

INDIAN AMAZING GROWTH FORECASTS:

Sleeping Monster or just legalising milk ?

ПОТРЯСАЮЩИЕ
ПЕРСПЕКТИВЫ ИНДИЙСКОГО
РОСТА: СПЯЩИЙ МОНСТР ИЛИ
ПРОСТО ЛЕГАЛИЗАЦИЯ МОЛОКА?

By

Jayen Mehta, Senior General Manager (Planning and Marketing)

Джайен Мехта, Старший генеральный управляющий (Планирование и Маркетинг)

Friday, 24 May 2019



World Dairy Industry

**Provides livelihood to 1 billion
through Dairy Farming**

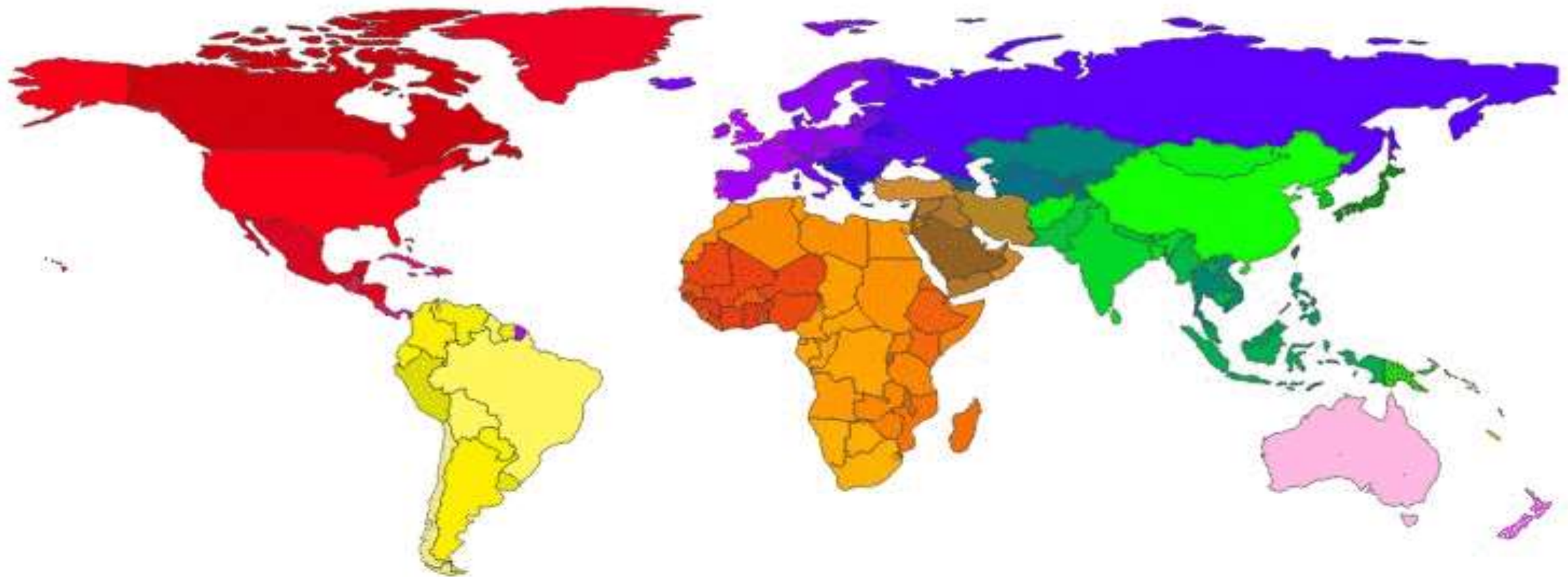
**7.7 billion
consumers**

**Projected Milk Production in
Current Yr: 849 Million Metric
Tonne/year**

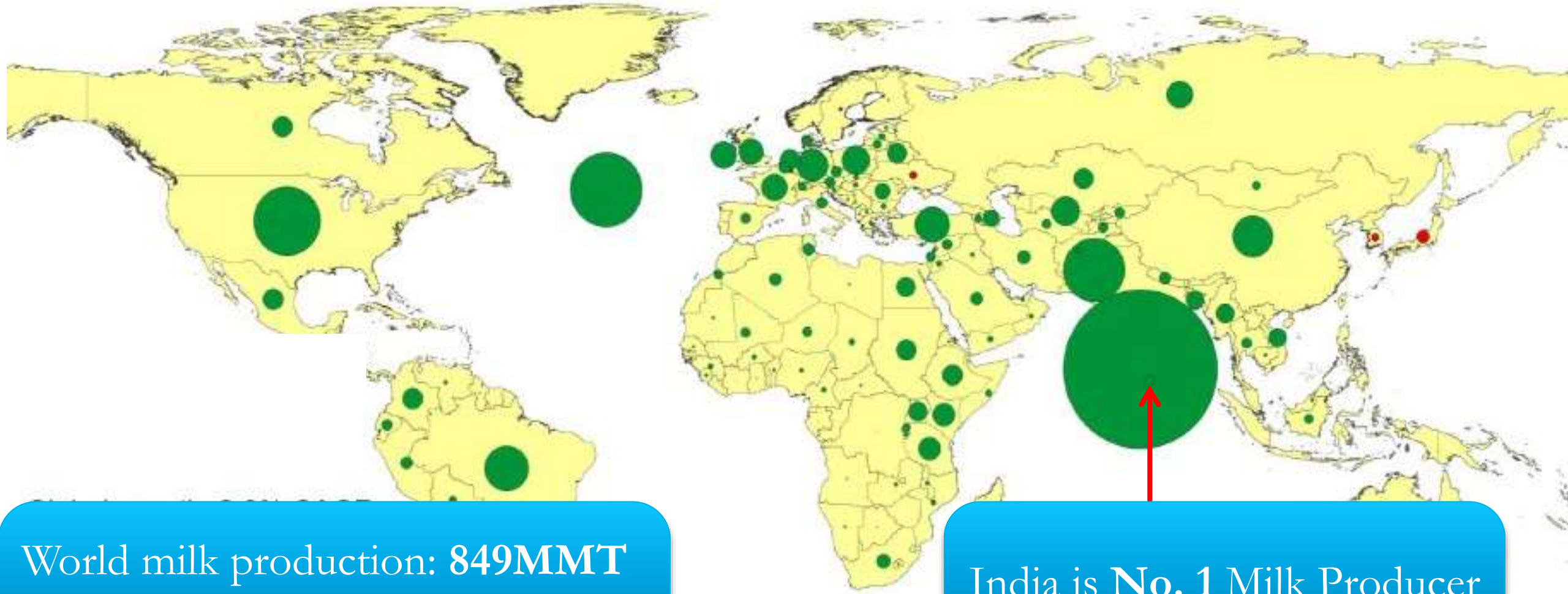
**390 billion ltrs of milk is
processed across the globe**



World population: 7.7 billion & Counting



World Milk Production

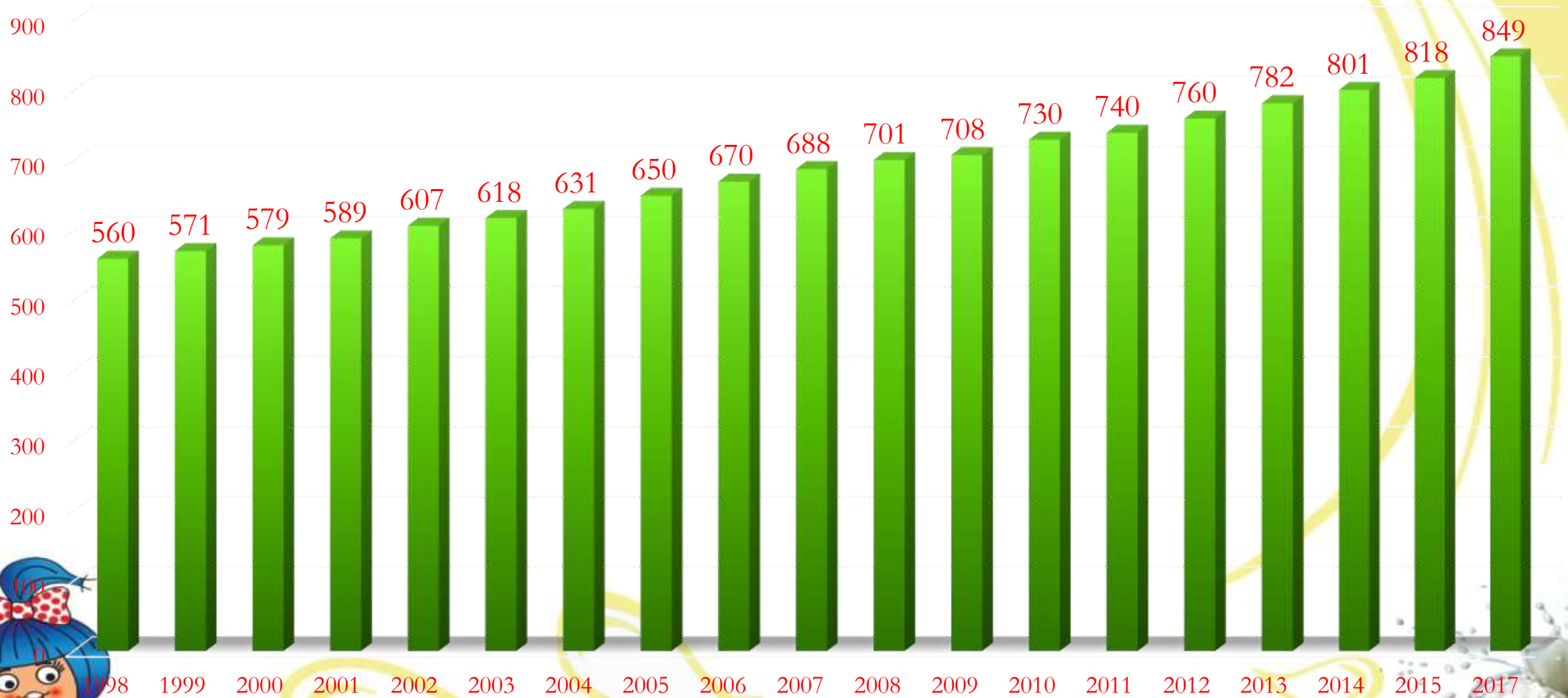


World milk production: 849MMT
World milk production growth:
2.0% of last 20 years

India is **No. 1** Milk Producer
176 MMT (20% of world)

World Milk Production (MMT/year)

World milk production growth: 2.0% of last 20 years

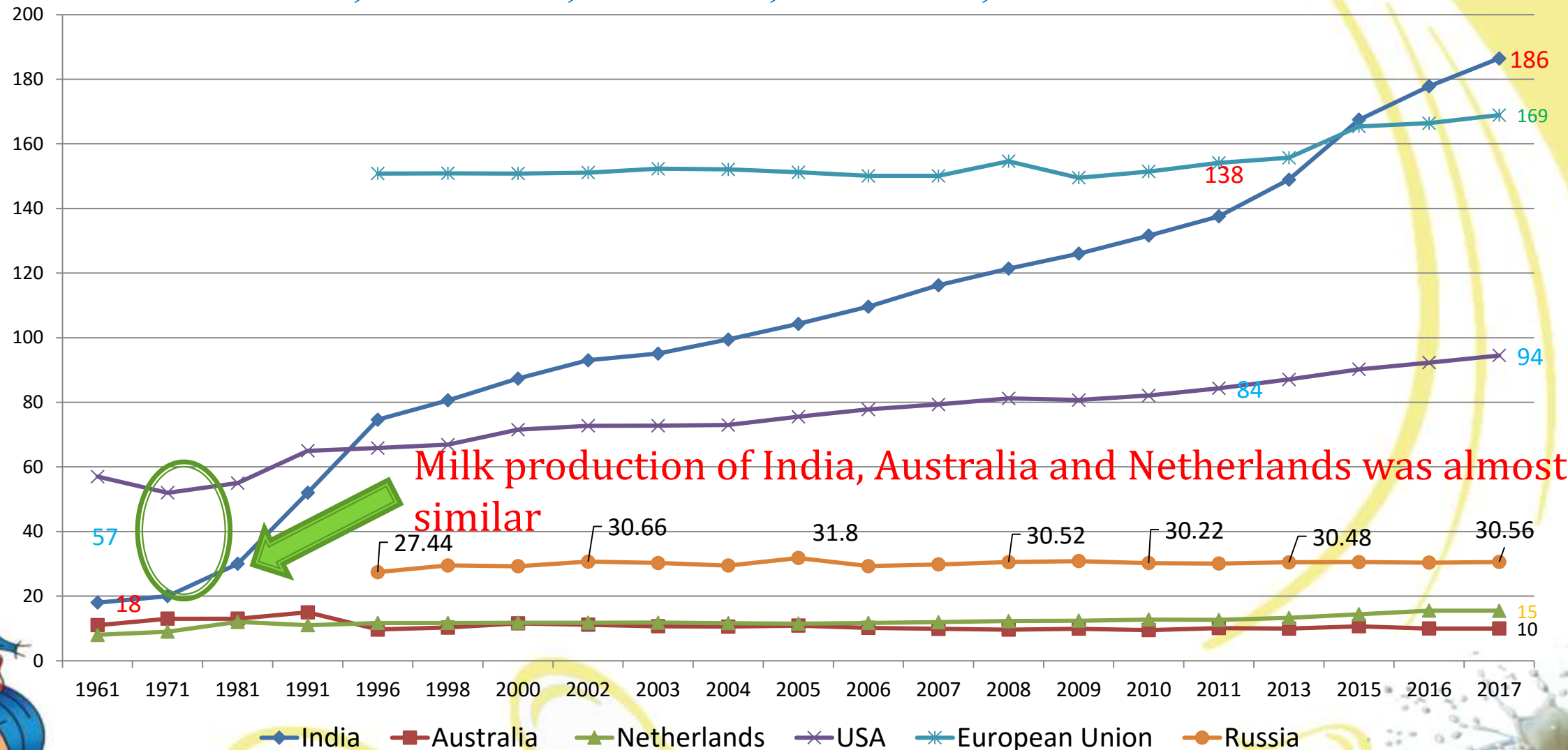


MMT: Million Metric Ton



Milk production status since last 60 years

CAGR India: 4.5%, USA: 1.8%, EU : 1.3%, AUS: 1.3%, Netherland: 2.7% and Russia 0.1%



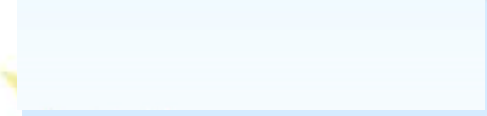
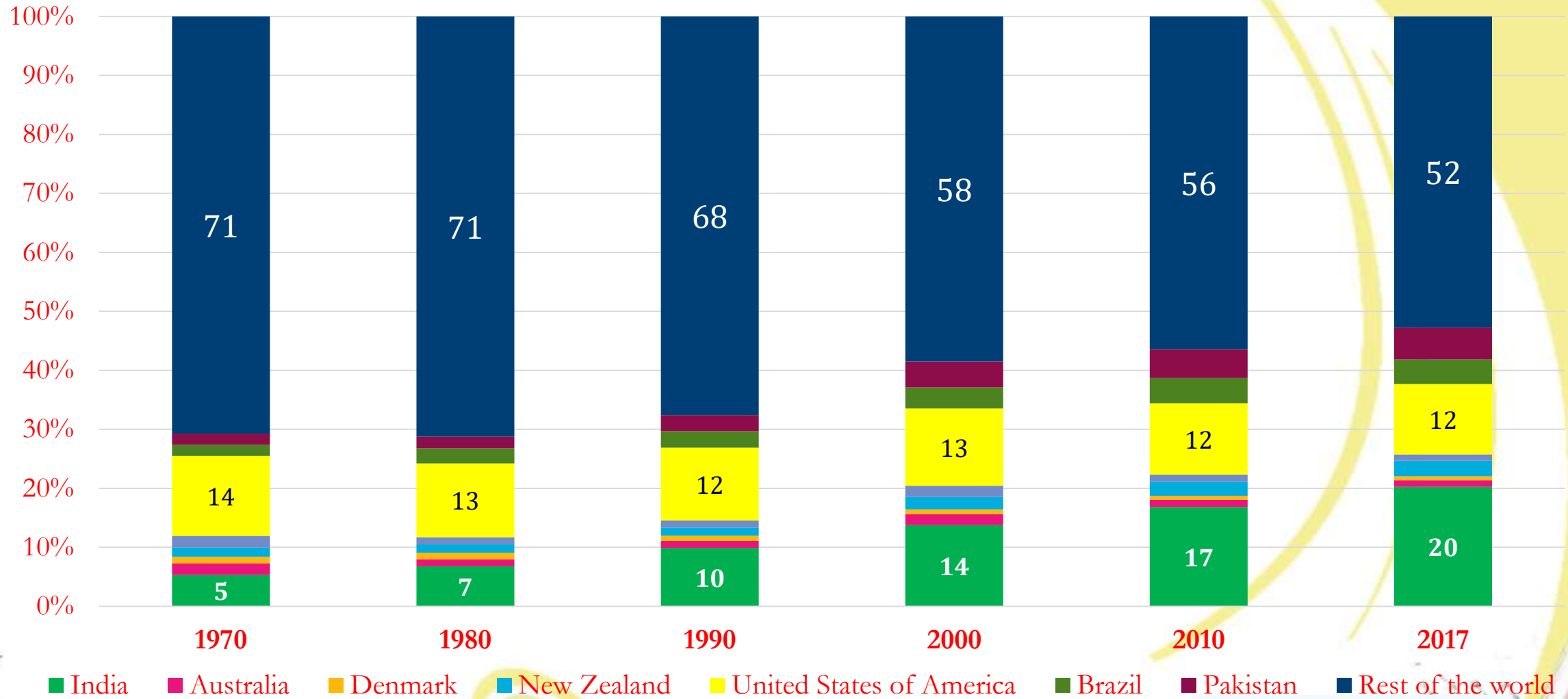
Milk production of India, Australia and Netherlands was almost similar

India and Russia are ranked No. 1 and No. 11 respectively in Milk production in the world.

