Research Paper

Volume : 2 | Issue : 12 | December 2013 • ISSN No 2277 - 8179

Marketing Strategies for Cattle Feed Products in Kerala: an Empirical Study

Management

KEYWORDS : Branded cattle feed, Purchasing pattern, Buyer behaviour, Cattle feed marketing strategies.

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ABSTRACT

Cattle feed industry is a major segment of animal feed industry. This industry is gradually evolving into an organized sector and the feed manufactures are increasingly using modern and sophisticated methods that seeks to incorporate best global practices. This industry has got high potential for growth in India, given the fact that the country is the world's leading producer of milk and its production is expected to grow at a compounded annual growth rate of 4 per cent. Besides, the concept of branded cattle feed as a packaged commodity is fast gaining popularity in rural India. There can be a positive change in the demand for cattle feed because of factors like (i) shrinkage of open land for cattle grazing, urbanization and resultant shortage of conventionally used cattle feeds, and (ii) introduction of high yield cattle requires specialized feeds. In the above context, this paper looks into the dynamics of cattle feed market in Kerala, emerging purchasing pattern and buyer behavior in respect of cattle feed products in the state, and lastly offers a few strategies for effective marketing of cattle feed products.

INTRODUCTION

Cattle feed industry, a major ingredient of animal feed industry is currently evolving from a fragmented industry into an organized sector. The feed manufactures are using increasingly modern and sophisticated methods in an effort to incorporate best global practices. Cattle feed industry has got high potential for growth, given that India is the world's leading producer of milk, and production is expected to grow at compounded annual growth rate of 4 per cent. The demand outlook will require dairy companies to step up production and get higher animal yields on the back of superior feed and nutrition. The way the rural farmers makes their purchases of feed and have their buying priorities is quite different from those of their urban counterparts. Hence one need to find out the demand patterns, consumer's likes and dislikes, time of demand and the Mean Time Between purchase (MTBT) of feed. Even at current production levels, with the thumb rule of 0.5kg of feed per liter of milk, India's annual production of 91 million tones of milk implies that the potential market for cattle feed should be approximately 45 million tones annually. On top of this, 0.25kg of cattle feed per liter of milk is required for maintenance of the animals but is rarely implemented in the country. The vast majority of cattle and buffalo in India are fed through grazing and the use of basic mixes and concentrates, and the market for compound animal feed is estimated to be around 5.5 million tones only (CLFMA of India, Mumbai, 2012). The private players produce around 1.2 million tones, the dairy cooperative and government sector produces around 2.5 million tones of feed that is sold to farmers- members involved in milk production at subsidized price, and the rest is produced by home mixers.

BRANDED CATTLE FEED INDUSTRY

The concept of branded animal feed as a packaged commodity, though not a very recent concept, is gaining popularity in the rural folks in the recent past. The packaged feed, as a product possesses, various factors such as hygiene, quality, convenience to handle, etc. to its advantage. The age old feeding pattern practiced in India is a mixed variety consisting of green grass, dry grass, cotton seed cake, coconut cake, rice bran etc. From the time immemorial, the cows were fed by grazing in open areas. But, as time elapsed, due to changes both environmentally and socially, problems evolved to continue with the age-old pattern. The Indian milk scenario witnessed a total metamorphosis by the advent of Operation Flood. This has considerably increased the per capita consumption of milk and this sparked of a high demand for feed. On analyzing the factors related to the cattle feed demand, it is seen that there can be a positive change in the demand in the market situation. The major factors contributing to this are: (i) Shrinkage of open land for cattle grazing, urbanization and resultant shortage of conventionally used cattle feeds, (ii) Introduction of high yield cattle requires specialized feeds.

OBJECTIVES OF THE STUDY

- To make a systematic study of the dynamics of cattle feed market in Kerala with a view to assess the current demand pattern, general market trend and growth prospects;
- To study the purchasing pattern and buyer behaviour with respect to cattle feed products;
- To formulate meaningful marketing strategies for effective marketing of cattle feed product in Kerala based on the current market structure and future growth prospects.

METHODOLOY OF THE STUDY

Methodology

The study is both analytical and exploratory. It is analytical to the extent that it seeks to analyze the current market structure, growth trend and pattern, and future prospects of cattle feed industry in Kerala. It is exploratory as it seeks to trace the future prospects from the current position, identify the changing demand patterns and to formulate a marketing strategy in tune with the market dynamics.

