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AN ECONOMIC ANALYSIS ON MARKETING OF OMFED (MILK) IN SUNDARGARH DISTRICT OF ODISHA

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ABSTRACT

Milk is a vital source of nutrition, rich in calcium, protein, vitamins, and essential minerals, contributing significantly to human health, particularly in bone development and immune support. It is consumed globally in various forms, including fresh, pasteurized, and fermented products. The present study, titled "An Economic Analysis on Marketing of OMFED (Milk) in Sundargarh District of Odisha," was undertaken to examine the marketing structure and efficiency of OMFED milk in the Nuagaon block of Sundargarh district. The block was selected purposively, and five percent of cattle-rearing villages were identified based on their potential, from which ten percent of respondents were chosen through random sampling. The analysis revealed two distinct marketing channels: Channel-I (Producer → Retailer → Consumer) and Channel-II (Producer → Distributor → Retailer → Consumer). In Channel-I, the net price received by producers was ₹35 per litre, with a marketing cost of ₹2.55 per litre, a marketing margin of ₹2.45 per litre, a price spread of ₹5, and a marketing efficiency of 7.00%. In contrast, Channel-II yielded a net price of ₹34.08 per litre for producers, a marketing cost of ₹3.94 per litre, a marketing margin of ₹2.56 per litre, a price spread of ₹6.50, and a marketing efficiency of 5.28%. The findings indicate that Channel-I is more efficient, offering higher returns to producers with lower marketing costs and margins.

Keywords: OMFED milk, Marketing efficiency, Price spread, Marketing channels.

INTRODUCTION

OMFED (Odisha State Cooperative Milk Producers' Federation Limited) is a state-level apex dairy cooperative in Odisha, established with the objective of promoting the production, procurement, processing, and marketing of milk and milk products. Operating under the framework of the National Dairy Development Board (NDDB), OMFED plays a crucial role in strengthening the rural dairy economy by integrating milk producers, particularly small and marginal farmers, into a cooperative network. It ensures fair pricing and timely payments to producers while providing consumers with hygienic, high-quality milk and milk-based products. OMFED follows a three-tier cooperative structure comprising village-level milk producers' cooperative societies, district-level milk unions, and the state federation. The organization collects milk from rural producers through a well-established procurement network and processes it in modern dairy plants to produce pasteurized milk, curd, paneer, butter, ghee, and other value-added products. It also focuses on improving animal productivity by

providing veterinary services, cattle feed, and artificial insemination facilities. The marketing and distribution of milk are facilitated through a network of retailers, bulk vending agents, and consumer outlets across urban and semi-urban areas. In recent years, OMFED has undertaken initiatives to enhance operational efficiency and expand its market presence through branding and diversification strategies. By acting as a vital link between rural producers and urban consumers, OMFED not only contributes to the socio-economic upliftment of dairy farmers but also ensures food security and nutritional support for the population. Its role in rural employment generation and sustainable agricultural development further highlights its importance in the agrarian economy of Odisha.

RESEARCH METHODOLOGY

The methodology adopted for this study was purposive-cum-random sampling. Sundargarh district was selected primarily to mitigate logistical challenges and time constraints for the investigator. Among the various blocks within the district, Nuagaon block was purposively selected due to the high concentration of respondents engaged in cattle rearing and milk production. A comprehensive list of villages within the selected block was prepared, and five percent of these villages with a substantial number of cattle-rearing households were randomly chosen. From the selected villages, a detailed list of all respondents involved in cattle rearing and milk production was compiled and categorized into three groups based on herd size: Small (1–2 cattle), Medium (3–5 cattle), and Large (more than 5 cattle). A total of 120 farmers were selected using proportionate random sampling across these categories. In addition to the producers, 10 wholesalers, 5 retailers, 5 cattle farm owners, and 5 consumers were selected to facilitate a comprehensive analysis of marketing cost, marketing margin, price spread, and marketing efficiency. Primary data were collected using a pre-tested, well-structured interview schedule through direct personal interviews. Secondary data were sourced from books, journals, reports, and official records available at the district and block headquarters. The collected data were analysed using appropriate statistical tools to derive meaningful insights. The entire data collection and analysis process was conducted for the agricultural year 2024–2025.

ANALYTICAL TOOLS

Marketing Cost:

$$C = Cf + Cm1 + Cm2 + Cm3 + ... + Cmn$$

Market Margin:

$$AMI = Pri - (Ppi + Cmi)$$

Price Spread:

Marketing Cost + Market Margin

Marketing Efficiency:

$$\frac{\text{Price received by producer}}{\text{Marketing Cost + Marketing Margin}}$$

RESULTS AND DISCUSSION

Table 1: Marketing margin, Marketing efficiency and Price spread of OMFED milk in Channel-I.

