



A Detailed Analysis of Anand Milk Union Limited (Amul) in India

KEYWORDS

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ABSTRACT The brand name "Amul," from the Sanskrit "Amoolya," was suggested by a quality control expert in Anand formed in 1946, is a dairy cooperative in India. It is a brand name managed by an apex cooperative organization, Gujarat Co-operative Milk Marketing Federation Ltd. (GCMMF), which today is jointly owned by some 2.8 million milk producers in Gujarat, India. AMUL is based in Anand, Gujarat and has been an example of a co-operative organization's success in the long term. It is one of the best examples of co-operative achievement in the developing economy. "Anyone who has seen the dairy cooperatives in the state of Gujarat, especially the highly successful one known as AMUL, will naturally wonder what combination of influences and incentives is needed to multiply such a model a thousand times over in developing regions everywhere." The Amul Pattern has established itself as a uniquely appropriate model for rural development. Amul has spurred the White Revolution of India, which has made India the largest producer of milk and milk products in the world.

Introduction

Amul is the largest food brand in India and world's Largest Pouched Milk Brand with an annual turnover of US \$1050 million (2006-07). Currently Unions making up GCMMF have 2.8 million producer members with milk collection average of 10.16 million litres per day. Besides India, Amul has entered overseas markets such as Mauritius, UAE, USA, Bangladesh, Australia, China, Singapore, Hong Kong and a few South African countries. Its bid to enter Japanese market in 1994 did not succeed, but now it has fresh plans entering the Japanese markets. Other potential markets being considered include Sri Lanka. Dr Verghese Kurien, former chairman of the GCMMF, is recognised as a key person behind the success of Amul. On 10 Aug 2006 Parthi Bhatol, chairman of the Banas-kantha Union, was elected chairman of GCMMF.

History of Amul

- Amul (Anand Milk Union Limited), formed in 1946, is a dairy cooperative movement in India.
- It is managed by Gujarat Co-operative Milk Marketing Federation Ltd. (GCMMF).
- AMUL is based in Anand, Gujarat and has been a sterling example of a co-operative organization's success in the long term. The Amul Pattern has established itself as a uniquely appropriate model for rural development.
- Amul has spurred the White Revolution of India. It is also the world's biggest vegetarian cheese brand.

The Gujarat Cooperative Milk Marketing Federation Ltd, Anand (GCMMF) is the largest food products marketing organization of India. It is the apex organization of the Dairy Cooperatives of Gujarat (Dasgupta, 2012). This State has been a pioneer in organizing dairy cooperatives and our success has not only been emulated in India but serves as a model for rest of the World. Over the last five and a half decades, Dairy Cooperatives in Gujarat have created an economic network that links more than 2.8 million village milk producers with millions of consumers in India and abroad through a cooperative system that includes 13,141 Village Dairy Cooperative Societies (VDCS) at the village level, affiliated to 13 District Cooperative Milk Producers' Unions at the District level and GCMMF at the State level. These cooperatives collect on an average 7.5 million litres of milk per day from their producer members, more than 70% of whom are small, marginal farmers and landless labourers and include a sizeable population of tribal folk and people belonging to the scheduled castes.

The turnover of GCMMF (AMUL) during 2008-09 was Rs. 67.11 billion. It markets the products, produced by the district milk unions in 30 dairy plants, under the renowned AMUL brand name. The combined processing capacity of these plants is 11.6 million litres per day, with four dairy plants having processing capacity in excess of 1 million Litres per day. The farmers of Gujarat own the largest state of the art dairy plant in Asia – Mother Dairy, Gandhinagar, Gujarat - which can handle 2.5 million litres of milk per day and process 100 MTs of milk powder daily. During the last year, 3.1 billion litres of milk was collected by Member Unions of GCMMF. Huge capacities for milk drying, product manufacture and cattle feed manufacture have been installed. All its products are manufactured under the most hygienic conditions. All dairy plants of the unions are ISO 9001-2000, ISO 22000 and HACCP certified. GCMMF (AMUL)'s Total Quality Management ensures the quality of products right from the starting point (milk producer) through the value chain until it reaches the consumer.

Ever since the movement was launched fifty-five years ago, Gujarat's Dairy Cooperatives have brought about a significant social and economic change to our rural people. The Dairy Cooperatives have helped in ending the exploitation of farmers and demonstrated that when our rural producers benefit, the community and nation benefits as well.

