

MILK PRODUCTION AND FINANCIAL ANALYSIS OF THE DAIRY CATTLE SECTOR IN MID COUNTRY SRI LANKA (CASE STUDY IN KANDY DISTRICT)

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The small scale dairy farming has a strong potential in contributing to the development of the rural economy of Sri Lanka through generation of employment and reduction of poverty and malnutrition. The expenditure on imports of milk powder has been increased steadily during past three decades. The import bill of milk shows a marked increased and the share of expenditure on milk powder imports has doubled during the period 1978-2009. Further, the statistics have shown a shrinking of market share of domestic dairy products, and a slowdown in the rate of domestic production. This indicates a greater requirement of effective policies and strategies to address this issue in developing regional dairy production in Sri Lanka.

The purpose of study was to examine the socio-economic background of small scale dairy farmers, their management practices and the relationship with milk production, cost and profitability. A sample of 60 dairy cattle farmers was selected from Kandy district in mid-county region using the proportionate random sampling technique. The data were collected using a pre-tested structured questionnaire, focused on socio-economic characteristics of dairy farmers, management practices, herd characteristics, feeding practices and cost, veterinary services, and labor utilization. A production function was estimated to identify the factors influencing milk production and cost of milk production was estimated thereafter.

Production function analysis indicated that amount of concentrate feed, farmers' experience, labor utilization and number of milking cows are significantly influence the milk production. The estimated elasticities for above variables are 0.16, 0.15, 0.59 and 0.48 respectively. Cost of production analysis revealed that the greatest share (56 %) of input cost is incurred on labor. The estimated average cost of milk production including family labor is Rs 48 per liter and excluding family labor, it is Rs 21 per liter. Further, the financial analysis on profitability of dairy farms revealed that additional income from selling manure, producing biogas, and selling male animals caused to furnish greater positive Net Present Values (NPV) and Benefit Cost Ratios (BCR) implying enhanced profitability in regional dairy production.

The study signifies that feed, labor utilization, farmers' experiences and practicing enterprise mix are the most practical and economical options to improve regional milk production thus, a better feeding program, perfect extension services, enterprise mix concept etc, should be given a high priority in policy formulation.

Key words: Dairy cattle farming, Milk production, Cost of production, Profitability