Data Collection: Both primary and secondary data are collected for the study. Primary data are collected from samples of (i) 400 dairy farmers and (ii) 100 dealers of cattle feed products, using two different carefully designed and pre-tested Questionnaires, ie. separately for farmers and dealers. Besides opinions of 21 experts in this field are also collected using an Interview Schedule. Secondary data are collected from authentic sources like publications of the Ministry of Agriculture of the State and Central Governments, Reserve Bank of India, National Council for Agricultural Research (NCAR), other Government publications (like, Economic Review, Economic Survey, NSSO surveys etc.), reputed research journals etc.

Sampling Frame: A Multi-stage Sampling methodology is adopted for data collection. In the First Stage (Geographical Sampling) three regions in Kerala are selected viz. Southern, Central and Northern. The total of 14 Districts in Kerala are allocated into one of these regions based on their geographic locations. Accordingly, Northern region comprises of Kasargod, Kannur, Wayanad, and Kozhikode districts; Central region consists of Malappuram, Palakkad, Thrissur, Ernakulam, Kottayam and Idukki districts; and Southern regions comprises Alappuzha, Pathanamthitta, Kollam and Thiruvananthapuram districts. In the Second Stage (Random Sampling) a sample comprising of proportionate number of farmers and dealers are selected from each of the 14 Districts in Kerala (falling under 3 distinct regions viz. Southern, Central and Northern) so that representativeness of the entire state is ensured. Random Sampling (lottery method) is adopted to identify the members to be included in the sample from among the total population.

Based on the above multistage sampling procedure, 400 farmers are included in the sample (120 from Southern region, 180 from Central region and 100 from Northern region) and similarly 100 dealers are also selected (30 from Southern region, 45 from Central region, and 25 from Northern region). Opinions of 21 experts in the field are also studied. Thus, there are 521 respondents in the study viz. 400 farmers, 100 dealers, and 21 experts. (Table I).

Analytical Tools and Software Packages:
Various popular statistical tools of data analysis like Chi-Square test, ANOVA are used for the analysis of data. Statistical packages like SPSS, STATA etc. are used for data analysis.

ANALYSIS AND INTERPRETATION

Expected Growth of Animal Population

Growth of animal population will have a direct and positive impact on cattle feed consumption. Increase in cattle feed consumption is linked to increase in animal population. Table No. II shows the growth trend in animal population in Kerala in future. It is noted that 59.25 per cent of farmers felt that there would be increase in animal population in the future, whereas only 15 percent expect a negative growth. This is a positive sign for cattle feed industry.

Present Feed Consumption Pattern

The pattern of present feed consumption was studied to provide new insights into the present behavior of farmers. It was felt that, knowing this aspect, would help to frame appropriate strategy for capacity building in feed production and promotion of cattle feed could be made more effectively. Table III shows details of current feed consumption pattern. The study reveals that 27.75 per cent gives conventional/natural and branded feed, 29.75 per cent gives all the category of feeds. In effect, as high as 57.50 per cent feeds animal with branded feeds along with other feeds. This shows the market is nearing maturity and has absorbed well the ready-made compounded cattle feeds as their regular feed for milking cows.

Composition of Cattle Feed Market

Among the users of the branded cattle feed products as high as 60 percent use the pellet type products and only less than one-third of them (19.50 percent) use mash type products. Among the users of the pellet type products, more than one-fourth (15.05 percent) uses the KFL (Kerala Feeds Ltd.) brand products, and are closely followed by the users of MILMA brand products (14.05 percent), and then by those of KSE (Kerala Solvent Extractions Ltd.) with 11.80 percent share. Table IV is self-explanatory in this regard.

Cattle Holdings and Consumption Pattern

Analysis to find the average cattle holding and consumption pattern in respect of both pellet and mash type of feeds has been done in the three regions under study (Table V). It is noted that mash consumption is quite higher than pellet consumption. Mash consumption is 129.675 kg per cattle per month whereas pellet consumption is 59.345 kg. The average mash consumption per month is 676.365 kg while that of pellet consumption is 371.82 kg.

Milk-yield and Use of Branded Cattle Feed

Frequency of farmers who felt the yield trend is positive is as high as 67.75 percent and only 7.75 percent among them felt a negative need, while 20.25 percent felt no change in the per cent felt there is no change. It is noted that there is a positive attitude towards branded cattle feed is highest in the central region. (Table VI).

Factors Influencing Buying Decision

Understanding factors that influence purchase will enable marketer to design a more effective marketing strategy that suitably addresses these factors which in turn will expand market and thus generate more revenue. A number of factors (Table VII) influencing the purchasing behavior of buyers have been studied. Based on the feedback from the farmers under study, the most important influencing factors have been identified to be price & quality, convenience, availability and so on. It is noted that quality, per se, is not a significant factor influencing buying decision.