In MMT/year



% Contribution by country in world milk production



Indian dairy industry situation in 1970s

Milk production : 21 MMT/year

Per capita milk available: 110 gm/day



Indian dairy industry situation in 2019

Milk production : 176 MMT/year

Per capita milk available: 370 gm/day

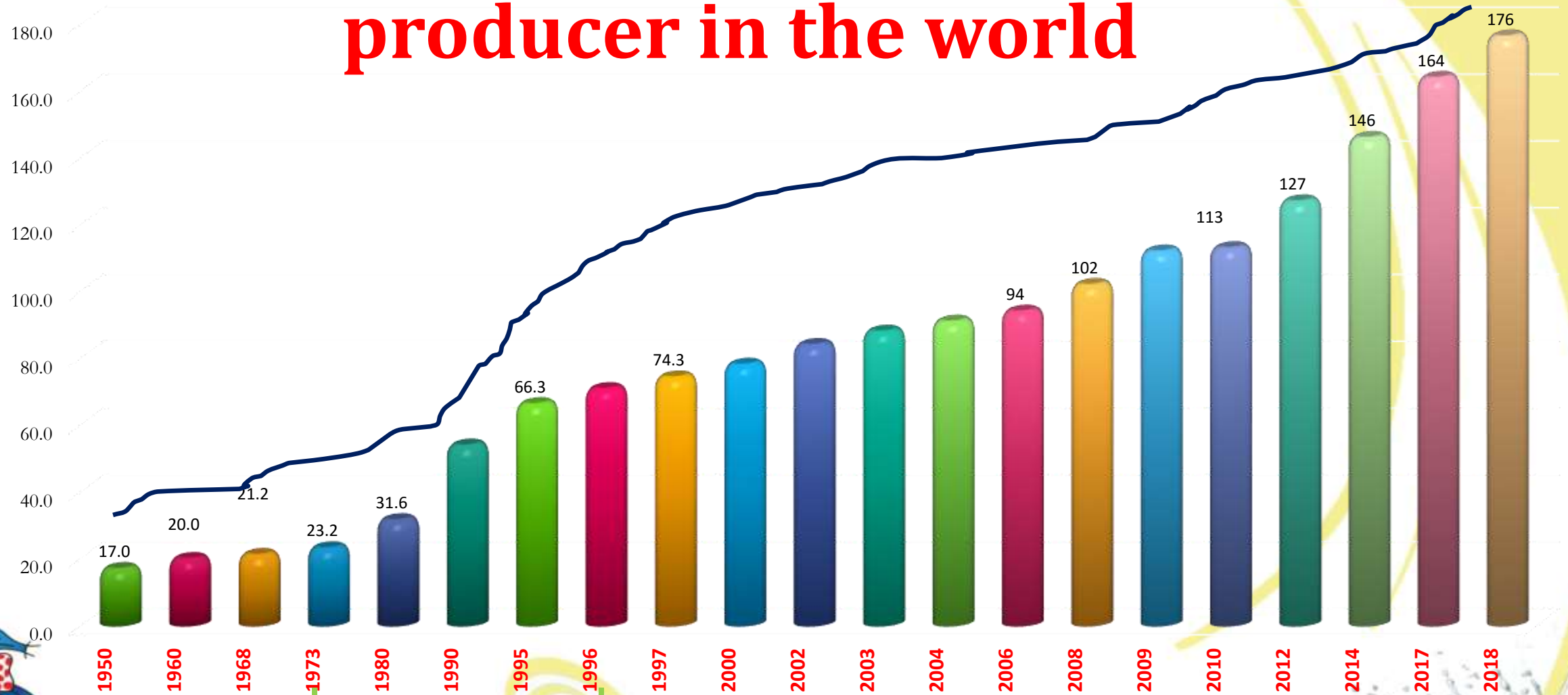


India's Milk Production Situation

Year	Milk production (MMT)	Per Capita (gm/day)	Population (In billion)
1971	21	110	0.55
2018	176	370	1.35
Increased by	8.5 times	3.5 times	2.5 times



The journey to become the largest milk producer in the world



Operation Flood (1970-1996)

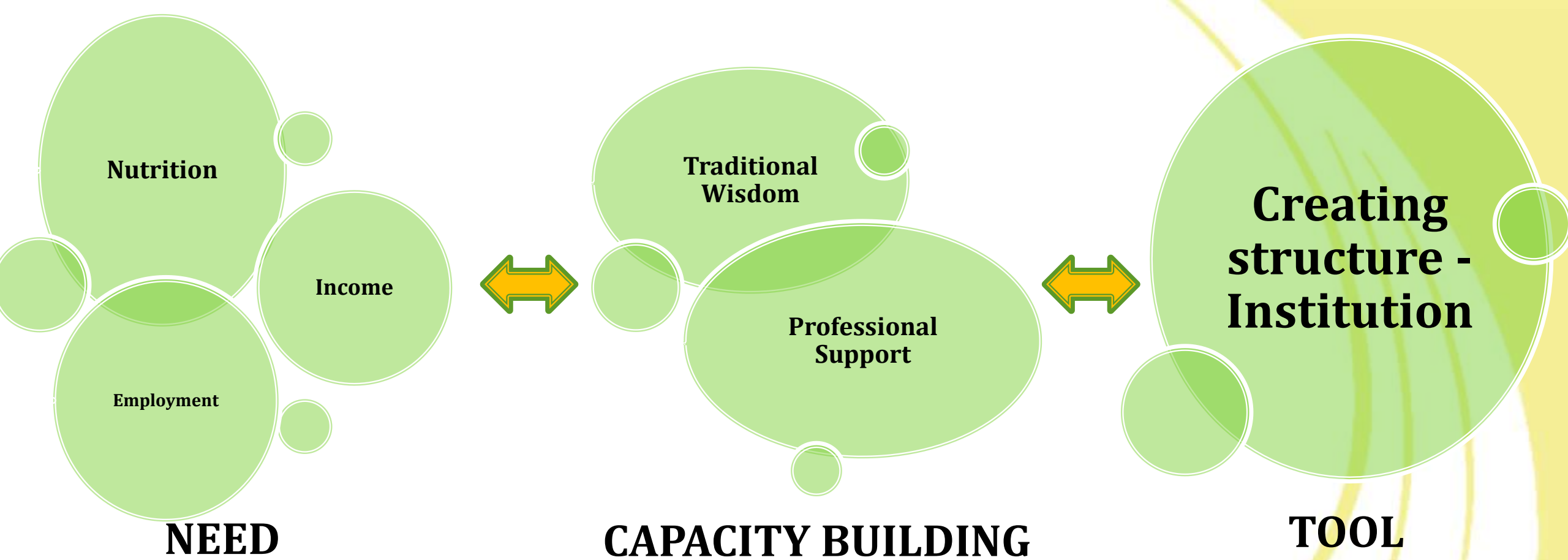
Graph not to scale (in MMT)

**A story of how a
milk cooperative
made India the
largest producer of
milk in the world**



The contribution of dairy value chains to nutrition, income and employment in India : The Amul Experience





Owned by farmers



Managed by professionals



The birth of Amul

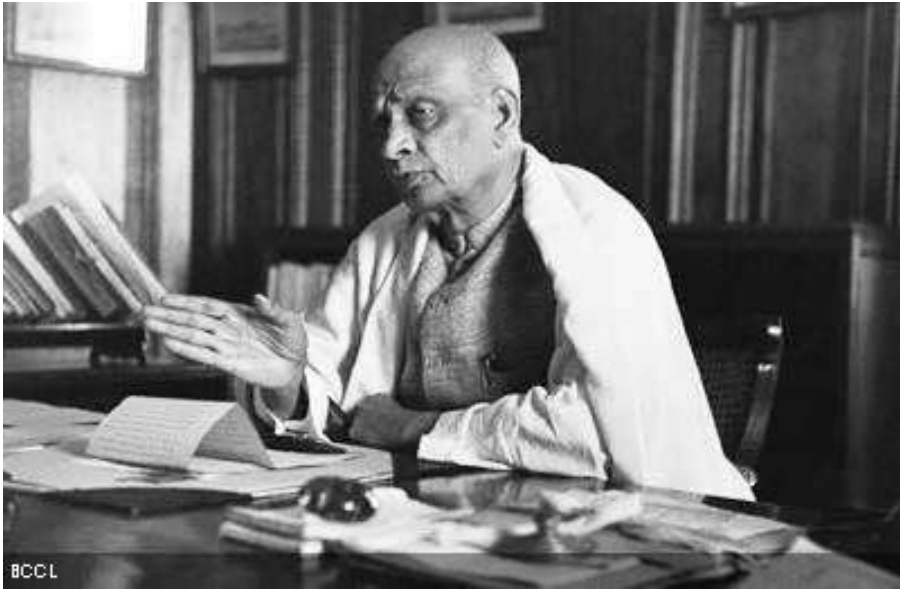
- ▶ A humble beginning with 2 village societies and 247 litres of milk



- ▶ Registered on December 14, 1946, as the Kaira District Co-operative Milk Producers' Union Ltd.

- ▶ Became role model for Co-operative Dairy development





Sardar Vallabhbhai Patel



Tribhuvandas Patel



Dr Verghese Kurien

Farmer Leaders

Professional



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



into a dairy giant handling 36 million liters of milk per day



And transformed a tiny word....

Amul

...into India's largest dairy and food brand



Indian dairy industry at the time of inception of Amul

- ▶ Inferior quality of locally marketed milk
- ▶ Fluctuating supply and increasing demand
- ▶ Heavy dependence on imports to keep consumer prices at low level: anti-dairy cycle
- ▶ Milk production in India (1950): 17 Million MT



The Amul Model

- ▶ Establishment of a direct linkage between milk producers and consumers by eliminating middlemen...
- ▶ Milk Producers (farmers) control procurement, processing and marketing...
- ▶ Professional management...



The Consumer



State Co-op. Milk
Mktg. Fed.



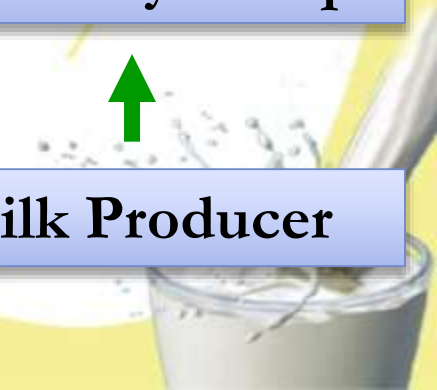
Dist. Milk Co-op.
Union



Vill. Dairy Co-op.

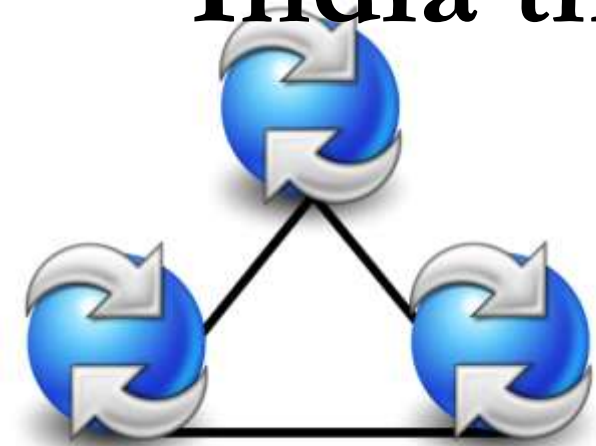


Milk Producer



Amul model successfully replicated in other parts of country by the National Dairy Development Board from 1970 to 1996

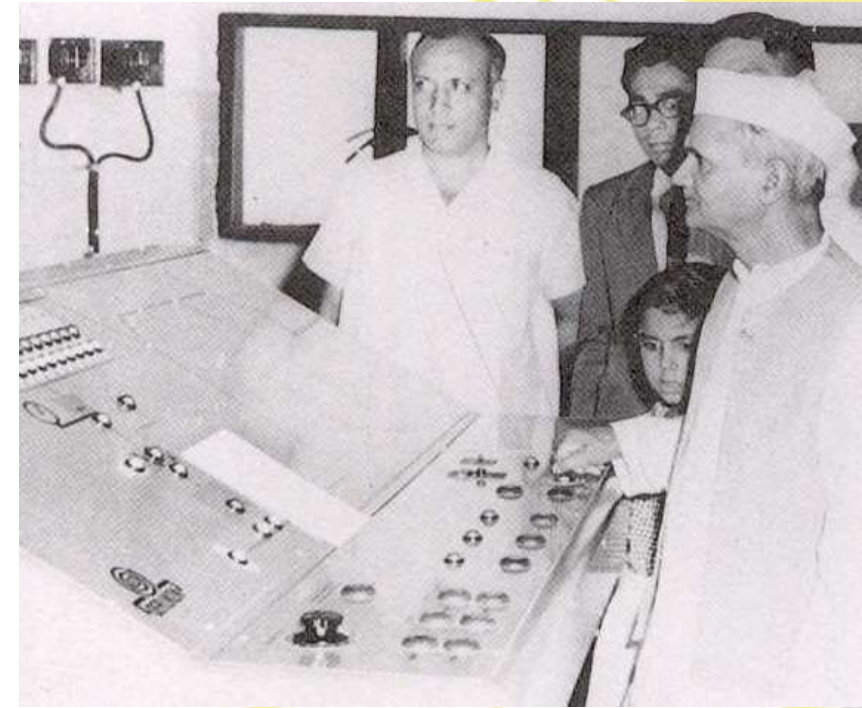
Leads to White revolution in India making India the largest producer of milk in the world by 1998



Operation Flood



- ▶ Dairy commodities received as food aid were monetized.
- ▶ Funds generated were provided as loans & grants for:
 - Establishing a network of cooperatives at village, district & state levels.
 - Establishing procurement , processing and marketing infrastructure.
 - Programs for animal productivity enhancement – animal breeding, feeding and healthcare .
 - Training and manpower development .



GCMMF in Gujarat

18 District
Unions in
Gujarat

18,559
VDCS in
Gujarat

3.6 million
in Gujarat



Amul

SALES
REVENUE

MARKET



Model

SALES
REVENUE

STATE MILK FEDERATION

MILK
&
MILK
PRODUCTS

Bonus

Addl.
Price
Diff.

