

Extended Abstract

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Paper/Poster Title	The determinants of market choice between dairy cooperative and urban customers for milk supply in the face of urbanization
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Abstract prepared for presentation at the 96th Annual Conference of the Agricultural Economics Society, K U Leuven, Belgium

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Abstract	<i>200 words max</i>
<p>Rapid and intensive urbanization of Bangalore city in India has expanded the set of market choice for milk producers in the region. An exploratory study of rural and peri-urban areas in the vicinity of Bangalore reveals the emergence of a choice between sale of milk to the dairy cooperative and direct sale of milk to urban residents. The price in the private market is persistently higher than the price received from the dairy cooperative. Based on observations from the field, we construct the hypothesis that ownership of few cattle leads to opting to sell in the private market whereas ownership of relatively large number of cows leads to selling all milk to the dairy cooperative. Using data of milk producers from a survey conducted in 2016-17 in Bangalore, we use binary choice models – Probit as well as Tobit model for observing the determinants of the decision to opt for selling milk to the dairy cooperative vis-à-vis selling milk in the private market.</p>	
Keywords	Market choice, production scale, binary choice modelling
JEL Code	Q13
Introduction	<i>100 – 250 words</i>
<p>An exploratory visit was conducted to the city of Bangalore in India in order to learn about the milk production system. We learn that while there exists a formally established milk procurement and marketing system of the dairy cooperative in the region, there is a parallel private milk market. Not only are private customers buying fresh milk at a persistently high price than the packaged milk of the dairy cooperative, they exhibit a preference for fresh milk over the packaged milk. This enables the milk producers to also practice price discrimination in the private market unlike the dairy cooperative wherein the price is fixed. A descriptive pattern observed during the study was that the choice of the market for selling milk depends on scale of production – here the herd size and the quantity of output. Ownership of few cattle leads to opting to sell in the private market whereas ownership of relatively large number of cows leads to selling all milk to the dairy cooperative. One explanation for this is the need for liquidity of the small producers which is met with the higher price in the private market. We give a formal treatment to this hypothesis.</p>	

Methodology	<i>100 – 250 words</i>
<p>We use Tobit and Probit model wherein the dependent variable is the binary choice of supplying milk either to the dairy cooperative or the private customers. We use herd size (number of lactating cows out of the total of number of cows in the farm), selling price of milk, distance to the selling point, and number of other income sources as the explanatory variables for the decision on market type.</p>	
Results	<i>100 – 250 words</i>
<p>To be observed.</p>	
Discussion and Conclusion	<i>100 – 250 words</i>
<p>To be developed.</p>	