

# PROCUREMENT DEVELOPMENT STRATEGY FOR A DIARY INDUSTRY

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## ABSTRACT

*This study is done to understand the procurement and supply chain managing strategy followed by a particular dairy industry located in tamilnadu and it is all about finding the perfect strategy and develop new innovative ideas in dairy procurement and also to find out whether there is a possibilities for a procurement in a region and the strategies which is very necessary for procuring in a particular area based on the data collected through survey and the conclusion being that the results from samples which gives the preferences that has to be considered while initiating a procurement at developing a strategy and all the data's collected were done through Survey and interactions with suppliers and their feedback were interpreted.*

**Keyword :** Procurement , Preferences, and Supply chain....

## 1. INTRODUCTION

XXX Dairy is a subsidiary of XYZ Group of Companies operating, Tamil Nadu for the past 26 years with the capacity of 6.5 Lakhs litres processing per day. XXX Dairy is the first private dairy industry in Tamil Nadu. This concern is currently procuring milk at Southern West Districts of Tamilnadu . Now the plant utilization capacity is only around 25% and to fulfil the complete utilization, XXX Dairy is planning to procure milk in ABC Region, Others Near by Districts and our Study is find out a Procurement Strategy and Potential in that Region. And also To fulfil the plant utilization capacity by increasing the raw material (Milk) supply to the plant from the Region as there is a goodwill for that group because of their goodwill in that region.

### 1.1 Dairy Industry Profile

[1] Dairy plays a major part in various aspects of Indian society, including cuisine, religion, culture, and the economy. India is the world's largest dairy herd Size of more than 300 million bovines, producing about 187 million tonnes of milk. India is first among all countries in both production and consumption of milk. Most of the milk is domestically consumed, though a small fraction is also exported. Indian cuisine, in particular North Indian cuisine, features a number of dairy products like paneer, while South Indian cuisine uses more yogurts and milk. Milk and dairy products play a part in Hindu religious practice and legend. As of 2018, fluid milk consumption was projected at 67.7 million tonnes, and was growing at a rate of 6–7 million tonnes annually. Ghee is the most consumed among value-added dairy products. Demand for non-fat dried milk (NFDM) and butter was projected to be 600,000 tonnes and 5.6 million tonnes respectively. Demand for pasteurised milk produced in the formal (organised) sector has been increasing, probably due to its perceived safety over the milk produced in the unorganised sector.

## 1.2 Recent Trends in Dairy

### Cross Breeding

Cross breeding has taken off in a big way because of the advancements in reproductive technologies like artificial insemination. Artificial insemination have proven to be the most popular and effective methods.

### Value added Dairy Products

The value-added market has taken the dairy industry by storm. As the spending capacity of Indians is increasing, so is their willingness to buy healthier, superfoods which we like to call as value-added products. Value-added products in the dairy industry are products like cheese, paneer, ghee, yoghurt, probiotic drinks etc. These are products which have been created by alteration, enhancement via additives, segregation etc. of liquid milk. Adaptation of various methods to create a more profitable product out of milk has allowed dairies and FMCG companies to make good revenue out of a mostly loss-making SKU, liquid milk.

## 2. COMPETITOR ANALYSIS

Out of 20 Villages Surveyed, it is found that Aavin is the major competitor in procuring milk in that Region with 63%. Aavin is providing high Total Solid Value for procuring Milk than other competitors. So farmers are preferring Aavin because of the high price than other competitors. Next to Aavin, 15% of milk are procured by Local Milk Vendors. Milk vendors will directly collect the milk from the farmers site and providing a higher price for the farmers. Milk vendors sold the milk for the Household purposes at a price of 40 Rs per Litre in the local region. Next in the flow, Milky Mist is one of the major competitor and procuring milk with high TS when compare to other private dairies. Milky Mist is procuring milk at a rate of 14% in these 20 Villages. The major advantage of Milky mist is that, the plant is located nearby that region, so the transportation cost of the milk is lower when compared to the other private Dairies. The local sale of milk for Hotels, Restaurant and Canteen will be at a rate of 3%. The Horeca customer are procuring milk directly from the farmers site. Aroma and Hatsun are procuring milk at a rate of 2% in the 20 Villages. The reason for the less percentage is that, Aroma and Hatsun they provide low TS value when compared to Aavin and Milky Mist. The competitors market chart will be attached below.

