Chapter - VIII

Summary & Conclusion

The analysis and interpretation of data of the last ten years has made it clear that Amul continues to maintain its forward step since its inception. On the contrary, its counterpart in West Bengal the Himul, is yet to step out of its infancy and overcome teething trouble. It cannot be denied that Himul came into existence when Amul had already completed 29 years of service with a record that Himul could never touch. But Amul had to fight against great odds in order to establish itself as a pioneer Organisation in the country. In comparison to it Himul had a much smooth sailing from the very beginning as it had the patronage of Government and

semigovernment departments. Still it failed to stand on a firm footing.

Amul was born out of the concerted move and great eagerness of the local people. Himul, on the other hand was established with the government help and started functioning almost as any other government undertaking. It tried to imitate Amul in every way and it boomeranged because the geographical location, socio-economic infrustructure and the climate of the places that fall within the jurisdiction of Amul differs much from those in the areas of Himul.

Amul is located in the West of India. The Arabian sea is not very far. The location of Himul is in the bosom of the Himalayas. The latitude and longitude of the two are totally different. Regarding the life style, dress, social set up and mental make-up of the people, Amul and Himul are two poles apart. Naturally, the founder fathers of Himul acted unwisely in trying to transplant the Amul model at a place which had nothing in common with the areas of Amul. So the basic difference between Amul and Himul may be discerned in the fact that, whereas Amul grew out on its own Himul was like something imposed from outside.

In order to find out the differences a detailed analysis in the last three chapters through necessary data plottings in different tables have been attempted. In addition to this, an attempt have been made to assess the working of both the organisations through discussions and interviews with different officials connected with the Dairy Development Programme and with the local people.

Now, we attempt to analyse the findings obtained in the above noted ways under three categories : (i) Organisational (ii) Financial (iii) Social.

(i) ORGANISATIONAL :

As per the set up of a "Milk Union", it has to depend primarily on the village milk societies for its own existence. The more is the number of village milk societies within the jurisdiction of a Milk Union, the more is its milk collection. In that case, the union is sure to stand on its feet unless it is faced with some serious problems. So the first thing needed is to organise the targeted number of societies within a fixed period of time. Himul is lagging far behind in this matter. It aimed at organising 500 village milk societies within 5 years, but it could not manage to organise more than 350 during the last ten years. Of them only 233 societies are functioning. The most surprising fact is that the number of

societies that never functioned, but existed only in official papers, is not negligible. There are 78 such societies. Again there is another group of societies that had a pre-mature death. Table 5.3 makes it clear that no effective steps were taken to revive them.

The picture in the plains of Himul is much more distressing. Of the 300 societies that were to be established only 65 could be come up. Later, 20 societies ceased to exist. The hill areas present a somewhat different picture. Of the 200 societies 188 are on the run. The rate of percentage of growth of societies is also better in the hills than that in the plains. The backwardness of the plains in this respect lies in the fact that the drive for setting of societies was not initiated here with the same society and dedication as in the hills. Lack of proper supervision has contributed much to this dismal picture. While talking to the author members of many societies they alleged that field supervisors are seldom seen in their areas. In sharp contrast to this, the supervision system in Amul is quite commendable.

Though the mobile veterinary units are proportionately greater in number in Himul than it is in Amul, the average number of treated animals per unit is ten times greater in Amul. It is needless to say that the veterinary service in Himul is insufficient and undeveloped.

The doctors visit the societies only on special calls, and, that too, not in time. Medicine is also scarce and the members have to pay for it. These factors have created a general apathy against keeping costly and high -breeded milch animals. But in Amul, the regular visits by the veterinary doctors along with the regular supply of necessary medicines have encouraged the producers.

Table 5.7 has shown it clearly that, in Himul, the local people are less interested in dairy cooperative. In each society the number of producer members is, on an average, over ten times less than that of Amul. In case of Amul, the trend of percentage of growth of average number of farmer members of each society is very encouraging. But that cannot be said of Himul. Here the producers lake the realisation that they are to be benefited by aligning themselves with the dairy cooperatives. In Amul the producers are always being encouraged to do so and film-shows, demonstration visits to other societies etc. are arranged regularly to bring the producers close to the society.

