

Indian Dairy Market 'The Strategy behind Amul'



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AMUL INDIA

GCMMF

4th CLAL Dairy Forum

Garda Lake, Italy

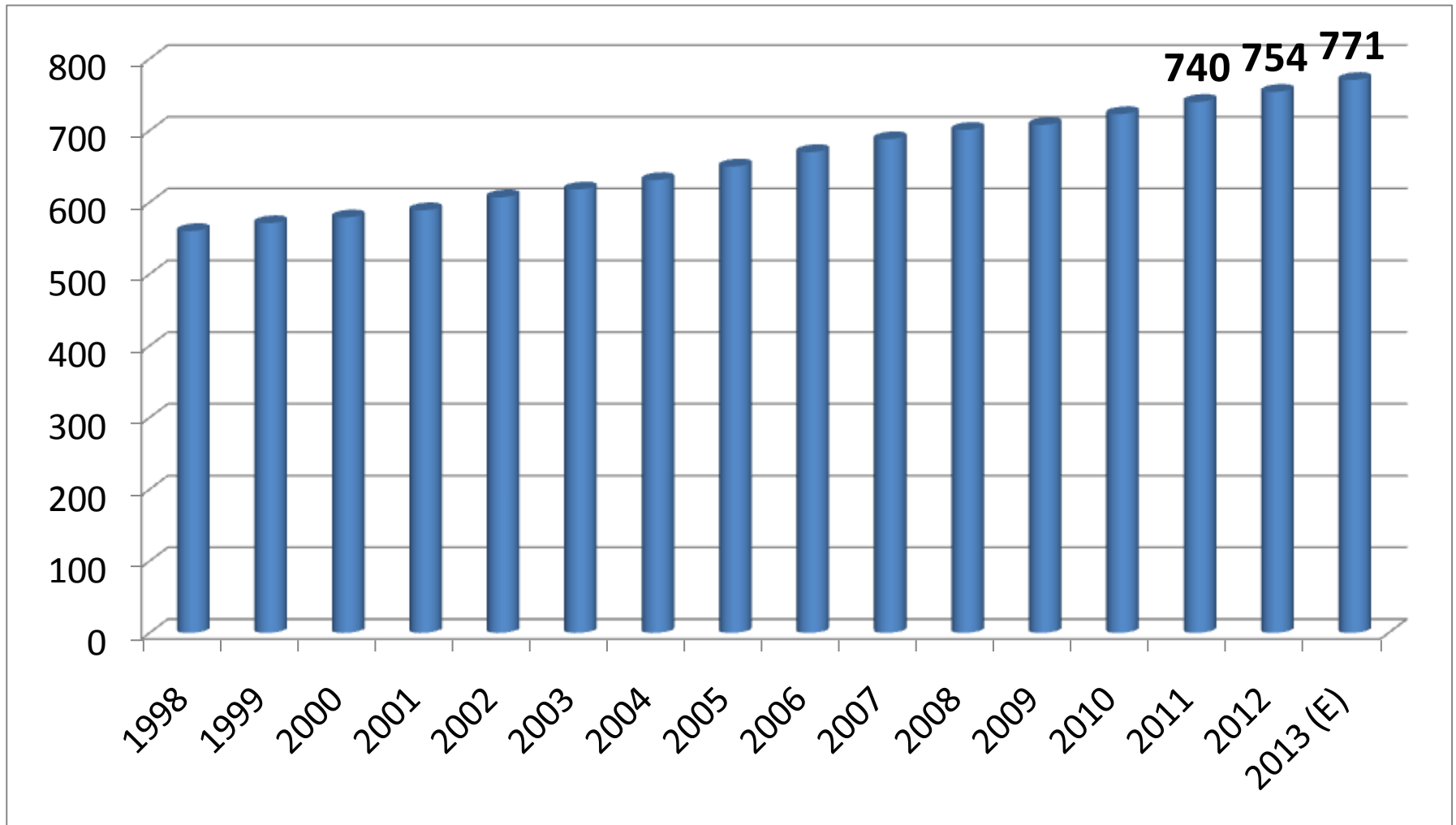
30th May 2014



India on World Dairy Map



World Milk Production : MMTs / Annum

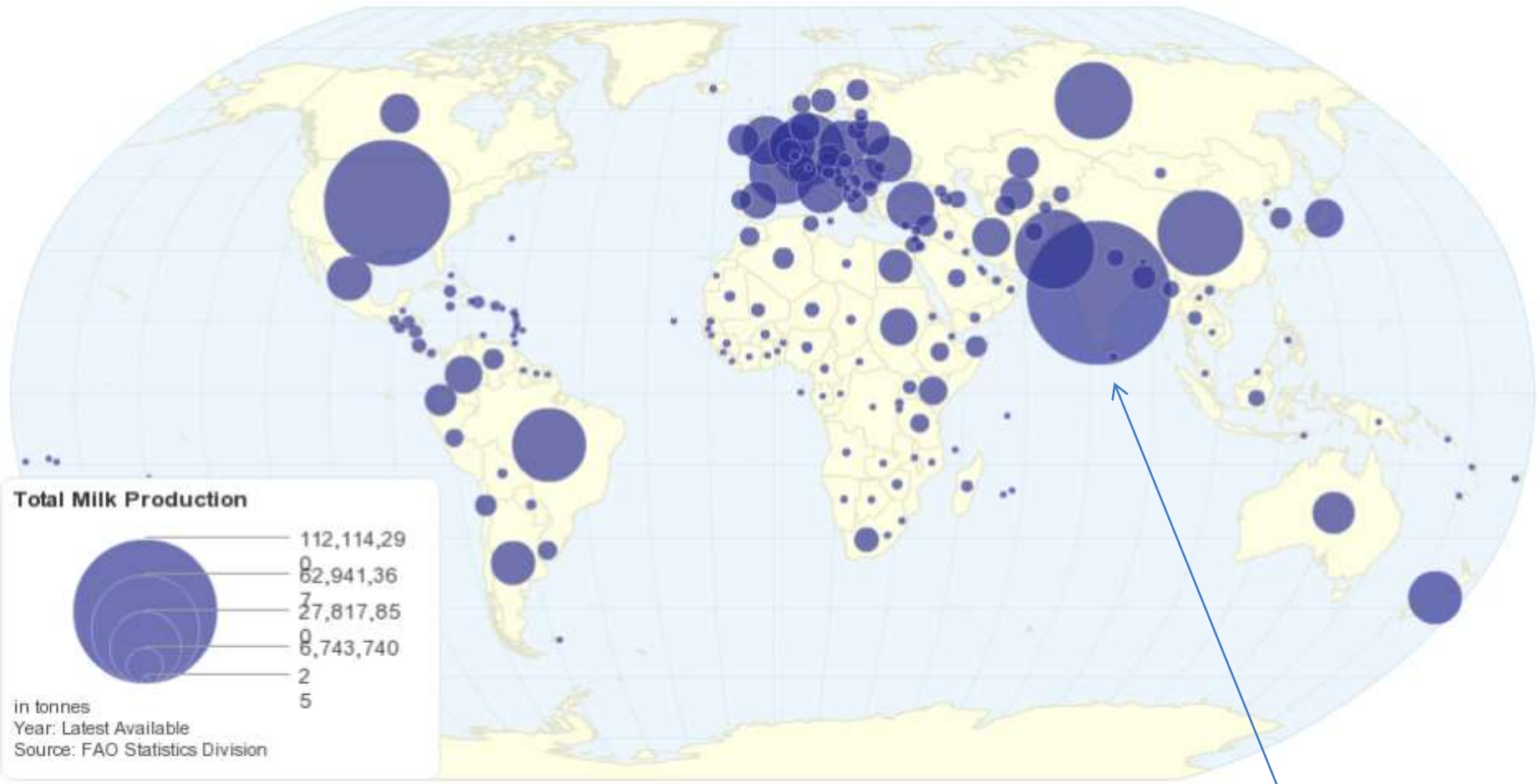


Source : FAO

CAGR : 2.2%

World-wide Milk Production

Current Worldwide Total Milk Production



Largest Milk Producing Country

140 MMTs - 17% of Global Milk Production

Source : FAO / Chartsbin

World-wide Milk Consumption

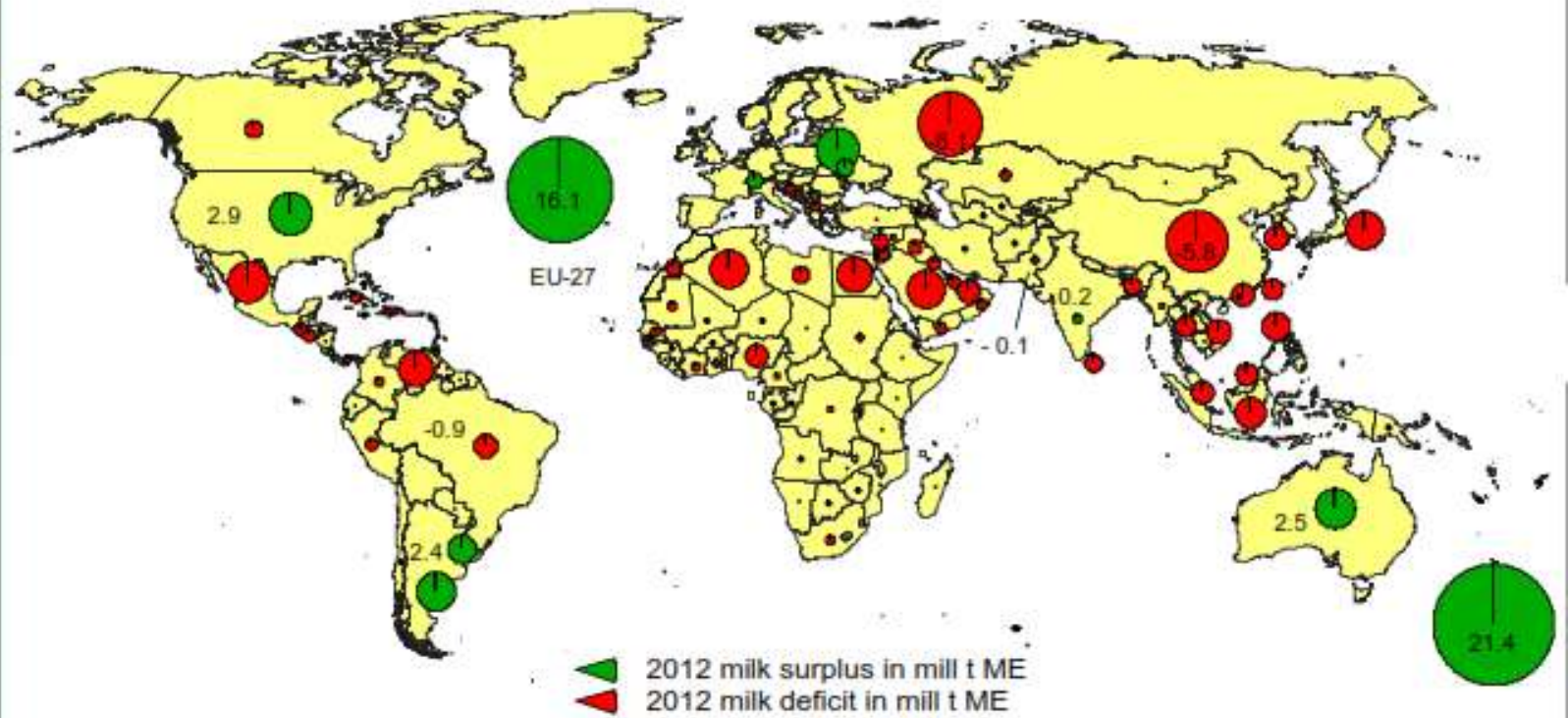
Current Worldwide Total Milk Consumption

Consumption matches Production



India is the largest Producer & Consumer of Milk in the world

Milk Surplus & Deficit Countries

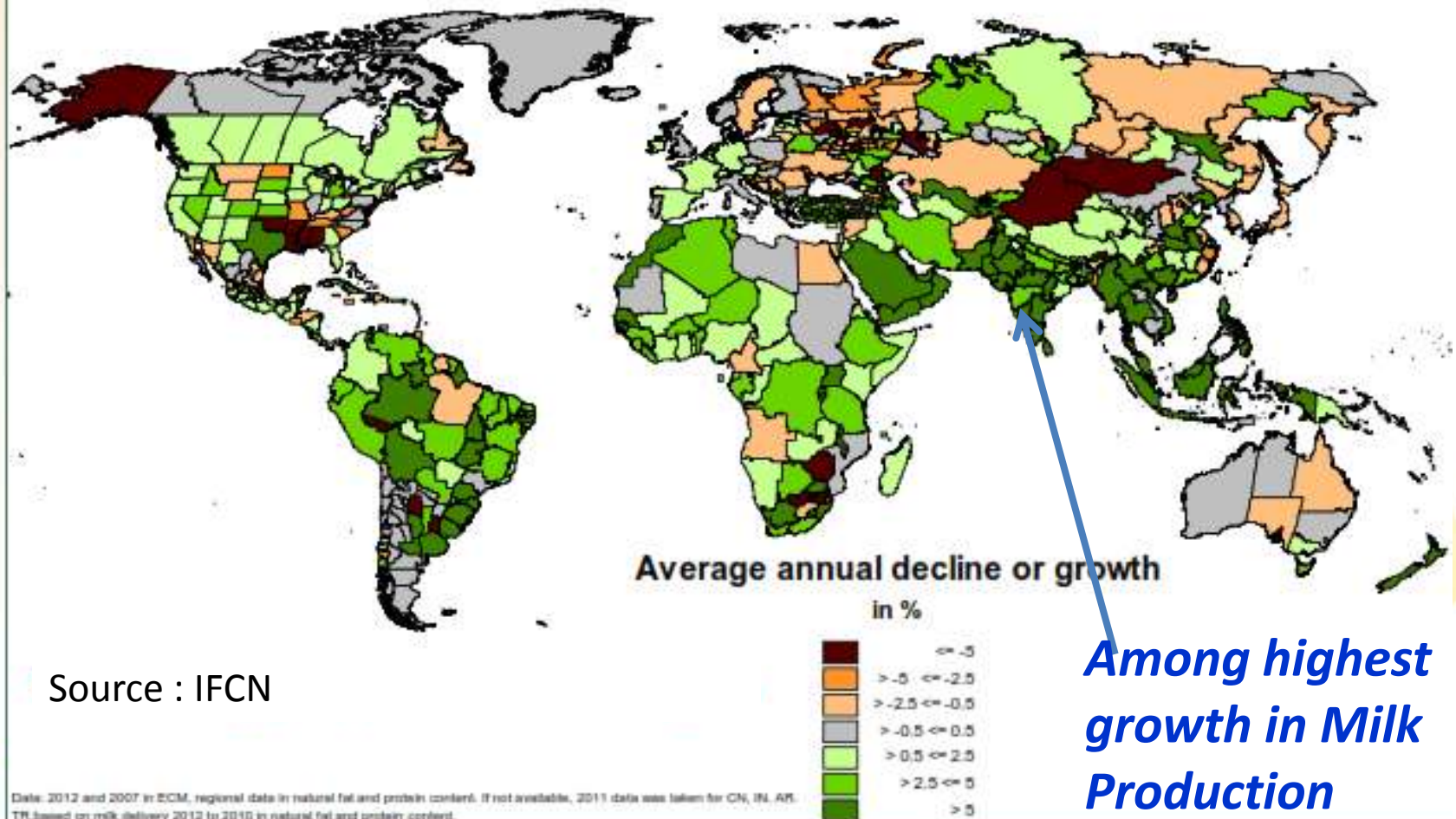


India is self-sufficient but surrounded by Milk deficient regions



Growth in Milk Production : Last 5 years

CAGR in %age per annum

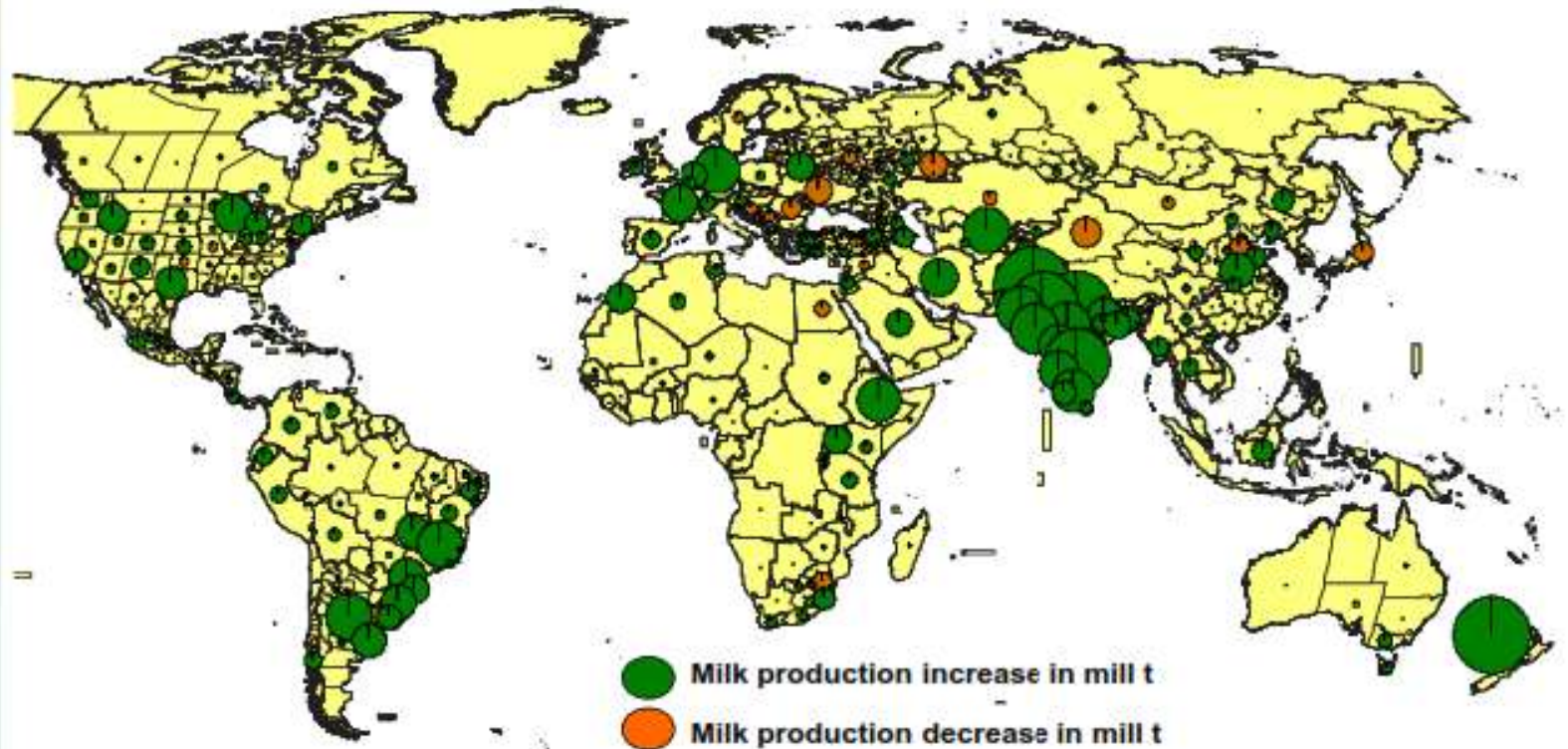


Source : IFCN

Date: 2012 and 2007 in ECM, regional data in natural fat and protein content. If not available, 2011 data was taken for CN, IN, AU.
TR based on milk delivery 2012 to 2010 in natural fat and protein content.

