

Marketing Challenges in Dairy and Paddy sector Development.

Individual Farmers Perspective: Evidence from Sri Lanka.

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Abstract:

Introduction: Marketing is the process of performing market research, selling products and/or services to customers and promoting them via advertising to further enhance sales. In this context, there are some challenges as challenges in Research and development, Production, Promotion, Distribution, Competitors analysis, social responsibility, welfare services, publicity and public relation, and legal procedures behind the marketing.

Objective: Main objective of the study is to evaluate the Marketing Challenges in the dairy and paddy sector in the Kilinochchi district, Northern Province, Sri Lanka. And environ with a view to achieving the following broad outputs, to identify the Marketing Challenges in the dairy and paddy sector; to suggest the marketers to strengthening the marketing activities in accordance with benefits of socio, economic and environmental point of view.

Methodology: Qualitative study, especially field interview method has been utilized to get the valuable information from individual farmers in the Dairy and paddy sector. Further judgmental sampling method was used to select the respondents.

Conclusion: Northern Province of Sri Lanka is considered as feasible place to dairy and paddy sector farming, but unfortunately people in this province have to face financial difficulties. And also they don't have the educational background to plan the dairy and paddy farming in the large scale. Due to that government and nongovernment organizations should focus their activities toward dairy and paddy farming in the socio, economic and environmental activities.

Key word: Marketing Challenges, Dairy Sector and Paddy Sector

1. Introduction

Agricultural sector in Sri Lanka contributes nearly 12 percent to the country's GDP and employs 33 percent of its labor force. Since the independence, there have been several attempts by successive governments and non government organizations to improve the productivity of the agricultural and livelihood products. (Thayaparan, 2010). And also the governmental authority has implemented several eco friendly concepts through the central environmental authority, in which the sustainable development is the key element. It refers to a pattern of social and structural economic transformations, which optimizes the economic and other societal benefits available in the present without jeopardizing the likely potential for similar benefits in the future. Sustainable dairy and paddy farming could be defined as the process by which farmers manage feeding, veterinary services and waste management mainly on farm resources to enhance productivity and maintain it to meet farm and family needs, without adversely affecting the production environment (Goodland and Ledec, 1986). In this way, this study focuses on the Marketing Challenges in dairy and paddy sector to get the better solution. Further, the role of livestock in agriculture in Sri Lanka is complex and significantly different from that of industrialized nations. Although the contribution of livestock sub-sector to the national Gross Domestic Product (GDP) is in the lowest level, it has been a crucial source of high quality protein, minerals and vitamins to the population, by way of milk, meat and eggs. For many rural smallholder farmers, livestock is a 'living bank' that serves as a financial reserve for periods of economic distress (Perera and Jayasuriya, 2008). Furthermore, the recent awareness in the environmental management has the influence on the dairy sector through the sustainable development; it refers to development that meets the present needs without compromising the ability of future generations to meet their needs. Sustainability is a complex phenomenon viewed differently by various people that involves biology, ecology, economics, and socio-cultural and political considerations (Goodland and Ledec, 1986). In this way, this study focuses on the Marketing Challenges in dairy and paddy sector in the Kilinochchi District, Northern Province of Sri Lanka.

1. Objective

Main objective of the study is to evaluate the Marketing Challenges in the dairy and paddy sector in the Kilinochchi district, Northern Province, Sri Lanka. And environ with a view to achieving the following broad output, to identify the Marketing Challenges in the dairy and paddy sector; to suggest the marketers to strengthening the marketing activities in accordance with benefits of socio, economic and environmental point of view.

2. Review of Literature

According to the American Marketing Association, The term marketing is defined by “Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large”. Based on this definition, the marketing is viewed as activities that have the value for the customers mainly through the satisfying the customer needs and wants through the better customer relationship management strategy. Further, marketing activities focus on the clients, partners, and society at large (Kotler & Keller, 2007). Most markets are moving towards a more market-orientated approach because customers have become more knowledgeable and require more variety and better quality. To compete, businesses need to be more sensitive to their customers needs otherwise they will lose sales to their rivals (Rajanen, 2003). Further, every organization in the hyper competitive environment should have the strategy as the marketing approach. Meanwhile, the approach has benefits and costs itself. Therefore, firms should focus on the costs to get the benefits in the effective and efficient way. From the identification of customer need and wants to get the customer value, the firms should face the challenges to get the benefits. In this context, there are some challenges like Research and development cost, Production cost, Promotion cost, Distribution cost, Cost of Competitors analysis, Cost of social responsibility, Cost of welfare services, Cost of publicity and public relation, Cost to legal procedures etc.