Dividend on
Shares

DISTRICT MILK UNIONS

MONEY

MILK

MONEY

Cattle Feed

Rural Health
Schemes

Vet. & AH
Services

VILLAGE DAIRY COOPERATIVE SOCIETIES



MEMBER PRODUCERS

28 State
Fedns.
in India

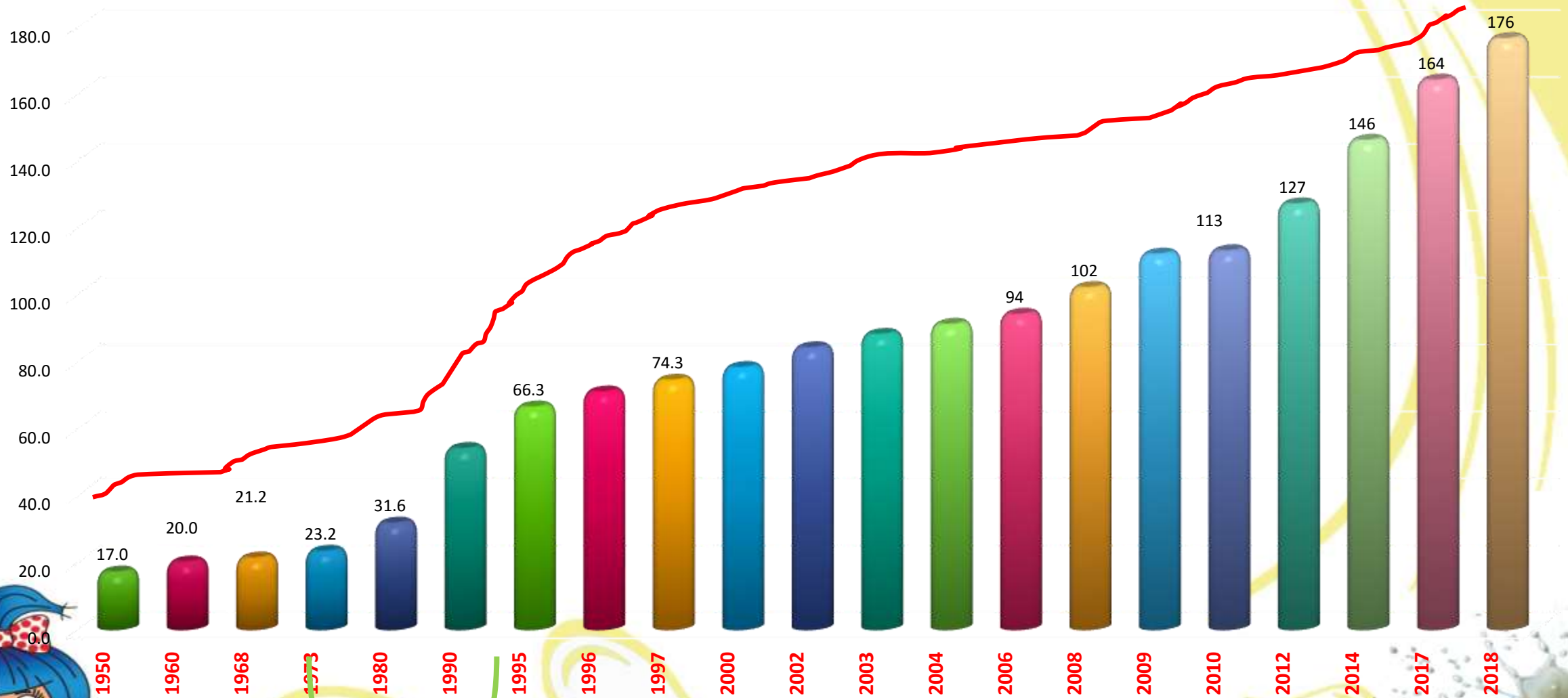
218
District
Unions in
India

1,85,903
VDCS in
India

16.6 million
in India



Milk Production: India (MMT)



Operation Flood (1970-1996)

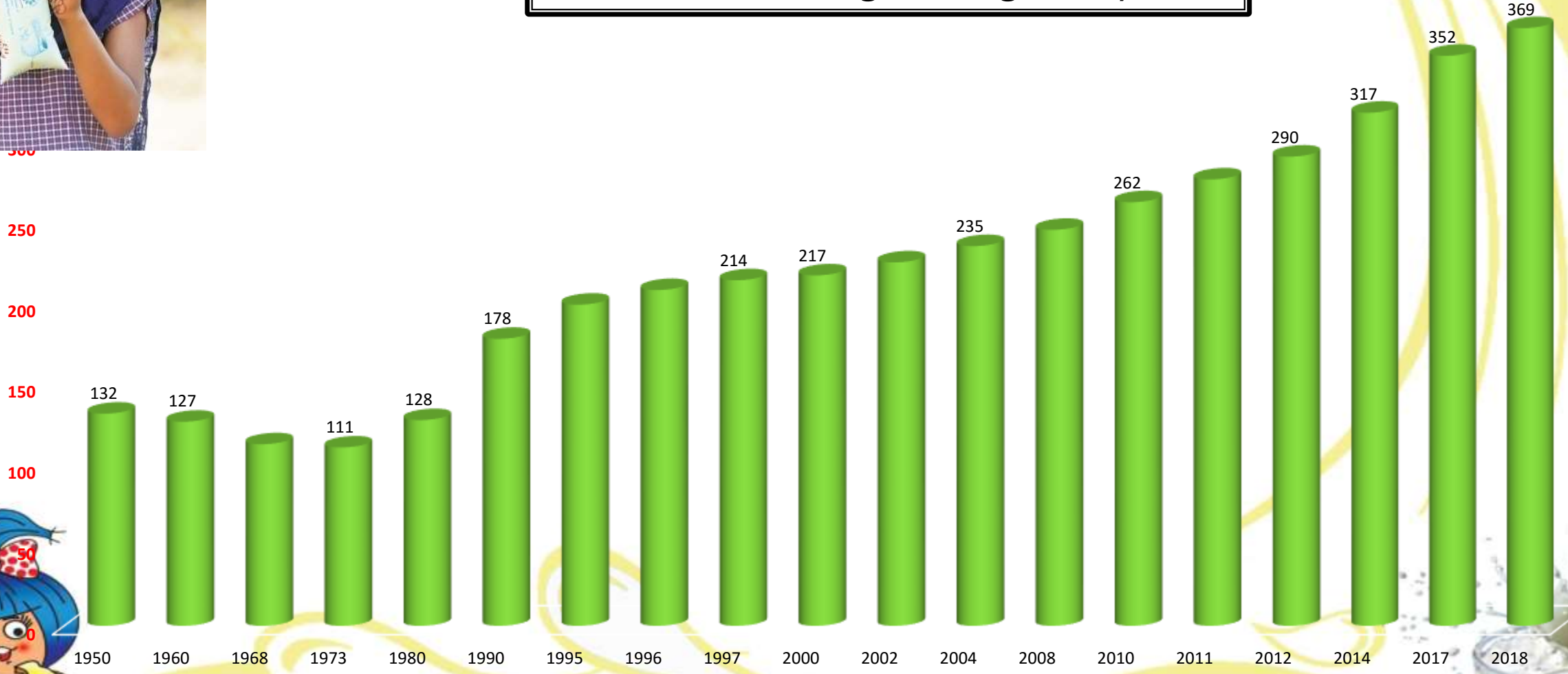
Graph not to scale



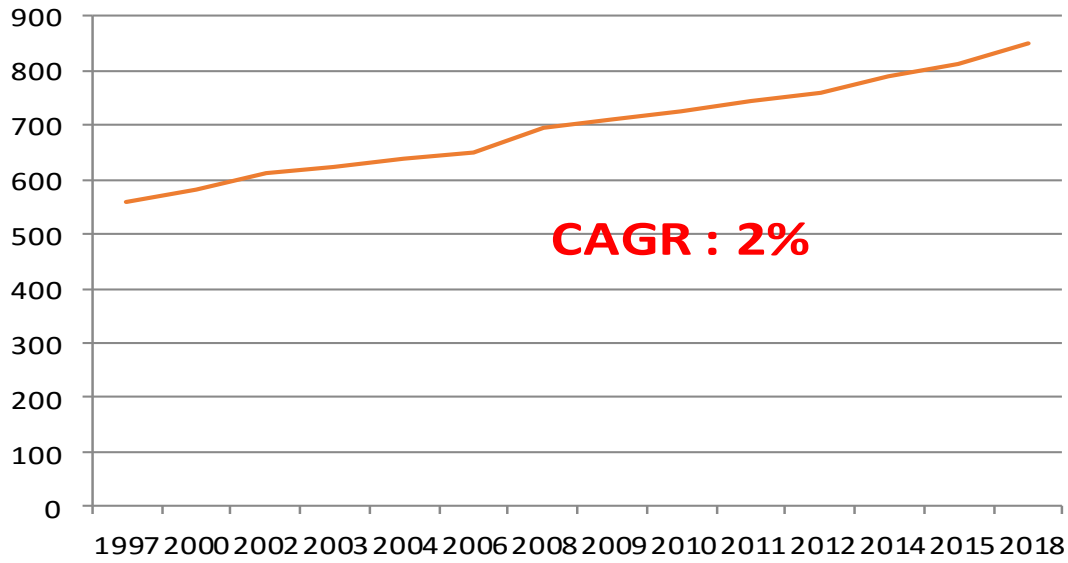


Per Capita Availability India (Gms. Per Day)

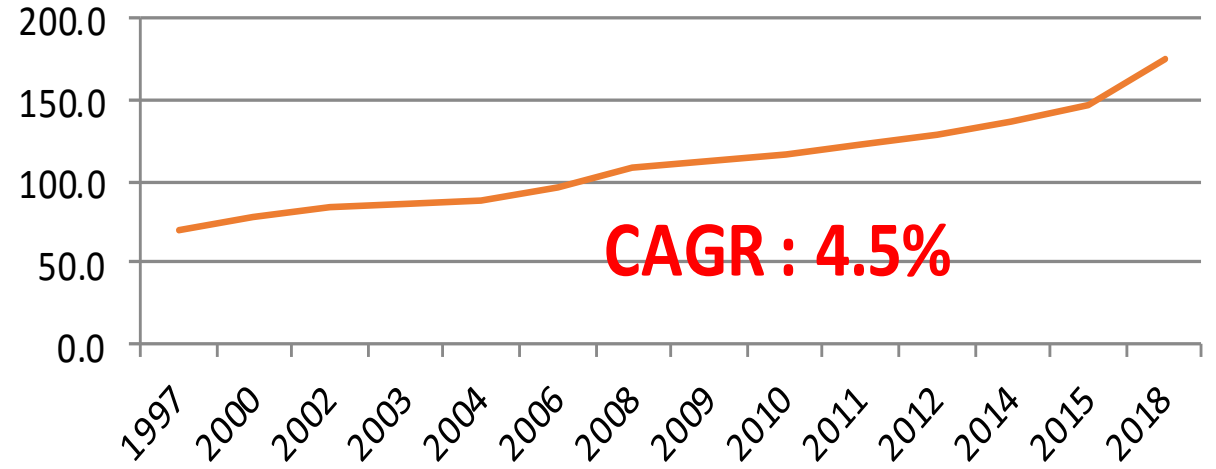
World average: 300 gm/day



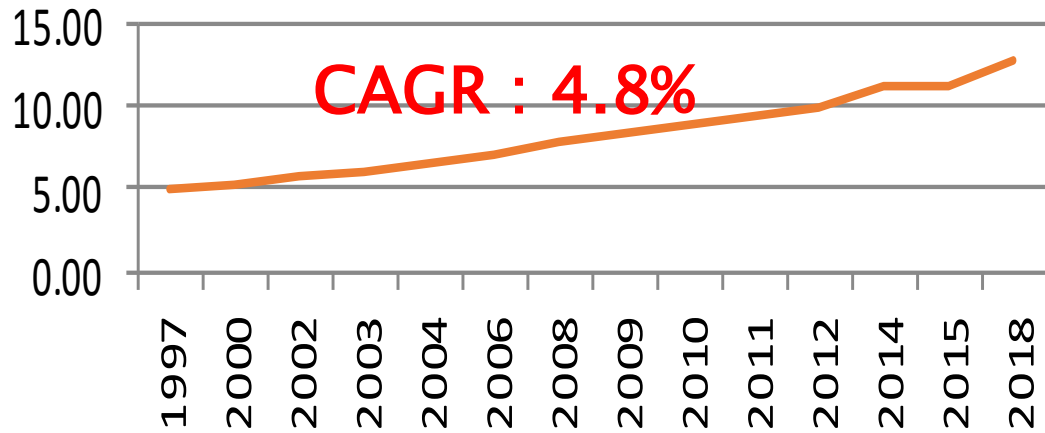
World milk prodn 849 MMT



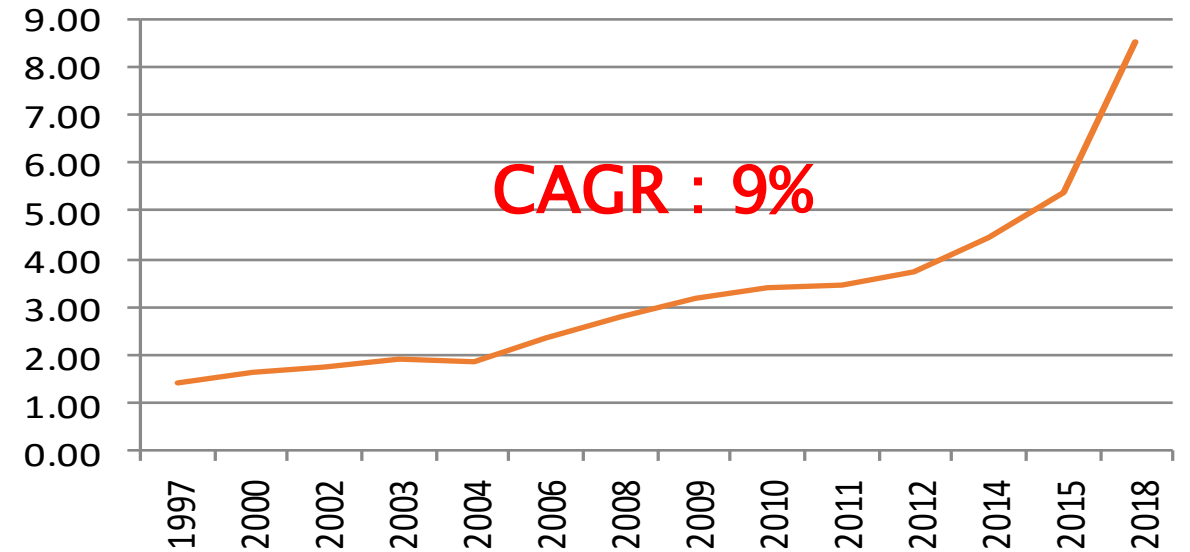
India milk prodn 176 MMT



Gujarat milk prod 13 MMT



AMUL milk procurement 8.5 MMT



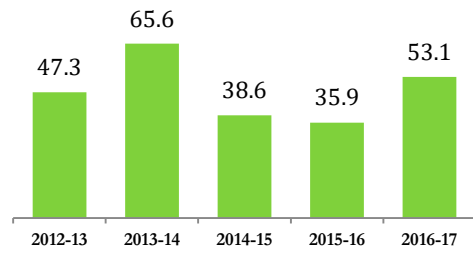
Continuous higher price received by Indian farmers



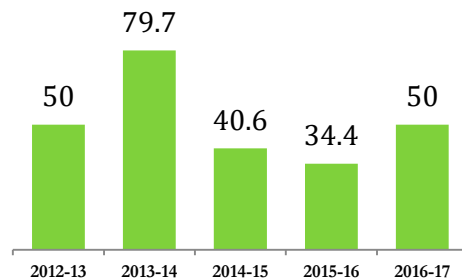
Source: FAOSTAT

World Farm Gate Prices

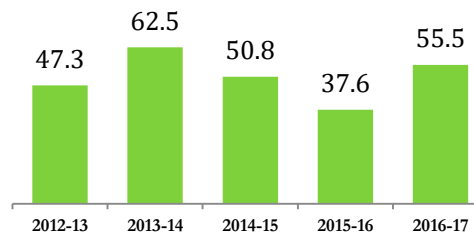
EUROPE



AUSTRALIA



USA



INDIA

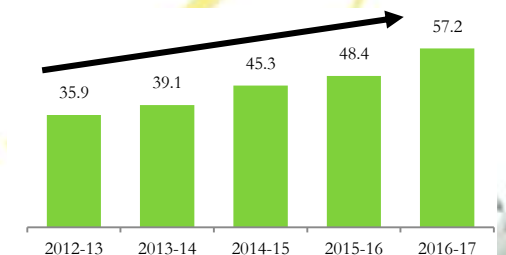


Fig in \$/100 Lit Milk



Amul ensures that 80% - 86% of consumer's rupee goes back to its dairy farmers

India

Indian dairy cooperatives ensure that their farmers get **80%-86%** of Consumers Rupee spent on Milk & Milk Products

Other Countries

In **USA**, producers get **38 %** of consumers' money spent on Milk and Milk products while in the **UK**, producers get only **36%**



Milk Production

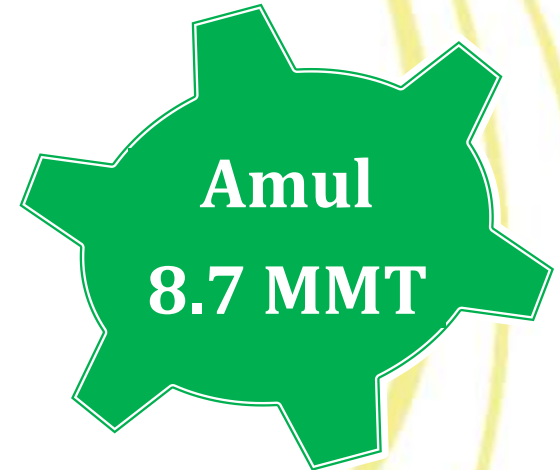
(20% of
WORLD)



