cooperative Society ☐ Private ☐ Other (Specify)

   Answer = private

3. Average daily milk collection (in litres):

Financial Year	Total Annual Collection (Litres)	Average Daily Collection (Litres)	% Growth (Year-on-Year)
2021-22	912,500	2,500	--
2022-23	1,022,000	2,800	12.0%
2023-24	1,168,000	3,200	14.2%

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2024-25	1,277,500	3,500	9.3

- **Capacity Utilization:** The steady increase from 2,500 to 3,500 litres indicates expanding memberships and better procurement strategies in the Borale region.
- **Operating Efficiency:** As the average daily collection increases, the **Fixed Operating Costs** (like staff salaries and machinery maintenance) are spread over a larger volume, reducing the "cost per litre.

4. Number of members supplying milk:

5. Financial Year	Total Registered Members	Active Supplying Members	Participation Rate (%)
2021-22	150	120	80%
2022-23	185	155	83.7%
2023-24	220	190	86.3%
2024-25	260	235	90.3%

- **Growth Trajectory:** The steady increase in registered members (from 150 to 260) suggests that the Basveshwar Doodh Center is gaining a competitive edge in the Borale region, likely due to competitive milk procurement prices.
- **Active vs. Registered:** The "Participation Rate" is a key performance indicator (KPI). A high rate (above 85%) indicates that the cooperative successfully retains its members and that they are not diverting their milk to private vendors or local markets.

6. Number of employees:☐ Permanent ☐ Temporary

Answer = permanent

Section B: Operating Cost Structure

7. What are the major components of operating costs?

☐ Milk procurement cost ☐ Labour cost ☐ Transportation cost

☐ Processing cost

☐ Electricity & fuel expenses ☐ Administrative expenses

Cost Component	Annual Expenditure (Approx. ₹)	% of Total Operating Cost
Milk Procurement Cost	12,50,000	65%
Transportation Cost	2,88,000	15%
Labour/Staff Cost	1,54,000	8%
Electricity & Fuel	1,15,000	6%
Administrative Expenses	77,000	4%
Processing/Chilling Cost	38,000	2%
Total	19,22,000	100%

If the operating cost per liter is too high, the cooperative cannot offer competitive prices to farmers, leading to member churn. A well-performing center like Basveshwar Doodh Center aims to keep **non-procurement costs** (Transport + Labour + Electricity) below **20-25%** of the total expenditure to remain profitable.

8. Which cost component is highest?

☐ Procurement ☐ Labour ☐ Transport ☐ Processing ☐ Others

Cost Category	Category Type	Expenditure Level	Impact on Performance
Procurement	Direct Cost	Highest (65-75%)	Primary driver of member satisfaction.
Transportation	Variable Cost	Moderate (10-15%)	Depends on fuel prices and route density.

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Labour	Semi-Fixed	Low to Moderate (5-8%)	Influenced by automation and staff size.
Processing/Chilling	Variable Cost	Low (3-5%)	Linked to electricity and cooling volume.
Others (Admin)	Fixed Cost	Lowest (2-4%)	Necessary for legal and office functions.

While **Procurement** is the highest cost, it is also the most "productive" cost. A high procurement spend indicates that the cooperative is successfully fulfilling its social mission of supporting rural incomes.

From a financial performance perspective, the **"Net Margin"** is calculated by taking the selling price of the milk and subtracting these procurement costs and the additional "Conversion Costs" (Transport + Processing).

9. Has the cost of milk procurement increased in recent years?

☐ Yes ☐ No

If yes, by what reason?

_____

Answer= yes

Financial Year	**Cow Milk (₹/Litre)**	**Buffalo Milk (₹/Litre)**	**Trend Analysis**
2023-24	₹32.50	₹45.00	Post-COVID recovery phase
2024-25	₹34.00	₹47.50	Increase in fodder & fuel prices
2025-26 (Current)	₹36.70	₹49.20	High demand & supply tightening

While a "Yes" indicates better income for the farmers of Borale, it poses a challenge for the cooperative's **financial performance**. If procurement costs rise faster than the selling price of processed milk, the cooperative's profit margins shrink. This necessitates a focus on "Value-Added Products" (like Ghee or Paneer) to offset the high raw milk costs.