According to the Achchuthan and Kajanathan (2012), Kilinochchi district is considered as Agricultural District and it is suitable place for paddy and dairy sector development. Large scale farming is feasible. But unfortunately people in this district have to face many difficulties such as lack of infrastructure facilities, limited storage, financial and water facilities. Also they don't have the educational background to plan out the paddy farming in large scale. The cooperative societies which are actively functioning in Karachchi area should increase their storage capacity and they should come forward to purchase the paddy in control price in maha and yala seasons. Further, they don't have the value added strategies like rice packing and rice flower packing systems in the large scale. Due to that government and nongovernment organizations should focus their activities toward paddy farming. But in the input side satisfactory level is observed. Therefore, we should focus on the marketing challenges in the paddy and dairy sector development in the Kilinochchi district, Sri Lanka.

3. Description of the Study Area

According to the Department of Census & Statistics, Sri Lanka, 2011. Northern Province has five districts as Jaffna, Vavuniya, Mannar, Kilinochchi, and Mulaitivu. And also it has 33 divisional secretariat & population as 934392. Further, it has an area of 8,884 square kilometres (3,430 sq mi). Northern Province being an agricultural dominant province, where agricultural sector is 25.9% and trade sector comes next to it is 19.3%. Most of the people engaged in service sector covering 31.2% of the total.

Study area as Karachchi division is located in the Kilinochchi district, Northern Province of Sri Lanka. It has 42 GN divisions with 65000 populations approximately. The people in the karachchi division have involved in the agricultural activities. Generally, kilinochchi district is considered as the agricultural district in the Northern Province (Achchuthan and Kajanathan ,2012).

4. Methodology of the Study

5.1. Study Design

Qualitative study, especially field interview method has been utilized to get the valuable information from individual farmers in the Dairy and paddy sector. Further judgmental sampling method was used to select the respondents.

5.2. Respondents in individual farmers in the paddy sector

Twenty individual farmers who have involved in the paddy farming activities, Karachchi division were selected and also interviewed by the research team. (Areas as Sivanagar, Maruthanagar, Panamkandi, Krishnapuram, and Vaddakachchi in Karachchi Division).

5.3. Respondents in individual farmers in the Dairy sector

Thirty individual farmers who have involved in the dairy farming activities, Karachchi division were selected and also interviewed by the research team.

6. Results and Analysis of the study

6.1. Marketing Challenges in the Paddy sector (Individual farmers Perspective)

Marketing challenges in the labor cost context

- Lack of labor force to conduct the activities in the paddy sector in karachchi division, labors in this area have involved in the road and building construction works in kilinochchi district.
- Labor cost is also the problematic one to the individual farmers; reasons behind the high labor cost are the rocket speed inflation and high demand for labor in karachchi division.

Marketing challenges in the financial context

- Lack of financial support to the individual farmers, farmer organizations and co-op societies to cultivate the paddy sector in large scale.
- People in the karachchi division are not ready to take the loans to cultivate the paddy in the large scale, because of the risks which are in the selling, weather condition, prices of fertilizer, weedicide etc.

Marketing challenges in the Infrastructure context

- Planning and implementation of the Irrigation scheme as major and minor in karachchi division are in the question mark, because redevelopment of the particular scheme has not been done in the proper way.
- Ineffective waste management systems in the karachchi division, due to that both degradable and non degradable wastage generally block the water line for paddy cultivation.
- Lack of support from governmental organizations as Department of Agriculture, govt. seed production farm, Regional Agricultural Research and Department centre and Agrarian Service Center in the Karachchi division.
- Lack of professional staffs in the Regional Agricultural Research and Department centre and Agrarian Service Center in the Karachchi division.