(18% of India)



(27% of
organized sector)



YEAR:
2018-19

MMT: Million Metric Tone



India: Demography



1.3 Billion
1.2% Gr



Rural: 70%
Urban: 30%



60% of
population
depended on
Agriculture



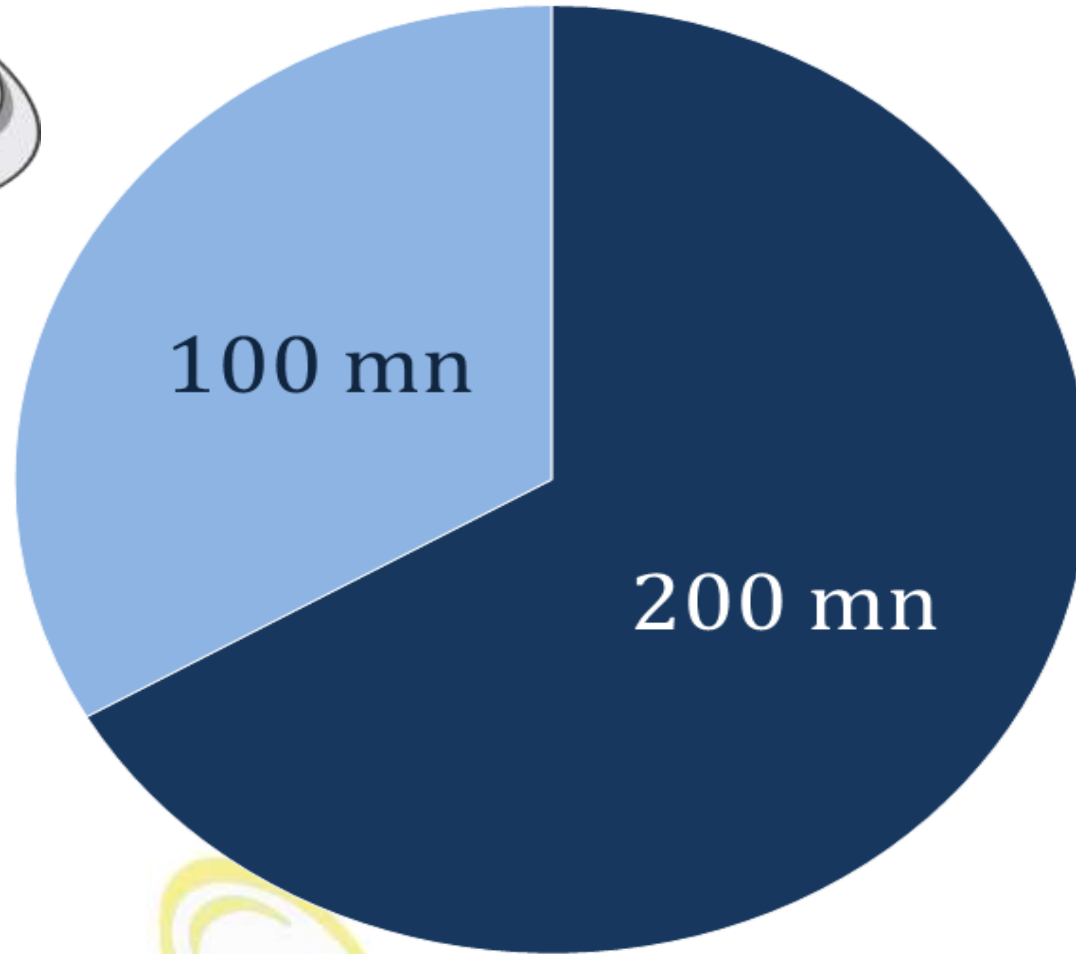
18% of GDP
from Agriculture
(of which 28%
from Livestock)



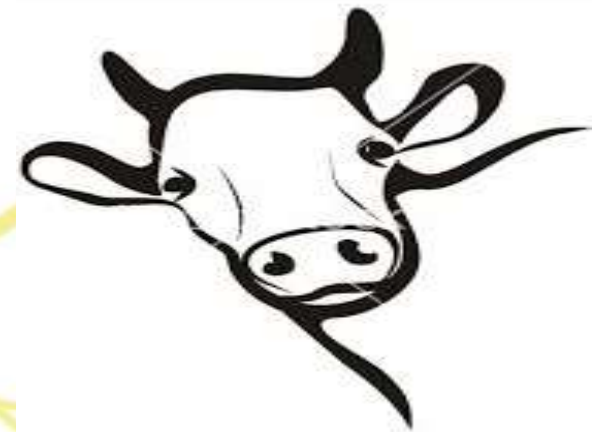
Largest Bovine Population in the world : 300 Million



55%
of total milk
production
(97 MMT)



45%
of total milk
production
(79 MMT)

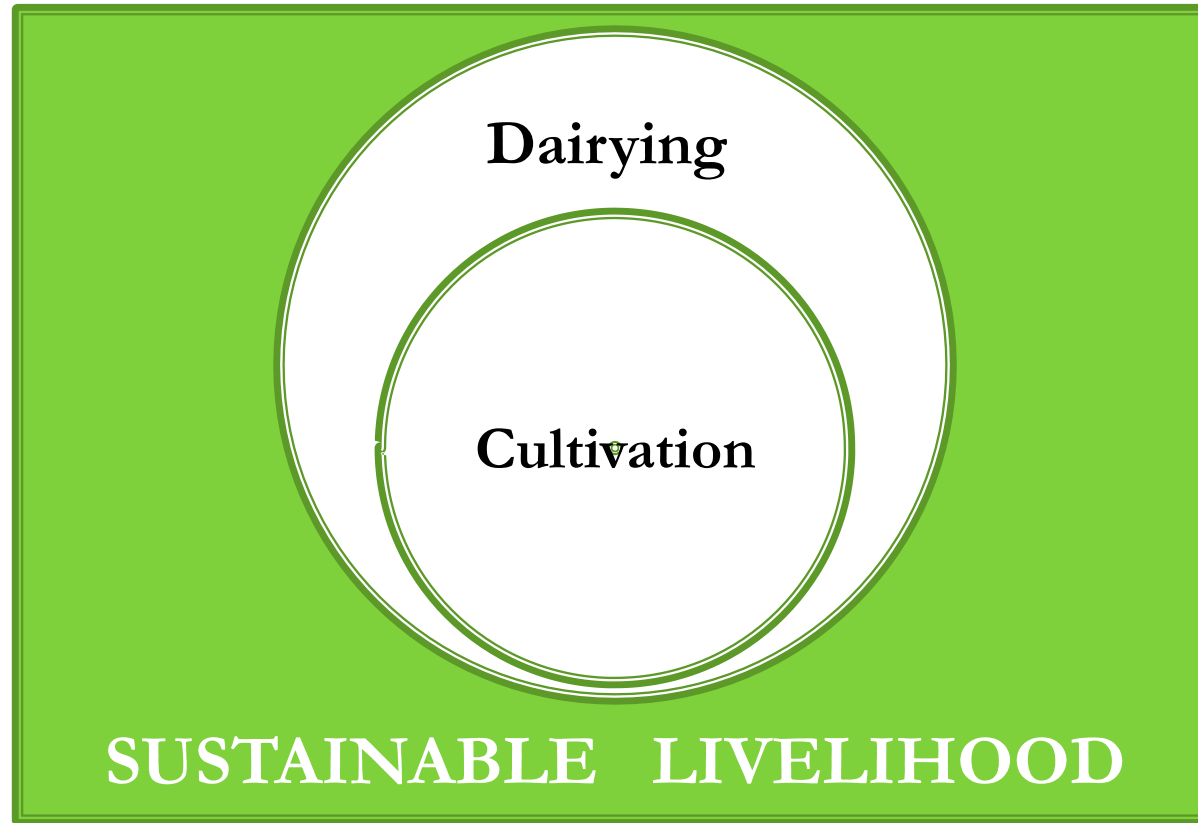


Indian Agriculture Scenario

- ▶ Agriculture:
 - 18% contribution to GDP
 - Employment to 60% of population
- ▶ Livestock sector-Largest contributor to Agriculture GDP (~ 30%)
- ▶ Milk is the largest 'Agricultural Crop' of India
- ▶ Dairy is a supplementary source of income for >75 million families



70% of rural households have less than one hectare of land



Research studies have reported reduction in rural poverty being more responsive to growth in the livestock sector than growth in the crop sector



1

Dairy provides **daily** income

2

Mitigates farmers' woes in crop failure and drought

3

Low input – low output model: Efficient fodder to food protein conversion

4

Movable asset – migration

5

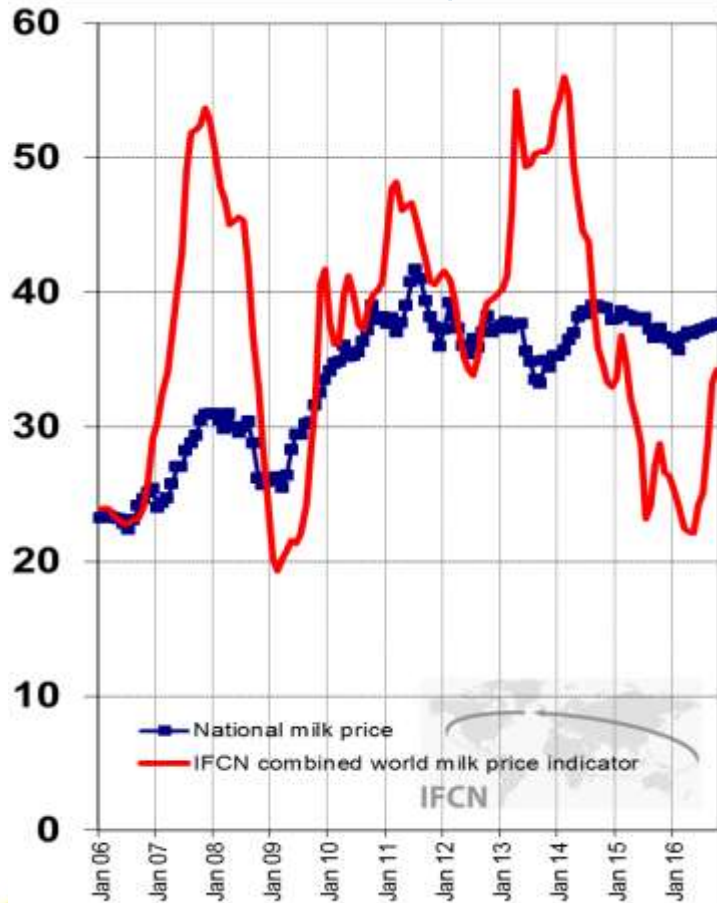
In India, dairying is not mass production but production by mass



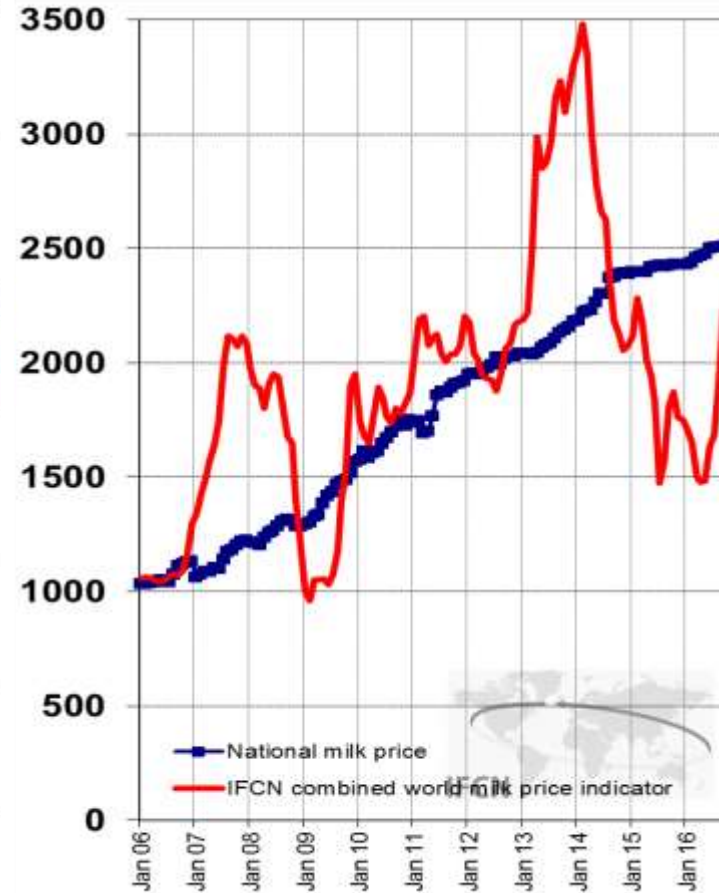
Indian Farmer's income from milk increased 2.5 times in last 10 years

Per 100kg 4% fat and 3,3% protein

in US- \$



in Indian Rupee



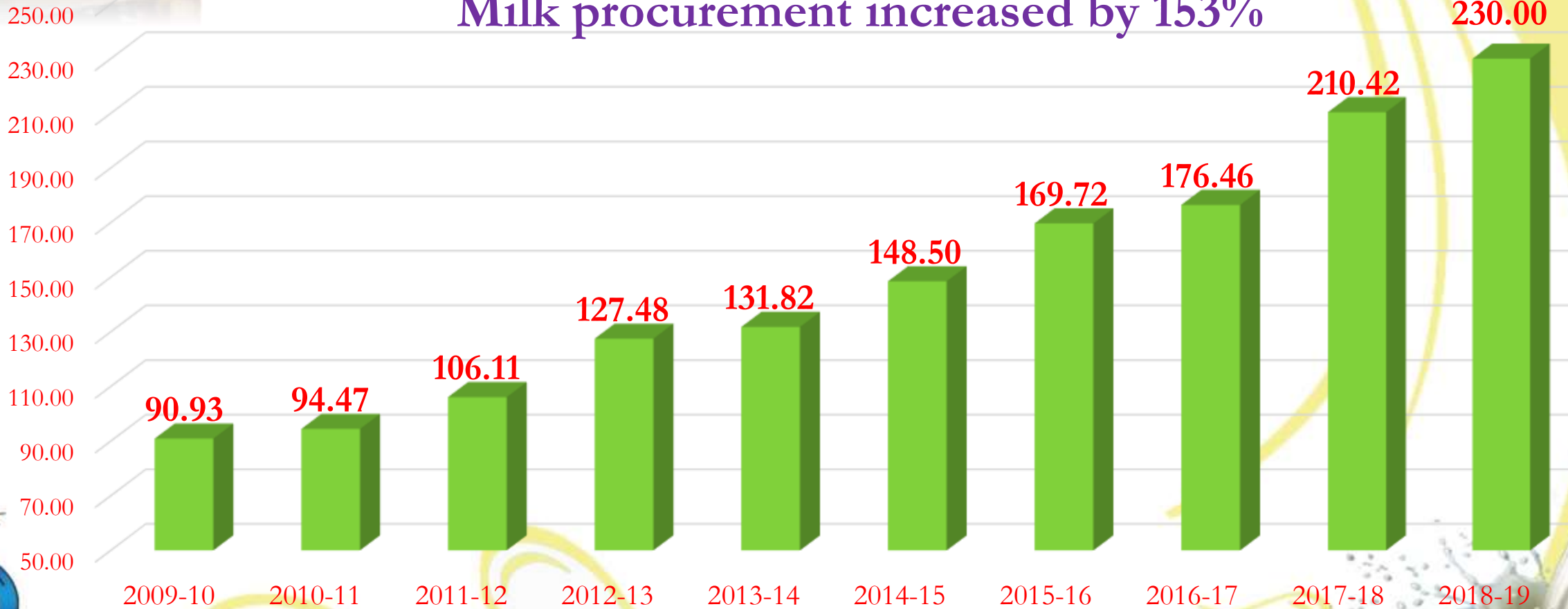
Source: IFCN Monthly Real Time Data



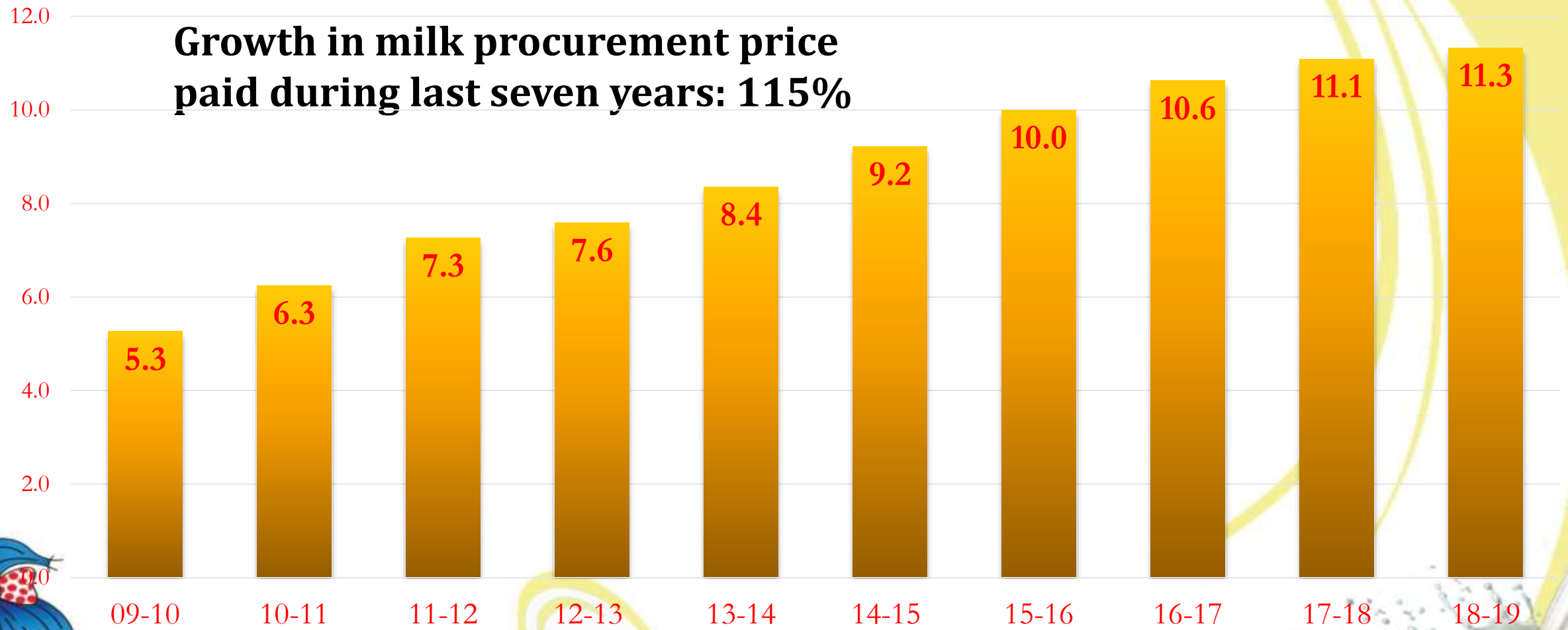
Milk Procurement of Amul Federation (In Million Kg Per Day)