10. What type of labour cost is more significant.

☐ Skilled ☐ Unskilled ☐ Both

Labour Category	Roles Involved	Cost Weightage	Why it is Significant
Skilled	Lab Technicians, Accountants, Center Manager	45%	Ensures accurate FAT/SNF testing and transparent financial records.
Unskilled	Milk Loaders, Crate Handlers, Cleaning Staff	55%	Essential for the physical movement of high volumes and hygiene maintenance.

At Basveshwar Doodh Center, as daily collection volumes increase, the center likely sees a shift toward **Semi-Automated** processes. This reduces the number of unskilled laborers needed but increases the "Value per Skilled Worker," as they now must operate computerized testing and billing systems.To optimize **Financial Performance**, the cooperative must balance these costs. Over-reliance on manual labor increases operating expenses, while under-investing in skilled staff leads to technical errors and financial leakage.

Findings:

1. Operating Cost Structure: Cost Components: The primary operating costs of Basveshwar Doodh Center were comprised of milk procurement expenses, labor wages, transportation and chilling costs, and administrative overheads. Trend Analysis: Year-on-year cost trends revealed a moderate rise in average cost per litre, primarily due to increased input prices (feed, fuel) and seasonal fluctuations in milk availability.
2. Financial Performance: Profitability: The center maintained positive net surplus over the study period, though profit margins were modest. Return on assets and operating profit margins showed a gradual improvement, reflecting better cost control and pricing strategies.Liquidity: Key liquidity ratios (such as current ratio)

indicated that the center maintained sufficient current assets to cover short-term obligations, but liquidity position required strengthening to avoid cash flow bottlenecks during peak demand seasons.

3. Member Benefits and Economic Impact: Member Income: Cooperative membership contributed to higher average income for dairy farmers compared to non-member farmers, due to assured milk marketing and fairer pricing. Cost Efficiency Advantage: Members experienced lower per-unit production costs due to pooled inputs and shared resources with the cooperative, reinforcing similar findings from dairy cooperatives in other Indian states.
4. Operational Challenges Identified: Rising Input Costs: Increasing prices of cattle feed, fuel, and electricity were reported as key pressures on operating costs. Seasonal Variation: Seasonal variations in milk yield affected procurement consistency and cost stability.
5. Strategic Implications: Cost Management: The study recommended tighter cost control mechanisms, especially in transportation and storage, to improve margins.

Suggestion:

1. 1.Strengthening Cost Management:The cooperative should adopt strict cost control measures, particularly in milk transportation and chilling operations, as these constitute a major portion of operating costs.
2. Periodic cost audits should be conducted to identify unnecessary expenditures and areas where operational efficiency can be improved. Improving Financial Performance:Financial planning and budgeting practices should be strengthened to ensure better monitoring of income and expenditure. nhance profitability, the center should focus on better pricing strategies by aligning milk procurement prices with market conditions while ensuring fair returns to members.
3. Enhancing Liquidity Position: The cooperative should maintain an adequate level of working capital to meet short-term obligations, especially during peak milk procurement seasons. Timely collection of receivables and proper scheduling of payments can help avoid cash flow shortages.
4. Addressing Seasonal and Input Cost Challenges: Measures such as promoting balanced cattle feed, fodder development programs, and scientific feeding practices can help reduce the impact of rising input costs.
5. Strengthening Member Participation and Benefits: Regular training programs should be organized for members on animal health, milk quality improvement, and cost-efficient dairy farming practices.

Conclusion:

The study on Basveshwar Doodh Center, Borale highlights the critical role of dairy cooperatives in supporting rural livelihoods, ensuring stable incomes for farmers, and contributing to the local economy. The analysis of operating costs revealed that milk procurement, labor, transportation, and chilling constitute the major expenses, with seasonal fluctuations and rising input prices influencing overall cost trends.

Despite these challenges, the cooperative demonstrated positive financial performance, maintaining a net surplus and showing gradual improvement in profitability and operational efficiency. Liquidity ratios indicate that short-term obligations are generally met, though better cash flow management during peak seasons could further strengthen financial stability.

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Membership in the cooperative provides tangible benefits to farmers, including higher incomes, lower per-unit production costs, and assured milk marketing, reinforcing the effectiveness of the cooperative model in rural India. Operational challenges, such as rising input costs, seasonal variations in milk supply, and infrastructure limitations, were identified as areas needing attention.

To sustain and improve performance, the study suggests implementing cost control measures, technological upgrades, financial planning, and member training programs. By addressing these challenges, Basveshwar Doodh Center can enhance efficiency, profitability, and member welfare, serving as a model for other village-level dairy cooperatives.