In the field of breed improvement too, Himul 's performance is worse. This fact becomes evident when we observe that Himul has only 57 artificial insemination cases per 'Artificial insemination Centre' against 574 in Amul. This number is on the increase but the rate of

increase is negligible when compared to that of Amul. The dairy business could not be profitable without good quality hybrid milch animals. This ensures more milk at less cost.

The producers of Himul, unlike their counter parts of Amul, refrain from taking the advantage of artificial insemination for their milch animals. They look upon artificial insemination as something unnatural. Some of them even think it to be a anti-religion. As a result, the breed improvement has not been successful here. The authorities concerned have not taken any initiative to remove such beliefs cherished by those people. There is another problem. The few calves that are artificially inseminated are believed to have been sold to agents of the neighbouring States of the country and even of other neighbouring countries like Nepal and Bangladesh.

In most cases, the artificially inseminated calves are not found in the houses of the producers when they become grown up. No justifiable answer is also made by them when they are questioned about it. This practice has been noticed in Himul specially situated in plain areas. The tottering economic condition of the producers has led to such a position.

All the above-mentioned factors have made it quite difficult for Himul to achieve its procurement target,

and even after the completion of ten years, Himul could achieve not more than 45 percent of its target. While in Amul, the average milk procurement per society is 2.22 lakh kg., in Himul, it is only 0.28 lakh kg. in a year. However, of the total milk procurement of Himul, 97 percent comes from hill areas.

There are some other factors also that hindered Himul 's progress in the field of milk procurement. In every nook and corner of West Bengal, tea stalls and sweet meat shops can be seen in large numbers. The only exception is the hill areas. In order to make varieties kinds of sweets, milk is curdled (a process) which, in Gujrat, is considered to be an "uncustom". This explains why Gujrat has fewer tea-stalls and almost no sweet-meat shops. In West Bengal the lion 's share of the total milk production go to the sweet-meat shops and tea-stalls. People of Bengal entertain a guest at home with tea and milk-made sweets. But the people of Gujrat entertain their guests rather differently.

In West Bengal a section of people called middlemen are engaged in collecting milk from the villages and selling the same to the owners of sweet meat shops and tea-stalls. In Himul, particularly in the plains these middlemen are very active. Sometimes they offer to the milk producers a better price. But at times the middlemen

buy milk mixed with water at a low price. This is supplied mainly to the tea-stalls and small traders to sell the milk by going from door to door. The ignorant producers think that they have been benefited because the water they mix makes the milk weigh more.

Sometimes the middlemen lend the poor milk producers money at a low rate of interest or without interest. This system is called 'Dadan' (advance loan). At the time of accepting 'Dadan' the milk-producers have to come into a contract to sell all the milk they produce to the middlemen at a fixed price. This fixed rate is undoubtedly, less than the market price or the price paid by Himul. Again, it happens sometime that the price of milk fixed by the Himul authorities is less than the existing market price. This is simply because within Himul areas the quantity of milk produced is much less than the local demand. This is a common experience particularly in the plains. Naturally the producers sell their milk to the milkmen in order to make some profit. On the contrary in the areas of Amul the supply of milk always surpluses local demand. This impels the milk producers to sell their surplus milk to Amul. Moreover, Amul has succeeded in fostering a feeling of faith in the producers' minds about its usefulness. As the supply of milk is more than its demand in the hill areas of Himul the producers here

follow the foot steps of their counter parts in Amul.

Himul buys milk on the basis of the quantity of fat in it. The milk the producers bring seldom contains the required amount of fat and so they get less price for the same. But the producers can sell the same milk at a higher price in the open market.