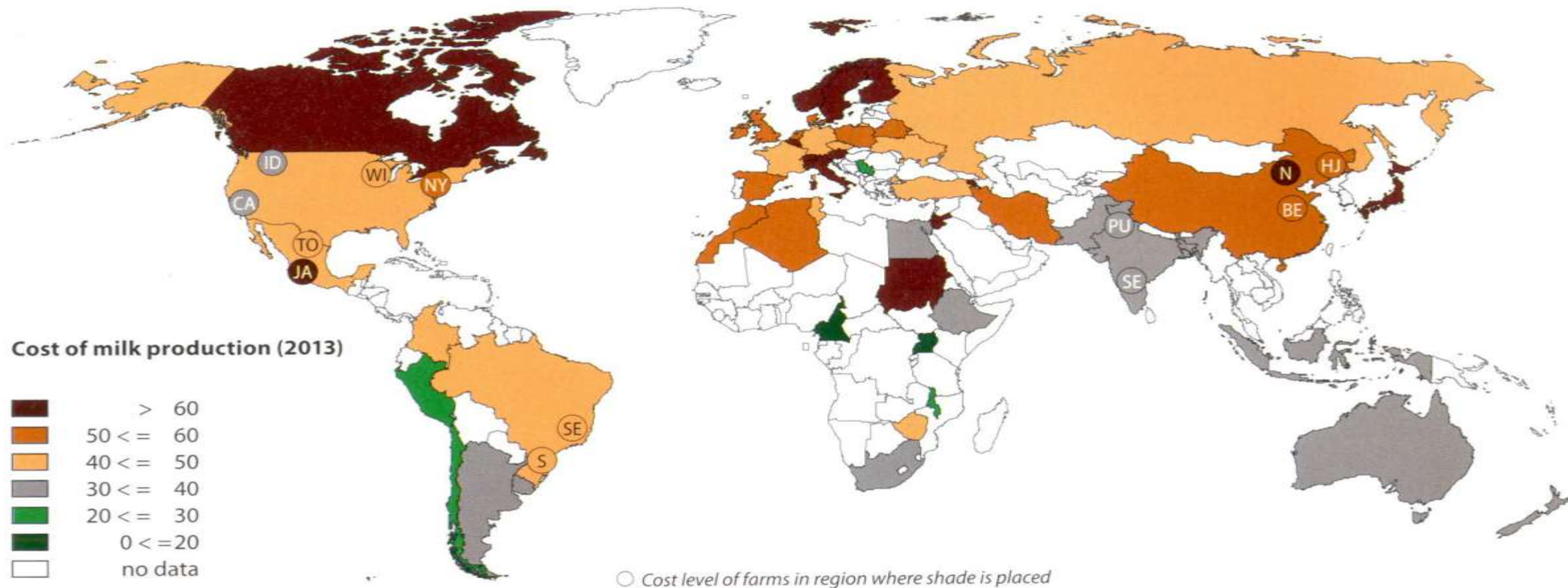
Milk procurement increased by 153%



Milk procurement price paid to milk producer members (USD per Kg Fat)



Competitiveness of Indian dairy products



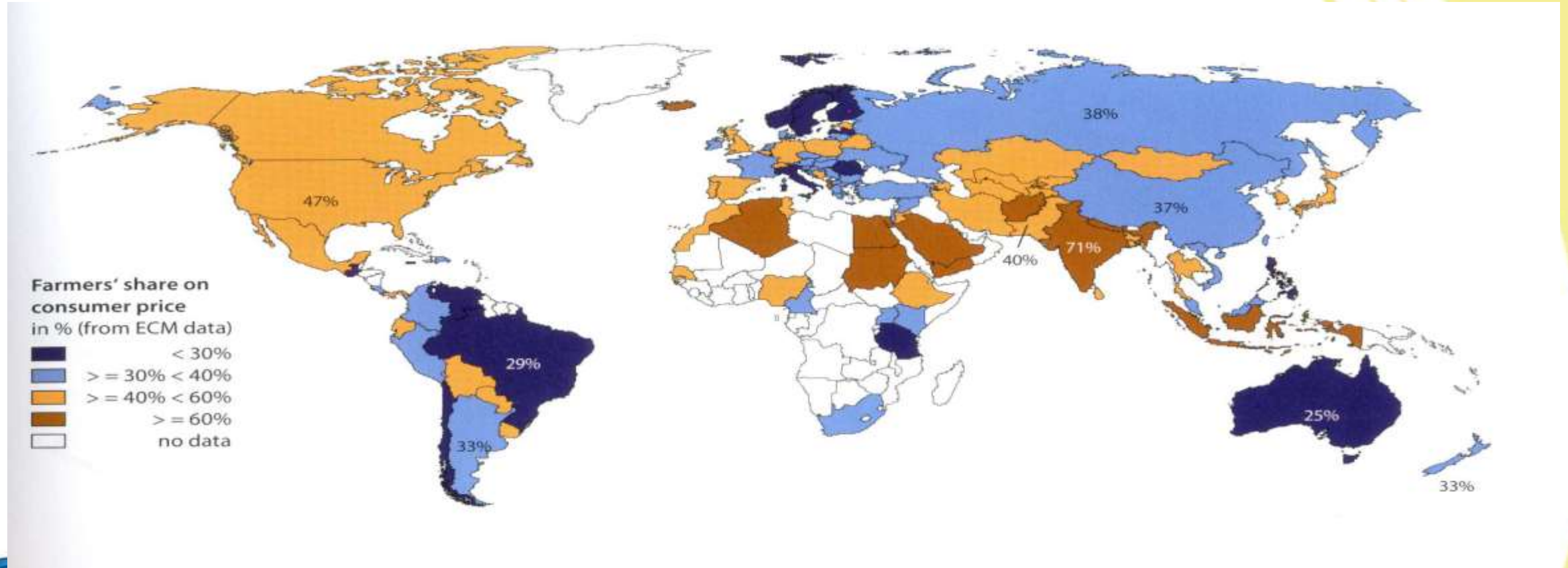
In terms of Cost of Milk Production, India is competitive as compared to EU & US and is at par with Oceania

Source: IFCN



Competitiveness of Indian dairy products

▶ Farmer's share in consumer price :

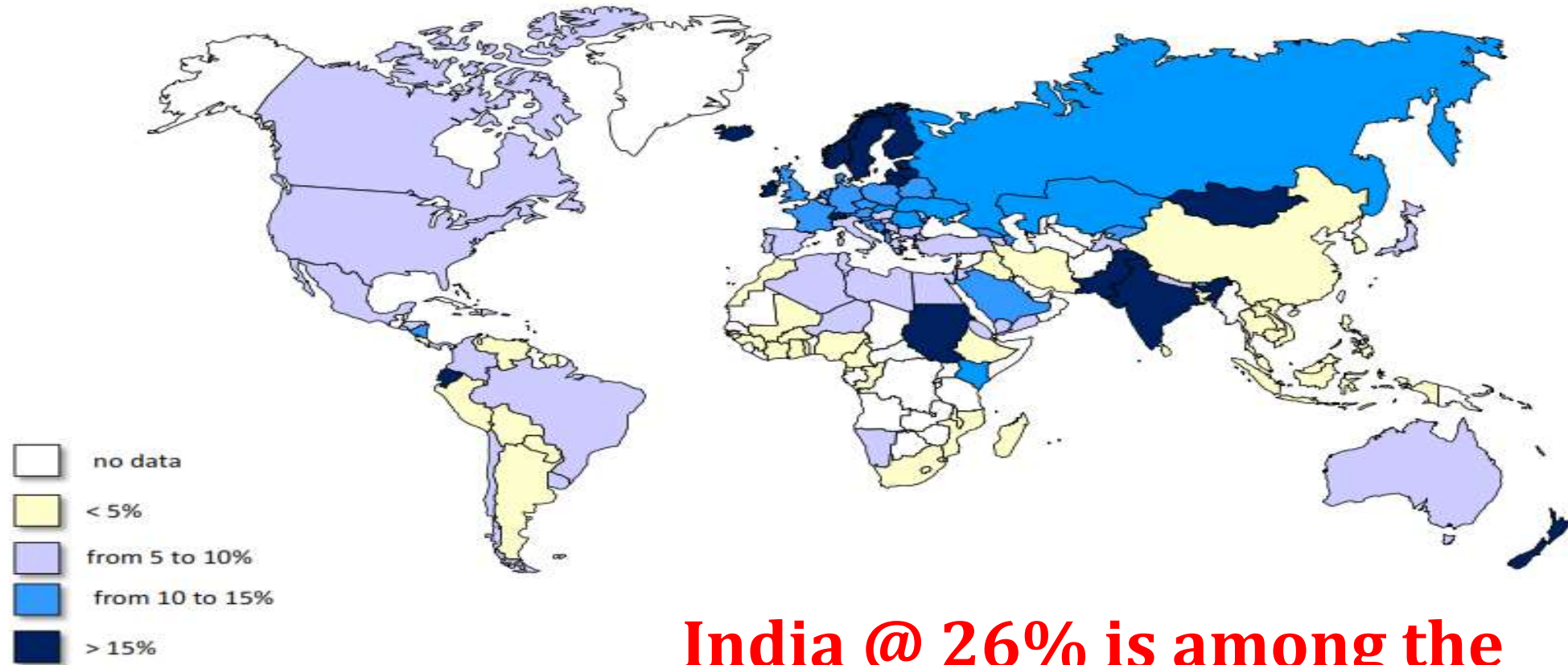


Indian Farmer has the highest share of consumer price

Source: IFCN



% Share of Dairy sector in Total Agricultural Production

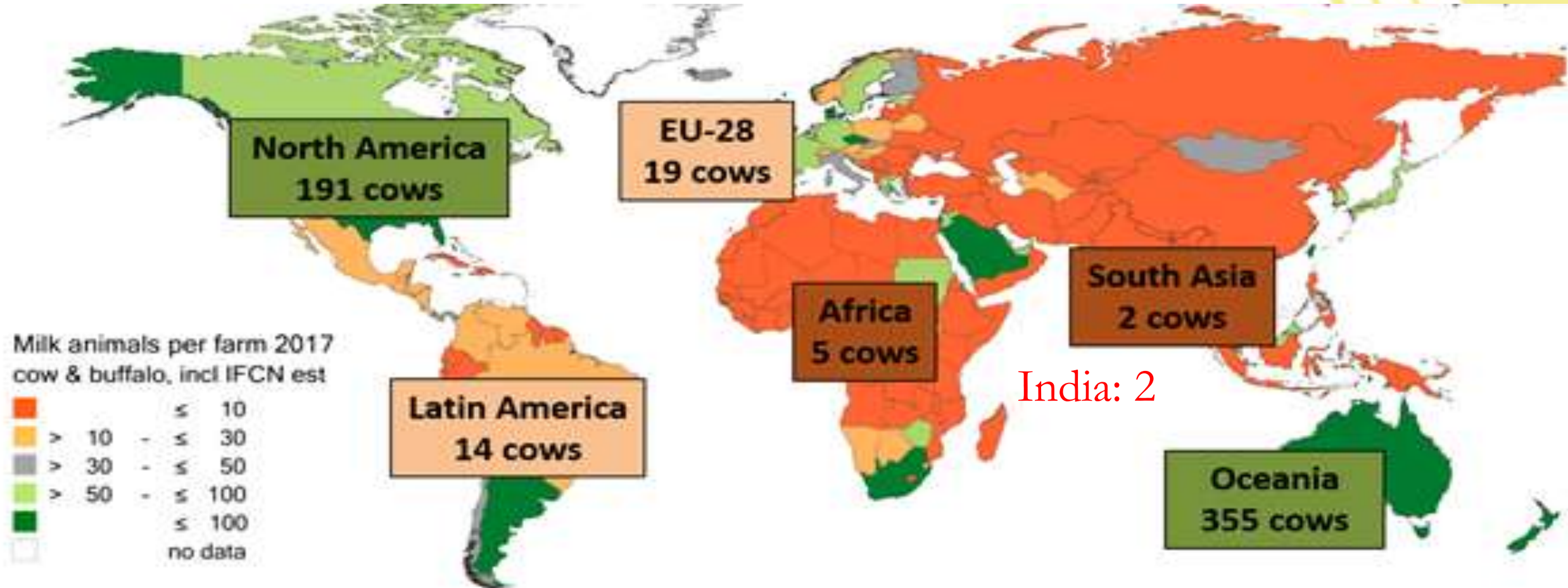


India @ 26% is among the highest in the world

Source: IFCN



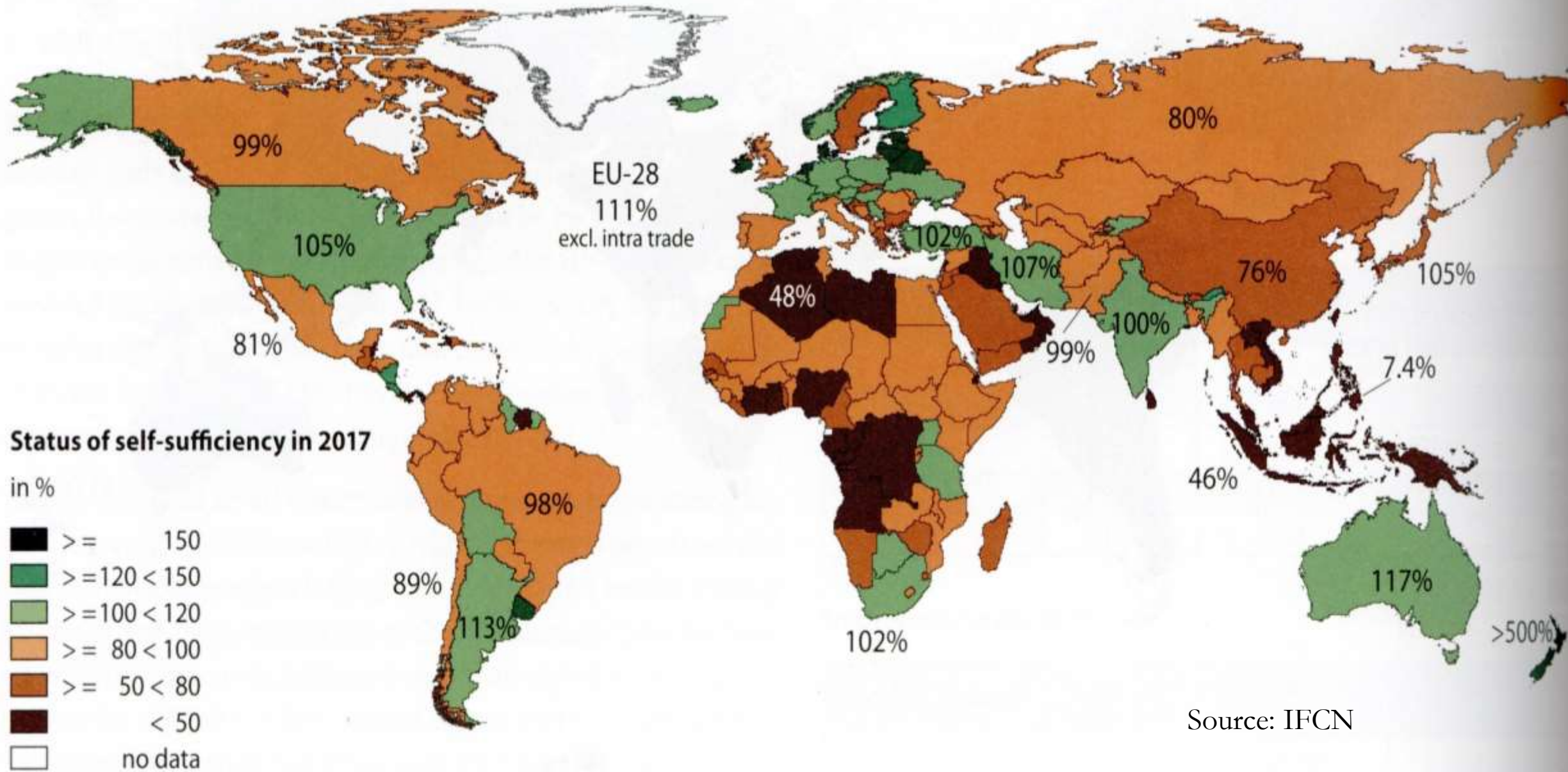
Average No. of Dairy Farms



Source: IFCN

IFCN estimates an average farm size of 3.1 cows which produces 19 litres milk / day