Growth in Milk Production : Last 5 years

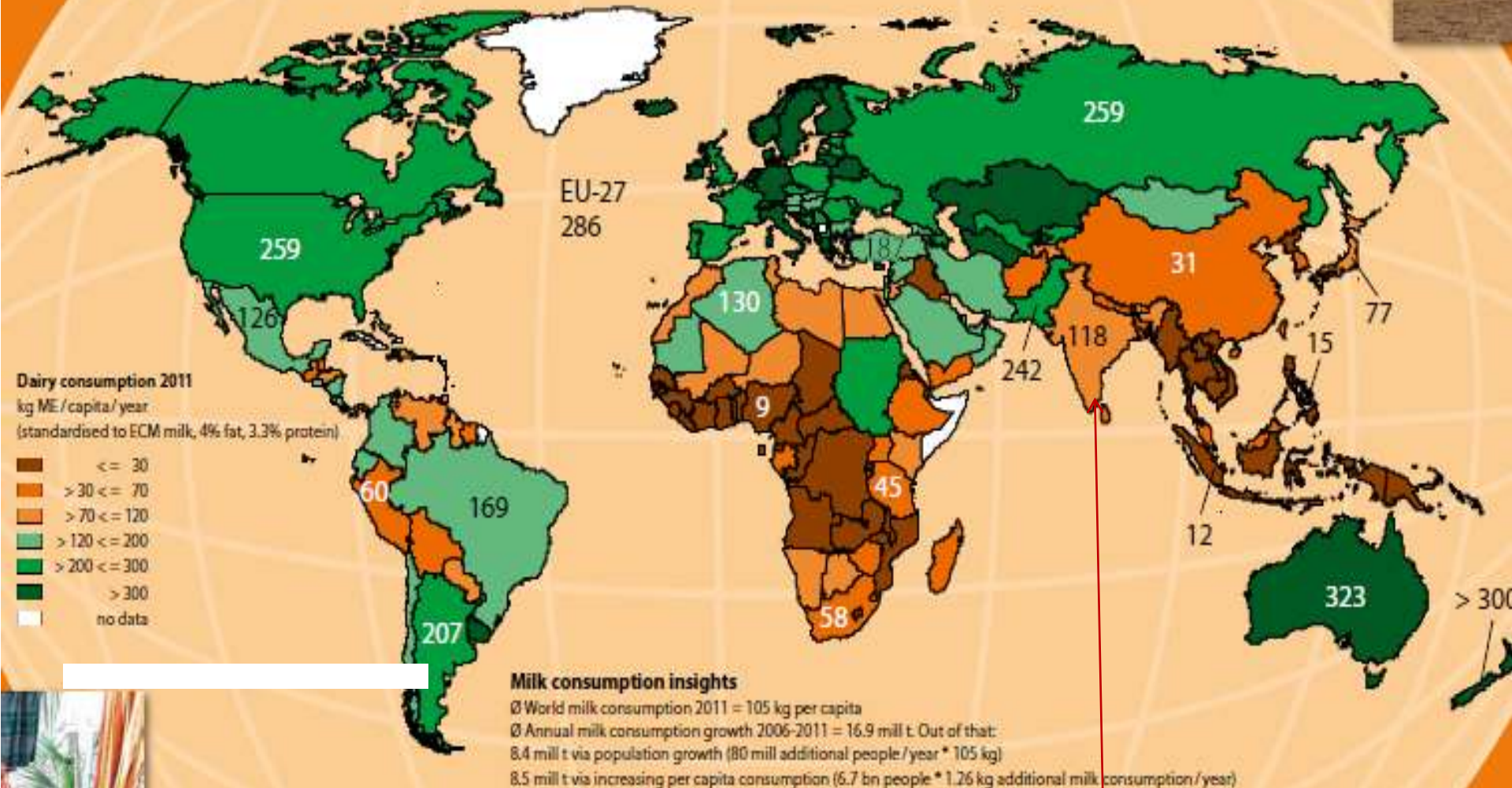
In MMTs / annum (Absolute Quantity)



Even in terms of absolute quantity, Milk Production Growth in India is among the highest in the world

World Milk Consumption per Capita

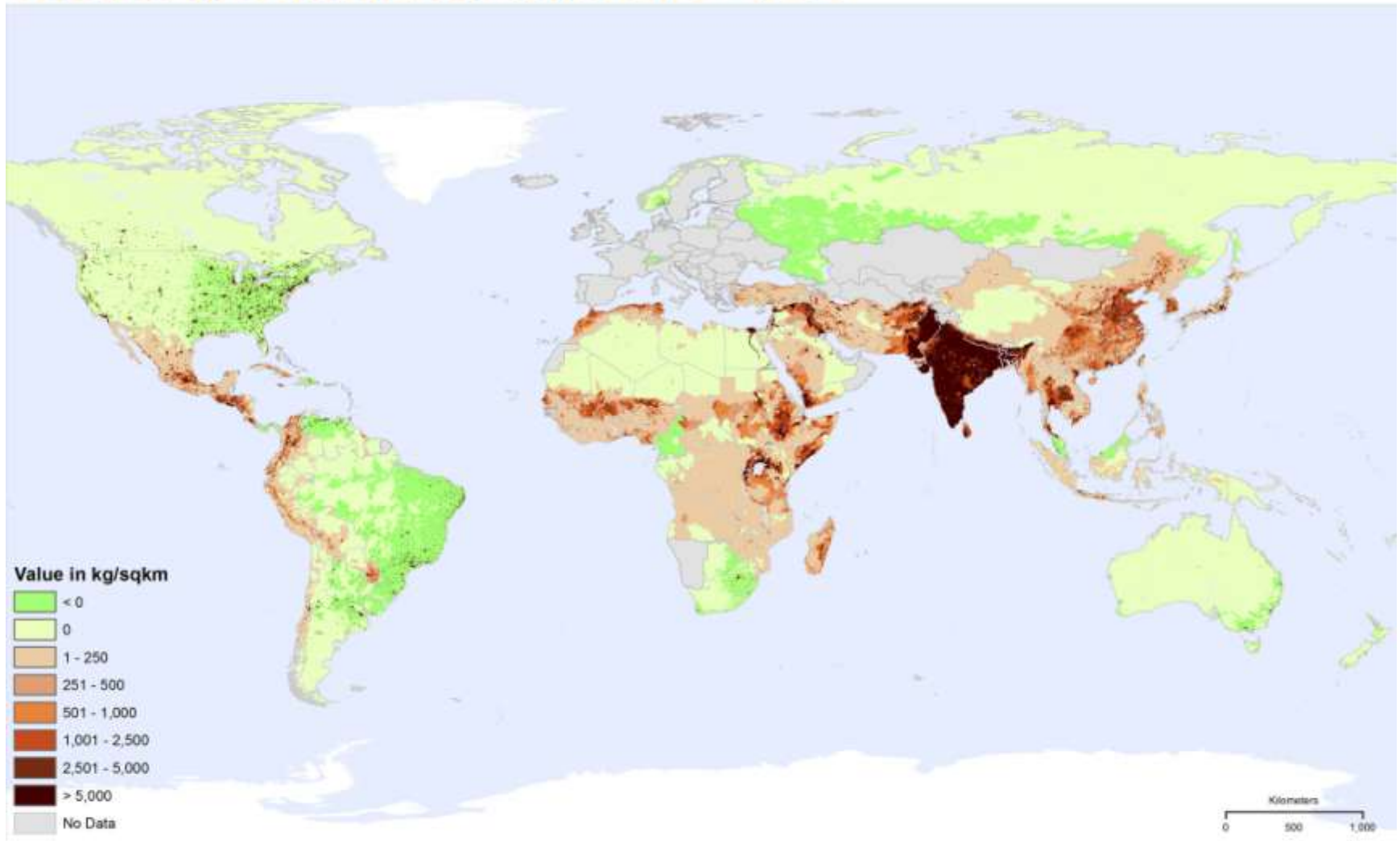
Per capita dairy consumption in kg milk equivalents (ME) in 2011



India: Low Per Capita Consumption - But increasing rapidly due to rising income levels & better availability

Future Projected Growth in Milk Demand

Growth in Demand for Milk 2000 - 2030



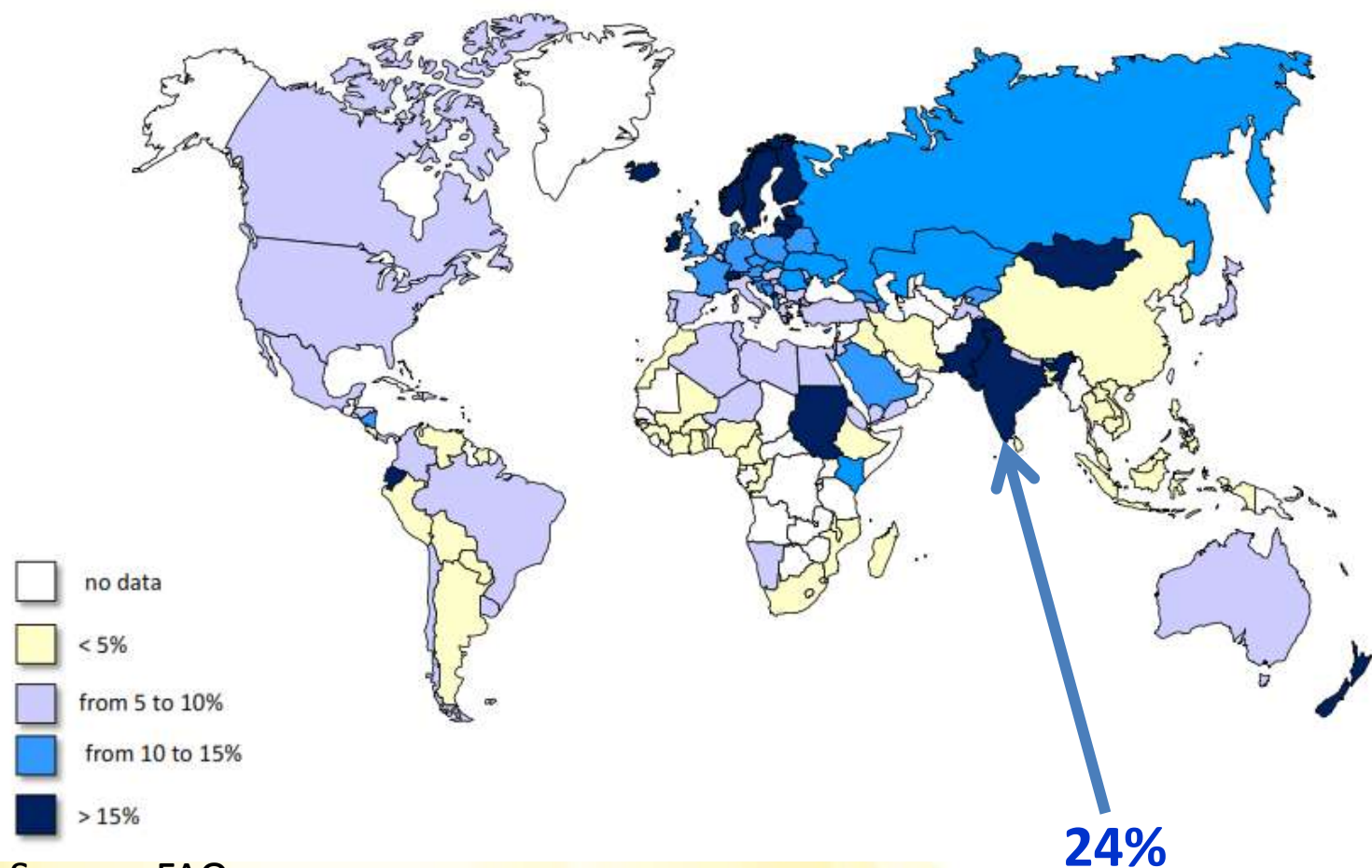
No individual country data available for Europe

The designations employed and the presentation of material in the map do not imply the expression of any opinion whatsoever on the part of FAO concerning the legal or constitutional status of any country, territory or sea area, or concerning the delimitation of frontiers.

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS
Animal Production and Health Division



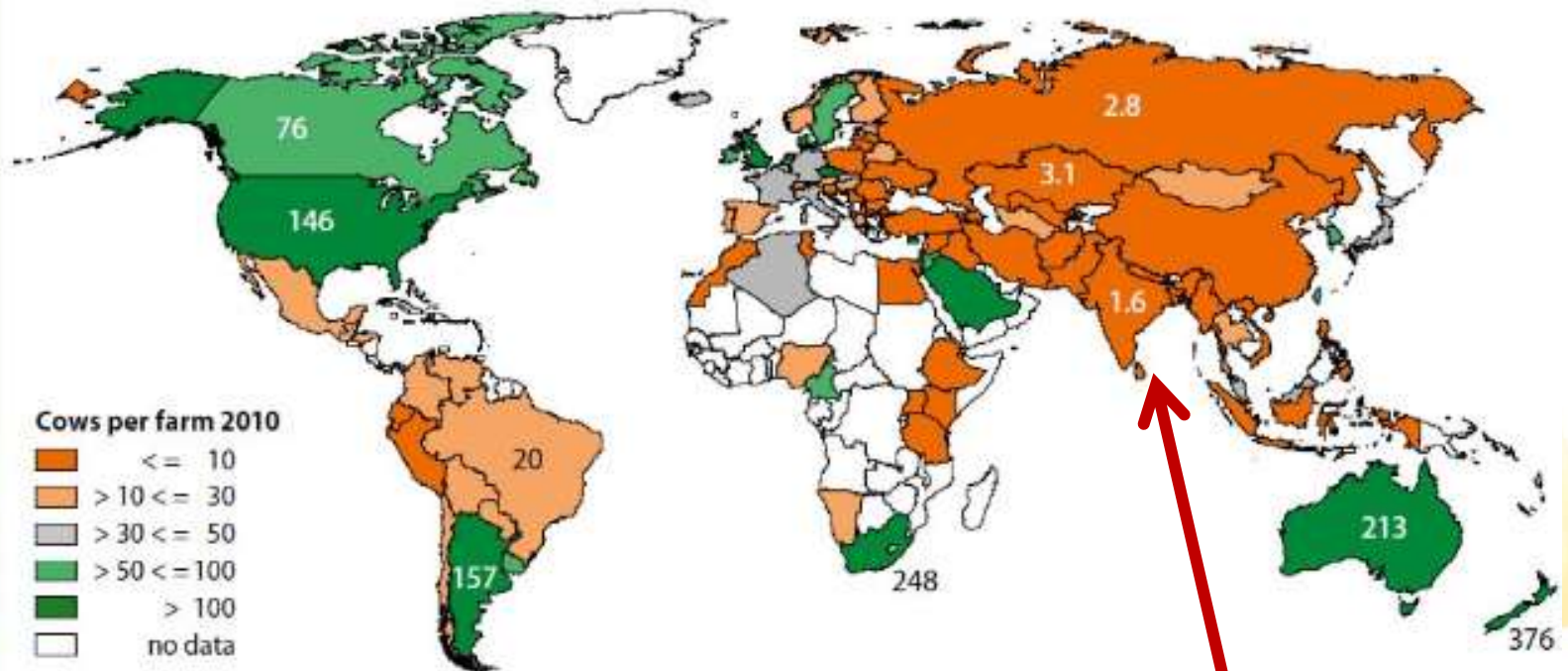
% Share of Dairy sector in total Agricultural Production : India @ 24% is among the highest in the world