The discripancy between demand and supply in Himul is a result of another factor. The cows in the plain areas have low productivity, while those in the hill areas have got high productivity. This is because of the genetic improvement to be seen among the cows in the hills. History says that Europeans who used to live here in the past brought high breeded cows from their own countries. Besides, the producers of the hill areas are keen on getting their animals artificially inseminated as insemination with local bulls is not very convenient here. But in the plains the producers who are mostly not favourable to artificial insemination use the bulls for the same purpose. The producers of Amul will never do that. Experience has taught them that artificial insemination leads to higher production and better returns. So to them artificial insemination has no alternative.

(ii) FINANCIAL :

Financial ratio of balance sheet and income statement data, permits the charting of a firm's history and the evaluation of the present position of a firm. For our analysis, the financial ratios of both the enterprises have been classified into five distinct groups from the point of view of solvency, liquidity, profitability, efficiency and earning power. The magnitude and trends of different ratios have been presented in chapter six. Here, we want to draw some meaningful conclusions based on our previous computations. Needless to mention that a ratio is not a meaningful number in itself, it must be compared with something before it becomes useful. The two basic kinds of comparative analysis adopted here are :

(a) trend analysis, which involves computing the ratio of a particular firm for several years and comparing the ratios over time to observe if the firm is doing well or not, and (b) comparison with other firms in the same industry.

In the structural group altogether seven ratios have been computed to get a vivid picture of financial structure of both the organisations. The Funded Debt to Total Capitalisation ratio clearly indicates that debt burden is much higher in Himul. This is further reflected in the Debt-Equity ratio which is 'an index of the degree of

protection the creditors of an enterprise have . The Debt-Equity ratio of Himul is abnormally high and the situation becomes more critical if we consider grants and subsidy. The numerator of the ratio (i.e. debt) is much more higher than its denominator (equity) which clearly reflects a poor performance from financial point of view. The dismal performance of Himul is again reflected in the Equity to Net Fixed Asset ratio. Actually, when quantum of net fixed asset is more than the equity or net worth (as we find in the case of Himul), the creditors of the organisation must have contributed towards large proportion of the net fixed assets. This ratio indicates the extent to which equity capital is inserted in net fixed asset.

The Funded Debt to Net Working Capital ratio also reflects very dismal performance of Himul. Similarly, the long-Term Debt to Equity ratio is abnormally high for Himul where-as the same ratio during the ten year period of Amul is more consistent.

The coefficient of variations of seven ratios which come under the structural group reveal that the financial position of Amul is more consistent and variability is lower than what we find in the case of Himul. The magnitude of coefficient of variations of different ratios in this group necessarily lead us to infer that the management

of Himul has failed to employ its long-term as well as short term resources efficiently.

In the liquidity group we have computed two important ratios viz. "Liquidity" and "Acid-Test" ratio. These ratios are abnormally low for Himul where as for Amul these ratios are quite satisfactory which is also reflected by poor degree of coefficient of correlation between the ranks of Amul and Himul.

Both the ratios in the liquidity group and their variability also establish poor management of current asset in Himul.

So far as Profitability ratios are concerned, Himul shows a very unsatisfactory trend. The cost of production of Himul is much higher than the sales proceeds. This ratio is always negative for Himul which means that the organisation has miserably failed to generate profits. The Return On Capital Employed is also abnormally negative in the case of Himul. This ratio measures the 'earning capacity' of the capital employed in the business. Unfortunately, Himul could not generate profits to earn a minimum rate of return and it has suffered heavy losses over the period of ten years.

The Profitability ratios also depict the dismal performance of Himul. This organisation has a very

unsatisfactory performance record since its inception.

Turnover ratios measure how effectively the firm employees the resources at its disposal. These ratios all involve comparisons between level of sales and the investment in different assets viz. inventory, fixed assets etc. For Himul, all turnover ratios are unsatisfactory. As for example, the net working capital turnover ratio of Himul from the year 1982-83 to 1984-85 is negative. This is a very alarming sign because the net working capital of Himul is negative.