Marketing challenges in the Sales context

- Lack of marketing opportunities for paddy cultivation, business people from other districts as baticalooa, Jaffna generally purchase the paddy product with large scale and ready cash, but unfortunately, individual farmers accept the business dealing with the minimum price. Because, they have the responsibility to settle the loans immediately after their harvesting event. Also they do not have the storage facilities.
- Life time of the paddy product is in the lowest level especially now a day, because harvesting activities are done by machines, in the machinery work, humidity is the damaging factor to the paddy product. Due to that, drying facilities should be an important one to preserve the paddy product systematically.
- There is no control pricing system, government organizations as govt. seed production farm and Agrarian Service Center in karachchi division have not focused this marketing problems of the paddy sector

6.2. Marketing Challenges in the Dairy sector (Individual farmers Perspective)

Marketing challenges in the breeds' context

- Lack of grade breeds in the dairy sector, and also yield from dairy sector is in the lowest level.
- Lack of awareness in the management of dairy sector (grade breeds) in the kilinochchi district among people.
- Lack of artificial insemination and veterinary services, in the karachchi division, only two veterinary doctors, and four assistances as live stock officers have been assigned in the socio – economic development project for dairy farmers

Marketing challenges in the Environmental context

- An environmental challenge, climatic situation of the kilinochchi district is not suitable one to the dairy sector with high breeds. But some grade breeds like sinthu, sunanthini etc are better ones to the kilinochchi district to get the high yield.

Marketing challenges in the financial context

- Limited financial sound of the individual farmers.

- Lack of financial assistance to create the dairy sector in the large scale, people in the karachchi division are ready to take the loan to create the dairy farm. But unfortunately, the financial assistance is in the question mark.

7. Recommendation for Dairy Sector Development

Recommendation to the Governmental Authority (individual farmer's perspective)

- Government sectors and non government organizations should focus on the feeding and water resource management in dairy sector.
- To provide the infrastructure facilities to the individual farmers as providing dairy cattle and cattle sets to induce the farmers in the dairy farming
- To give the awareness to get the facilities from government institutions and sectors, especially from, Ministry of Livestock Development and Estate Infrastructure, Department of Animal Production And Health (DAPH), Provincial Departments of Animal Production and Health , National Livestock Development Board (NLDB)
- Government oriented commercial banks and private commercial banks should focus the loans on the dairy farming activities.
- Government should provide the better medical facilities to the dairy farming through scheduling the medical training camps in villages in the continuous way, due to the better teams in the veterinary services should be provided in the karachchi division.
- Kilinochchi district is considered as an agricultural district in the northern province, due to that, the model village of dairy farming can be focused in the karachchi division by government and non government organizations.

Recommendation to the Non - Governmental Authority (individual farmer's perspective)

- To provide the continuous training and development program , program should be focused on skills to make the value added products as milk toffee, curd, moore, paneer , ice cream etc
- To provide the awareness through the knowledge training program on feeding and water resource management, maintenance of dairy cattle , artificial insemination etc
- Non government organization should monitor and evaluate the progress level of their fund's effectiveness in the dairy sectors. If there is a deviation in the progress, the corrective action or solutions should be provided.
- To give the marketing based training program, the theme as marketing strategies in the dairy sector should be conducted by the marketing experts in the dairy sectors among individual farmers.

Recommendation to the Research institutions (individual farmer's perspective)

- To focus on the research and development in the dairy sector

Veterinary services and artificial insemination: To select the better suitable breed in the karachchi division

Natural resource management: To select the available natural feeding and water resources in karachchi division

Waste Management: To plan the proper waste management system, like making bio gas

Sales Field: To test the attitudes of the customers in the karachchi division

Demand and Supply analysis

To find out the marketing strategies among value actors in the dairy sectors

8. Recommendation for Paddy Sector Development

Recommendation to the Governmental Authority (individual farmer's perspective)

- Government sectors and non government organizations should focus on the marketing facilities of the paddy related products, because Paddy marketing has been one of the major constraints for paddy producers resulting in the realization that paddy cultivation is not a profitable venture. Paddy farmers are unable to market with optimum price and compelled for distress sale.

- Government oriented financial institutions as bank of Ceylon, people's bank and national development banks should focus the special scheme as loans and insurance for paddy sector to support the individual farmers, farmer organizations and co-op societies to cultivate the paddy sector in large scale.
- Planning and implementation of the Irrigation scheme should be done in the proper way to get the maximum yield from paddy cultivation.
- Waste management systems in the karachchi division should be planned and implemented in the effective way, responsible government authority should focus on the problem. Therefore both degradable and non degradable wastage can be processed systematically.
- Lack of professional staffs in the Regional Agricultural Research and Department centre and Agrarian Service Center in the Karachchi division. Therefore central and local governmental bodies should focus on the problems
- Regional Agricultural Research and Department centre, Kilinochchi should focus on the research activities to find out the paddy varieties, diseases and better solutions for the diseases to get the better yield.