India : Strategic Location for Exports



Source: IFCN

Milk Production Outlook 2025

Region	Past		Present		Future
	2000	+17 Years	2017	+8Years	2025
World Milk Production	560 Million MT	270 (48%)	830 Million MT	150* (18%)	980 Million MT
India Milk Production	80 Million MT	96 (120%)	176 Million MT	64** (36%)	240 Million MT

* FAO Estimates & **GCMMF Analysis



Opportunity : 1

- ▶ 43% of the incremental milk produced in the world from now till 2025 will be from India.
- ▶ Indian Milk production growing at better pace than World



Opportunity : 2

- ▶ India is a competitive producer of milk in the world
- ▶ Giving highest returns to the farmers
- ▶ India is located in the area surrounded by Milk Deficit region



Opportunity : 3

- ▶ India is the largest producer of A2 milk in the world.
- ▶ Can divert more milk to processing
 - Loose to Processed / Packaged
 - Value added product
- ▶ Productivity enhancement program going on



Opportunity 4 : Beyond boundaries



China, SAARC & Middle East & N.Africa

Country	Population (In Million)	Milk production (In MMT/year)	Consumption (Kg ME/Capita/Year)	Import to national consumption (%)
India	1300	176	144	0
China	1375	32	33	20
Russia	145	31	275	21
Bangladesh	160	4.7	40	12
Pakistan	186	47	254	1
Sri Lanka	21	0.6	65	53
Nepal	28	2	80	1.5
Bhutan	0.78	0.05	81	23
Afghanistan	32	1.5	57	6
MENA	381	10	100	50

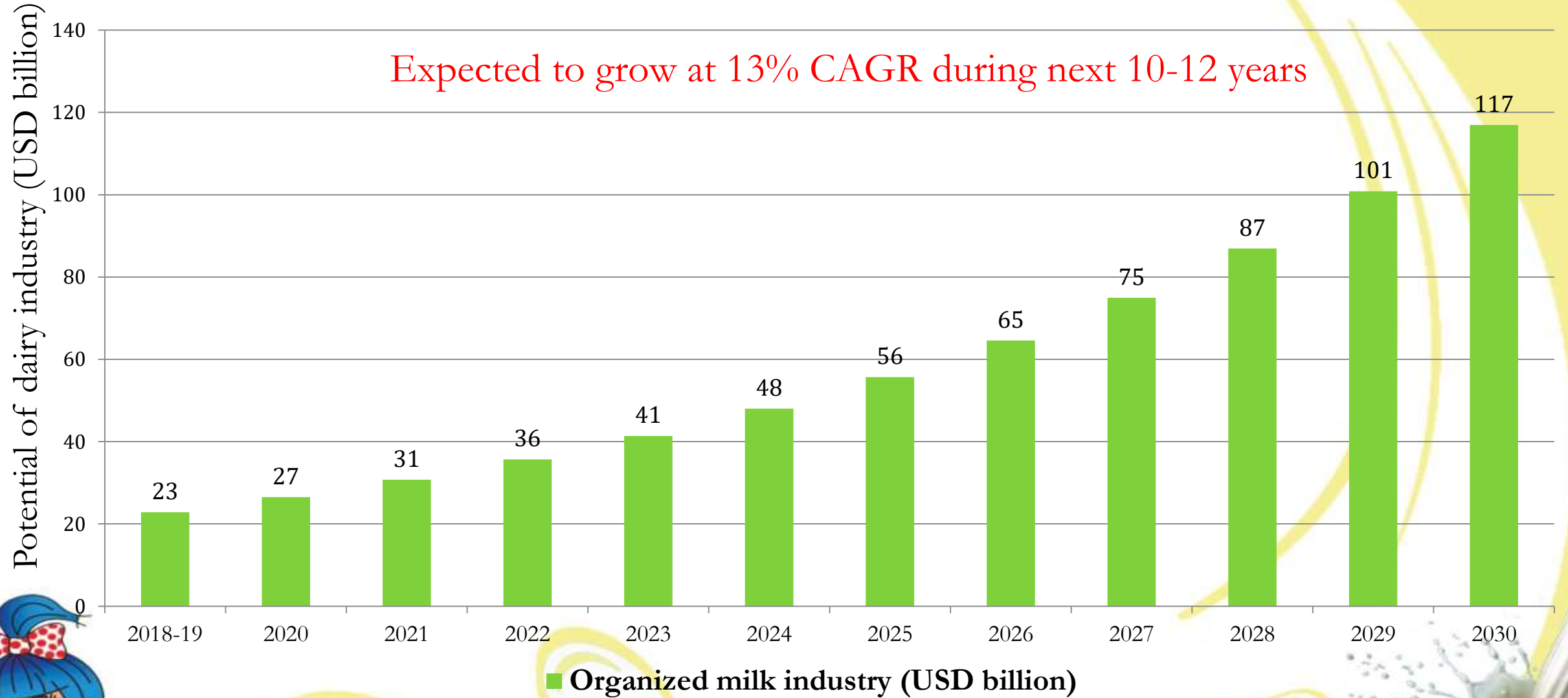
Dairy Scenario in Russia

- ▶ Russia is a net dairy importer with about 13% of the country's requirement is fulfilled by import and due to trade restriction and non-availability of dairy products, the dairy consumption is decreasing and people are forced to use cheaper analogue product.

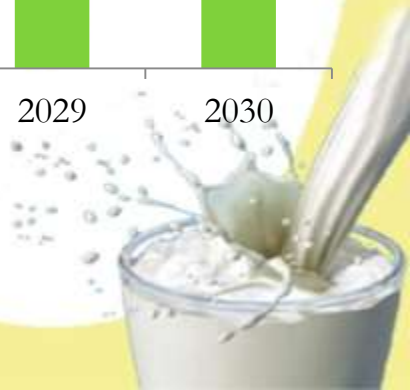
Item	Russia	India
Population	142 million	1300 million
Area	17 million Sq. Km	3.3 million Sq. Km
Milk Production	28.5 MMT	180 MMT
Agriculture labour	8.2 million (5.8% of pop)	620 million (52% of pop)
GDP (PPP)	US \$ 4 trillion	US \$ 9 trillion
GDP from Agri	4.7%	17.4%
% of dairy product traded	13% imported	< 0.1% exported
% Farmers' share on consumer price	37%	71%



Potential of organized Indian dairy industry: 2030(USD billion)

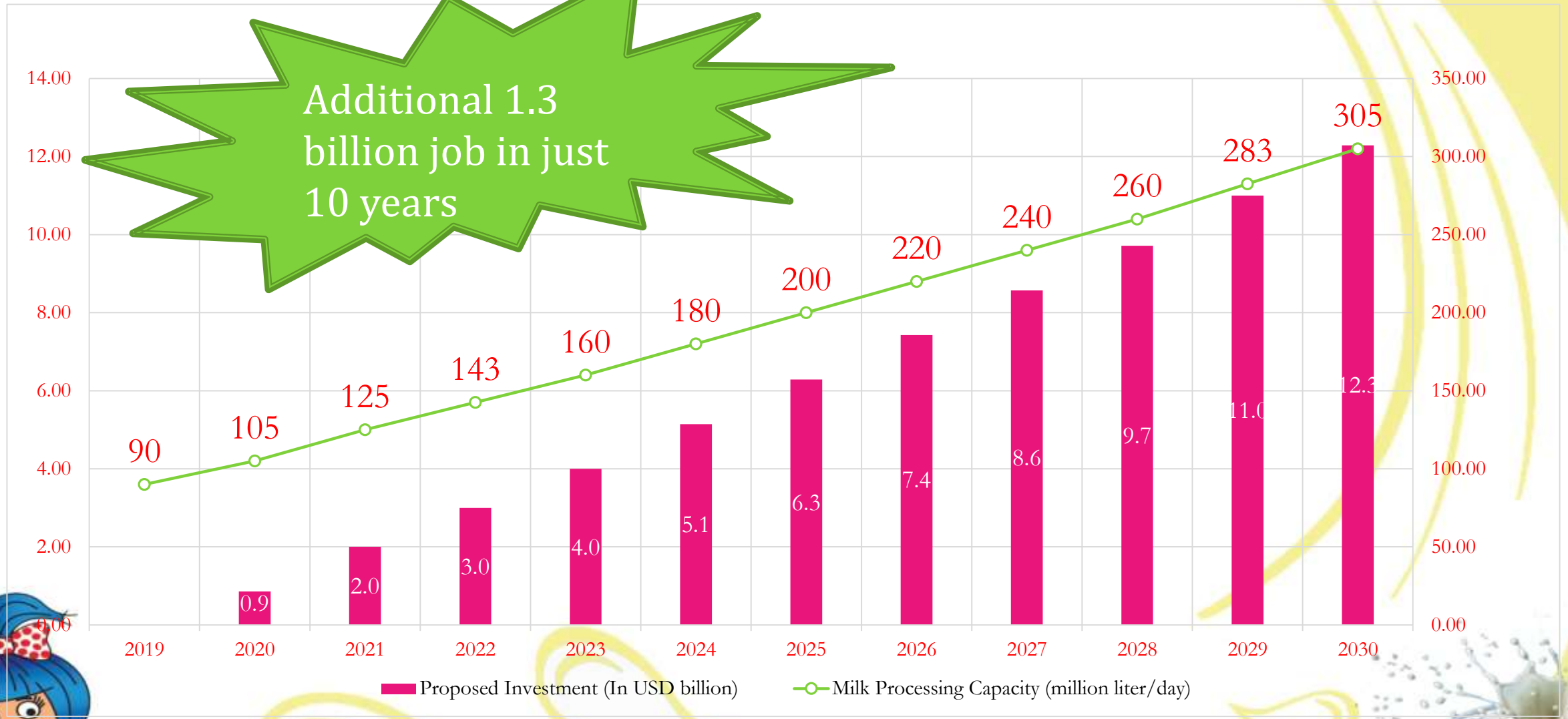


■ Organized milk industry (USD billion)



Investment opportunity and employment in Dairy: 2030

Proposed investment (USD billion)



Milk processing capacity (million liter/day)



Lesson from Amul model



Group Turnover 2018-19: USD 6.5 Billion

Strong brand

Focus on
consumer
packs

Affordable
pricing





The Taste of India

01



Consistency

02



Innovation

03



Leveraging on digital technology

04



Enhancing the youth connect



Product Portfolio expanded to meet consumers' nutritional requirements

60's - 70's

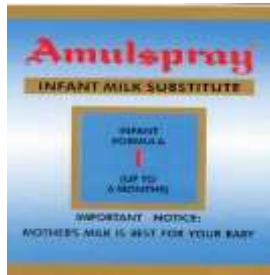
80's

90's

2000 onwards

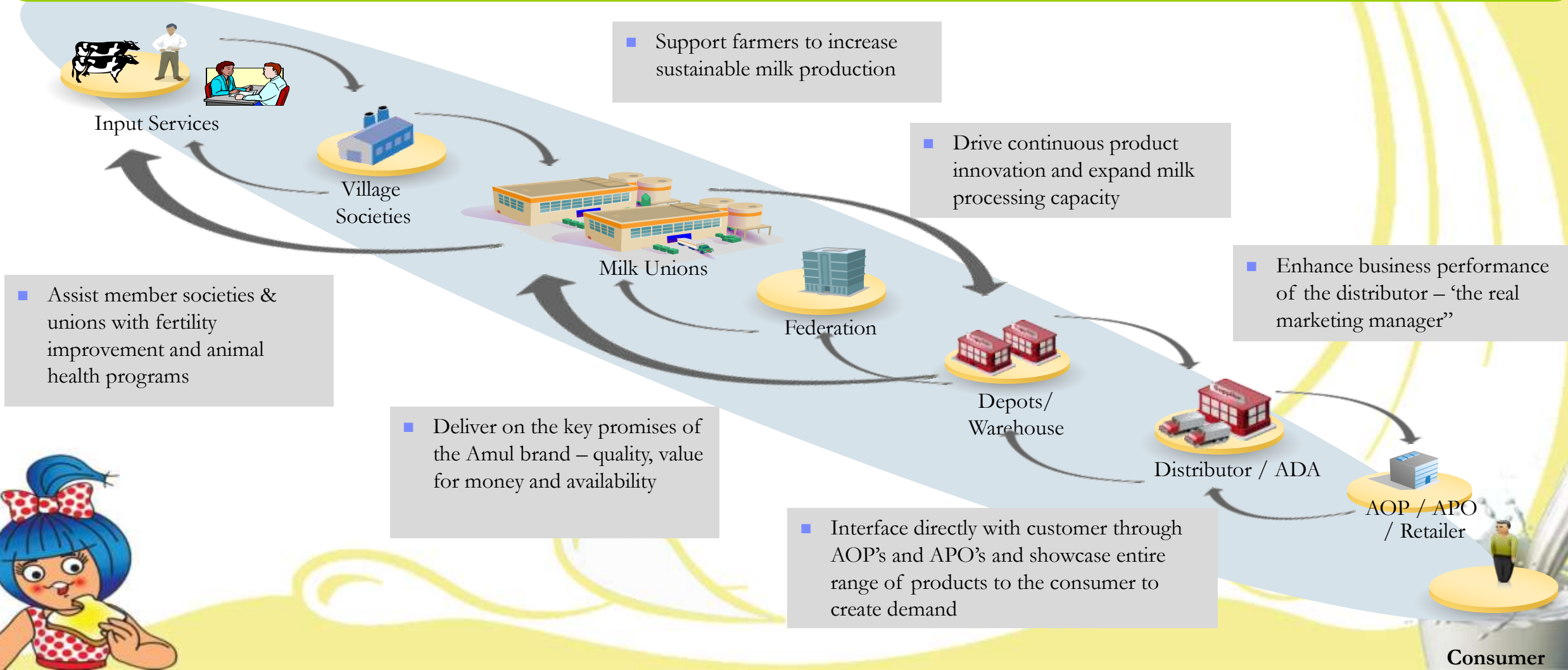


Portfolio Architecture : Human Life Cycle Segmentation



From Cow to Consumer

GCMMF's Mission: Give farmer '*the best price*' for his milk and consumer '*value for money*' for the product



Supply Chain



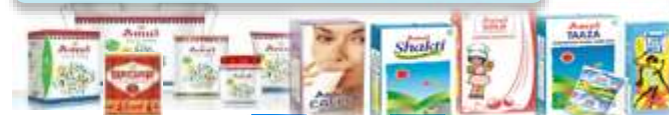
4 High Traffic Distribution Highways

FROZEN

CHILLED

AMBIENT

FRESH



63 Sales Offices & Stock Points + Exports

10,000 Distributors

10,00,000 Retailers across India



Growing from Strength to Strength

63 sales Office

10,000+ Dealers

10,00,000 + Retailers

Reach extends to all parts of the country and many parts of the world



The Largest Exporter



- India's Largest Exporter Of Dairy Products
- UHT Milk, Ghee, Cheese, Butter, Paneer, etc. exported in consumer packs
- Whole Milk Powder, Skimmed Milk Powder in bulk
- Major Markets : Gulf, SAARC Region, USA, Singapore, Hong Kong, The Philippines, Japan, Australia, New Zealand etc.
- Exported 30,000 MT SMP in 2018-19

**Our umbrella
branding campaign**

Amul - The Taste of India





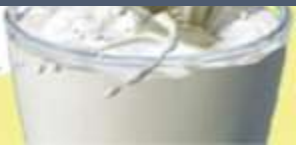
UMBRELLA BRANDING STRATEGY

Amul
The Taste of India

Wanna cool down?