The Gujarat Cooperative Milk Marketing Federation Ltd. cannot be viewed simply as a business enterprise. It is an institution created by the milk producers themselves to primarily safeguard their interest economically, socially as well as democratically. Business houses create profit in order to distribute it to the shareholders. In the case of GCMMF the surplus is ploughed back to farmers through the District Unions as well as the village societies. This circulation of capital with value addition within the structure not only benefits the final beneficiary – the farmer – but eventually contributes to the development of the village community. This is the most significant contribution the Amul Model cooperative has made in building the Nation. GCMMF: Gujarat Cooperative Milk Marketing Federation. GCMMF is India's largest food products marketing organization. It is a state level apex body of milk cooperatives in Gujarat which aims to provide remunerative returns to the farmers and also serve the interest of consumers by providing quality products which are good value for money. CRISIL, India's leading Ratings, Research, Risk and Policy

Facts:

Cattle feed manufacturing 3500 Mts. per day

Capacity:

No. of Village Societies: 13,328

No. of Producer Members: 2.79 million

Milk collection (Total - 2008- 09): 3.05 billion litres

Total Milk handling capacity: 11.22 million litres per day

Milk collection (Daily Average 2008-09):8.4 million litres

Milk Drying Capacity: 626 Mts. Per day

Members:13 district cooperative milk producers'.

The Birth of Amul and development of India's Dairy Cooperative Movement

The birth of Amul at Anand provided the impetus to the cooperative dairy movement in the country. The Kaira District Cooperative Milk Producers' Union Limited was registered on December 14, 1946 as a response to exploitation of marginal milk producers by traders or agents of existing dairies in the small town named Anand (in Kaira District of Gujarat). Milk Producers had to travel long distances to deliver milk to the only dairy, the Polson Dairy in Anand. Often milk went sour as producers had to physically carry the milk in individual containers, especially in the summer season (George, 1985).

The success of the dairy co-operative movement spread rapidly in Gujarat. Within a short span five other district unions – Mehsana, Banaskantha, Baroda, Sabarkantha and Surat were organized. In order to combine forces and expand the market while saving on advertising and avoid a situation where milk cooperatives would compete against each other it was decided to set up an apex marketing body of dairy cooperative unions in Gujarat. Thus, in 1973, the Gujarat Co-operative Milk Marketing Federation was established. The Kaira District Co-operative Milk Producers' Union Ltd. which had established the brand name AMUL in 1955 decided to hand over the brand name to GCMMF (AMUL). With the creation of GCMMF (AMUL), managed to eliminate competition between Gujarat's cooperatives while competing with the private sector as a combined stronger force. GCMMF (AMUL) has ensured remunerative returns to the farmers while providing consumers with products under the brand name AMUL.

This was possible due to the leadership of the founder Chairman of AMUL, Tribhuvandas Patel and the vision of the father of the White Revolution, Dr. Verghese Kurien who worked as a professional manager at AMUL. Numerous people contributed to this movement which would otherwise not have been possible. Dr. Verghese Kurien, the World Food Prize and the Magsaysay Award winner, is the architect of India's White Revolution, which helped India emerge as the largest milk producer in the world. India has already demonstrated the superiority of this approach.

The Three-tier "Amul Model"

The Amul Model is a three-tier cooperative structure. This structure consists of a Dairy Cooperative Society at the village level affiliated to a Milk Union at the District level which in turn is further federated into a Milk Federation at the State level. The above three-tier structure was set-up in order to delegate the various functions, milk collection is done at the Village Dairy Society, Milk Procurement & Processing at the District Milk Union and Milk & Milk Products Marketing at the State Milk Federation. This helps in eliminating not only internal competition but also ensuring that economies of scale is achieved. As the above structure was first evolved at Amul in Gujarat and thereafter replicated all over the country under the Operation Flood Programme, it is known as the 'Amul Model' or 'Anand Pattern' of Dairy Cooperatives. Respon-

ble for Marketing of Milk & Milk Products Responsible for Procurement & Processing of Milk Responsible for Collection of Milk Responsible for Milk Production

1. Village Dairy Cooperative Society (VDCS)
2. District Cooperative Milk Producers' Union (Milk Union)
3. State Cooperative Milk Federation (Federation)

Impact of the "Amul Model"

The effects of Operation Flood Programme are more appraised by the World Bank in its recent evaluation report. It has been proved that an investment of Rs. 20 billion over 20 years under Operation Flood Programme in 70s & 80s has contributed in increase of India's milk production by 40 Million Metric Tonne (MMT) i.e. from about 20 MMT in pre-Operation Flood period to more than 60 MMT at the end of Operation Flood Programme. Thus, an incremental return of Rs. 400 billion annually have been generated by an investment of Rs. 20 billion over a period of 20 years. This has been the most beneficial project funded by the World Bank anywhere in the World. One can continue to see the effect of these efforts as India's milk production continues to increase and now stands at 90 MMT. Despite this four-fold increase in milk production, there has not been drop in the prices of milk during the period and has continued to grow.