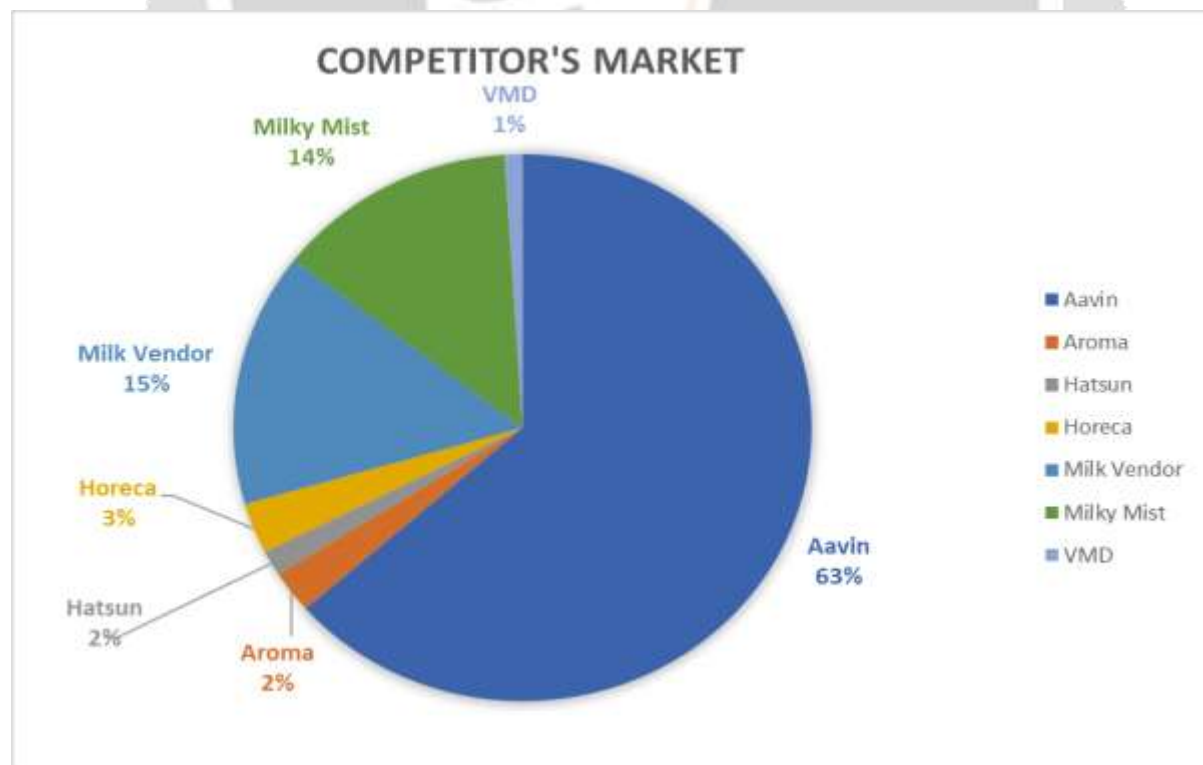


Chart -1: Competitor Analysis .

The chart clearly shows the competitors market share in that region. And all the details mentioned here are based on the feedbacks obtained from farmers.

## 2.1 Competitors Strategy in Detail

### Price matrix and its value

There are 7 Major players in the Aapakodal Region for procuring milk. The price matrix of each Dairy player is explained below,

#### AAVIN:

Aavin is the major competitor in the region and providing a Total Solid value of 243 at present. The average price provided by the Aavin for Fat at 4% and SNF at 8% is 29.16 Rs per litre. Aavin is providing high TS value than other competitors in Surveyed region. Aavin is providing feed for the price of 1050 for 50 Kg Bag and the amount for the feed will be debited from the farmers on the instalment basis. Aavin does not provide any other services in this Surveyed region.

#### MILKY MIST:

Milky Mist is only major private competitor in this Aapakodal region and providing a Total Solid value of 240 at present. The average price provided by the Milky Mist for Fat at 4% and SNF at 8% is 28.80 Rs per litre. Milky Mist is not providing any other addition services for the farmers.

#### MILK VENDOR:

Milk vendors are procuring milk from the farmers at a higher price and sell it on most profitable place. The Strategy used by the milk vendor is, they procure milk directly from the farmers site. And they deliver the milk to house hold customer at a higher price with high margin. They procure cow milk at a price of 30 Rs per Litre and buffalo milk at a price of 50 Rs per litre. Farmers had a additional advantage that they sell a milk at a door step. So the transportation cost to the Collection centre and time for the process are to be saved.

#### VMD:

VMD is a private Dairy and the procurement percentage is low when when compared to other Dairies. VMD is providing a Total Solid Value of 220 at present. The average price provided by VMD for Fat at 4% and SNF at 8% is 26.40 Rs per litre. Quantity of procurement of Milk for VMD is very less in Aapakodal Region.