Source :FAO

No. of Cows per farm : Across the world

World Average : 3 cows per farm



123 million dairy farms

0.7 to 1 billion people live on dairy farms

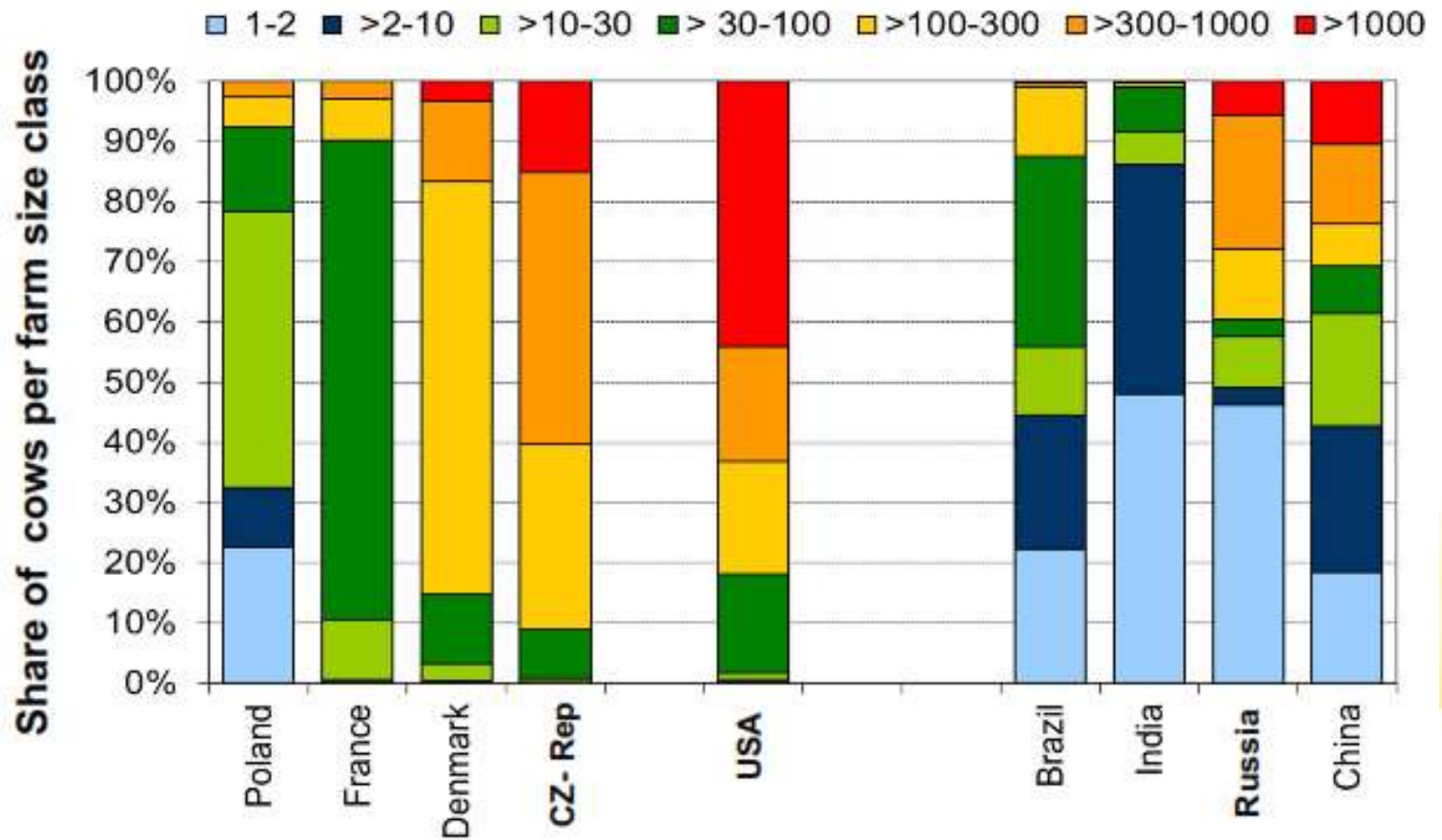
Source : IFCN



India has just 1 -2 Cows / Buffaloes per farm

Farm Size Segmentation : 10 countries

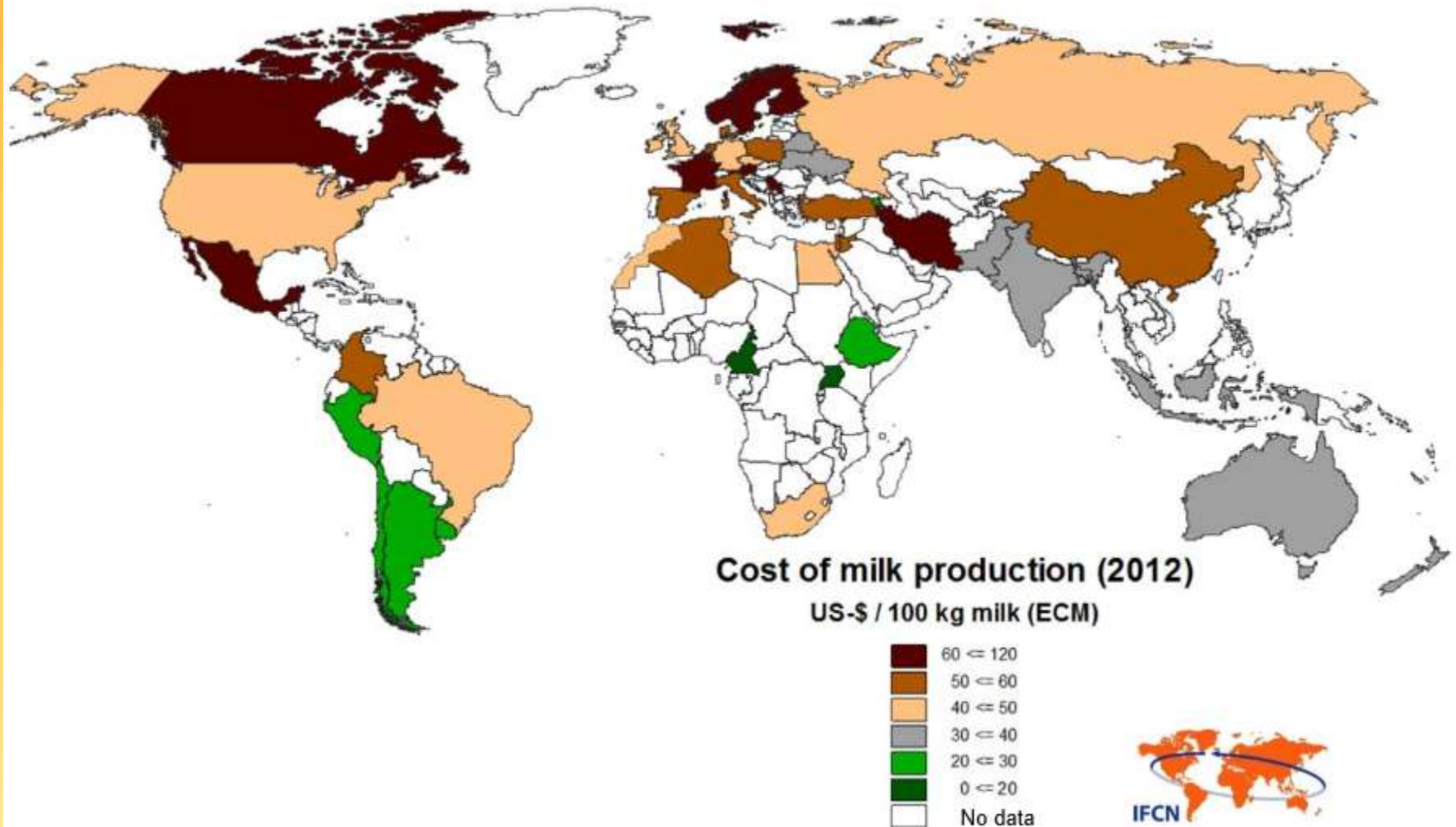
India : 48% have 1 -2 cows, 86% have < 10



Source : IFCN

In terms of Cost of Milk Production, India is competitive as compared to EU & US and is at par with Oceania

Figure 2: Cost of milk production in average sized farms per country in 2012



Indian Dairy Sector



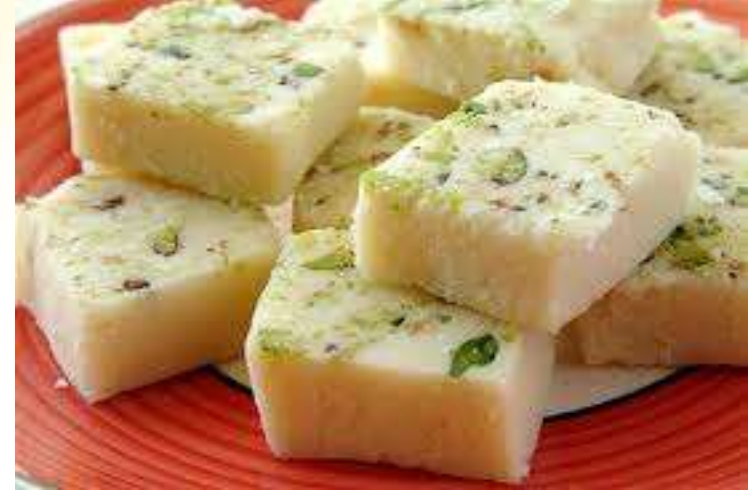
India : The land of Milk & Honey since thousands of years....





Milk and Dairy Products have been part of Indian Culture & Tradition for centuries

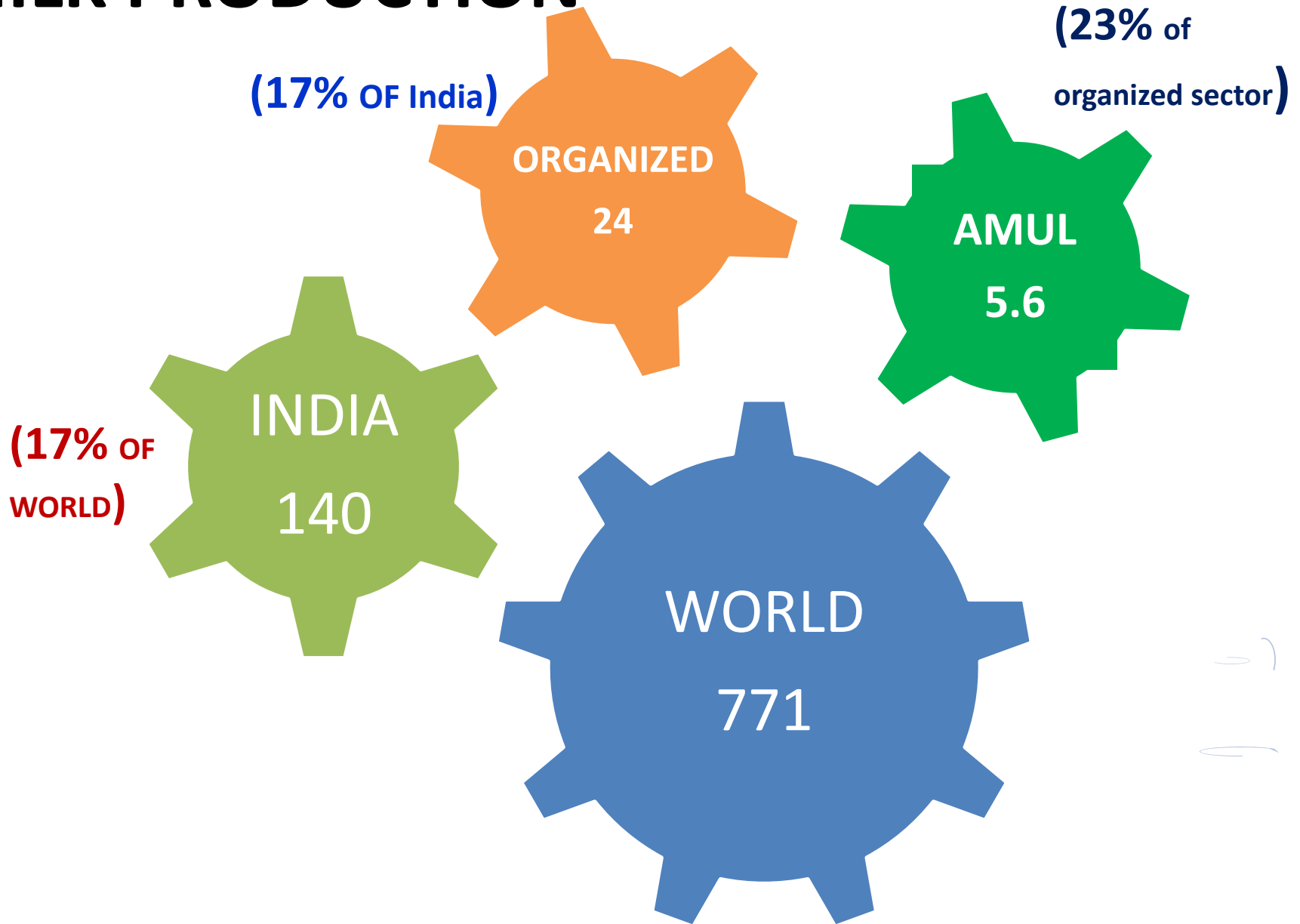




**Apart from being consumed as food & beverages,
Milk is also widely used in religious & traditional
ceremonies**



MILK PRODUCTION



MMTs per Annum

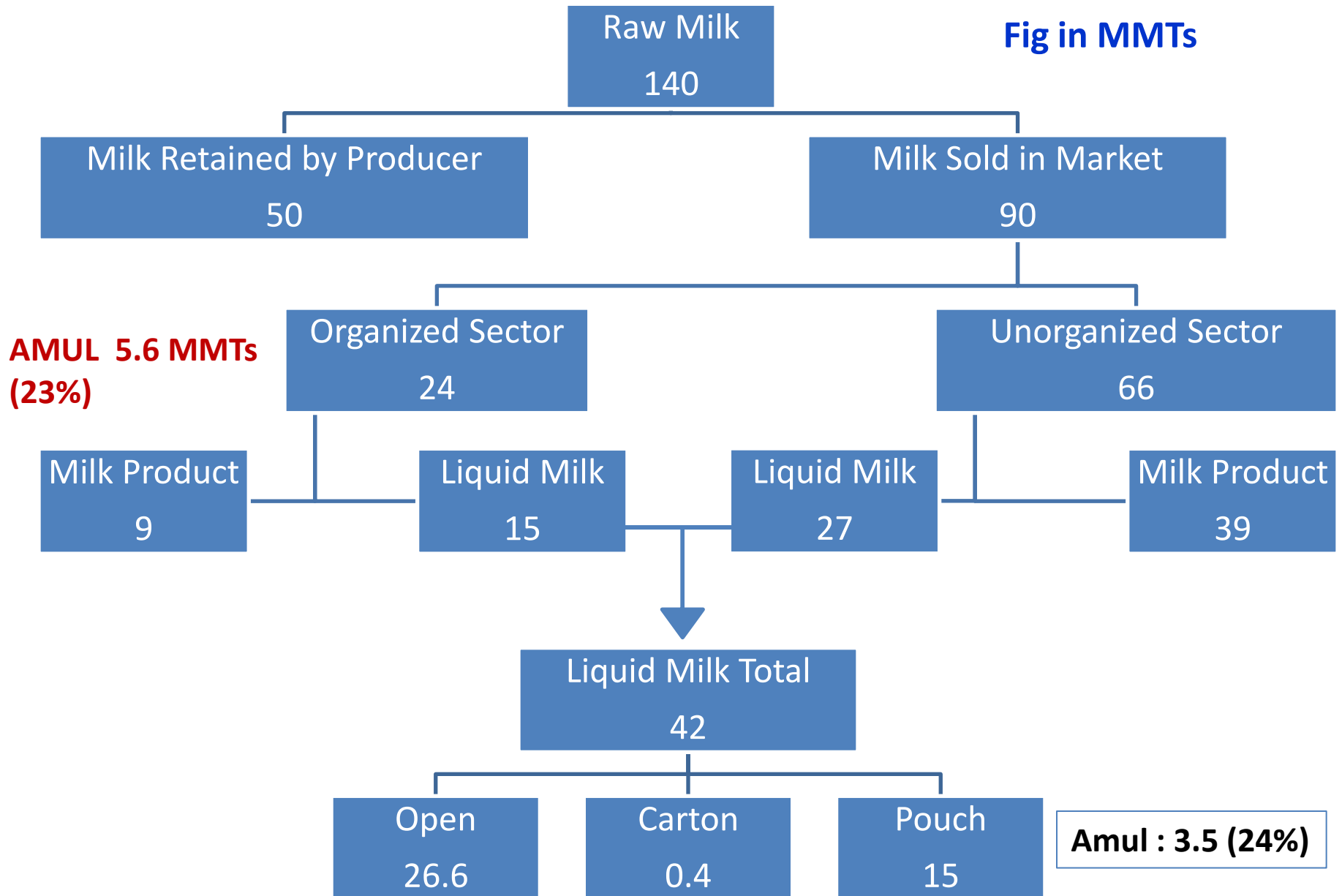
Milk Production Outlook 2020

Region	Past 1995	+19 Years	Present 2014	+6 Years	Future 2020
World Milk Production	560 Million MT	211	771 Million MT	96*	867 Million MT
India Milk Production	66.2 Million MT	74	140 Million MT	40 **	180 Million MT

* FAO Estimates,

**GCMMP Analysis

INDIAN DAIRY INDUSTRY : MILK FLOW



Milk is the largest Agricultural Crop in India in value terms

FARMGATE VALUE OF MAJOR CROPS IN INDIA

	Output (Million MTs)	Price @ US\$/Kg	Value of Output Billion US\$
Milk	133.7	0.42	55.7
Rice*	156.6	0.21	32.6
Wheat	92.5	0.23	20.8
Oilseeds	31.1	0.50	15.5
Sugarcane	339	0.04	14.1
Pulses	18.45	0.58	10.7
Cotton**	17.34	0.60	10.4

**Paddy Equivalent **Unginned Cotton Equivalent*

@ Support Price except Milk

Largest Bovine Population in the world : 300 Million

55% of
total milk
production



100 Mn

45% of
total milk
production



200 Mn

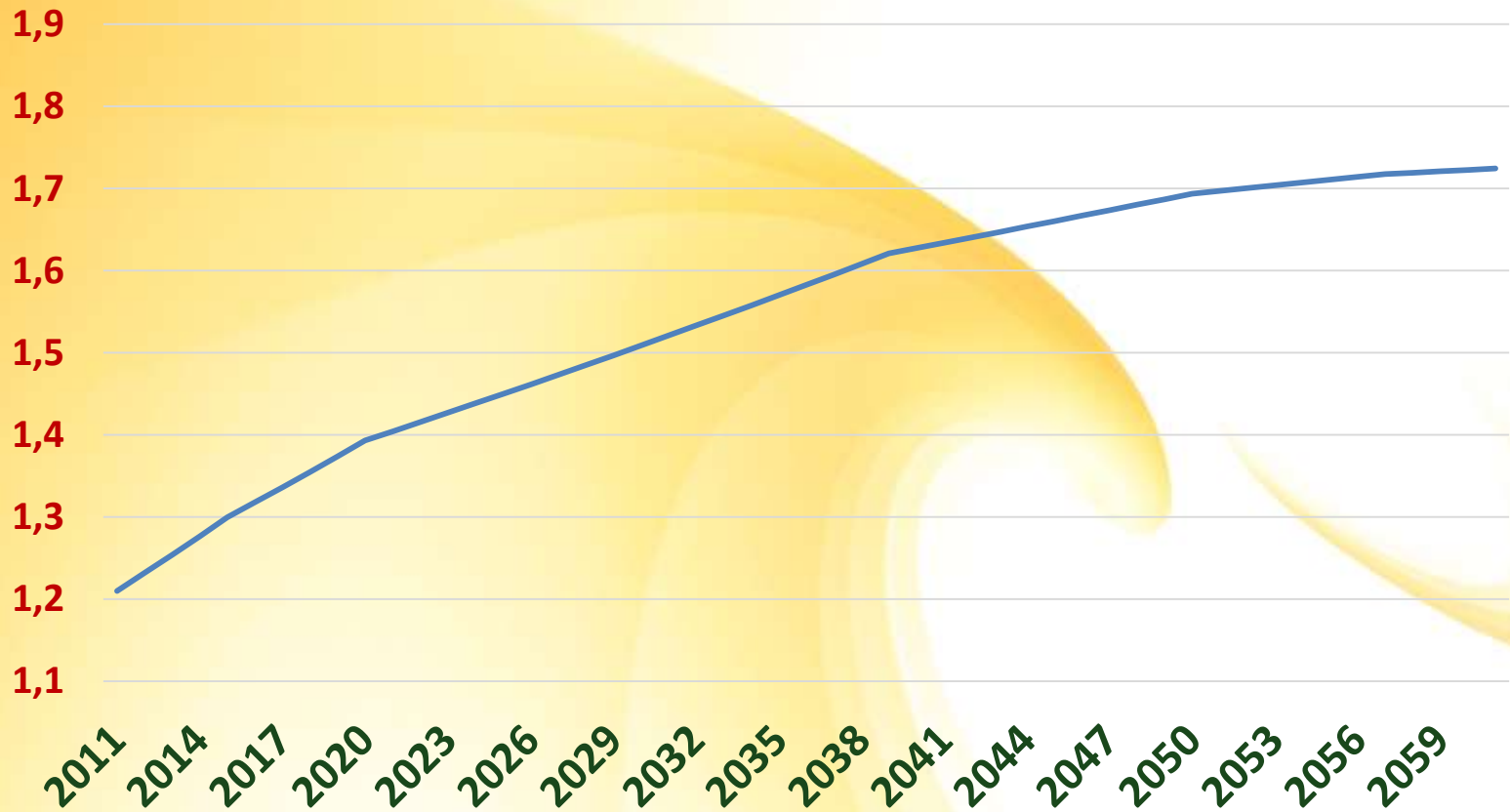
India

A market of 1.2
Billion
consumers

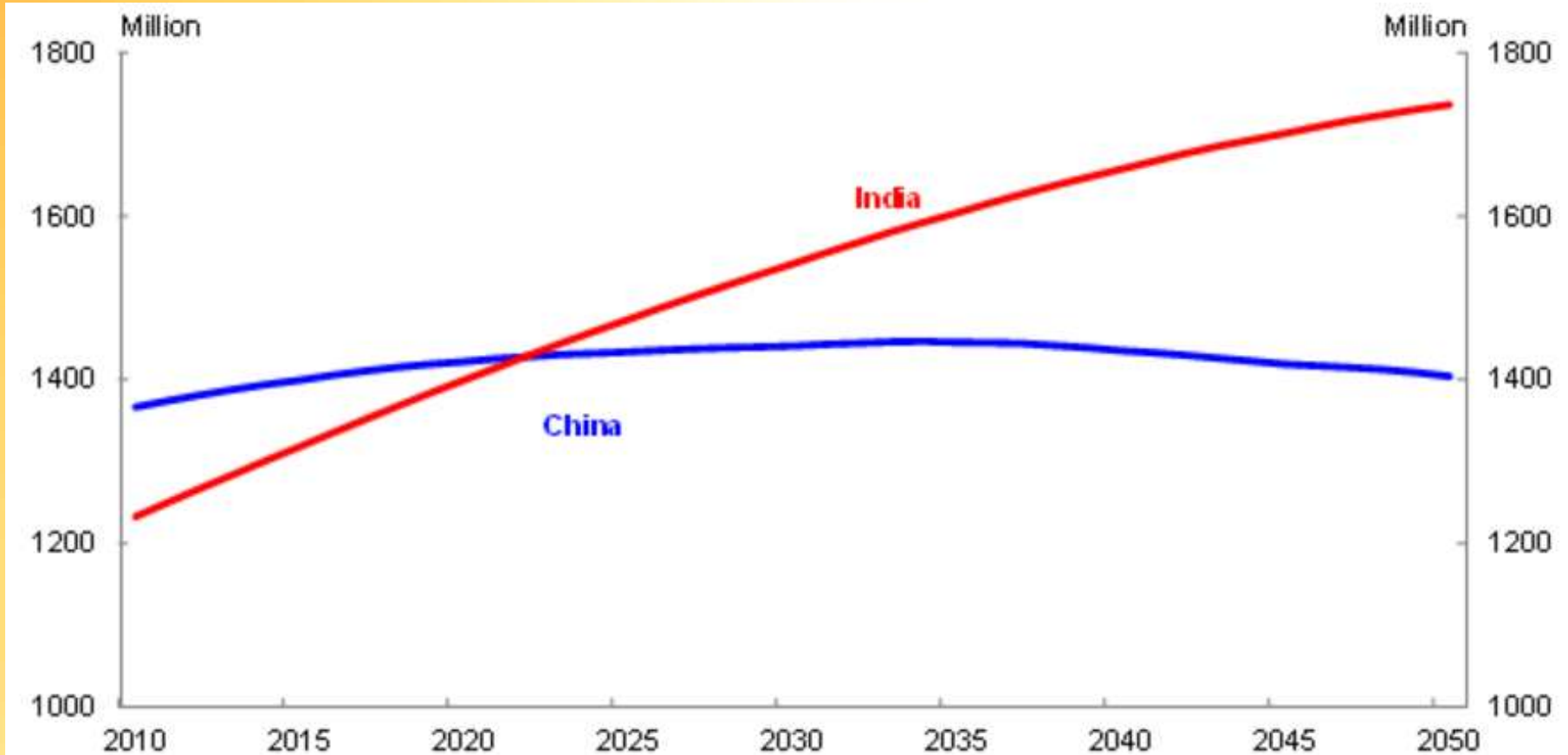


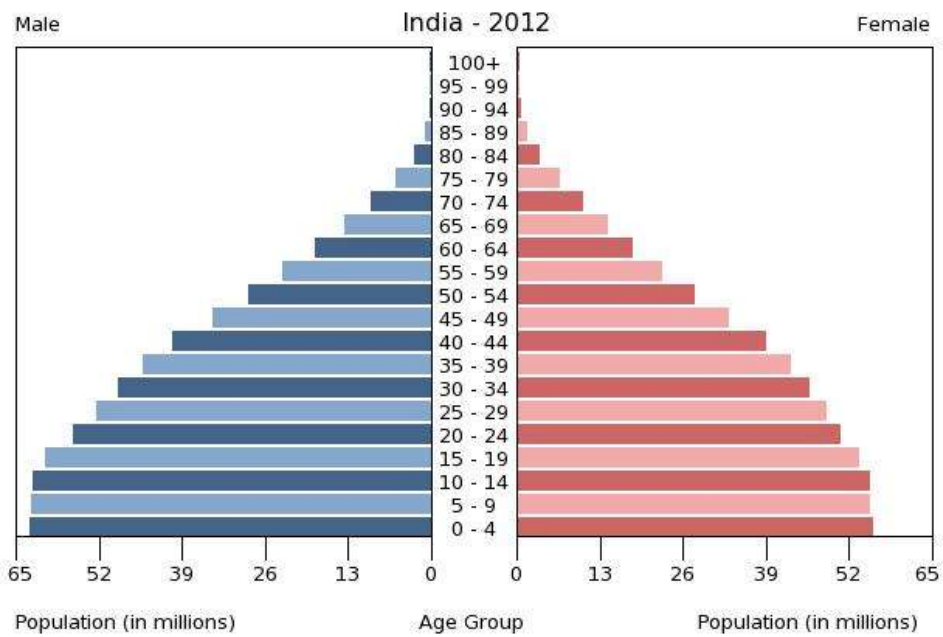
In the next 50 years, our population in India will definitely cross 1.7 Billion