Other Major Findings from the Field Study

It is found that 29.75 per cent of the farmers use all types of feeds and 18.50 per cent depends only on branded feeds. Hence, there is good scope for bringing conventional feed users towards branded products. The consumption of pellet form of feed is increasing and has got regional brand leaders. The consumers of pellet feed showed a positive attitude towards the animal farming and further use of pellet.

There is not a definite buying pattern. 37 per cent farmers buy as and when required and 21 per cent on weekly basis. Brand shifting is favourable towards KSE in Central Kerala and Milma in the South. In both the regions KFL comes a close second. In the northern region this is not the situation. Strategically planned market promotion should be a key factor for market penetration in this situation. It is observed that 69 per cent of the farmers have a positive approach on using cattle feed for better yield against 5.7 per cent with negative. Price, convenience, availability and quality are the major factors influencing the purchase decision of farmers. Of these, 12.25 per cent attributes to convenience, 11.66 per cent to availability and 4.74 per cent to price exclusively. Quality as a single reason has a very low per cent. Besides, 56 per cent of farmers seek advice of Doctors on cattle feed.

The customer satisfaction level is medium on an average. The major attribute to the satisfaction level is quality. The availability of cattle feed is rated high. But in the case of Kerala Feeds, this is not so. It is found that 68.5 per cent gives a negative response. Only in Central Kerala the availability is rated reasonable with 46.67 per cent.

Majority of cattle feed dealers are in the business for more than 10 years. Dealers have a definite role in sales promotion as 56 per cent of farmers seek their advice on product quality. The business meets do not have much bearing on market promotion. But gifts given to them have got definite influence. Sales commission is the most favoured benefit expected by the dealers. Experts give a positive opinion on the use of CCF and 84 per cent prefer pellet form. There is a definite positive reaction regarding trend of organic feed.

SUGGESTIONS BASED ON THE FINDINGS

The demand for compounded cattle feed (CCF) is registering a gradual increase. Market consolidation is happening, with a preference for CCF that also pelletted product, compared to conventional products. KFL, Kerala Solvent Extractions, MILMA, Koyenco and Prima Feeds are the leading brands in the State enjoying considerable market share. KFL has achieved a good market standing since its commissioning. However, KFL has not been able to increase its sales level to further heights, particularly in southern and northern regions, as the production levels are getting saturated. In order to retain the market share and to achieve a higher market share, it is essential for KFL to increase the production through expansion, merger or acquisition. Thus to overcome its inability to meet market demand in Southern and Northern regions, in addition to the ongoing expansion of the existing unit, setting up of a new unit would be the quite advisable. KFL can further enhance their market share by locating plants both in Northern and Southern parts of Kerala, for more effectively catering to the needs of those regions, preferably adjacent to the railway line suitable for railway siding.

The cattle feed produced should be of the high quality as the consumers are found to be quality conscious and this will ensure market consolidation. A restructuring of market plan based on logistic need to be implemented. To increase the market penetration, systematic, strategically planned, aggressive schemes are to be developed. Options like creation of district-wise sole selling agents, introduction of new schemes like extra quantity, distribution of food supplements along with the cattle feed, gifts to the dealers, simple and effective brochures, advertisements, massive promotion for quality poultry feed to be used in households as supplementary feed etc. in a professional way, may be thought off.

Volume : 2 | Issue : 12 | December 2013 • ISSN No 2277 - 8179

In short, meticulously planned and carefully designed marketing strategies are vital for sustained business growth and profitability of cattle feed manufacturers in Kerala. For the public sector player viz. KFL which is already having a good reputation and brand equity, an expansion strategy to more effectively cater to Northern and Southern parts of Kerala is found to be an imperative for survival and growth, rather than an option.

CONCLUDING REMARKS

The compounded Cattle Feed (CCF) though not a relatively new entry in the market, is gaining momentum and acceptability in the recent past. It attracted the farmer's attention because of many reasons. The live stock population in Kerala mainly consists of cows, buffaloes and goats. On the basis of the results of the survey, it can be reasonably assumed that the demand for compounded cattle feed will grow by 5 per cent on an average in the coming years

Table I: Sample Size and its Distribution across the Regions in Kerala

Sl. No.	Target Group	Sample Size (No)	Percentage	
1.	Farmers		Within Groups	Among Groups
1.1	Northern Region	100	25 percent	76.78 percent
1.2	Central Region	180	45 percent	
1.3	Southern Region	120	30 percent	
	Sub Total	400	100 percent	
2.	Dealers			
2.1	Northern Region	25	25 percent	19.19 percent
2.2	Central Region	45	45 percent	
2.3	Southern Region	30	30 percent	
	Sub total	100	100 percent	
3.	Experts	21	100 percent	04.03 percent
	Grand Total (1+2+3)	521	100 percent	100.00 percent