#### HORECA:

Hotels, Restaurants, Canteens will procure milk directly from the farmes and providing at a higher price of 35 Rs for cow milk and 65 Rs for Buffalo milk.

#### AROMA:

Aroma is a private Dairy and has a procurement of 2 % and it is low when when compared to other Dairies because of less TS value. Aroma is providing a Total Solid Value of 200 at present. The average price provided by Aroma for Fat at 4% and SNF at 8% is 24 Rs per litre. Aroma doesn't provide any other additional services in this region.

#### HATSUN:

Hatsun is a private Dairy and has a procurement of 2% and it is low when when compared to other Dairies because of less TS Value. Aroma is providing a Total Solid Value of 215 at present. The average price provided by Hatsun for Fat at 4% and SNF at 8% is 25.80 Rs per litre. Hatsun provides a services such as treatment for the animals and providing feed to the farmers at an instalment basis.

**Table -1:Competitor Price Range .**

| S.No | Competitor      | Total Solid Value                          | Price for 4 Fat & 8 SNF per Liter |
|------|-----------------|--|-----------------------------------|
| 1    | Aavin           | 243  | 29.16                             |
| 2    | Milky Mist      | 240  | 28.80                             |
| 3    | Milk Vendor     | ₹30/L for cow milk, ₹50/L for Buffalo Milk |                                   |
| 4    | VMD             | 220  | 26.40                             |
| 5    | Horeca          | ₹35/L for Cow milk, ₹60/L for Buffalo Milk |                                   |
| 6    | Aroma           | 200  | 24                                |
| 7    | Private society | 215  | 25.80                             |

### 3. SUPPLIER PREFERENCES

There are 4 parameters are majorly taken into consideration for farmers preference to pouring milk to Dairies. They are price, Accessibility from the locality, Door step pickup and other value added services offered by the Dairy Industry.

From the sample taken, price is only the major factor that accounts for about 70% of farmers preference for pouring milk. Maximum number of farmers will migrate to the Dairies which provide high TS and high price for their milk. Farmers stating that the concentrated feed cost and other services cost are increased much. So in order to run a farm profitable, farmers are seeking for the higher price.

Many farmers consider location of Collection centre should be accessible from their locality is main preferred. 11% of farmers are preferred for the Accessibility to the location of Collection centre. It will reduce the cost of transportation from the Farmers cattle farm to the collection centre. Moreover it will save much time, so that they can engage in other agricultural activities

Door step pick up is preferred by 11% of farmers from the sample taken. Door Step pickup will cuts the extra cost of transportation and time will be saved. So that farmers can engage in their agricultural activities. Milk vendor will procure milk at a higher place at the door step in Aapakodal region.

Value added services like providing feed for the farmers in instalment basis, providing other treatment and AI services are preferred by the farmers account for about 8%. Farmers consider that AI services will be required only once in an year so that they preferring more towards price of the milk.