The Inventory Turnover ratios of Himul are higher than Amul due to some other reasons and not due to efficient management of inventory. Himul only markets liquid milk which has a very high turnover but Amul produces and markets different byproducts (viz. babyfood, chocolates, milkpowder etc.) which are slow moving products.

In the miscellaneous group two important ratios, the Net Profit to Total Assets and Net Profit to Net Worth ratios show that Himul has no earning power whereas the earning power of Amul is more or less steady over the years under study.

Changing pattern of different ratios of a particular group is studied individually and then to get a composite

effect we have computed Rank correlation coefficient of each ratio with others and represented in the matrix form (For obvious reason it takes the shape of a traingular matrix which, in short, is mentioned as t-matrix). This analysis helps us to understand the intra-ratio direction of movement over time. While in case of Amul, we observe the consistency between the different ratios, but in case of Himul, due to poor financial performance and management, no meaningful financial analysis can be done solely on ratio analysis.

To conclude, it should be remembered here that ratios are exceptionally useful tools, they have some limitations and must be used with caution. Here we have calculated twenty one odd ratios and find that in Himul there is virtually no sign of efficient resource management, (especially financial management) in Himul and steps should immediately be taken to revive the situation.

(iii) SOCIAL :

Although, from the organisational point of view, Himul has not been able to achieve its target, it has been able to leave an impact on the rural economy. May be this impact is not as glaring as in Amul. Still, Himul has won a place among the people of the hills. Here the amount of cultivable lands is quite negligible. The local

people mostly donot have their own land. But in the plains of Himul and also in Amul most of the households possess agricultural land whatever its area may be. Under these circumstances Himul has come as a boon to the hills' people.

In the dairy villages of both Amul and Himul the milk producers are more keen to keep milch animals in their houses than those in the non-dairy villages are. In the non-dairy villages of Himul 48 percent of the households do not have any milch bovine. This is also true of the non-dairy villages in this hills. This revealation makes it quite clear that the setting up of co-operative societies has made the producers in both Amul and Himul interested in rearing milch animals. This is particularly true of Amul and in the hills of Himul.

The cattle animal are generally classified in three groups : (a) Agriculture based cattle animal which are kept solely for agriculture; (b) Cattle animal kept for making business only and (c) Cattle animal kept to serve both purposes mentioned above. In the areas of Amul the third category of cattle animal are mainly reared by the households. And in Himul households in the plains prefer the first group while those in the hills rear the second one. It is natural that the number of milch animals would be higher in those areas where they are used in

cultivation but want of proper care for the cattle animals lessens their productivity that is why the number of milk animals per family in Amul is less than that of Himul. On the other hand, in the dairy and non-dairy villages in the hills of Himul the number of milch bovine per family is less than that of the plains. But this number is much higher in the dairy villages of Amul and Himul because of the existence of dairy co-operative. Even in the non -dairy villages of Amul existence of dairy co-operative societies has encouraged the producers to sell their milk to the milk societies even they have to walk on foot on an average 5 to 6 kilometres. So the number of milch animals in the non-dairy villages of Amul is higher than that in the non-dairy villages of Himul.

Although the number of milch animals of Himul is higher, the milk production is less than that of Amul. The position is better in the hill areas where milk production is high inspite of the less number of milch animals. The hill people look upon the cattle animals as their prime source of livelihood and most of the families keep high productive milch animals. As a result, milk production is also higher. Apart from this, milk production in dairy villages in all cases is higher than that of the non-dairy villages.