Table II: Expected Growth in Cattle Population

Sl. No	Response	Northern Kerala		Central Kerala		Southern Kerala		Whole Kerala	
		Nos	Percent	Nos	Percent	Nos	Percent	Nos	Percent
1	Positive	67	67	98	54.44	72	60	237	59.25
2	Negative	13	13	29	16.11	18	15	60	15.00
3	No change	16	16	43	23.89	24	20	83	20.75
4	No response	4	4	10	5.56	6	5	20	05.00
	Total	100	100	180	100.00	120	100	400	100.00

(Source: Survey Data)

Table III: Present Feed Consumption Pattern

Sl. No	Response	North Kerala		Central Kerala		South Kerala		Whole Kerala	
		Nos	Percent	Nos	Percent	Nos	Percent	Nos	Percent
1	Conventional/ natural feed	2	2	5	2.78	6	5	13	03.25
2	Fodder	8	8	8	4.44	6	5	22	05.50
3	Branded feed	16	16	34	18.89	24	20	74	18.50
4	Conventional/ natural and fodder	6	6	6	3.33	6	5	18	04.50
5	Conventional/ natural and branded	24	24	57	31.67	30	25	111	27.75
6	Fodder and branded	8	8	23	12.78	12	10	43	10.75
7	All the feed category	36	36	47	26.11	36	30	119	29.75
	Total	100	100	180	100	120	100	400	100.00

(Source: Survey Data)

Table IV: Composition of Cattle Feed Market in Kerala

Sl. No	Name of the Cattle Feed Manufacturer (Brand)	Pellet type Feeds (in Percentage)	Mash type Feeds (in Percentage)	Rest of the Market (in Percentage)
1	KSE	11.80	03.80	(All other types of Cattle Feed products are included under this category)
2	MILMA	14.05	04.70	
3	KFL	15.05	--	
4	SKM	--	02.00	
5	MBS	--	02.00	
6	Others	19.10	07.00	
	Total	60.00	19.50	20.50

(Source: Survey Data)

Table V: Cattle Holdings and Consumption of Cattle Feed

Sl. No	Item	Unit	Northern Kerala	Central Kerala	Southern Kerala	Whole Kerala
1	Average cattle holding per month	No.	2.60	8.26	3.80	4.887
2	Average pellet consumption per month	kg	220.64	542	201.65	371.82
3	Average mash consumption per month	kg	176.93	680	672.73	676.365
4	Pellet consumption per cattle per month	kg	84.86	65.62	53.07	59.345
5	Mash consumption per cattle per month	kg	68.05	82.32	177.03	129.675

(Source: Survey Data)

Table VI: Milk Yield and Branded Cattle Feed

Sl. No	Response	Northern Kerala		Central Kerala		Southern Kerala		Whole Kerala	
		Nos	Percent	Nos	Percent	Nos	Percent	Nos	Percent
1	Positive	62	62	143	79.44	66	55	271	67.75
2	Negative	3	3	22	12.22	6	5	31	7.75
3	No change	32	32	13	7.22	36	30	81	20.25
4	Non response	3	3	2	1.12	12	10	17	4.25
	Total	100	100	180	100	120	100	400	100

(Source: Survey Data)

Table VII: Factors Influencing Buying Decision of Branded Cattle Feed Products

Sl. No	Response	North Kerala		Central Kerala		South Kerala		Whole Kerala	
		Nos	Percent	Nos	Percent	Nos	Percent	Nos	Percent
1	Price	8	8	13	7.22	6	5	27	6.75
2	Convenience	12	12	23	12.78	18	15	53	13.25
3	Availability	11	11	19	10.56	12	10	42	10.5
4	Quality	0	0	1	0.56	3	2.5	4	1
5	Price and Convenience	2	2	4	2.22	3	2.5	9	2.25
6	Price and Availability	5	5	8	4.44	3	2.5	16	4

7	Price and Quality	31	31	70	38.89	42	35	143	35.75
8	Convenience and Availability	2	2	2	1.11	2	1.67	6	1.5
9	Convenience and Quality	2	2	2	1.11	2	1.67	6	1.5
10	Availability and Quality	12	12	19	10.56	12	10	43	10.75
11	All the factors	11	11	18	10	12	10	41	10.25
12	Not applicable	2	2	--	----	2	1.67	4	1
13	Not responded	2	2	1	0.56	3	2.5	6	1.5
	TOTAL	100	100	180	100	120	100	400	100

(Source: Survey Data)

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