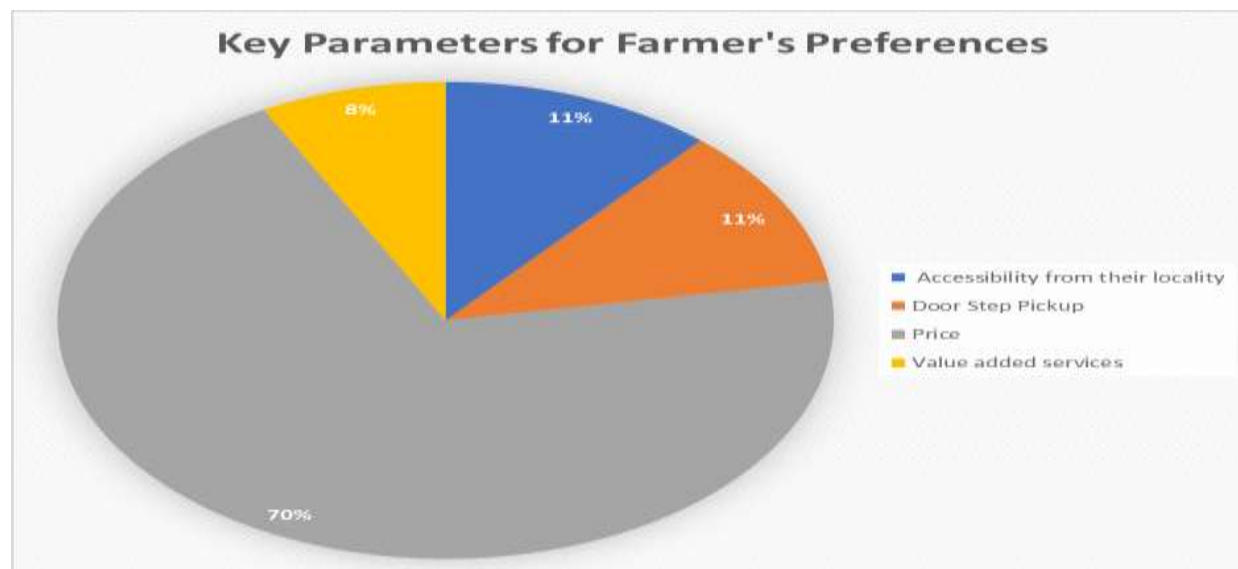


Chart -2: Preferences from Suppliers

#### 4.REVIEW OF LITERATURE

[2] Rahul S Mor, Arvind Bhardwaj, Sarbjit Singh did a study on A structured-literature-review of the supply chain practices in Dairy industry in 2018 and the Findings of their study was that the food safety, product quality, and associated economic benefits in dairy industry can be achieved through technological innovation, eradication of uncertainties, and introducing the global SCM practices into lean and green initiatives. In conclusion, the strategies discussed in this paper can assist the dairy industry to achieve higher level of competitiveness and leanness.

[3] Priyanka Chaturvedi, Ashutosh Sarkar, Gautam C. , Sarada P. Sarmah, Sidhartha S. Padhi did a study on Milk procurement of a private dairy firm: an economic analysis in 2018 In their paper, they studied about the milk procurement system of a private dairy firm that buys milk from two channels, namely from farmers and through intermediaries and concluded that It is obvious and shown through experiments that when milk availability to the system increases the prices offered to the farmers falls. When the farmer becomes more sensitive to price offered, price competition between the intermediary and the processing unit increases.

[4] V. Venkata Rama Devi, Dr.K.Sarada Devi did a article named A STUDY ON MILK PROCUREMENT in 2017 The article of milk procurement deals with the systems adopted by dairy industry for the procurement of raw material –milk .this article also gives the information about the various states milk procurement policies, the problems the dairy industry is facing in procuring the milk and the conclusion being The challenges the dairy industry is facing can be addressed with the adoption of innovative strategies in milk procurement -installation of bulk milk chillers (BMC), Automated Milk Collection Units (AMCU), Data Processor-based Milk Collection Units (DPMCU), State Milk Grid and Quality Assurance Plan (QAP) for Procurement oversight and quality assurance.

[5] M.Subburaja, T.Ramesh Babub , B.Suresh Subramonian in 2015 did A Study on Strengthening the Operational Efficiency of Dairy Supply Chain in Tamilnadu, India and it was about the Dairying plays a significant role in strengthen rural economy in Tamil Nadu. It has brought about socio-economic transformation in Tamil Nadu. Small farmers, marginal farmers and downtrodden constitute majority of milk producers and concluded The Tamil Nadu Cooperative Milk Producer Federations supply chain network was studied. The dairy farmers' issues were observed through data collection. Based on the research outcome some key recommendations were presented to improve the operational efficiency of dairy supply chain in Tamil Nadu, India. Laying a roadmap for implementing the recommendations are the scope for future work.

## 5.VILLAGE WISE DATA

Table -1:Village wise Milk Availabilty data.

| Village           | Total Milk yield |
|-------------------|------------------|
| Nallikoundanur    | 28               |
| Ammapalayam       | 144              |
| Pudhupalayam      | 12               |
| Athani            | 224              |
| Bramadesam        | 298              |
| Ganeshanpudur     | 84               |
| Karuvaladipudur   | 74               |
| Kaatupalayam      | 273              |
| Keelvani          | 59               |
| Mevani            | 127              |
| Osaipatti         | 140              |
| P Mettupalayam    | 110              |
| Perunthalaiyur    | 168              |
| Prakash Nagar     | 74               |
| Puliyankattur     | 142              |
| Senthampalayam    | 44               |
| Vairamangalam     | 170              |
| Vembathy          | 36               |
| Moongilpatti      | 137              |
| Nalligoundanpudur | 148              |
| Aapakodal         | 54               |

## 5. CONCLUSIONS

Nearly 20 villages were surveyed during our study and data's were collected from more than 200 farmers. In our study in this region, has Greater potential in procuring milk which could only be possible if we provide higher TS rates as compared with the competitors and also consider the farmers preferences and provide other value added service and also sustainability matters in any industry we should be very clear in the projections and managements in our strategies.

## 6. REFERENCES

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