Recommendation to the Non - Governmental Authority (individual farmer's perspective)

- Training and development programs related to the paddy field in karachchi division. Nongovernmental organizations should concentrate on the training program in the continuous way to give the awareness on available financial service activities, agriculture services and other administrative activities related to the paddy sectors.
- To provide the skill development program in the continuous way to maintain the large scale paddy cultivation among individual farmers.
- Non government organizations can conduct the training programs to strengthen the relationship between value chain actors as individual farmers, mill owners, and retail shops in the karachchi division, in which problems and better solutions in the paddy cultivations and paddy business can be analyzed in the systematic way.
- 40 percentage of the people in karachchi division in purchasing the harvester machines have failed to settle the installments and interest. Therefore they have lost the initial payments and machines. At the same time 60 percentage of people have gained the advantage on lease, because the machine's cost is in the highest level, leasing facilities are important one to get the expensive machine. Therefore the better training program should be focused by the nongovernment organization on the theme like "financial leasing and its nature". People in the region have the lack of educational background; due to that experts in the financial management should be assigned to give the awareness among people who have involved in paddy cultivation.

9. Conclusion

While analyzing paddy and dairy sub-sector as source of employment and a business opportunity for poverty alleviation, it should be understood in the context of the contribution of livestock production to livelihoods and income generation for smallholder farmers through the production of higher-value products compared to most crops. In this way, kilinochchi district is considered as feasible place to paddy and dairy farming, but unfortunately people in this district have to face financial difficulties. And also they don't have the educational background to plan the dairy farming in the large scale; further co-op society in the karachchi division has not enough technological facilities to preserve the pure milk. And also they don't have the value added strategies like milk toffee, ice cream, yoghurt in the large scale. Due to that government and nongovernment organizations should focus their activities toward dairy farming. Further, According to the Comprehensive Master Plan for agriculture crop sector development, Northern Province, Value chain perspective has become recent international agriculture development strategy which includes all the activities that are undertaken in transforming raw material into a product that is sold and consumed. This includes the direct functions of primary production collection, processing, wholesale and retailing as well as support functions such as input supply financial service, transport, packaging and advertising. In this way, kilinochchi district is considered as feasible place to paddy cultivation, and also it is considered as an agricultural district.

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ANNEXURE 1

Questionnaire/Interview Guide Sample (Dairy sector), Individual Farmers

INDIVIDUAL FARMERS

DATE: _____

FORM NO: -----

Seek permission, introduce yourself and the assignment and thank respondent for their time

Section 1: Business Details

1. Name of farmer: -----
2. Location: -----
3. On average how many dairy cows you use for your business?-----
4. What breeds do you use during dairy business?-----
 - a. Local breeds
 - b. Grade breeds
 - c. Buffalos breeds
 - d. Other (specify)
5. What major **operational challenges** do you encounter in running the business?

(Threats & Weakness)

6. What **marketing challenges** do you encounter in selling Dairy related products?

(Threats & Weakness)

7. What is the **average gross margin** for these products?

(Brief Profit and Loss A/C)

Section 2: Financial Aspects

1. What are your sources of finance?
2. What financial challenges do you encounter?
3. What assistance (financial, operational and marketing) would you need to increase production and Productivity?

*******Thank the respondent again and get their contacts as your depart*******

ANNEXURE 2

Questionnaire/Interview Guide Sample (Paddy sector), Individual Farmers

INDIVIDUAL FARMERS
FORM NO: -----

DATE: _____

Seek permission, introduce yourself and the assignment and thank respondent for their time

Section 1: Business Details

8. Name of farmer: -----
9. Location: -----
10. On average how many acre you use for your paddy cultivation? -----
11. What varieties of paddy do you use during paddy cultivation? -----
12. What major **operational challenges** do you encounter in running the business?

(Threats & Weakness)

13. What **marketing challenges** do you encounter in selling paddy related products?

(Threats & Weakness)

Section 2: Financial Aspects

4. What are your sources of finance?
5. What financial challenges do you encounter?
6. What assistance (financial, operational and marketing) would you need to increase production and Productivity?

*******Thank the respondent again and get their contacts as your depart*******

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