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The importance of dairy industry for economic growth and associated socio economic aspects

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This study was conducted to investigate the status of the milk marketing network, its impact on socio economic condition of the dairy farmers and identifying the exiting constraints for dairying in the *Kandy* district. A total of 90 farmers representing different channels (A; n=49; B_1, n=20; B_2, n=10, C, n=6, and D, n=5) were selected for the study. Data were collected through a field survey of farmers, from different channels in the milk marketing network and data were analysed using simple descriptive statistics.

There are well established formal and informal milk marketing channels in *Kandy* district. The majority (94.4%) of the farmers used formal channel, which is dominated by either semi government organisation (A) which had FMSs, commercial private organisations (B_1, B_2), and independent private collectors (C), who collect milk and sell it to consumers. Very few (5.6%) farmers used informal marketing channel (D). Enterprise A collects 54.81% of total milk collection of the district while B_1 collects 21.6%. When purchasing milk, both A and B_1 consider the fat percentage and solid non fat (SNF) content. The majority of the farmers used Jersey cattle (60%) and Friesian cattle (56.7%) for dairy purpose. All farmers artificially inseminated the cows. The majority (61%) used cut and carry system of feeding and concentrate feeding. Mean herd size was 3.95±2.94 with 1.83±1.22 milking cows. Mean milk yield was 11.28±7 L/herd/day. 54% of farmers used fresh milk produced for house hold consumption. Feed supply became scarce during the dry season (March, April). Dung was used as manure by 25.6% of farmers, while 35.58% of farmers sold manure at Rs. 30/=/bag. Family labour (mean no.1.5±0.48 / family) was used for dairy activities by all farms. Approximately 28% farmers were members of FMS (farmer management societies), while 39% supplied to two major collectors B_1 and B_2. Farmers complained about feed scarcity during dry season (51%), inadequate lands for grazing (71%), Inadequate supporting services, Problems regarding with AI (42%), Inaccurate milk testing and low milk yield Income from dairying and price fetched by milk were not different among farmers supplying to formal channels whereas these sell through informal channel D received highest price (Rs.33/= /L). Those selling through channel C, private collectors received lowest price (Rs.19/=/L). Profits of dairying were positively related to the number of total animals ($r = 0.514$; $p < 0.05$), and number of milking animals ($r = 0.6861$; $p < 0.05$) in the herd. Approximate monthly variable cost/ animal was about Rs. 901, of which the feed cost was about Rs. 1305/=, and medical cost was Rs. 146/=. Mean monthly profit was estimated to be about Rs. 952.7 / milking animal (including costs for labor and forages). The cost of risk was not included in these estimates. The total fixed cost per animal was about Rs. 71000/=, and at least 9.5 years are needed to recover this cost by using one animal. Therefore, in *Kandy* district the potential of new comers to take up dairy industry without subsidies is low, despite the presence of a well distributed marketing network.

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