**Amul's advertising budget is
less than
1% of
the Turnover**

While in industry the spends
vary between 5-12% of the Turnover



In 1966,
we started with
the campaign,
“Utterly Butterly
Delicious”



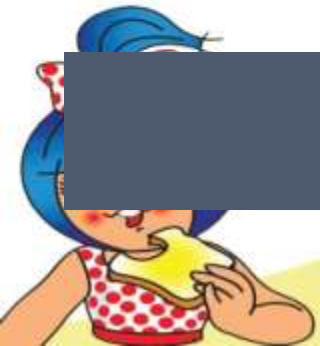
Give us this day
our daily bread:
with Amul Butter

Lovely lovely lovely
fresh cream Amul Butter
I promise to be good
if I can have it every day

utterly
butterly
delicious



THE VERY FIRST ONE



THE FIRST TOPICAL

THOROUGHBREAD



utterly
butterly
Amul

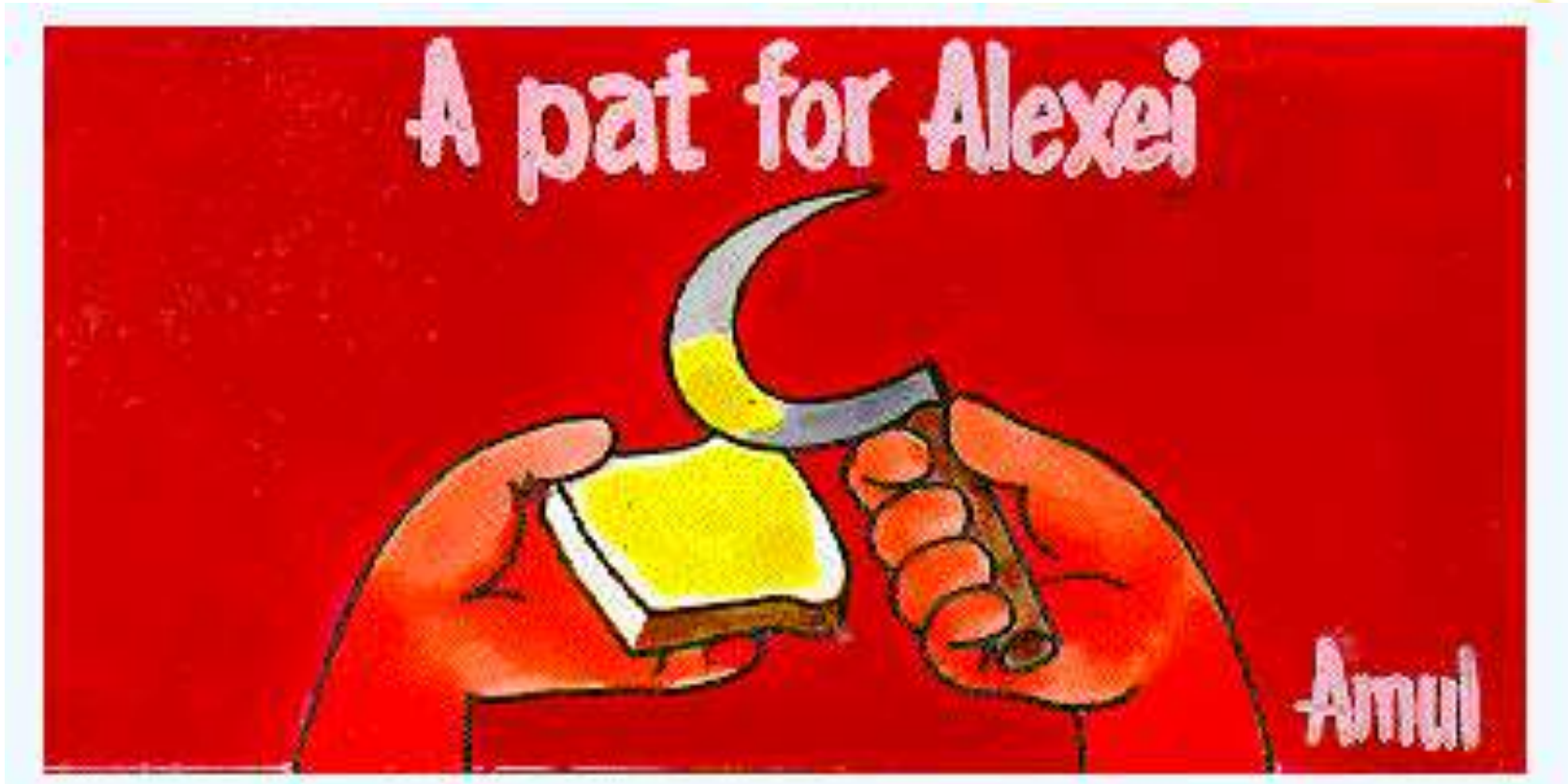
Amul loves Russia





Amul On Americans Boycott Of The Moscow Olympics,1980!





During Russian leader's visit to India (1982)





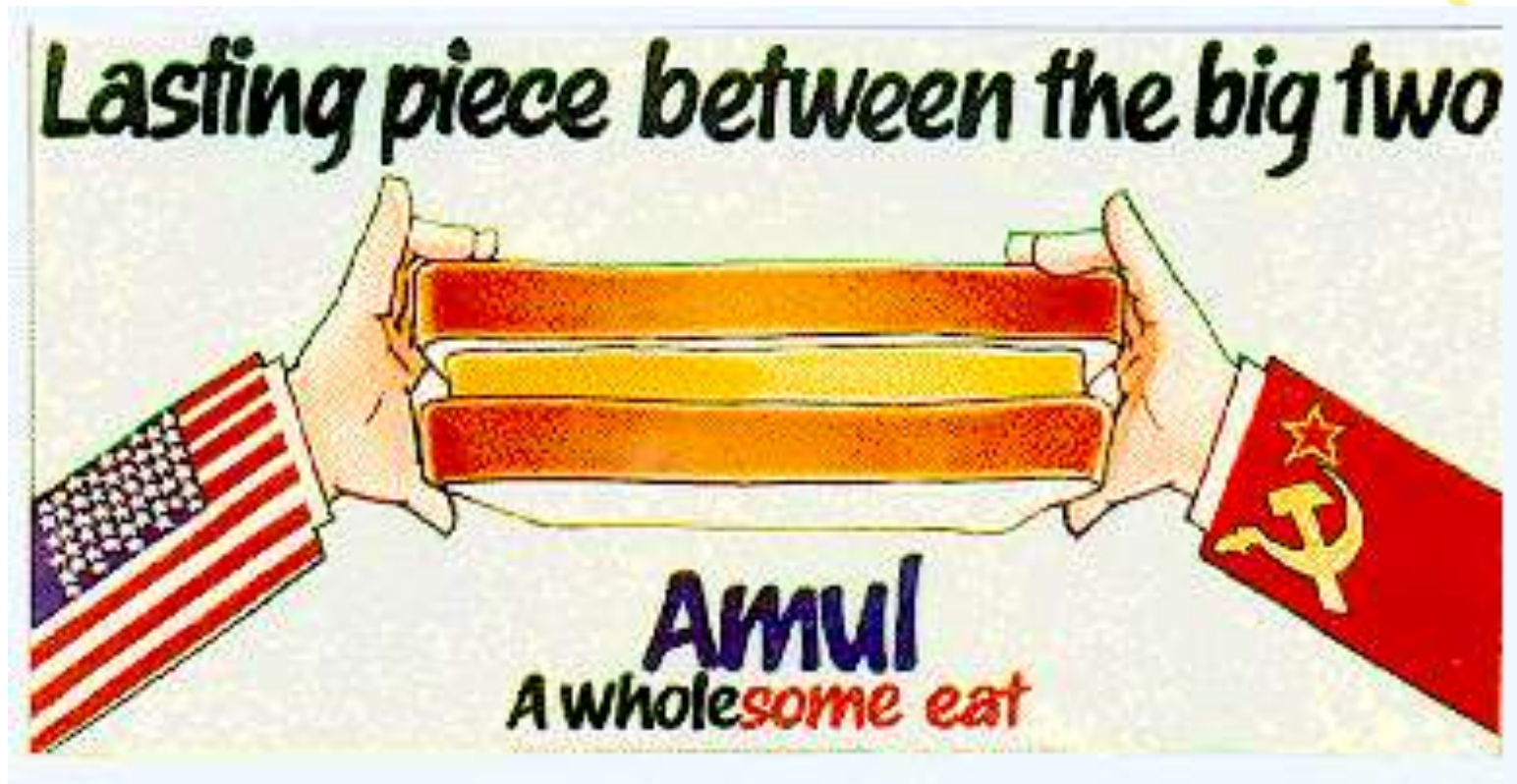
Amul On Souyuz In Space! - 1983





Amul On The Russian Cultural Festival Held in India -1987





The end of the cold war between America & Russia. (1987)





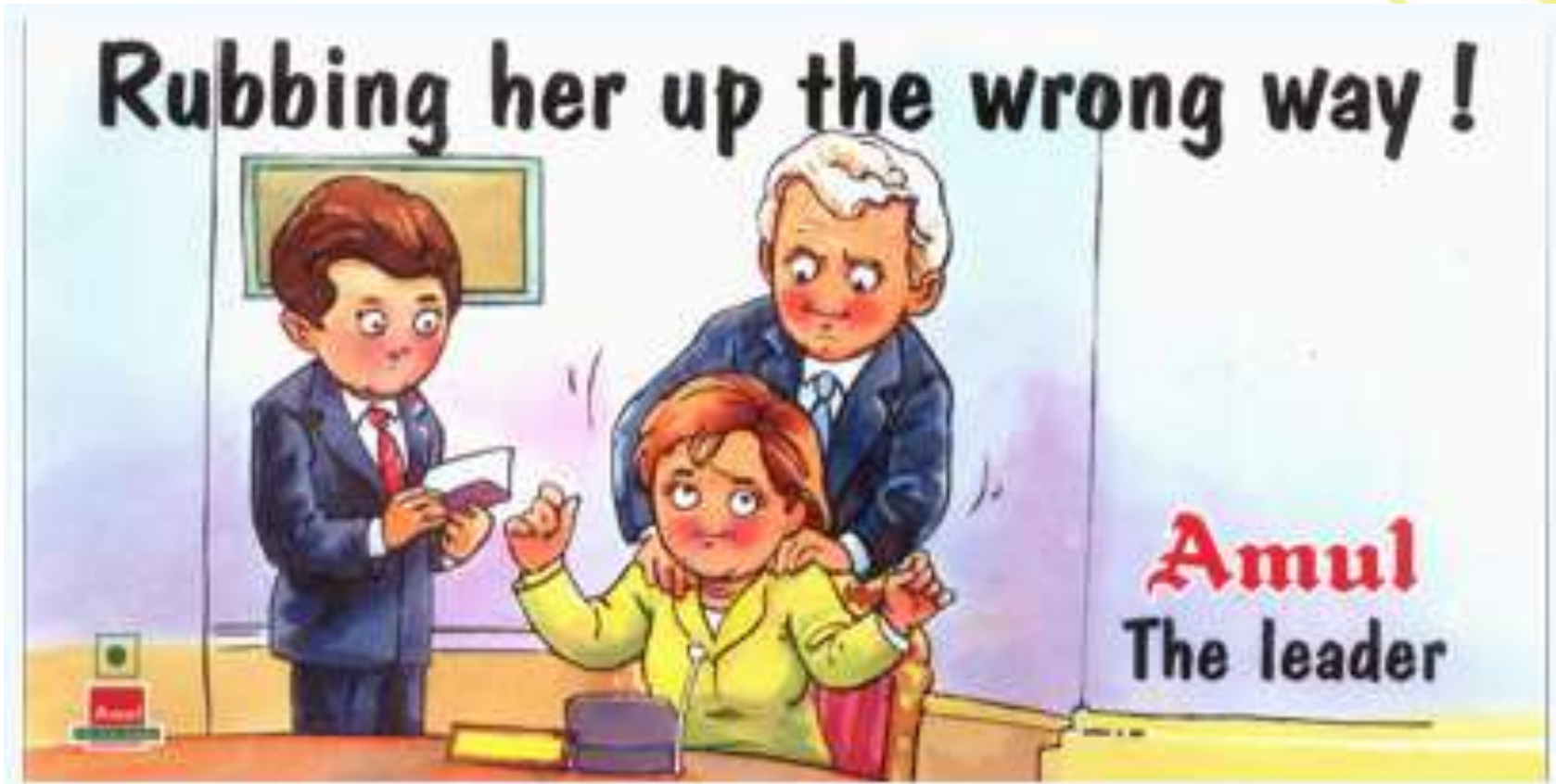
Comrade Yeltstin gets something golden to eat with his bread. (1991)





On Wimbledon Champions 2004: Men's Singles winner-Switzerland's Roger Federer & Women's Single winner Maria Sharapova - July'04





US President George W Bush in jovial mood at G-8 Summit 2006 in St. Petersburg, Russia - July '06.





Proposal to ban the Gita in Russia - Dec'11



CRIMEA AND PUNISHMENT ?



Crimea votes to split from Ukraine & join Russia - March 2014

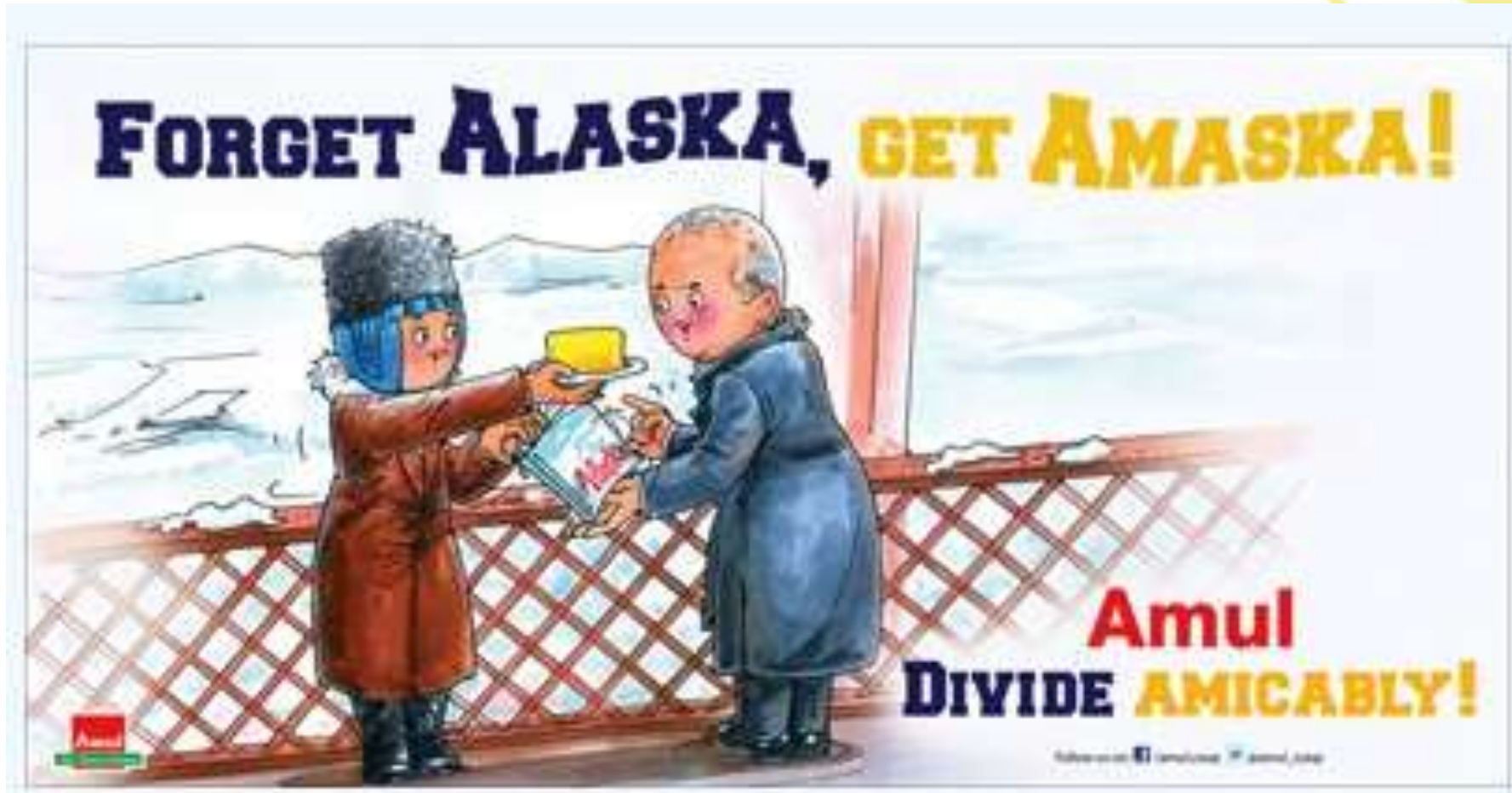


Ukraine for maska? Rush, ya!