Due to this movement, the country's milk production tripled between the years 1971 to 1996. Similarly, the per capita milk consumption doubled from 111 gms per day in 1973 to 222 gms per day in 2000. Thus, these cooperatives have not just been instrumental in economic development of the rural society of India but it also has provided vital ingredient for improving health & nutritional requirement of the Indian society. Very few industries of India have such parallels of development encompassing such a large population.

These dairy cooperatives have been responsible in uplifting the social & economic status of the women folk in particular as women are basically involved in dairying while the men are busy with their agriculture. This has also provided a definite source of income to the women leading to their economic emancipation.

The three-tier 'Amul Model' has been instrumental in bringing about the White Revolution in the country. As per the assessment report of the World Bank on the Impact of Dairy Development in India, the 'Anand Pattern' has demonstrated the following benefits:

- The role of dairying in poverty reduction.
- The fact that rural development involves more than agricultural production.
- The value of national 'ownership' in development.
- The beneficial effects of higher incomes in relieving the worst aspects of poverty.
- The capacity of dairying to create jobs.
- The capacity of dairying to benefit the poor at low cost.
- The importance of commercial approach to development.
- The capacity of single-commodity projects to have multi-dimensional impacts.
- The importance of getting government out of commercial enterprises.
- The importance of market failure in agriculture.
- The power & problems of participatory organizations.
- The importance of policy.

Amul Brand Building

GCMMF (AMUL) has the largest distribution network for any FMCG company. It has nearly 50 sales offices spread all over the country, more than 3,000 wholesale dealers and more than 5,00,000 retailers.

AMUL is also the largest exporter of dairy products in the country. AMUL is available today in over 40 countries of the

world. AMUL is exporting a wide variety of products which include Whole and Skimmed Milk Powder, Cottage Cheese (Paneer), UHT Milk, Clarified Butter (Ghee) and Indigenous Sweets. The major markets are USA, West Indies, and countries in Africa, the Gulf Region, and [SAARC] SAARC neighbours, Singapore, The Philippines, Thailand, Japan and China.

In September 2007, Amul emerged as the leading Indian brand according to a survey by Synovate to find out Asia's top 1000 Brands.

Products

Amul's product range includes milk powders, milk, butter, ghee, cheese, curd, chocolate, ice cream, cream, shrikhand, paneer, gulab jamuns, flavoured milk, basundi, Nutramul brand and others. In January 2006, Amul plans to launch India's first sports drink Stamina, which will be competing with Coca Cola's Powerade and PepsiCo's Gatorade.

In August 2007, Amul introduced Kool Koko, a chocolate milk brand extending its product offering in the milk products segment. Other Amul brands are Amul Kool, a low calorie thirst quenching drink; Masti Butter Milk; Kool Cafe, ready to drink coffee and India's first sports drink Stamina.

Amul's sugar-free Pro-Biotic Ice-cream won The International Dairy Federation Marketing Award for 2007.

Mascot

Since 1967 Amul products' mascot has been the very recognisable "Amul baby" (a chubby butter girl usually dressed in polka dotted dress) showing up on hoardings and product wrappers with the equally recognisable tagline Utterly Butterly Delicious Amul. The mascot was first used for Amul butter. But in recent years in a second wave of ad campaign for Amul products, she has also been used for other product like ghee and milk.

White Revolution

The establishment of Amul is also known as White Revolution. The White Revolution of India inspired the notable Indian film-maker Shyam Benegal to base his film Manthan (1976) on it. The film starred Smita Patil, Girish Karnad, Naseeruddin Shah and Amrish Puri. The film itself was financed by over five lakh rural farmers in Gujarat who contributed Rs 2 each to the film's budget. Upon its release, these same farmers went in truckloads to watch 'their' film, making it a commercial success, the film was chosen for the 1977 National Film Award for Best Feature Film in Hindi. The Amul success story is taken up as a case study in marketing in many premier management institutes across the world.

The White Revolution ushered an era of plenty from a meagre amount of milk production and distribution. Aside from the great measurable success that this project was, it also demonstrated the power of "collective might". A small set of poor farmers of Kheda district in Gujarat had the vision and foresight to act in a way that was good for the society and not for the self alone.

Rivals

The success of Amul resulted in similar organizations being setup by state governments throughout India, most of which had reasonable success. Examples are Milma in Kerala, Vijaya in Andhra Pradesh, Aavin in Tamil Nadu, K.M.F (Nandini) in Karnataka, Sudha in Bihar, Omfed in Orissa, saras in Rajasthan, Parag in Uttar Pradesh, Verka in Punjab, Aanchal in uttaranchal, Vita in Haryana and others.

Other co-operative rivals of Amul include National Dairy Development Board (NDDB) (with its Mother Dairy and Sugam brands). With Amul entering the sports drink market, its rivals now include Coca Cola and PepsiCo (Here-dia, 1997).