In dairy and non-dairy villages of both Amul and Himul the home consumption of milk is on the increase with the increase in the size of land holding. But as the advantage of ready market is not always available in the non-dairy villages, the percentage of home consumption is higher than that of dairy villages. This is true both in Amul and Himul. Again the absence of ready market causes a large portion of the total milk production in the non-dairy villages of Amul to be used in making ghee, butter, "khowa" (dried milk). Another noticeable factor is that the home consumption of milk in the families of weaker section of the non-dairy villages in the hills of Himul is too low. This is mainly because of the poverty of the producers. The producers of Amul have been getting improved 'extension services' as a natural consequence of agricultural advancement of Kaira district and the selfless services of the Amul workers. So, the milch animals in the dairy villages there have greater productivity. Besides, the yielding capacity of the milch animals does not depend upon improved extension services only, but on other factors like scientific management of milch animals, balanced feed, proper breeding etc. This is because of this fact that though the producers of the dairy villages in the plains of Himul can avail the advantages of improved extension services more than those in the hills, the yielding capacity of the milch animals of the hills

is considerably higher. In addition to that the milch animals in the hill areas have undergone a genetic improvement over the years. So even in the non-dairy villages of the hills the milch animals have almost the same yielding capacity which the milch animals in the dairy villages of the plains do have.

One of the objectives of the dairy cooperative societies is to improve the economic conditions of the rural people, particularly of the landless and marginal farmers. In the dairy villages of Amul about 65.1 percent of the total income of landless farmers come from dairy farming. In Himul it is only 40.64 percent. Again, above 50 percent of the overall income of dairy villages of both Amul and Himul is derived from crop farming. In Himul the income from crop farming is comparatively low than that of Amul. However, in Amul the income from dairy farming is less than those derived from other sources. But in Himul they are almost the same. Now it needs no clarification that the crop farming in Amul has much more been influenced by the dairy cooperative societies in comparison to that of Himul. The producers of Himul spend less time and money needed for taking care of the milch animals; and, hence they have failed to raise their total dairy-farming-income. But they have the potentials to do it because the average income from doing farming is proportionately higher in Himul than in Amul

as per their respective milk production. On the other-hand, in both the plains and hills of Himul the income from the dairy farming is not considered to be the main source of income, but third one. So, the crop farming in both the areas have had no influence on the dairy farming. Still it can't be denied that the dairy cooperative societies have at least helped the producers in the dairy villages to raise the economic status even partly.

In the dairy villages of Amul the producers get higher price for their milk than what the producers on the non-dairy villages manage to get. But in the non -dairy villages of Himul the milk marketing channels pay more for the milk than what the dairy cooperative societies do. This is happening in the plains as well as hills of Himul. This has resulted in a general apathy towards the milk societies. The producer members do not intend to sell their milk to the societies; rather, they are inclined to sell the same to different channels in the open market. The societies get only a small portion the producers sell them quite reluctantly.

In the dairy villages of both Amul and Himul milk production of the milch animals is in all cases higher than that of the non-dairy villages, the only exception being the stronger section of the hills of Himul. One thing to be marked well is that, in both dairy and

non-dairy villages, in hill areas of Himul the overall yielding capacity of the milch animals is greater than that of even Amul. So it is needless to say that the dairy cooperative societies have influenced the rural economy not only in Amul but in Himul also.

The per capita milk consumption is higher in dairy villages. This is true of both Amul and the plains and hills of Himul. Not only that, in the dairy villages of Amul and hills of Himul the per capita milk consumption is quite satisfactory. The sole credit for this goes to cooperative societies which have, at least, created an environment to raise the level of milk consumption of the rural people.

While interviewing the local producers of Amul and Himul we are convinced that most of the producers of Amul have joined the dairy cooperative societies. They sell their surplus milk to the society willingly because they have realised that the setting up of Amul has ensured a fair price of their milk. Even in Himul almost every producer member has expressed his faith in the fair practices of the organisation.

Detailed discussion with the producer members have made it clear that Amul has been quite helpful for the area producers in the field of agriculture. On the other

hand Himul has contributed little to the upliftment of the economic status of its rural milk producers.

In view of the above discussion in different phases it may be opined that Amul has played a major role in the rural development of its area. Although Himul has not been successful in this matter as much as Amul has, it cannot be said that Himul is a complete "failure". Afterall it has also made an economic impact in the field of rural development, particularly in the hill areas. The impact may be little, but it has immense possibilities.

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