

Strategies for sustainable growth- the Amul story

Gujarat Co-operative milk marketing federation limited (GCMMF) is the largest food products marketing organisation in India. It is a state level apex body of milk cooperatives in Gujarat which aims to provide remunerative returns to farmers and also serve the interest of consumers by providing quality products and value for their money. It has 'Amul' the market leader in milk brands as the flagship brand.

Formed in 1946, it is a brand managed by a cooperative body, which today is jointly owned by three million plus milk producers of Gujarat. Over the last five and a half decades, dairy cooperatives in Gujarat have created an economic network that links village milk products with millions of consumers in India.

This experiment of organizing farmers into co-operatives was one of the most successful interventions in India. A very loyal clientele of member farmers was built up who experienced prosperity on a scale they could not have dreamt of ten years earlier with good prices paid for their milk households. The co-operatives were expanded to cover more and more areas of Gujarat and in each area, a network of local village level co-operatives and district level co-operatives were formed on a pattern similar to that of Anand (the so called Anand pattern). The Co-operative Milk Producers' Union Limited became better known by the brand name of the produces marketed by it (Amul) than by the name of the co-operative itself. Amul meant priceless in Sanskrit. It was also a word that was easy to pronounce, easy to

remember and that carried a wholly positive connotation. This became the flagship brand for all dairy products made by the Union.

Structure of the Anand Pattern

The most important feature of the milk co-operative system of Gujarat was that it was run by the member farmers themselves, with all the major decisions being taken by the farmer themselves. Any farmer could become a member by committing to supply a certain quantity of milk for a certain number of days in a year and would continue to be a member only if he kept up this commitment. The farmers would be paid in the evening for the milk supplied by them in the morning, and in the morning for the evening milk. This prompt settlement in cash was a great attraction for the farmers who were usually cash starved. Thanks to the above mechanism, there were no disputes regarding quantity or quality of milk supplied by each farmer.

Objectives and Business Philosophy of GCMMF

The main stake holder of GCMMF is the farmer member for whose welfare, the GCMMF executives felt, it existed. Unlike other organizations, the objective of GCMMF is not to maximize its profit. GCMMF is restricted, by its bye laws, to giving, a certain percent on the paid share capital as the dividend. GCMMF is interested in giving the best price for the farmers for their milk than in making a large profit. Thus the Federation look at the price given to their suppliers as not a cost but as an objective.

GCMMF had, as its main objective, "carrying out activities for the economic development of agriculturists by efficiently organizing marketing of milk and dairy produce, veterinary medicines, vaccines and other animal health products, agricultural produce in raw and/or processed form and other allied produce". This is being done through: common branding, centralized marketing, centralized quality control, centralized purchases and pooling of milk effectively. The business philosophy of GCMMF is to serve the interest of the milk producers and to provide quality products that offer the best value to consumers for the money spent.

Design Concept of Anand Pattern Branding

The network follows an umbrella branding strategy. Amul is the common brand for most product categories produced by various unions: liquid milk, milk powders, butter, ghee, cheese, cocoa products, sweets, ice-cream and condensed milk. Amul's sub-brands include variants such as Amulspray, Amulspree, Amulya and Nutramul. The edible oil products are grouped around Dhara and Lokdhara, mineral water is sold under the Jal Dhara brand while fruit drinks bear the Safal name. By insisting on an umbrella brand, GCMMF not only skillfully avoided inter-union conflicts but also created an opportunity for the union members to cooperate in developing products.

Market as pre-condition for post subsistence production

As a young manager, Dr. Vargese

Kurien, Amul's founder found out that most government and NGO programmes in rural sector concentrated on extension, production enhancement and technical change at farmer level. However all this seemed pointless unless farmers had strong enough reason to be productive. There was no point seen in blindly increasing the milk production without any market in mind. Kaira traditionally became a district of milk producers only because it served Bombay market for long despite all the unjust and exploitative business policies. In each community and in each business, there operate several constraints that restrict the opportunity of the members. It is crucial to identify and attack that constraint which is most critical and binding on the community's opportunity set. According to Anand pattern, in most subsistence agriculture and rural development programmes involves finding and tapping new attractive markets and providing producers to access them.

Marketing as first step to co-operative organisation

If a new rural producers' co-operative wanted to enter into an existing system and create niche for itself, it is best to study demand system rather than production system and to first mount a successful marketing strategy rather than to organize producers. The key reason why Amul and other Anand-type cooperatives in Gujarat and elsewhere achieved success was because they succeeded in processing and marketing milk correspondingly; where marketing was under emphasised or mishandled, dairy and other co-operatives failed.

Superior design concept

In order to create an Anand, it was first important to find a Bombay,

i.e. it was important to identify the market for the produce. Distance between Anand type co-operative and Bombay type market must be so large so as to justify investment in chilling and pasteurisation and long distance transport, and which frees the co-operative from competition with small time private vendors. Anand can capture and retain Bombay market and yet provide its farmers a stable market for milk only if it has a powder plant. Production enhancement programmes must follow and not precede commissioning of procurement, processing and marketing system.

Principle of pump priming

In order for a business to develop and attain stability, someone has to prime the pump as it were for the first time. Ahmedabad Municipal Dairy and Amul provided a guaranteed processing and marketing channel for milk that other unions collected until their plants were ready some years later.