Population in Billions

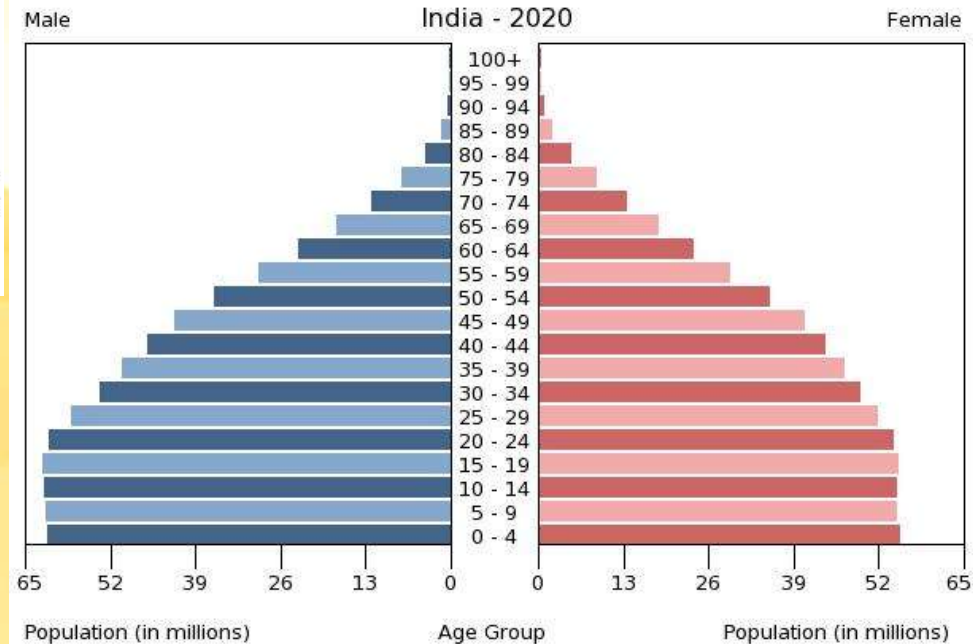


Before 2025, India will overtake China to become the most populous country in the world

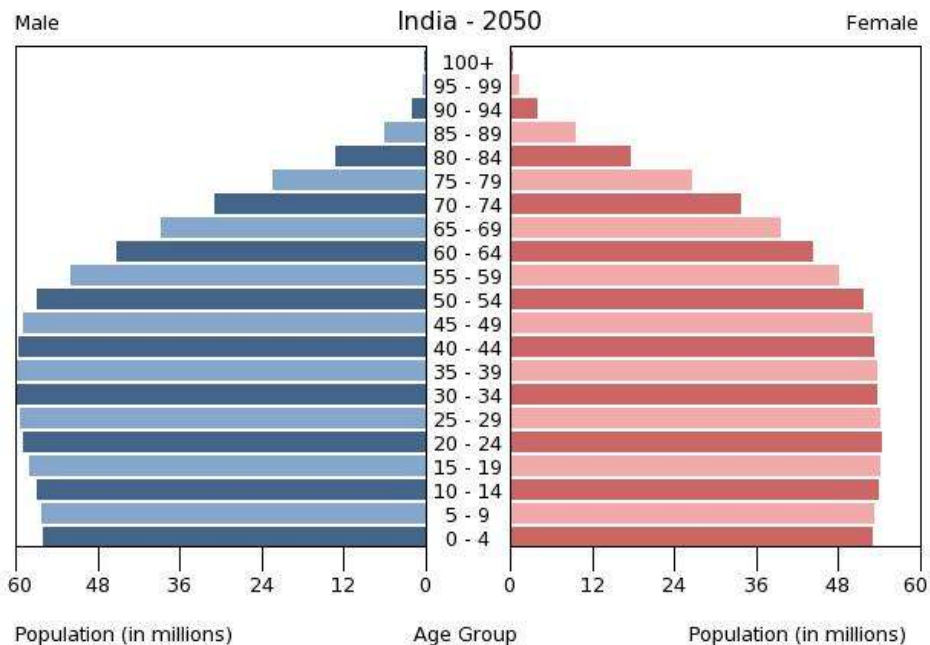




India 2012

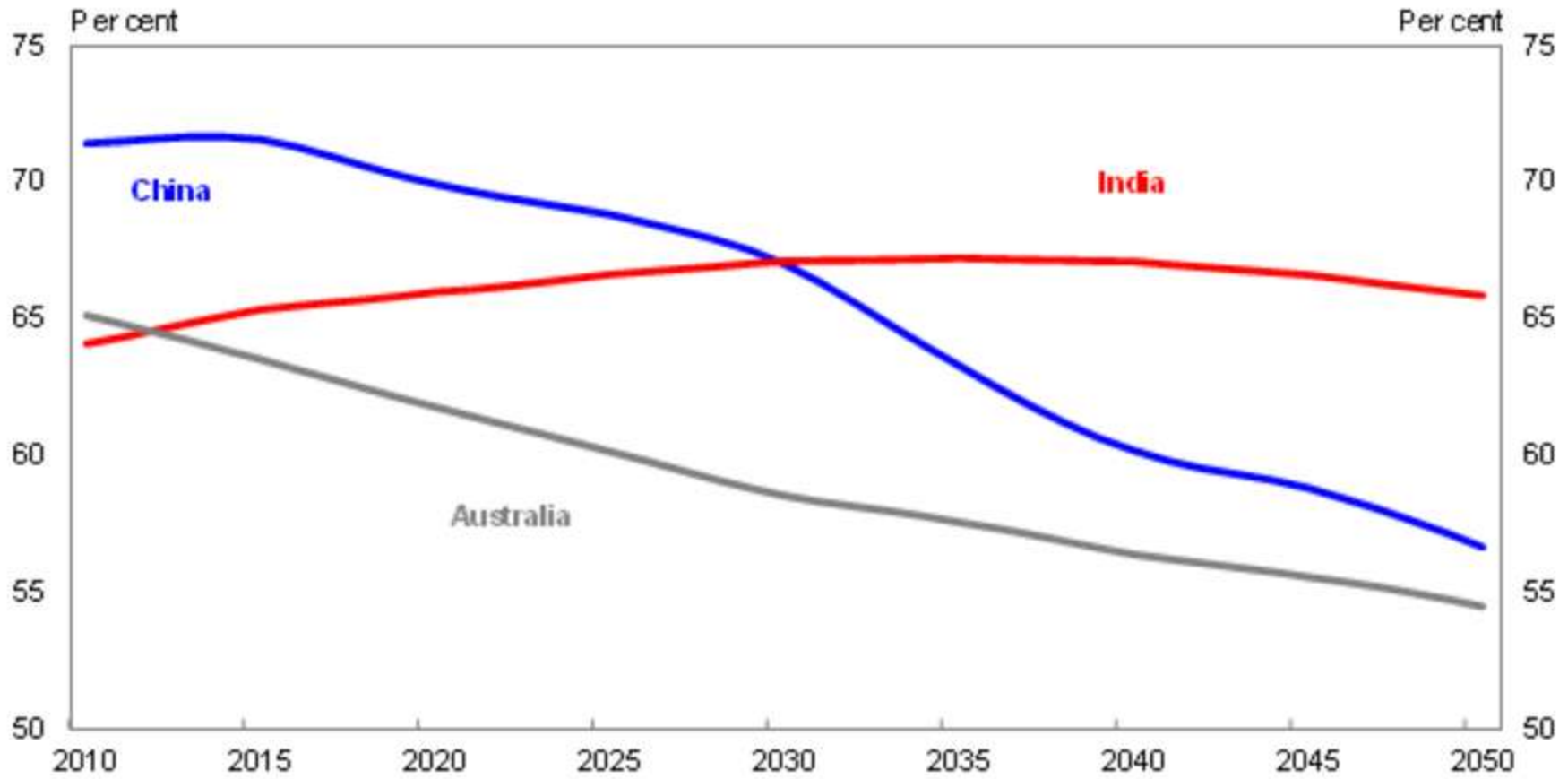


India 2020



India 2050

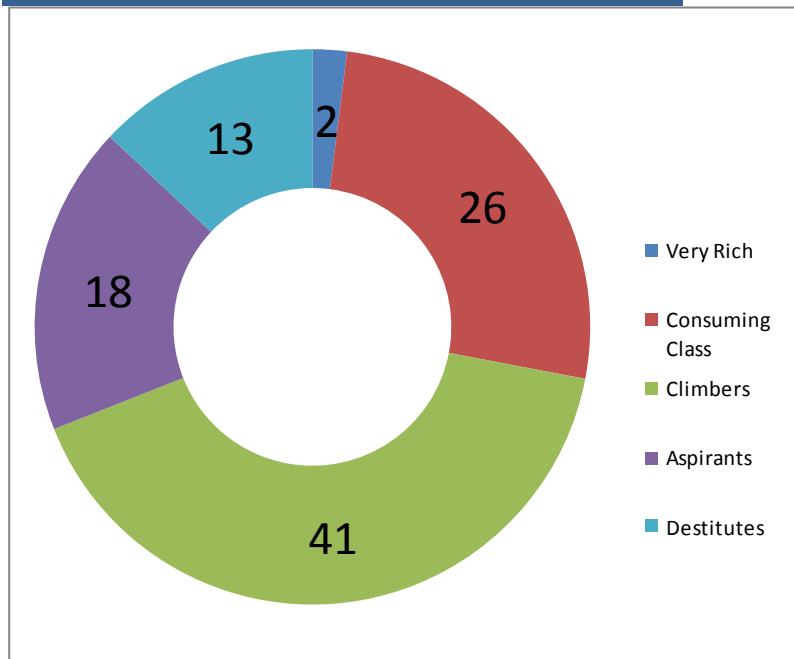
India will take full advantage of its Demographic Dividend, as Proportion of our Working-Age Population will exceed that of China



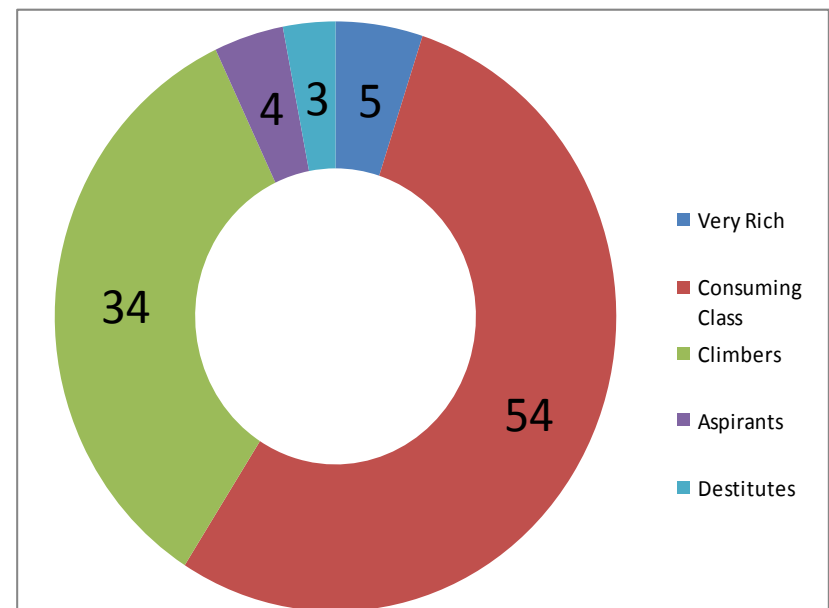
Changing Environment

Rising Urban & Rural Income Levels, growing consumer class

Household Income Distribution 2003



Household Income Distribution 2015



Changing Food Habits

Growing Need for Convenience Food



Indian Marketing Environment is diverse & complex



A nation of 1.2 billion consumers spread across 3.3 Mill Sq Km

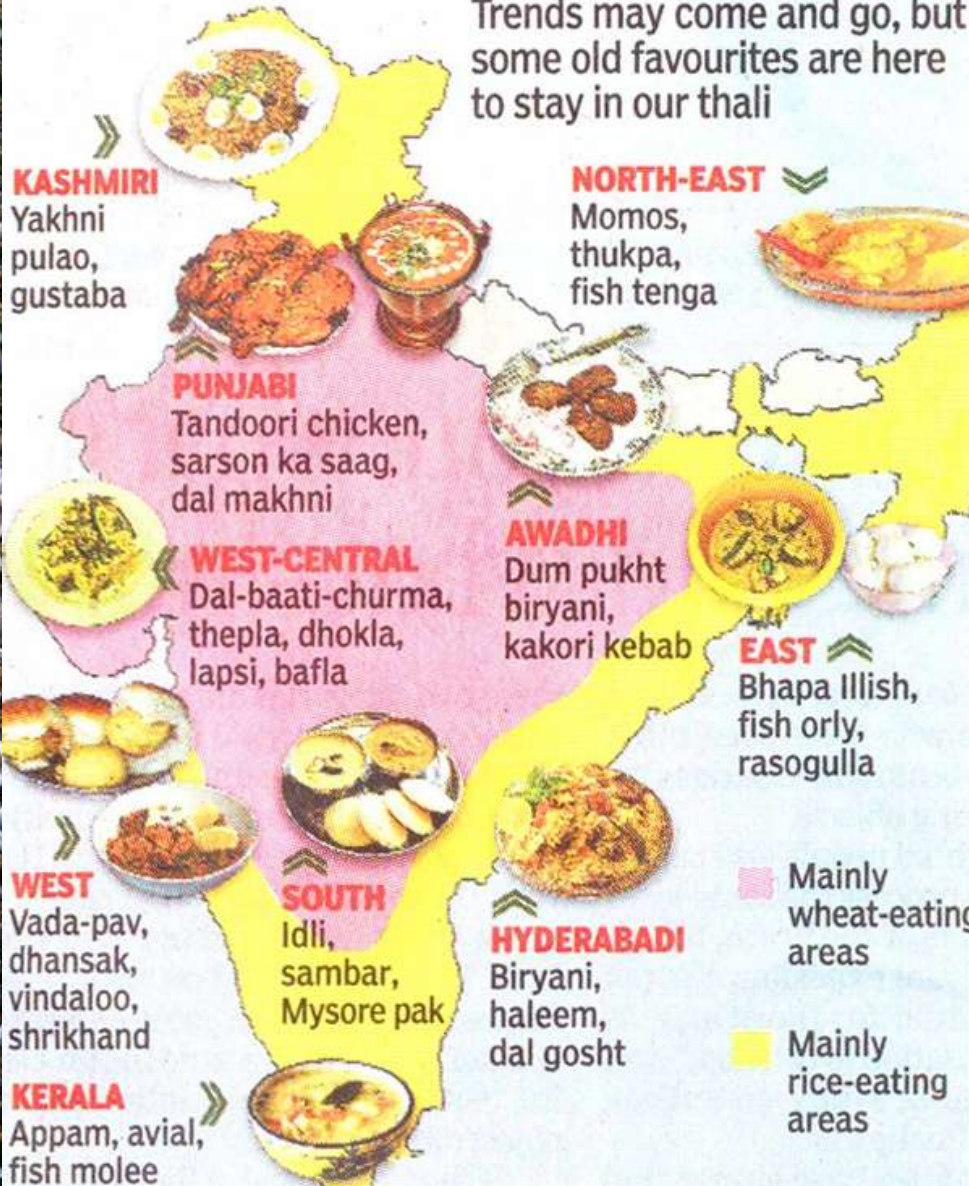
Living in 5500 Cities / Towns & 630,000 villages