Reasons for Success

- Robust Supply Chain-The vast and complex supply chain Hierarchical network of cooperatives
- Stretches from small suppliers to large fragmented markets
- Low Cost Strategy
- Amul adopted a low-cost price strategy to make its products affordable and attractive to consumers by guaranteeing them value for money
- Diverse Product Mix
- Amul Butter, Milk Powder, Ghee, Amulspray, Cheese, Chocolates, Shrikhand, Ice cream, Nutramul, Milk and Amulya
- Strong Distribution Network
- Amul products are available in over 500,000 retail outlets across India through its network of over 3,500 distributors.
- 47 depots with dry and cold warehouses to buffer inventory of the entire range of products.
- Technology and e-initiatives
- New products
- Process technology
- Complementary assets to enhance milk production
- E-commerce

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Customer Based Market Segmentation

Amul – Product Portfolio

Category	Market Share	Market Position
Chocolate Drink	90%	1
Chocolate	10%	3
Sweets	50%	1
Ice-cream	24.75%	2
Cheese	50%	1
Milk Powder	40%	1
Butter, Ghee	85%	1

What more can Amul do?

To improve further Amul can try out the following ideas:

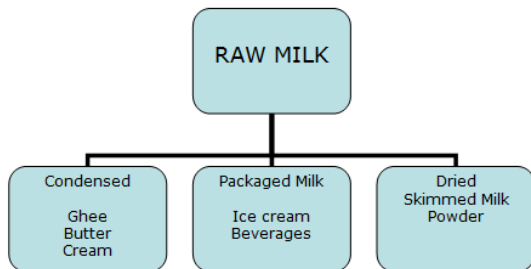
- Amul can venture out on new products like Toned milk, Condensed milk that can be used for sweets, Baby food products.
- There are certain product like Amul basundi, gulab jamoon, chocolates etc which are not as popular as Amul ice cream. Amul must try to understand the cause of this through thorough market research and work on improving these products.
- Though Amul's hoardings are a huge success, it can penetrate even better in the rural areas by advertising through the media viz cable channels and newspapers. Sponsoring shows in TV, sports events can be of great help.

PRODUCT DEVELOPMENT

- Cooperative system
- Profitability
- Committed to the farmers

DISTRIBUTION NETWORK

- 300 stock keeping units,
- 46 sales offices,
- 3,000 distributors,
- 1,00,000 retailers with refrigerators and
- 5,00,000 non-refrigerated retail outlets

Union Amul - Business Model**Industry Analysis: Porter's 5 Forces (Suhруд, 2006).****SWOT Analysis:****Strengths**

- Largest food brand in India
- High Quality, Low Price
- World's Largest Pouched Milk Brand
- Annual turnover of US \$1504 million
- Highly Diverse Product Mix
- Robust Distribution Network

Weaknesses

- Risks of highly complex supply chain system
- Strong dependency on weak infrastructure
- Alliance with third parties who do not belong to the organized sector

Opportunities

- Penetrate international markets
- Diversify product portfolio to enter new product categories and expand existing categories like processed foods, chocolates etc

Threats

- Competitors - Hindustan Lever, Nestle and Britannia
- Still competition from MNCs in butter
- Growing price of milk and milk products
- Ban on export of milk powder

Conclusion

- The phenomenal growth of milk production in India – from 20 million MT to 100 million MT in a span of just 40 years - has been made possible only because of the dairy cooperative movement. This has propelled India to emerge as the largest milk producing country in the World today.
- The dairy cooperative movement has also encouraged Indian dairy farmers to keep more animals, which has resulted in the 500 million cattle & buffalo population in the country - the largest in the World.
- The dairy cooperative movement has garnered a large base of milk producers, with their membership today boasting of more than 13 million member families.
- The dairy cooperative movement has spread across the length and breadth of the country, covering more than 125,000 villages of 180 Districts in 22 States.
- The dairy cooperatives have been able to maintain democratic structure at least at the grass-root level with the management committee of the village level unit elected from among the members in majority of the villages.
- The dairy cooperatives have also been instrumental in bridging the social divide of caste, creed, race, religion & language at the villages, by offering open and voluntary membership.
- The dairy cooperatives have been successfully propagating the concepts of scientific animal husbandry & efficiency of operations, which has resulted in low cost of production & processing of milk.
- The movement has been successful because of a well-developed procurement system & supportive federal structures at District & State levels.
- Dairy Cooperatives have always been proactive in building large processing capacities, which has further propelled growth of milk production.
- The dairy cooperatives are among those few institutions in India, which still cherish a strong Cooperative identity, values and purpose. They still boast of idealism & good will of members and employees.
- The dairy cooperatives have removed the poor farmers of India from the shackles of agents & middlemen and provided an assured market for their produce. As these are the institutions run by farmers themselves, it has also resulted in fair returns to the members for their produce.
- Dairy cooperatives have been able to create a market perception of honesty & transparency with their clean management.

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