

An Economic Analysis of Milk Collection in War Affected Area in Jaffna District: A Special Reference to Jaffna District Development Co-operative Society Limited

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Dairy farming is considered as an integral component of the Agricultural sector in Jaffna District. The Jaffna District Development Co-operative Society Limited is the most experienced dairy co-operative society. This study was aimed to examine the economic aspects of milk collection. 16 Milk depots were purposely selected and secondary data were collected during the study period from July 2008 to June 2009. Descriptive statistics, regression analysis and operation efficiency index were used for data analysis. Results showed that the average cost of collection of milk varied from a minimum of LKR3.78 per liter in flush season to maximum of LKR 4.65 per liter in lean season. The overall average unit cost of collection was found to be LKR 4.15 per liter. Between the unit cost of collection and quantity of milk collected significant negative correlation was observed at 95 percent confident level. Seasonal variation was existed in the unit cost of collection at 5 percent significant level. Quantity of Milk collected in different level was negatively correlated with the unit cost of collection and it has been noted as high correlation (R-squared value: 0.7484). It has been confirming to the hypotheses of economies of scale. It was observed that operational efficiency was not generally high among the depots. The cost of collection could be decreased considerably by increasing the collection of milk possibly by re-organizing the depots or diverting the milk from one depot to another depot. Those depots, which are collecting below the economic level, should be merged with other depots.

Keywords: Unit cost of milk collection, Quantity of milk collection, Level of milk collection, Economies of scale and Operation efficiency.