With 2000+ ethnic groups speaking 1652 Languages / Dialects

Highly diverse eating habits in different parts of India

MANY TRADITIONAL TASTES

Trends may come and go, but some old favourites are here to stay in our thali



Buying products from 15 million scattered shops



Buying products from 15 million scattered shops



Buying products from 15 million scattered shops



Buying products from 15 million scattered shops



Shops selling Fresh Amul Milk in pouches



Shops selling Fresh Amul Milk in pouches





With 50% population below the age of 25

Where average monthly consumption expenditure < US\$ 33

With 80% households accounting for < 50% income



With supply chain infrastructure still in an evolving stage

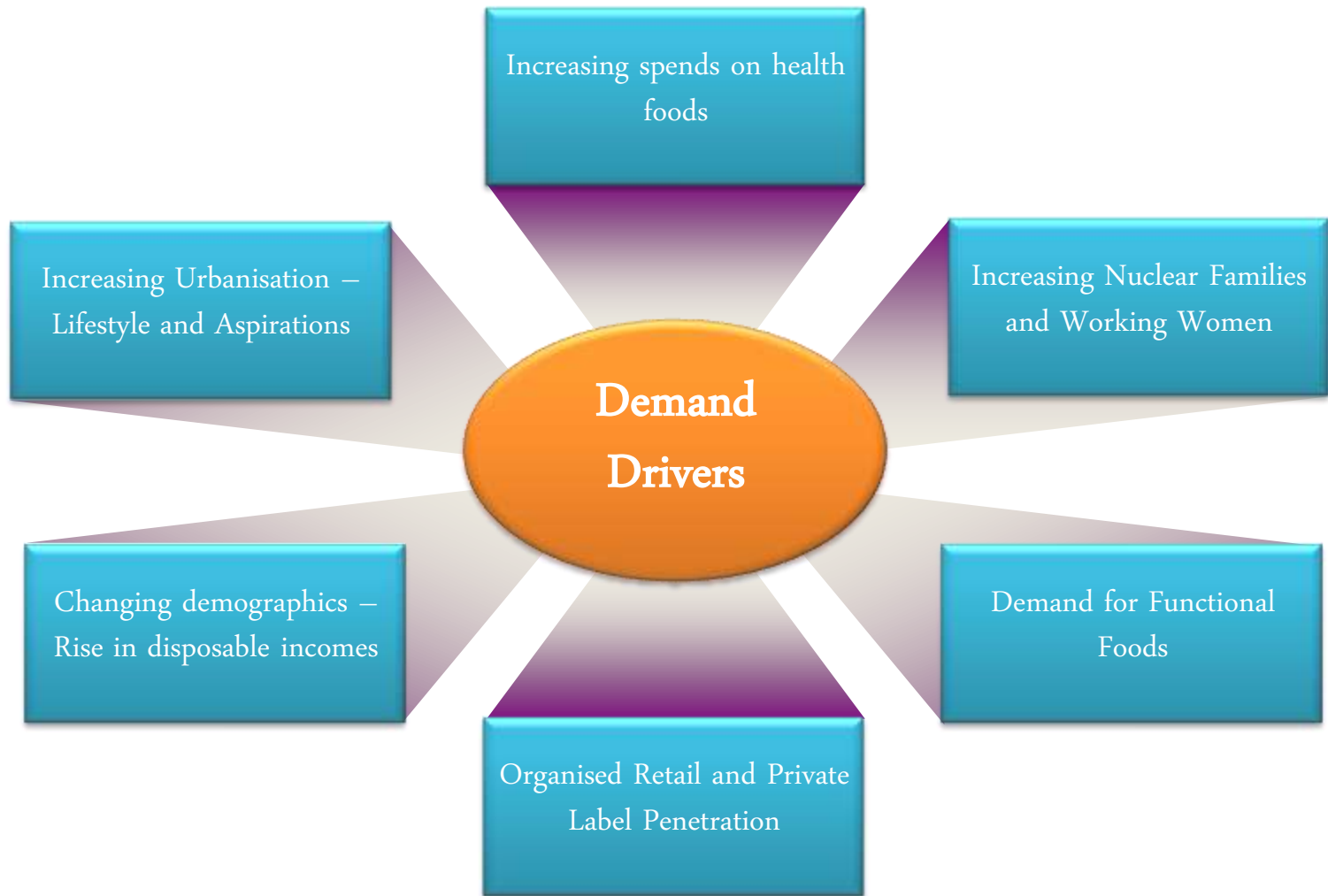
Societal changes driven by rapid technological innovation

Existence of large un-organized sector in most categories

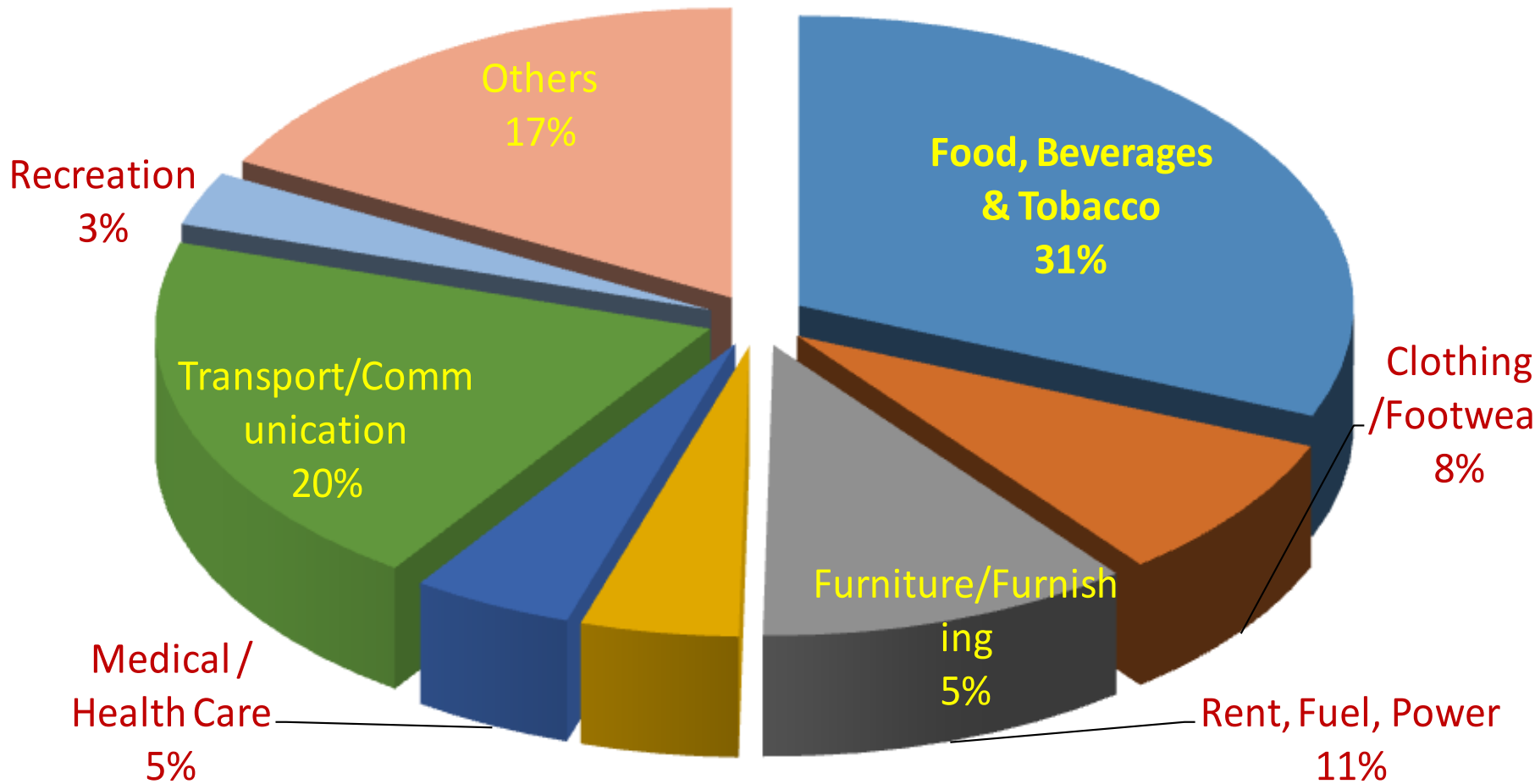
Emergence of regional / local brands in growing categories

Fragmentation of media options

Food : India Trends



Food still accounts for highest share of Monthly Household Expenditure in India at 31%



India loves Milk

- Milk continues to remain an important part of Indian diet.
- Contribution of Milk as % of total expense on food

	1987-88	1993-94	1999-00	2004-05	2010-11
Rural	13%	15%	15%	15%	16%
Urban	17%	18%	18%	19%	19%

Source: NSSO 2012

AMUL

The
Organization



Amul Cooperative Movement: Shared Value Creation by 3.3 Million Farmers of Gujarat State in Western India



THE GENESIS



During the 1940's, Indian Dairy Industry was in dismal state.....

Economic exploitation of dairy farmers by long chain of agents, middlemen & private dairies

Dependence on import of Dairy Commodities for our nutritional requirements



Visionary Leaders inspired farmers of Gujarat State in India to form their own cooperative in 1946



To exercise control of farmers over all segments of the value-chain for Milk & Dairy Products

This is how we started in 1946:- collecting just 250 liters of milk per day from only 2 small villages



Today.....

Our dairy farmers...



Have created a 3.7 Billion Dollar Organization



....turned a small dairy collecting 250 liters of milk per day



into a dairy giant handling 16.6 million liters of milk per day



& converted the most vulnerable section of our population...



...into independent & successful entrepreneurs



& our farmers became



...recipient of most prestigious awards in various fields



GREEN GLOBE AWARD

And transformed a tiny acronym....

AMUL

...into India's most powerful brand icons



COW TO CONSUMER

The Consumer



State Co-op. Milk Marketing Federation



District Milk Co-operative Union : 17



Village Dairy Co-operative societies: 17000



Milk Producers : 3.3 Million



The Amul Model

Our farmer-members



Our farmer-members



Milking at farm-level



Milk collection @ Village Dairy Cooperative Society



Milk collection @ Village Dairy Cooperative Society



Milk collection @ Village Dairy Cooperative Society



Bulk Milk Chillers used for storage & Insulated Milk tankers used for transportation to dairy plant



Veterinary Services



Mobile veterinary vans



Amul Value Chain



3.3 Million Families,
17000 Villages



49 Dairy Plants
across India

4 High Traffic Distribution Highways

FROZEN



CHILLED



AMBIENT



FRESH



53 Sales Offices & Stock Points + Exports

10,000 Distributors

10,00,000 Retailers across India



Top Milk Processors of World

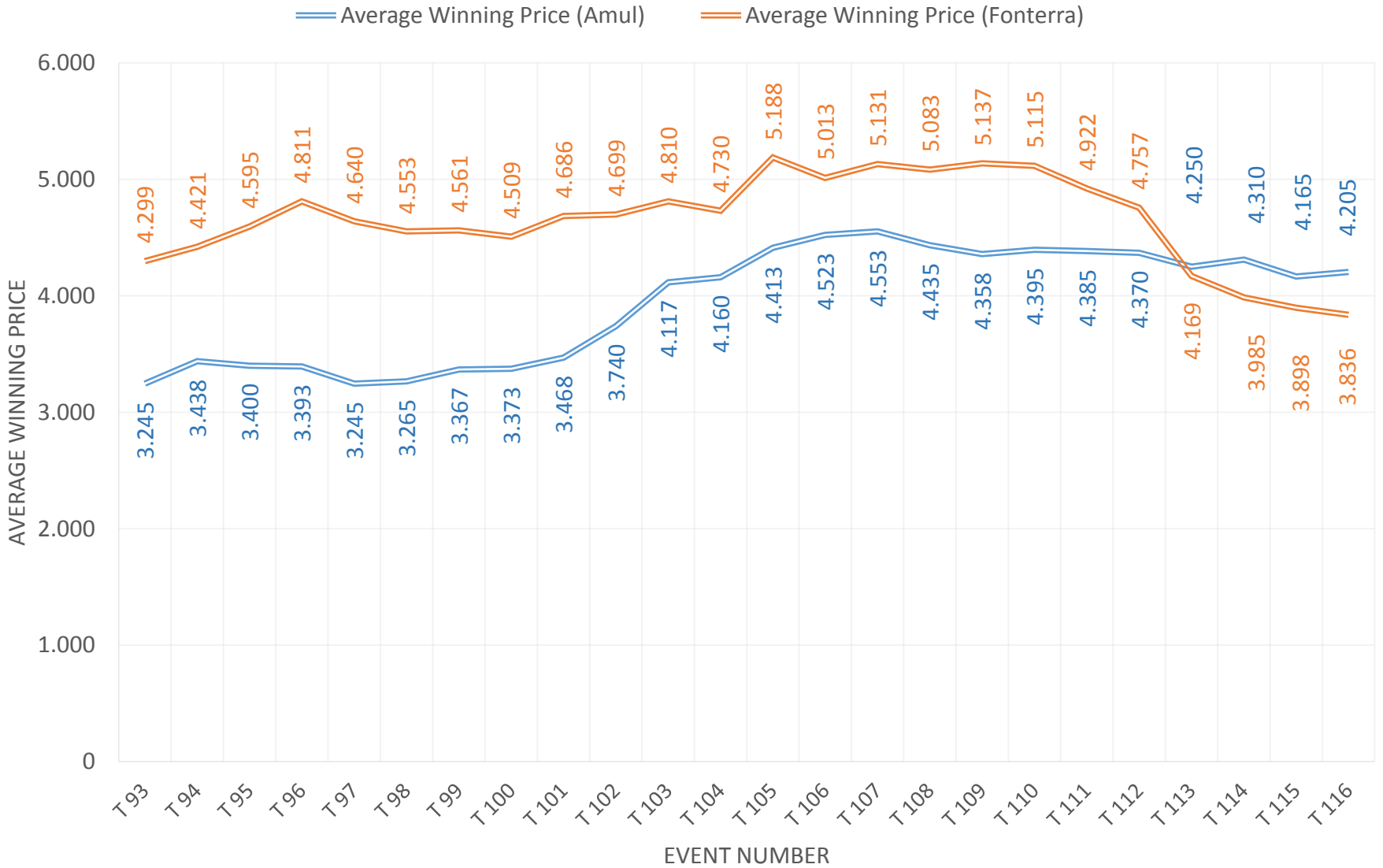
IFCN Top 20 milk processors list 2012

Rank	Company name	Country	Dairy processing plants main location	Market share in % of world milk production	Milk intake, in mill. t	Dairy turnover, US-\$ bill.
1	Fonterra Co-operative Group	New Zealand	international	3.0%	21.6	16.4
2	Dairy Farmers of America	USA	USA	2.4%	17.1	13.0
3	Groupe Lactalis (Pamalat)	France	international	2.1%	15.0	16.9
4	Nestlé	Switzerland	international	2.1%	14.9*	19.1
5	Dean Foods	USA	USA	1.7%	12.0	13.1
6	Arla Foods/MUH/Milk Link	Denmark/Sweden	DK/SE/DE/UK	1.7%	12.0	12.0
7	FrieslandCampina	The Netherlands	NL/DE	1.4%	10.1	13.4
8	Danone	France	international	1.1%	8.2	15.6
9	Kraft Foods	USA	international	1.1%	7.8	7.5
10	DMK	Germany	Germany	1.0%	6.9	6.4
11	Saputo Inc.	Canada/USA	Canada/USA/Argentina	0.9%	6.3	7.0
12	Glanbia Group	Ireland	international	0.8%	6.0	3.9
13	Land O' Lakes Inc.	USA	USA	0.8%	5.9	4.3
14	California Dairies Inc.	USA	USA	0.6%	4.6	3.0
15	Unternehmensgruppe Theo Müller	Germany	international	0.6%	4.4	6.5
16	Groupe Sodiaal	France	France	0.6%	4.1	5.7
17	Mengniu Dairy Company Ltd.	China	China	0.6%	4.1**	5.8
18	GCMMF (Amul)	India	India	0.6%	4.0	2.5
19	Yili Group	China	China	0.6%	4.0**	5.8
20	Bongrain SA	France	international	0.5%	3.6	5.5
Sum of Top 20				24%	172.8	183.4

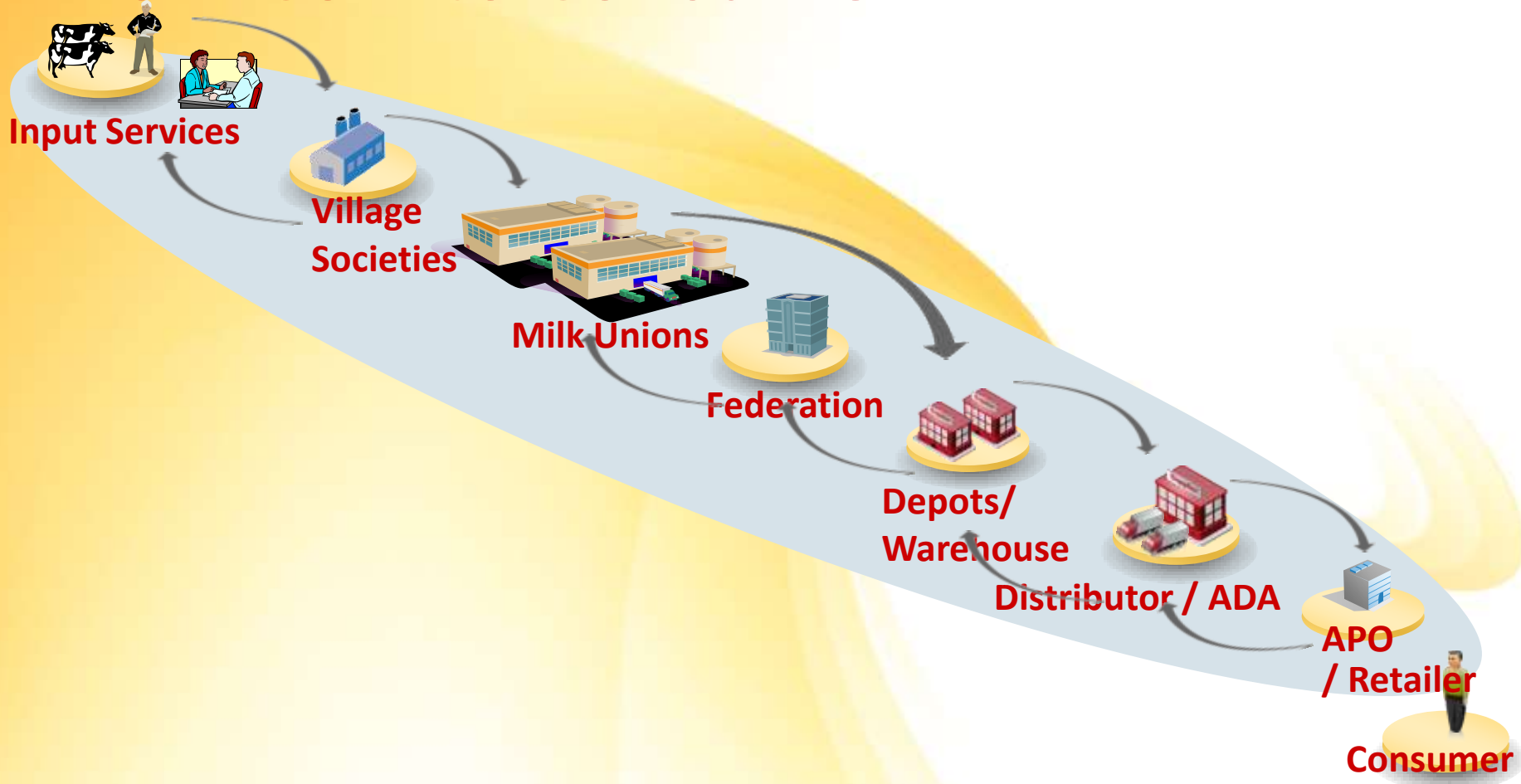
At 5.6 million MT intake in 2013-14, Amul to rank #14 this year

Source : IFCN

AVERAGE WINNING PRICE (AMUL VS FONTERRA)



Amul has placed control over entire Value Chain in the hands of farmers - from Cow to Consumer



Thanks to Amul– Benefits of Market Access, Financial linkages and Value Addition – directly to farmers



Amul protected interests of Farmers along with the interests of Consumers

- To serve the interests of milk producer

Value for many



To provide quality products to consumers

Value for money

Through our 3.3 million farmer-members, we touch the lives of 16 million citizens in rural India



**On daily basis, US\$ 8.3 million in cash flows
back to our farmer-members**



Social Infrastructure created by Amul helps to prevent migration from villages to cities