SNF surplus

In the design concept of Anand, the powder plant has great significance. It absorbed excess procurement during flush seasons so that co-operative can procure all the milk the members had to offer throughout the year. This had several implications. Firstly, powder making has been more profitable in India when compared to liquid milk. Secondly, even for dairy milk co-operative, conversion of milk into powder and fat is more profitable than liquid milk marketing. The SNF surplus thus created by powder plant was a source of powerful competitive advantage.

Member control and professional management

Kurien referred to necessity of farmer control and professional management more as a positive

proposition rather than a basic value proposition. The underlying premises were: in absence of professional management, it would be difficult to quickly gain a market foothold on the scale needed and exploit full advantage offered by SNF surplus.

Better returns to farmers

High remunerative milk procurement price to farmers has helped GCMMFL to win back farmer's interest in milk production. Better returns from dairying have obviously motivated farmers to enhance their investments in increasing milk production. GCMMFL have also leveraged on technology and extension activities to improve productivity per animal and these efforts have also contributed significantly towards enhancing milk procurement. The concept of commercial, scientific, cooperative dairy farming is also helping to attract next generation of dairy farmers to remain in the business. GCMMFL is exploring the possibilities of enhancing the involvement of cooperative dairy farmers outside Gujarat, in their cooperative network. The dairy cooperative societies will avail loans and grants from NDCD and other government agencies for further accelerating growth in milk production.

Every day Amul collects around 13 million liter milk. It collects milk from about 16914 village milk cooperative societies, 17 member unions and 24 districts covering about 3.18 million milk producer members. More than 70% of the members are small or marginal farmers and landless labourers. Total milk procurement during the year 2012-13 averaged at 13.10 million kg per day, representing unprecedented, quantum growth of 20 per cent over 10.93 million kg per day achieved during 2011-12. The highest procurement was recorded during February 2013

at 16.62 million kg per day. The federation had posted a turnover of Rs 11,668 crore in the previous fiscal, and it expects to hit Rs 17,000-crore turnover in 2013-14. This is an extremely impressive growth, especially since this achievement is over and above consistent 20% cumulative average growth rate over the last 5 years

Its supply chain is easily one of the most complicated in the world. Walk in to any Amul or Gujarat Cooperative Milk Marketing Federation (GCMMF) office, and you may or may not see a photograph of Mahatma Gandhi, but you will certainly see one particular photograph. It shows a long line of Gujarati women waiting patiently for a union truck to come and collect the milk they have brought in shining brass *matkas*. The picture is always prominently displayed. The message is clear: never forget your primary customer. If you don't, success is certain. The proof? A unique, Rs 17000 crore enterprise.

Retailing continues to be an important strategic thrust area for the Federation. GCMMF has developed

a very robust Retailing Model which has not only helped the organization to keep pace with continuously evolving consumer preferences but has also become a significant revenue generator. During 2012-13 Amul Parlor network expanded at a rate of 3 stores every day taking the total tally of exclusive stores to 7000. While most of store addition was in the Amul Preferred Outlet format significant strides were made in Ice-cream Scooping Parlour format wherein 276 stores were added taking the total tally to 800. The objective is to take exclusive store count to 10,000 in a next couple of years.

GCMMF's turnover in exports of milk products registered an impressive growth of 45% and touched an all time high of Rs 140 crores, in 2012-13. In the current situation, international trade in dairy products is important to India because of the high milk production in our country. Milk production in India is growing @ 3.7% at a faster pace than the world average which is only 2.3%.

Leveraging on the strong foundation built by Dr. Kurien,

GCMMF is currently the largest food manufacturing and marketing organization in India. Right now GCMMF is definitely going through a golden period, wherein milk procurement has witnessed quantum increase and the demand for high quality milk and dairy products from reputed brands is also rising sharply. Since milk procurement price has increased by 68% in last four years, farmers have been motivated to invest in enhancing milk production.

GCMMF is working hard for becoming the largest dairy organization in the entire world and centre of gravity for global dairy industry. There is a famous quote from Dr. Verghese Kurien which has inspired generations of leaders associated with the Amul cooperative movement " We have traversed a path that few have dared to. We are continuing on a path that still fewer have the courage to follow. We must pursue a path that even fewer can dream to pursue. Yet, we must, we hold in trust the aims and aspirations of millions of our countrymen."

COCONUT PEST

Rhinoceros beetle

Symptoms of attack

1. Symptoms of attack will be seen in young and unopened fronds and spathes.
2. Central spindle appears cut or toppled.
3. Attacked fronds when fully opened show characteristic geometric cuts.
4. Holes with chewed fiber sticking out at base of central spindle

Management

1. Practice clean cultivation.
2. Hook out the beetles from the attacked palms using a beetle hook and filling the bore hole with fungicide mixture.
3. Leaf axil filling with mixture of 250gm Neem cake + sand (1:1) @ 250gm/ palm. (twice – April-May & September-October)
4. Treat the manure pits periodically with Carbaryl 0.1% or incorporate the fungus *Metarrhizium anisopliae* @ 250 mg culture dissolved in 750 ml water for 1m³.
5. Deposit 4 Napthalene balls at an interval of 45 days in the leaf axils of three top most leaves and covered with fine sand as prophylactic measure
6. Incorporation of *clerodendron infortunatum* @ 10% w/w basis in the cowdung pit / manure pits.
7. Release of *Baculovirus oryctes* infected adults @ 10-15/ ha to bring down the pest population.