CHANNEL – I: PRODUCER – RETAILER - CONSUMER

S. No	Particulars	OMFED Milk
		Rs/Litre
1	**Producer's Sale Price to Retailer**	**37**
2	**Cost incurred by the producer**	
a	Handling Charges	0.45
b	Losses	0.60
c	Miscellaneous Charges	0.95
	Total Marketing cost (a-c)	**2**
3	**Net price received by producer**	**35**
4	**Retailer sale price to Consumer**	**40**
5	**Cost incurred by the Retailer**	
a	Transportation	0.10
b	Losses and Damage	0.45
	Total Marketing cost(a-g)	**0.55**
6	**Margin of Retailer**	**2.45**
A	**Total Marketing cost**	**2.55**
B	**Total Marketing Margin**	**2.45**
C	**Price Spread**	**5**
D	**Marketing Efficiency**	**7%**

Table 1: The following table illustrates the cost structure, price spread, and marketing efficiency associated with the marketing of OMFED milk under Channel-I. In this marketing channel, the producer sells milk to the retailer at a price of ₹37 per litre. From this amount, ₹2 per litre is allocated to handling, losses, and other miscellaneous charges, resulting in a net price of ₹35 per litre received by the producer. The retailer subsequently sells the milk to consumers at ₹40 per litre, incurring a transportation and loss-related cost of ₹0.55 per litre. The retailer's profit margin is calculated at ₹2.45 per litre. Consequently, the total marketing cost incurred in Channel-I amounts to ₹2.55 per litre, while the total marketing margin stands at ₹2.45 per litre. The overall price spread in this channel is ₹5 per litre. Based on these figures, the marketing efficiency of Channel-I is determined to be 7.00 percent, indicating a moderate level of efficiency in the milk marketing system through this channel.

Table 2: Marketing margin, Marketing efficiency and Price spread of OMFED milk in Channel-II.

CHANNEL-II: Producer – Distributor – Retailer – Consumer

S. No	Particulars	OMFED Milk
		Rs/Litre
1	**Producer's Sale Price to Distributor**	**35.50**
2	**Cost incurred by the producer**	
a	Handling Charges	0.49
b	Losses	0.63
c	Miscellaneous Charges	1.12
	Total Marketing cost (a-c)	**2**
3	**Net price received by producer**	**34.38**
4	**Distributor sale price to Retailer**	**37.67**
5	**Cost incurred by the Retailer**	
a	Transportation	0.12
b	Losses and Damage	0.49
	Total Marketing cost(a-b)	**0.61**
6	**Margin of Distributor**	**1.56**
7.	**Retailer sale price to Consumer**	**40**
	Marketing cost incurred by Retailer	
a	Transportation	0.9
b	Losses and Damage	0.43
	Total Marketing Cost (a-b)	**1.33**
	Margin of Retailer	**1.0**
A	**Total Marketing cost**	**3.94**
B	**Total Marketing margin**	**2.56**
C	**Price Spread**	**6.5**
D	**Marketing Efficiency**	**5.28%**

Table 2: Outlines the cost structure and marketing efficiency of OMFED milk in Channel-II, which includes producers, distributors, and retailers. The producer sells milk to the distributor for ₹35.50 per litre, with net earnings of ₹34.38 after costs. The distributor charges the retailer ₹37.67, earning ₹1.56 after expenses. The retailer sells to consumers at ₹40 per litre, with costs of ₹1.33 and a profit margin of ₹1. The cumulative marketing cost is ₹3.94 per litre, and the total marketing margin is ₹2.56, resulting in a price spread of ₹6.50 per litre. The marketing efficiency of Channel-II is 5.28 percent, indicating lower efficiency compared to Channel-I due to higher marketing costs and an extra intermediary.

Table 3: Comparison between Marketing margin, Marketing efficiency and Price spread in marketing of OMFED milk through channel-I, channel-II in the study area.

Sr. No.	Particulars	Value in Rupees / Litre	Value in Rupees / Litre
		Channel I	Channel II
1.	**Net price received by the producer**	35	34.38
2.	**Total marketing cost**	2.55	3.94
3.	**Total marketing margin**	2.45	2.56
4.	**Price spread**	5	6.5
5.	**Marketing Efficiency**	7%	5.28%

Table 3: The comparison of marketing margin, price spread, and marketing efficiency between Channel-I and Channel-II in the marketing of OMFED milk reveals significant differences in performance. In Channel-I, the net price received by the producer is ₹35.00 per litre, with a total marketing cost of ₹2.55 per litre and a marketing margin of ₹2.45 per litre. The price spread in this channel amounts to ₹5.00 per litre, and the marketing efficiency is calculated at 7.00 percent, indicating a relatively efficient marketing arrangement. Conversely, in Channel-II, the net price received by the producer is slightly lower at ₹34.08 per litre. The total marketing cost incurred in this channel is higher at ₹3.94 per litre, and the marketing margin is ₹2.56 per litre. The price spread in Channel-II is ₹6.50 per litre, and the marketing efficiency is comparatively lower, at 5.28 percent. These findings suggest that Channel-I is more cost-effective and efficient for both producers and consumers, primarily due to fewer intermediaries and reduced marketing expenses.

CONCLUSION

The analysis of the marketing channels for OMFED milk in Sundargarh District highlights significant differences in cost structure, price spread, and marketing efficiency between the two channels. In Channel-I (Producer → Retailer → Consumer), the producer receives a higher net price of ₹35 per litre, with a lower marketing cost of ₹2.55 per litre and a marketing efficiency of 7.00%, indicating a relatively cost-effective and efficient system. The price spread in this channel is ₹5 per litre, which is more favourable for both producers and consumers. In contrast, Channel-II (Producer → Distributor → Retailer → Consumer) involves additional intermediaries, leading to a lower net price for the producer of ₹34.38 per litre and higher marketing costs of ₹3.94 per litre. The price spread in Channel-II is ₹6.50 per litre, and the marketing efficiency drops to 5.28%. The involvement of an additional distributor in Channel-II increases the overall marketing costs, reduces efficiency, and results in a higher price spread, making this channel less economically efficient than Channel-I. The findings suggest that the marketing system in Channel-I is more beneficial for the producer and more efficient in terms of cost and price distribution, while Channel-II introduces inefficiencies due to additional intermediaries and higher costs.

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