Empowering Women

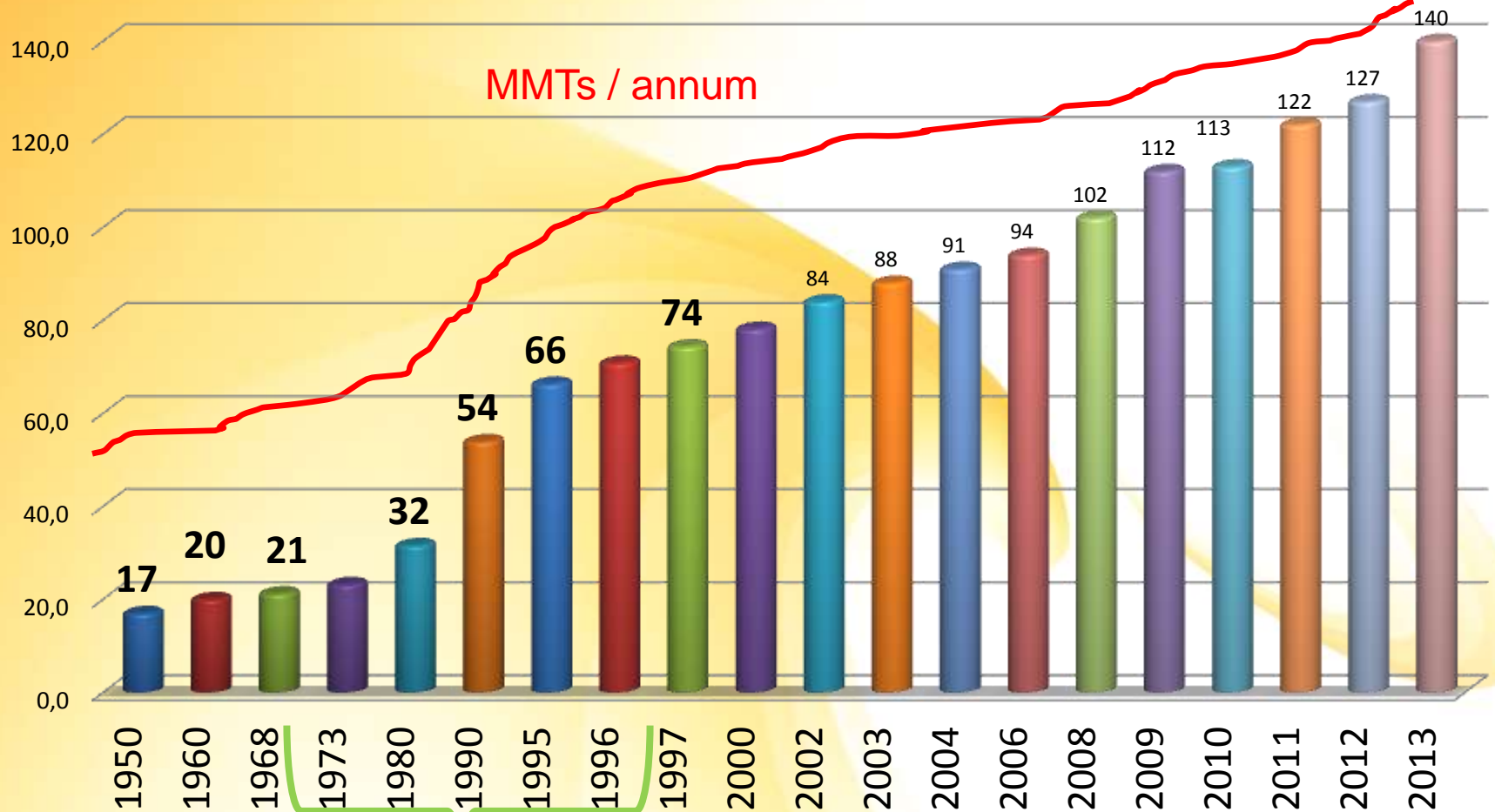
Amul provides some measure of economic independence to rural women of India



Impact of Amul on Indian Nation



Amul Cooperative Movement enabled India to become No 1 Milk Producing Nation in the World



Operation Flood (1970-1996)

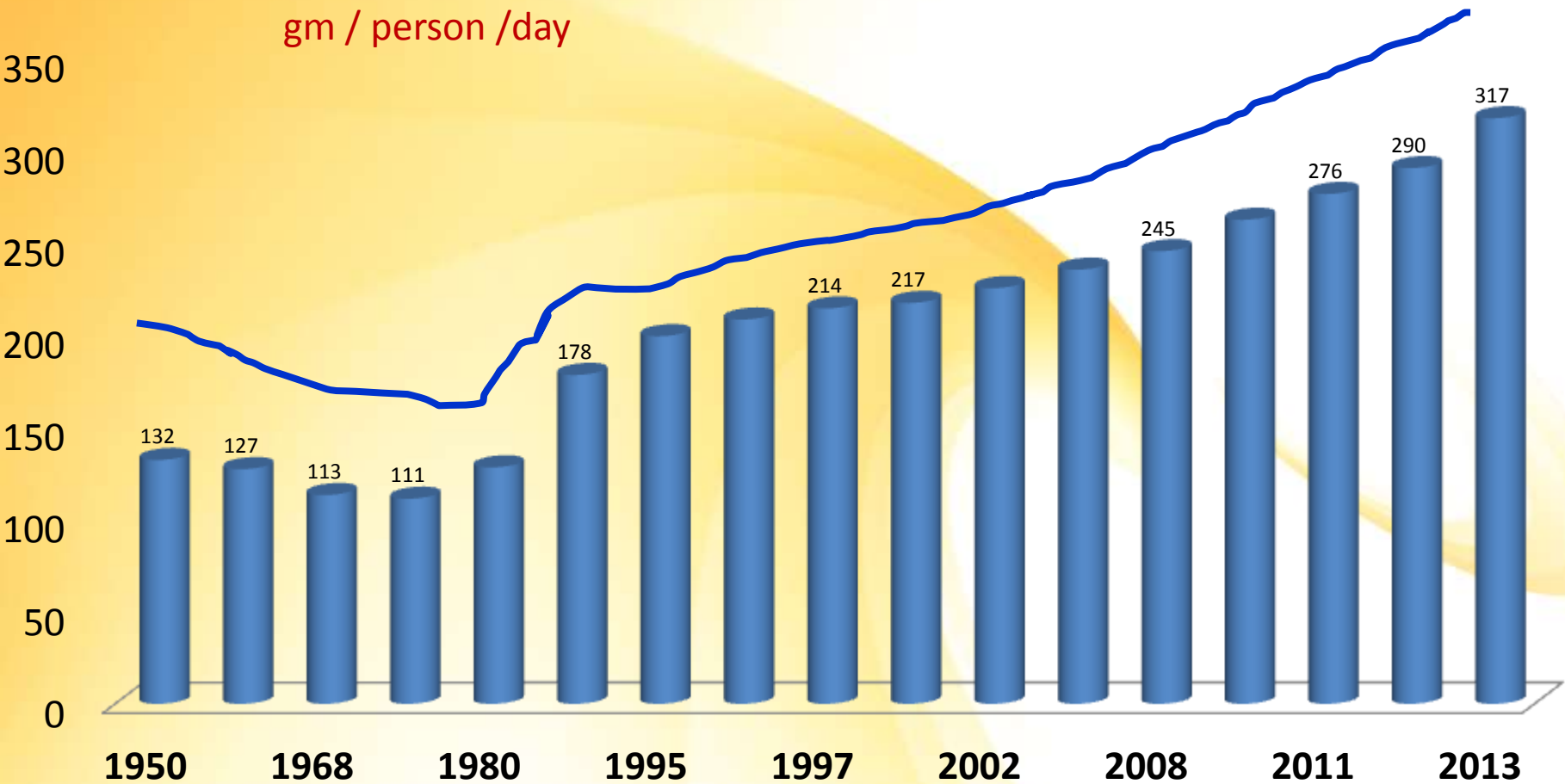
Graph not to scale

Just to compare Milk Production growth between India & US during last 60 years

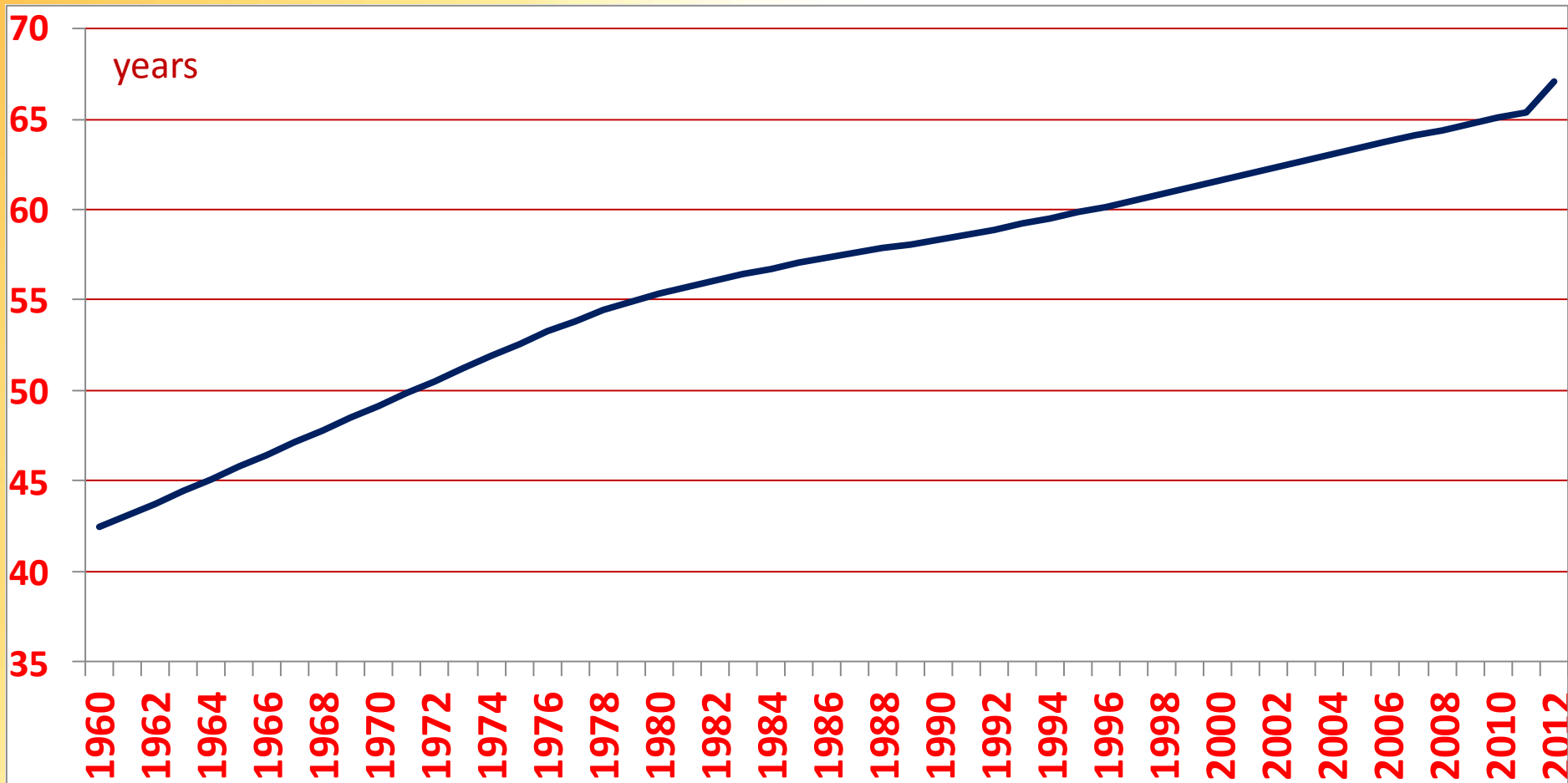
Milk Production (Million MTs)	1951	2013
U.S.A	53 MMTs	91 MMTs
INDIA	17 MMTs	140 MMTs

Source: Three Cheers for Indian Agriculture,
The Financial Express

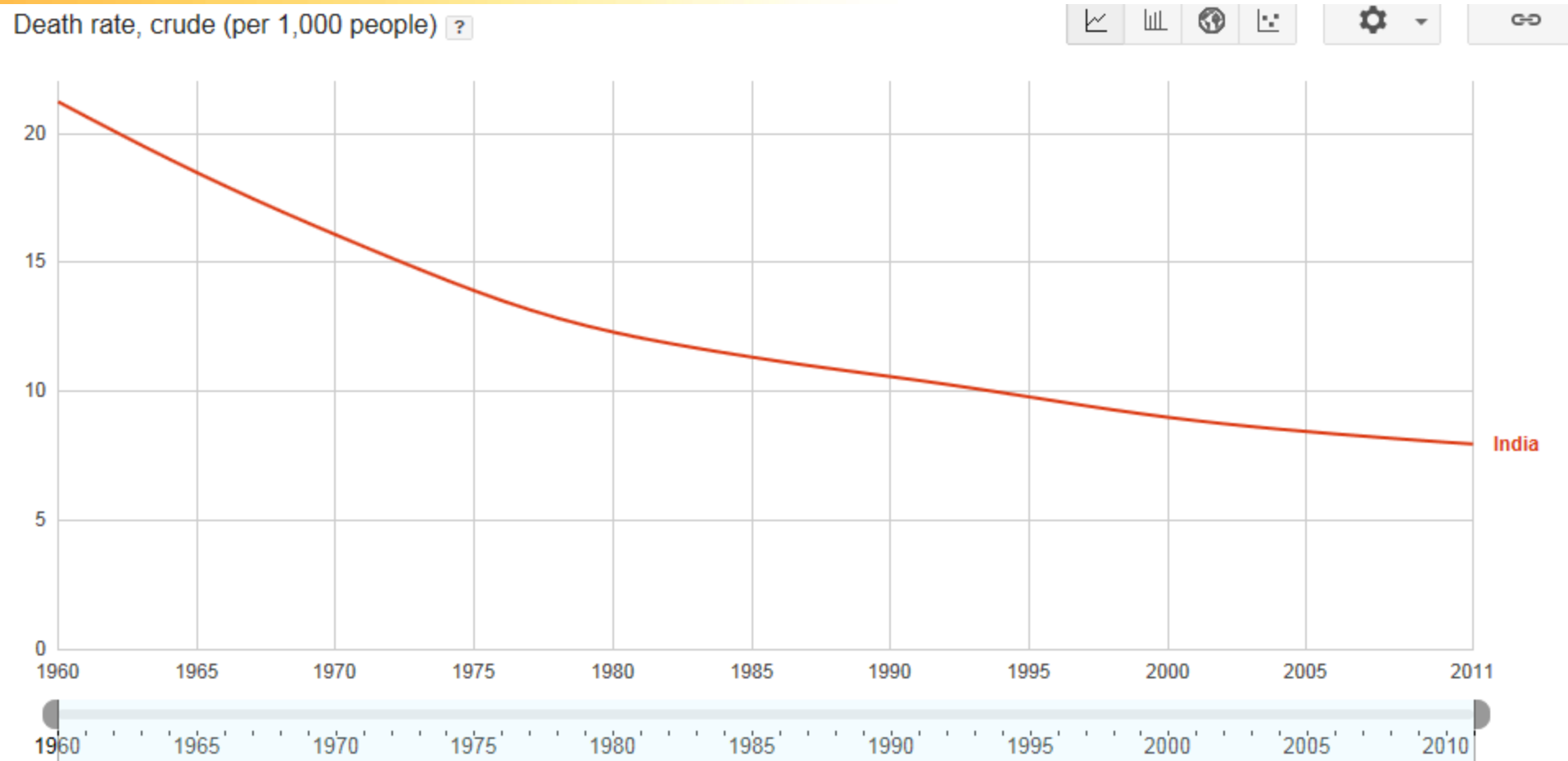
Thanks to AMUL, Per Capita Milk Availability in India went above WHO standards to 275g per day, providing nutrition to the masses



Thanks partly to higher milk availability, life expectancy of Indians has increased from just 32 years in 1947 to 67.1 years today

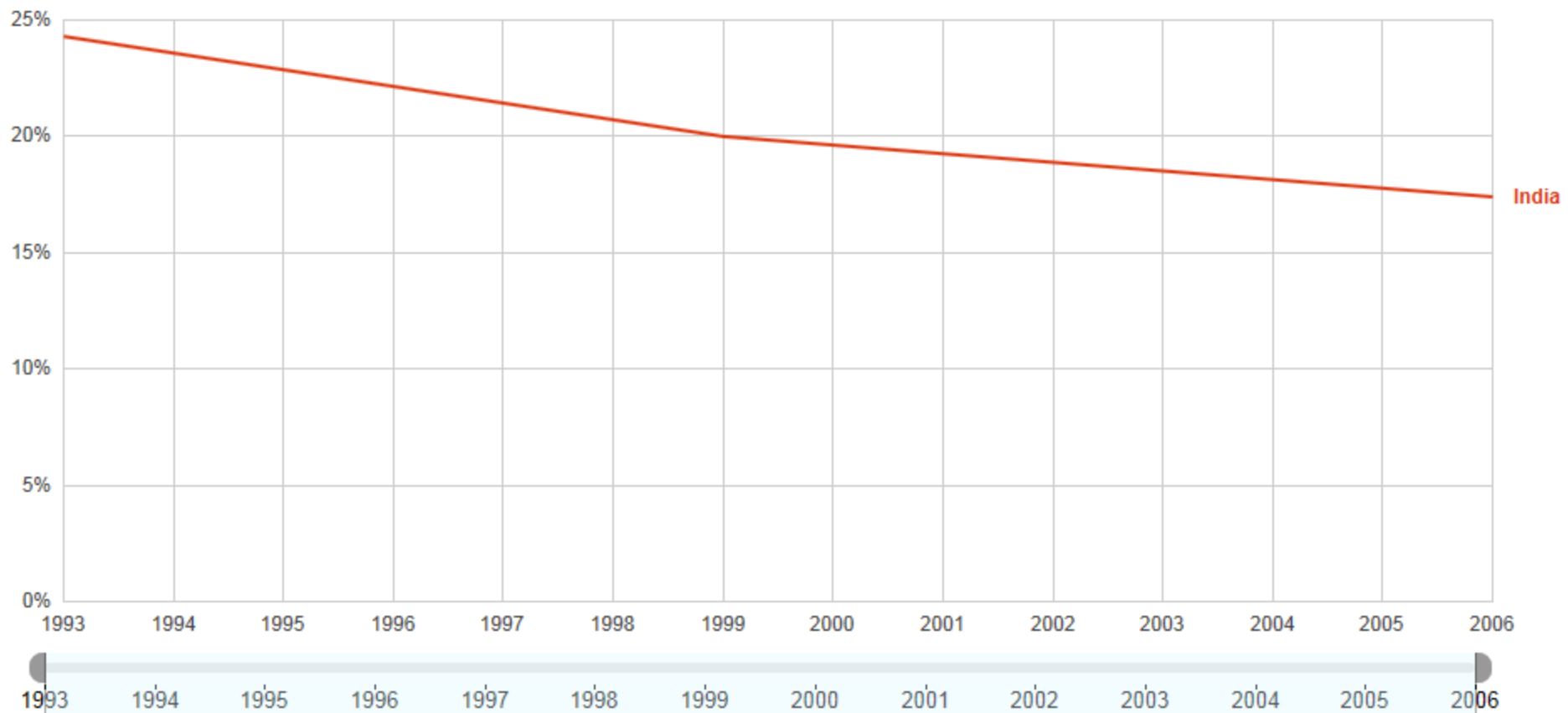


Death Rate has fallen drastically in the same period - Partly due to Better Nutrition from milk

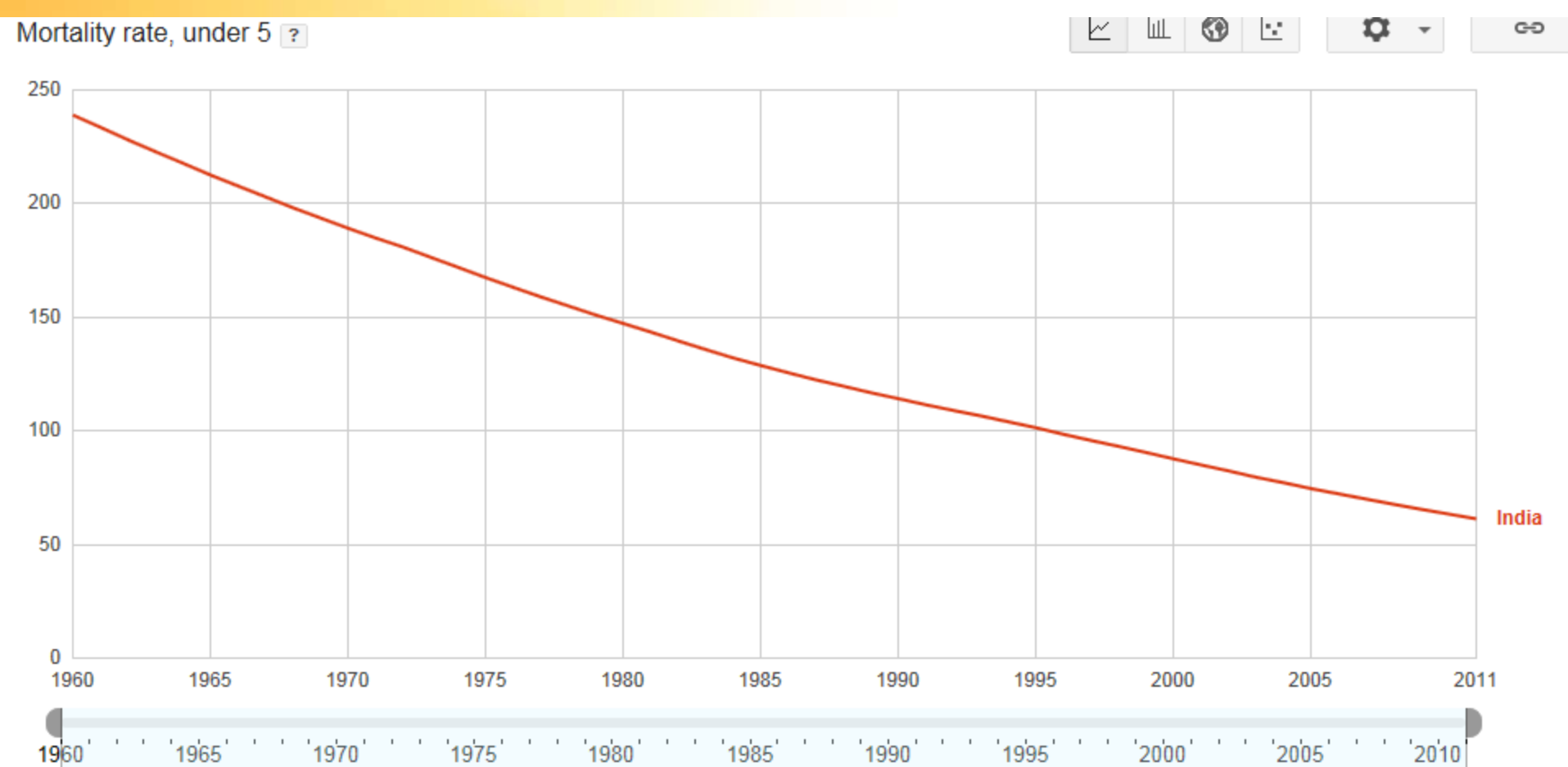


Prevalence of Malnutrition in Children under the age 5 has also fallen

Malnutrition prevalence, weight for age (% of children under 5) ?



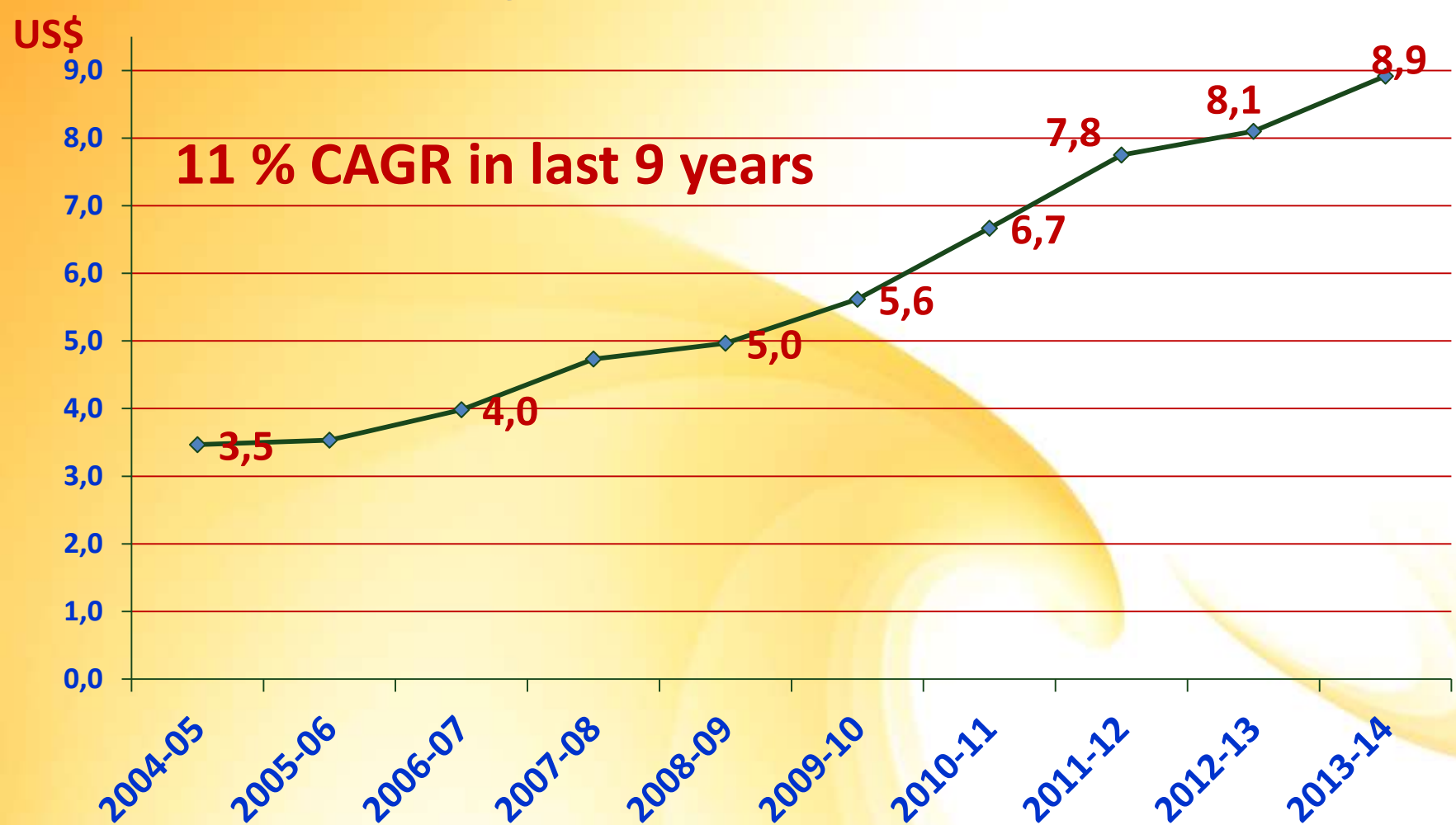
Mortality of Children under age 5 years, has also reduced drastically



So what were the
critical factors for
Amul's success ?



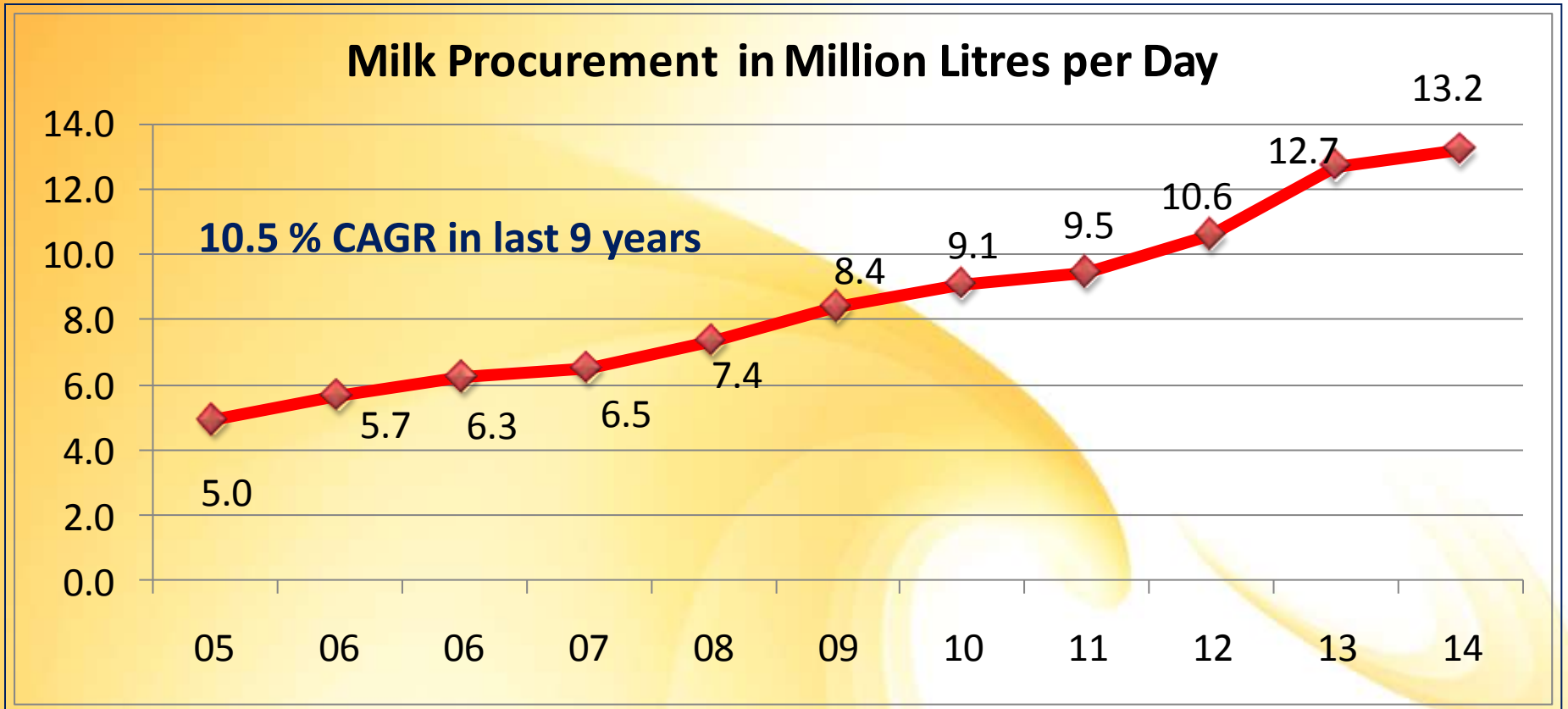
We ensured remunerative prices to maintain farmer's interest in dairy business



Average Milk Procurement rate paid to farmers (US\$ per Kg Fat)

@ current exchange rate

You can easily see the impact on our milk procurement over the last 9 years



AMUL: Average Milk Procurement (Million litres. per day)

Supply Chain Efficiency : 14% spread between farmer & consumer



Price to farmer:
49.5 Euro Cents **86%**

**Processing, Packing, transportation
& Marketing cost: 6.8 Eurocent**

10.8%



Distributor: 55.7 Euro Cent **97%**

Distributor margin : 0.7 Eurocent

1%



Retailer: 56.4 Euro Cent **98%**
(%)

Retailer margin : 1.1 Eurocent

2%



Consumer Price : 57.5 Eurocent

Supply Chain Efficiency : 14% spread between farmer & consumer

AMUL COW MILK



Price to farmer: 40.6 Euro Cents 86%

Processing, Packing, transportation & Marketing cost: 5.2 Eurocent

11%



Distributor: 45.8 Euro Cent 97%

Distributor margin : 0.7 Eurocent

1%



Retailer: 46.5 Euro Cent 98%
(%)

Retailer margin : 1 Eurocent

2%



Consumer Price : 47.5 Eurocent

Just Contrast this with some of the other countries.....

India

- **Amul ensures that farmers get 80% - 88% of Consumers Rupee spent on Milk & Milk Products**

Other Countries

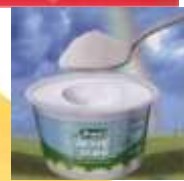
- In USA, producers get 38 % of consumers' money spent on milk.
- In UK, producers get only 36 %.



Value-Addition through Marketing Innovations



Portfolio Architecture : Human Life Cycle Segmentation



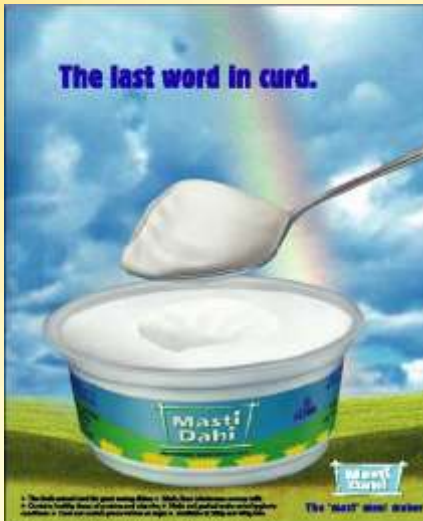


Inclusive Marketing
Targeting the entire
Socio-economic
spectrum

Imagery of Milk was re-designed to appeal to younger generation



Converted popular ethnic Indian dairy products from commodities into branded, packaged products



Creating Innovative products to cater to emerging needs of society



Product Innovation :

To cater to emerging needs of society

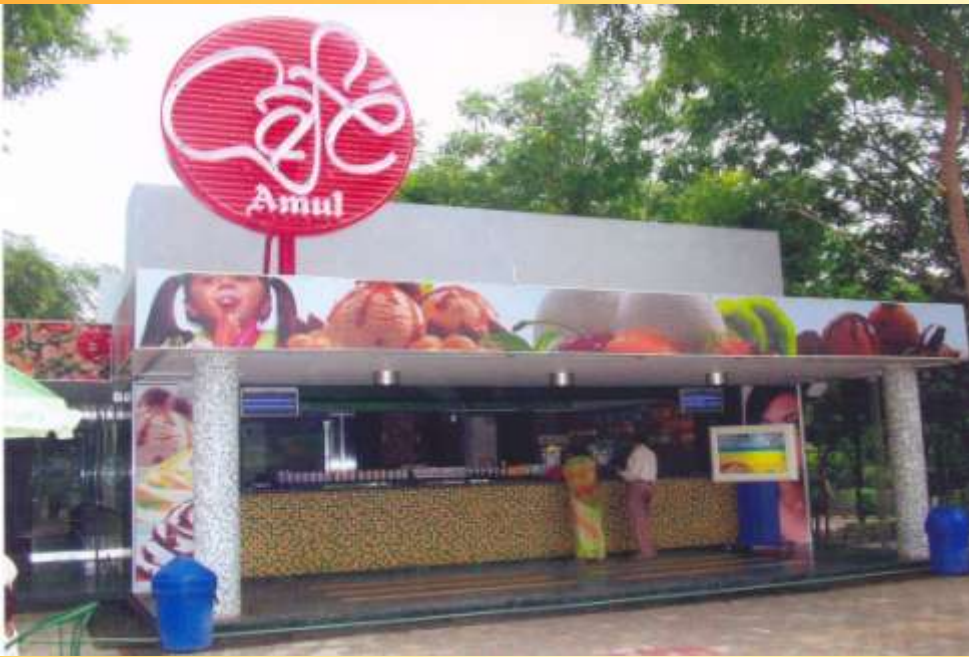


Launched products based on emerging 'wellness' trend in

Stay healthy with the goodness of Probiotics



Bringing the Brand Closer to Customers



Taking brand Amul – closer to customers



Chennai Park
Railway Station

Managed to keep our advertising budget within 1% of Turnover



Longest
Running
Advertising
Campaign in
the World



**Consistency in execution
across 50 years**

Finger Lincoln good!



Amul
Makes Daniel's Day!

Topicality



SLICE FALL!

Amul
BOND WITH BREAD

Caught in a snowdenstorm!



Amul
Classified as tasty

Football's new Messi-ah!



Amul
Kicks and licks!

Follow us on [twitter](#) @ amul.coop



Knight

COMEDIES!

Top of Mind

BOND'S NOT OK, UK!



Bitten by the love-

Relevant

Whose prez will be answered?



Amul
Elected daily

Follow us on [twitter](#) @ amul.coop



Smart

TOP OF THE POPES



Amul
Rome with it!

Insaanbullied in Istanbul!



Amul
For youth power!

Munch ester United



Amul
Reds love yellow!

Longevity



Amul
Foodies
Butter
Intake

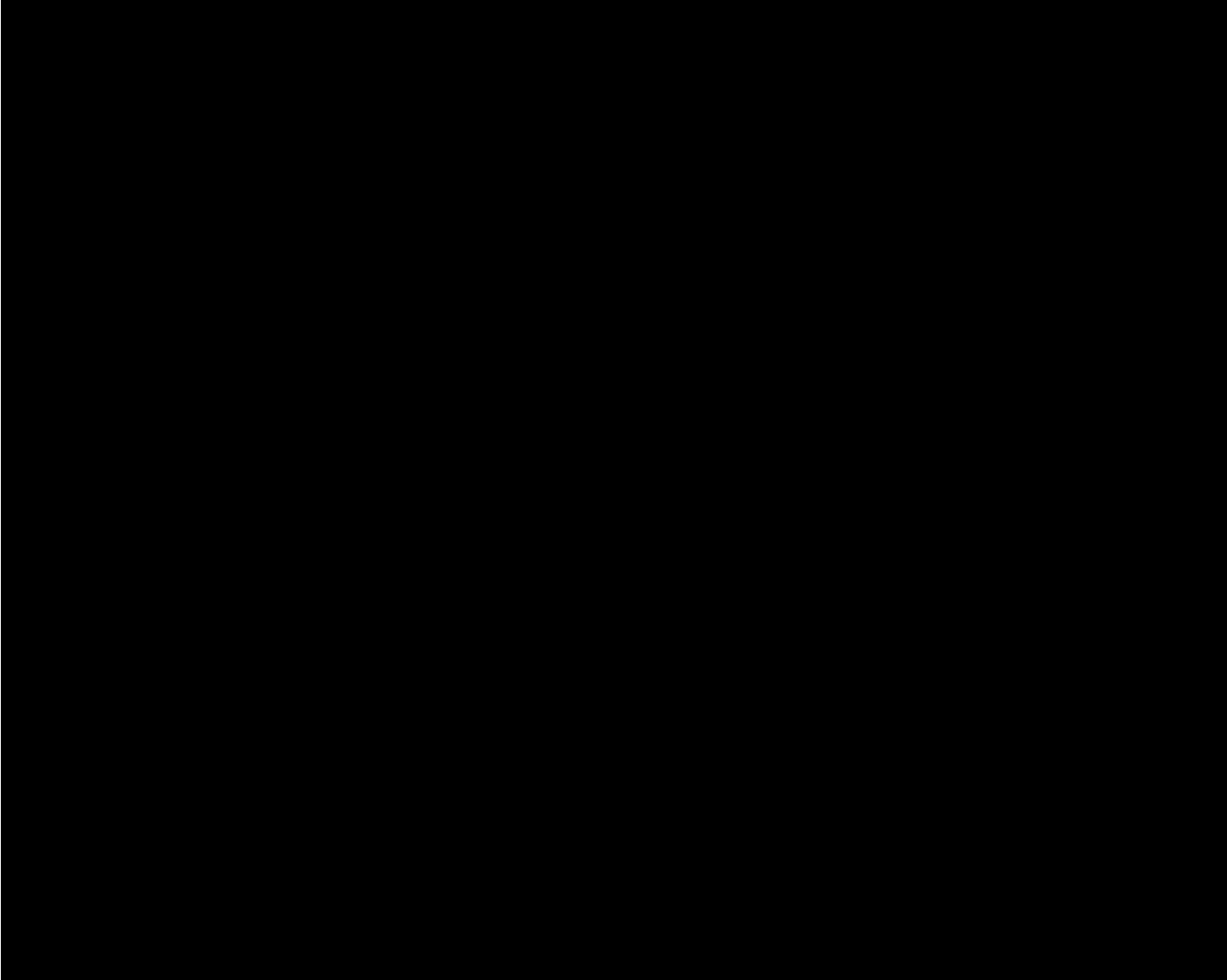
First class snack




Reposition milk as a
lifestyle drink rich in
benefits

**Milk – The world's original
energy drink**

Amul Milk TVC - London Olympics



A close-up photograph of a woman with dark hair drinking from a white Amul Dairy can. The can is tilted, and she is looking towards the camera. The background is bright and out of focus.

As India's leading Dairy brand, Amul took up the challenge to educate the consumer about goodness of Dairy

Keeping Youth as the target audience



The thought was to include dairy
as a part of everyone's daily diet

DAIRY DAILY

This was rendered with the line

**Eat Milk with
Every Meal**

Eat milk with every meal



Strength inside. Joy outside.

Cheese is a good source of calcium that strengthens bones. Add Amul Cheese to burgers, spread it on pizzas or just top up an extra layer in sandwiches. It's not only tasty, but also enriched with the power of protein. Make sure your child eats milk with every meal and lives strong.



Amul
CHEESE

This recipe and many more available on www.amul.com/eatmilk/recipes

Eat milk with every meal

Really cold outside,
Really good inside.

The real milk in every scoop of Amul Ice Cream gives you a burst of real energy. Whether it's the creamy ice cream stick, crispy cone, delicious cup or the loaded tub. You're sure to feel the zest with every bite. Eat milk with every meal and celebrate life with a twist.



Amul

Real Milk. Real Ice Cream.



This recipe and many more available on www.amul.com/eatmilk/recipes

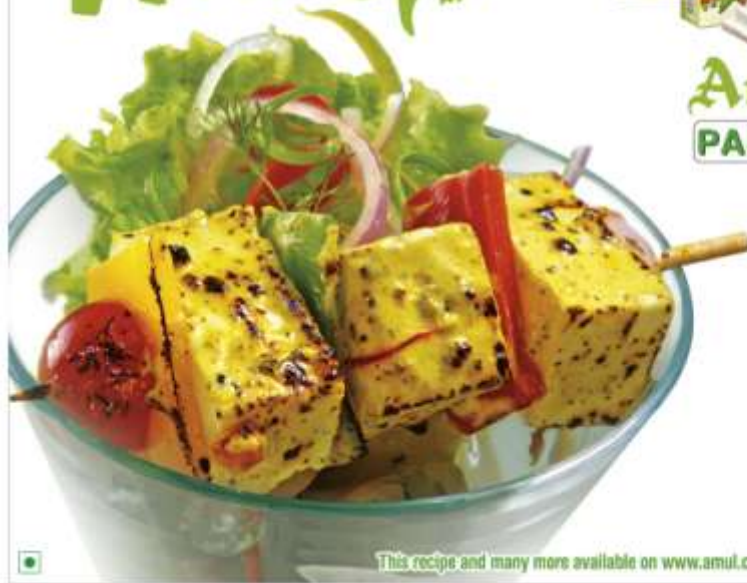
Eat milk with every meal

Become as strong as
a superhero.

Amul Paneer is loaded with the power of protein. Protein helps in building super strong muscles. From spicy paneer pakoras to paneer tikka to healthy palak paneer, tempt your taste-buds with the great taste of power-packed Amul Paneer. Eat milk with every meal and lead life like a superhero.



Amul
PANEER



This recipe and many more available on www.amul.com/eatmilk/recipes

Amul

[how to eat milk](#)

[create your meme](#)

[recipes](#)

[amul.com](#)

[amul ice cream](#)

WHATEVER TIME OF THE DAY, WHATEVER SEASON OF THE YEAR, MILK IN ITS YUMMIEST FORMS MAKES FOR A COMPLETE AND SATISFYING MEAL.

**EAT
MILK
WITH
EVERY
MEAL**

*Sip a world
of health.
With every bite.*

Packed with vitamins,
proteins, minerals and
essential nutrients, milk
isn't just the world's original
energy drink but a
wholesome nutritive food.



8am



CAMPAIGN EXTENDED TO DIGITAL SPACE

What does
the future
hold for us?

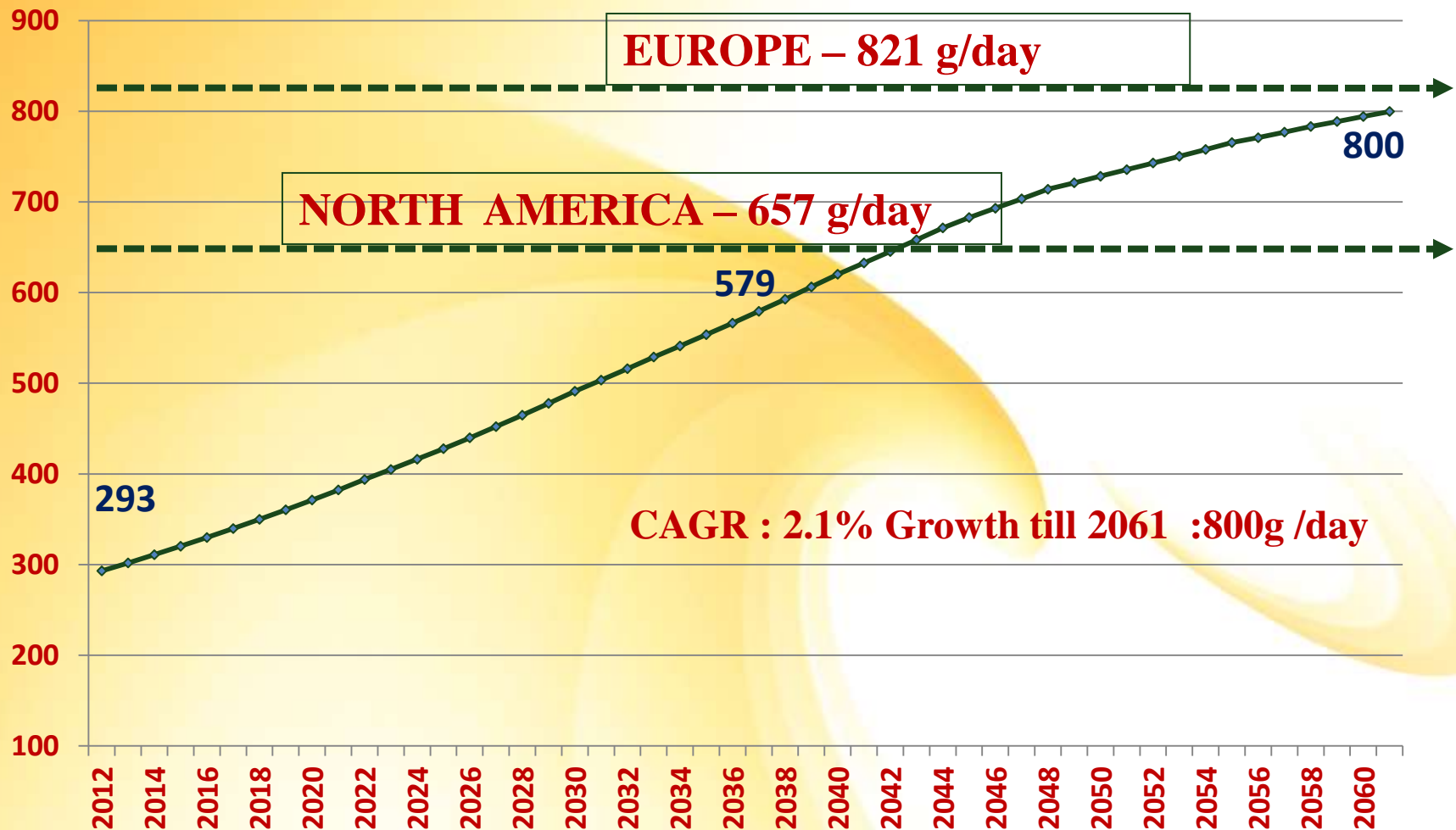




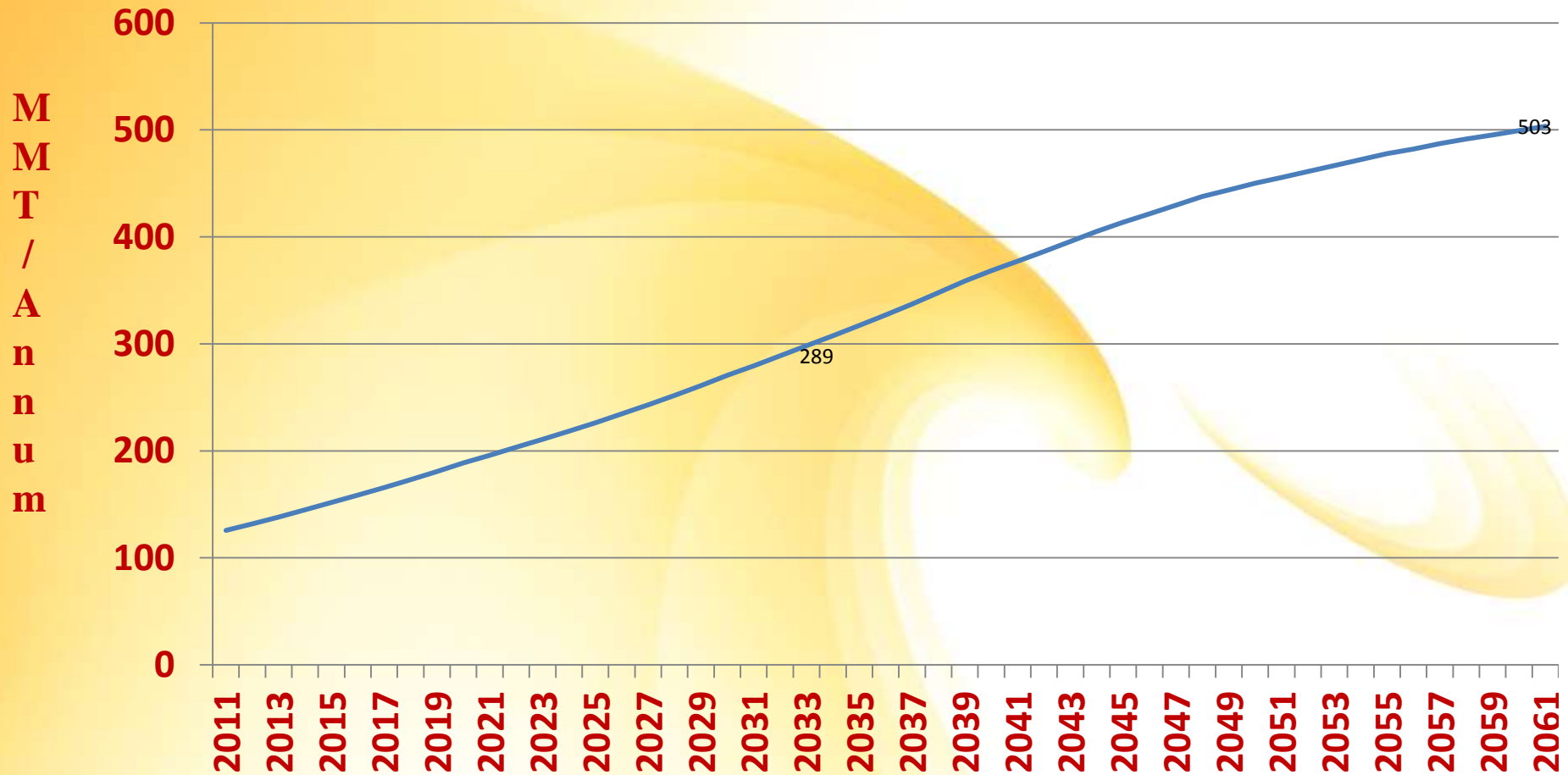
Value-chain innovations will drive productivity



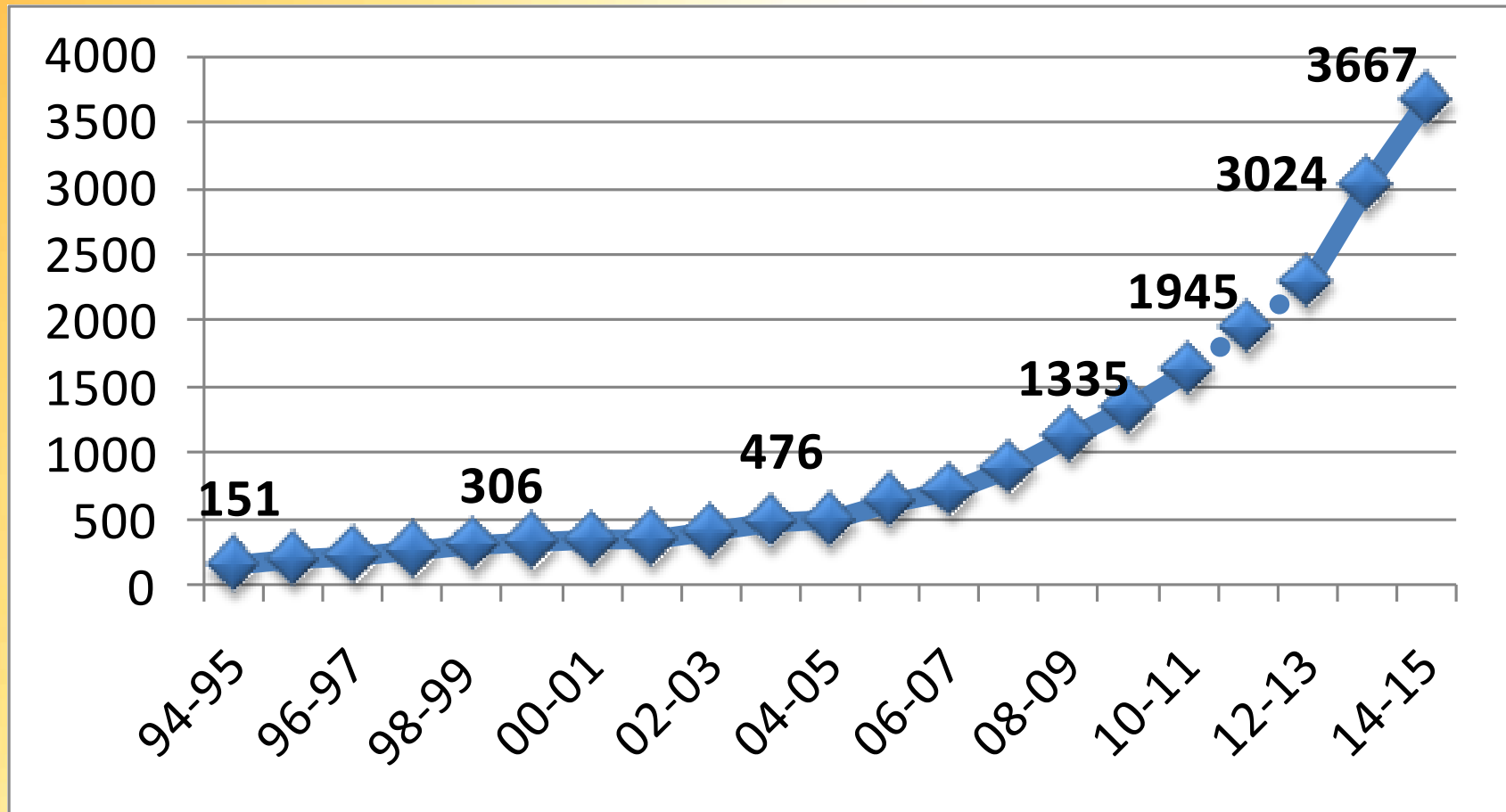
Projected Growth in Per Capita Consumption of Milk in India – NEXT 50 YEARS (gm/day)



This implies that Milk Production will have to grow @ CAGR 2.8% for next 50 years, for Milk Production to reach 503 MMT/annum or 800 g per day – Per Capita Availability

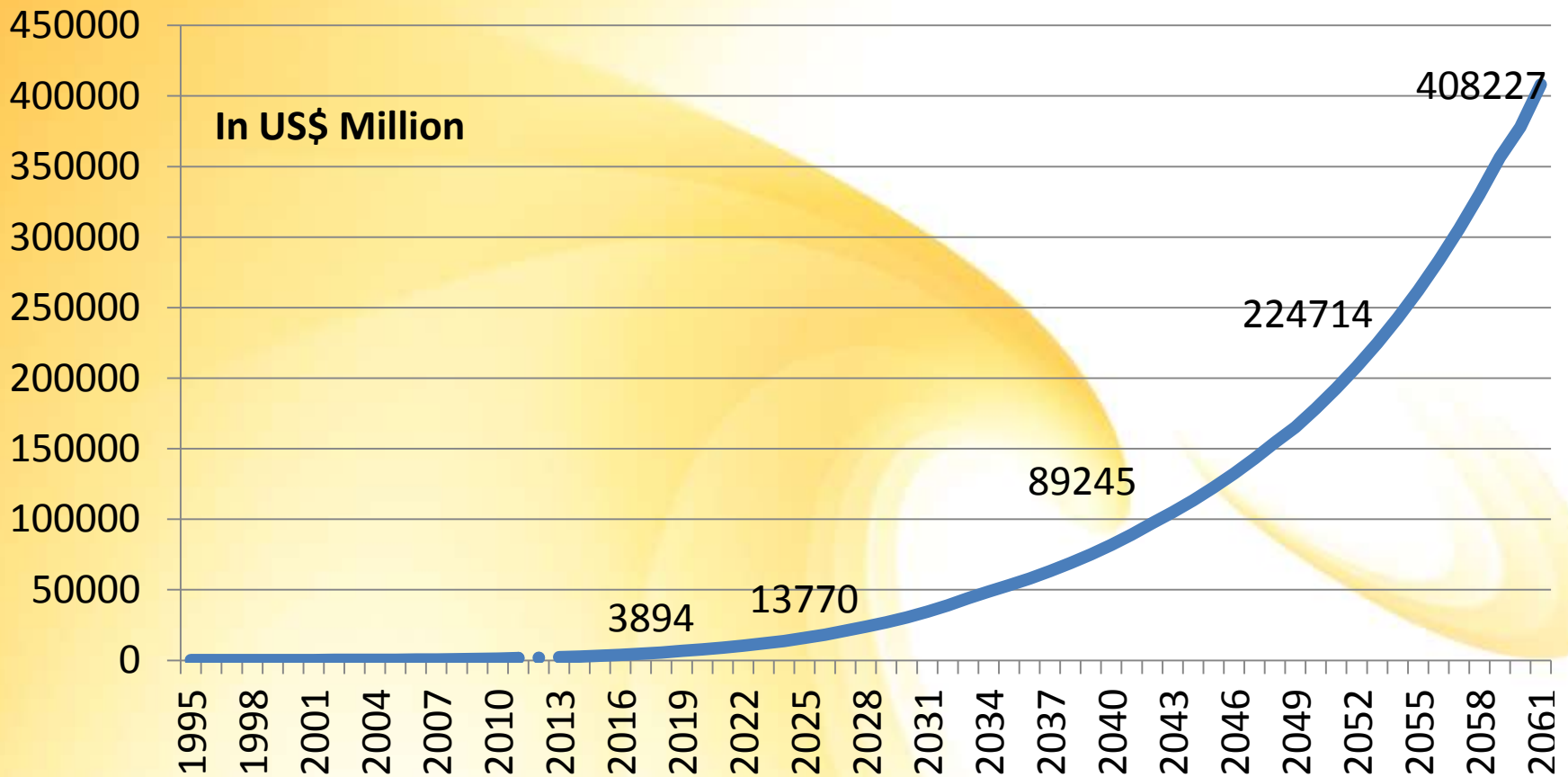


Amul's sales was US\$ 3 Billion in 2013-14 & will cross US\$ 3.7 Billion by 2014-15



@ current exchange rates

For the next 50 years, turnover of Amul will continue to grow @ 11.3% CAGR to reach US\$ 408 Billion



@ current Exchange rates

The Indian Dairy Market : Summary

- Milk & dairy products integral to Indian culture & tradition
- High region-wise diversity in eating habits
- Millions of dairy farmers with 2 or 3 milch animals
- Strong cooperative movement driving organized dairy industry
- Complex market with 15 million scattered retail shops



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