Ukraine - Russia tensions – March 2014

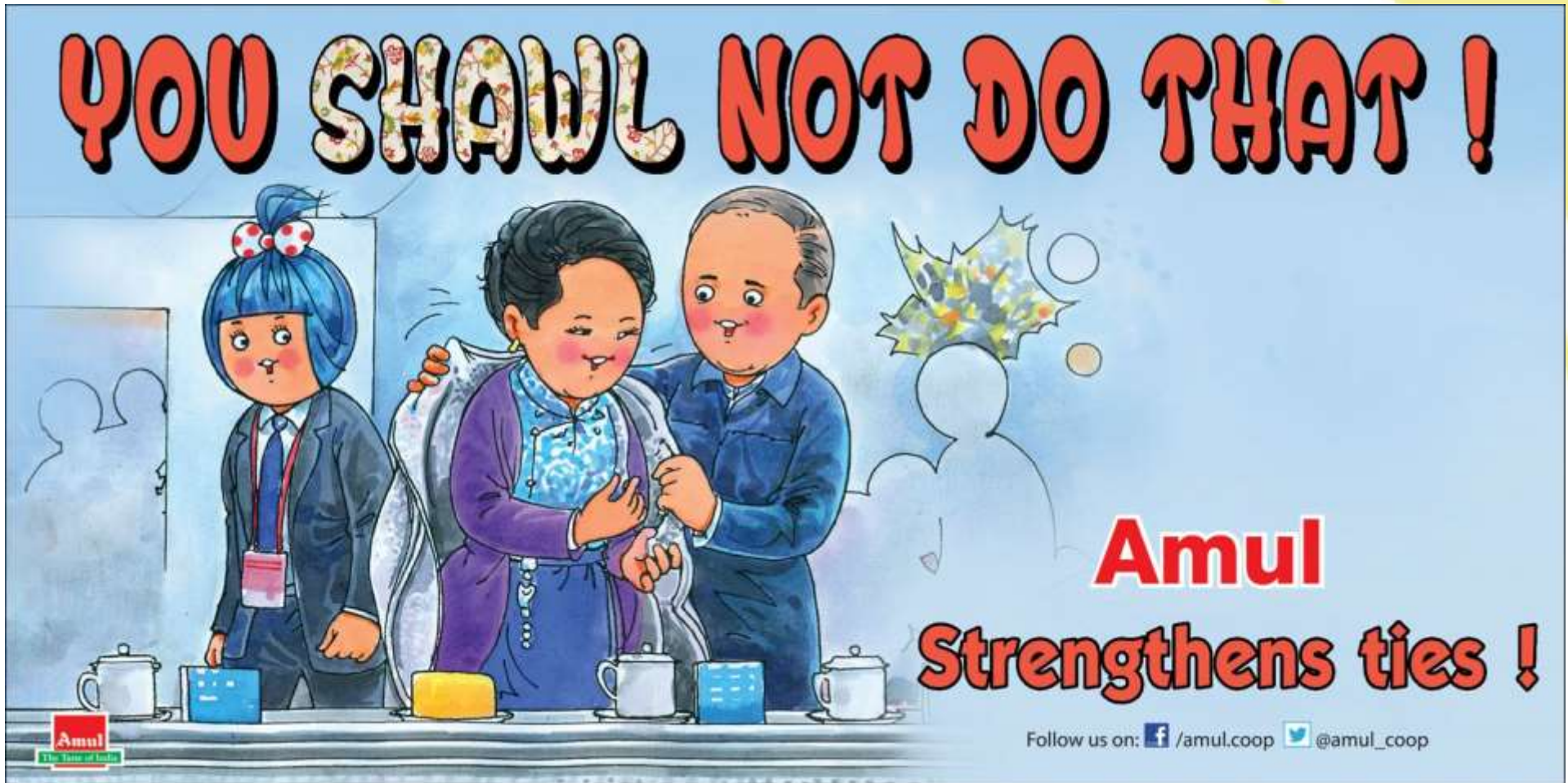




Russia wants the state back! – April 2014



YOU SHAWL NOT DO THAT !



Amul
Strengthens ties !

Follow us on: [f /amul.coop](#) [@amul_coop](#)

Amul
The Taste of India

Russian President's gesture creates a buzz! – November 2014





Controversial twist to Hillary's campaign funding! – April 2015



NO MARIA, NO MARIA, NO, NO, NO...



Russian tennis star fails drug test – March'16



Vladmir's Putin power again!



Russian President sworn in for 4th term! - May' 18



Russian', runnin', kickin' scorin'...



Amul
Kicks off
breakfast!

FIFA 2018 begins.. - June' 18



Utterly Butterly
Delicious



1966

1994



Taste of India

Real Milk, Real Ice
Cream



1996

2000



Amul Doodh
Peeta Hai
India



Amul

4th Most valuable Dairy brand in the World
2nd Strongest Dairy brand in the World in 2017

Most Valuable Dairy Brands

 DANONE	1	Rank 2017: 1 2016: 1 ← BV 2017: \$ 7,894m BV 2016: \$ 8,094m -2% Brand Rating: AA+
	2	Rank 2017: 2 2016: 2 ← BV 2017: \$ 4,294m BV 2016: \$ 4,216m +2% Brand Rating: AAA-
	3	Rank 2017: 3 2016: 3 ← BV 2017: \$ 3,728m BV 2016: \$ 3,742m +0% Brand Rating: A+
	4	Rank 2017: 4 2016: 4 ← BV 2017: \$ 2,870m BV 2016: \$ 2,438m +18% Brand Rating: AAA-
	5	Rank 2017: 5 2016: 5 ← BV 2017: \$ 2,593m BV 2016: \$ 2,308m +12% Brand Rating: AA-

Strongest Dairy Brands

	BSI Score 80.2
	BSI Score 79.7
 DANONE	BSI Score 79.4
	BSI Score 76.3
	BSI Score 74.5

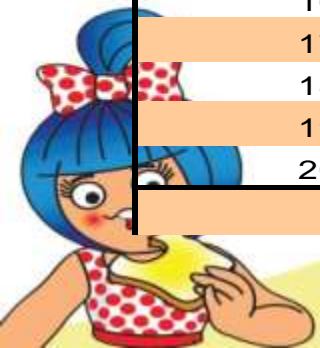
Source : Brand Finance, UK



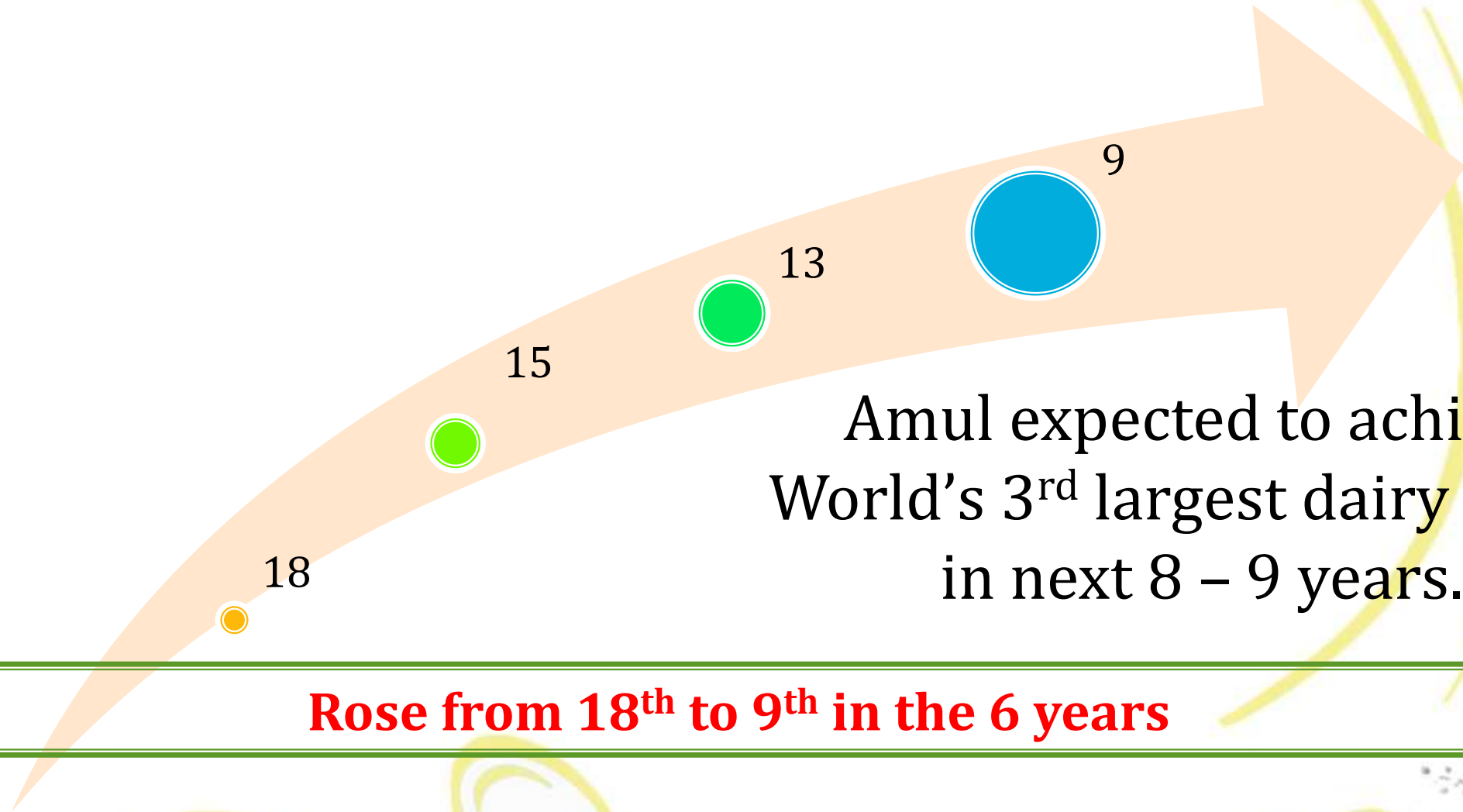
AMUL: 9th Largest dairy processor of the world

Rank 2018	Company name	Origin & main operation countries	Milk intake in mill. t ME	Estimated turnover per kg milk, in USD	Market share in % of world milk production
1	Dairy Farmers of America	USA	29,2	0,5	3,5%
2	Fonterra	New Zealand/ others	23,7	0,6	2,8%
3	Groupe Lactalis	France/others	19,6	1,1	2,4%
4	Arla Foods	Denmark/Sweden/others	13,9	0,8	1,7%
5	Nestlé	Switzerland/others	13,7	1,8	1,6%
6	FrieslandCampina	Netherlands/others	13.6*	1.0*	1,6%
7	Saputo (incl.MG)	Canada/USA/others	9.8*	1.1*	1,2%
8	Dean Foods	USA	9,4	0,8	1,1%
9	Amul (GCMMF)	India	9,3	0,7	1,1%
10	Danone	France/others	8,6	2,0	1,0%
11	DMK	Germany/Netherlands	8.1*	0.9*	1,0%
12	California Dairies	USA	7,7	0,5	0,9%
13	Yili Group	China	7.2*	1.4*	0,9%
14	Glanbia Group	Ireland/USA/others	6,5	0,6	0,8%
15	Mengniu	China	6,4	1,4	0,8%
16	Agropur	Canada/USA	6,3	0,8	0,8%
17	Groupe Sodiaal	France	4,9	1,2	0,6%
18	Müller	Germany/UK/others	4.6*	1.1*	0,6%
19	Schreiber Foods	USA	4.5*	1.1*	0,5%
20	Bongrain/Savencia	France/others	4,1	1,3	0,5%
Sum of Top 20			211	1,0	25,4%

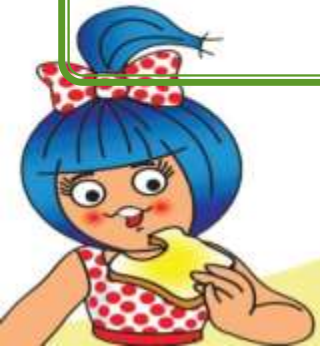
Source: IFCN



Amul : 9th largest dairy company in the world



Rose from 18th to 9th in the 6 years



Source: IFCN



Amul : Key Success Factors

Value-chain control with farmers

Value for money to consumers

Maximum percentage of consumer's rupee to farmers

Affordable nutrition

Focus on building a strong brand for dairy cooperatives

Remunerative prices to farmers

Employment with dignity

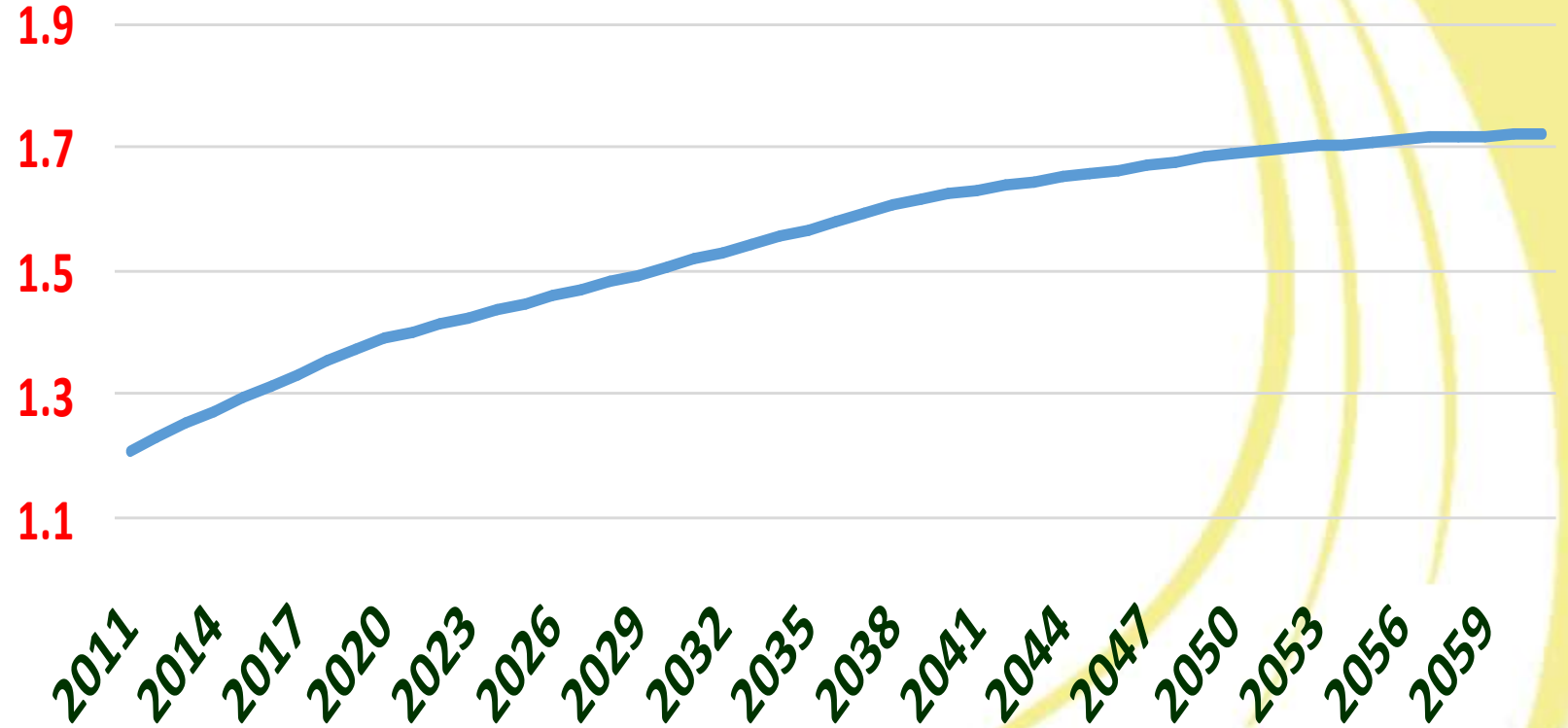
Sustainable income

Technological & Marketing innovations



Next 50 years - It's India

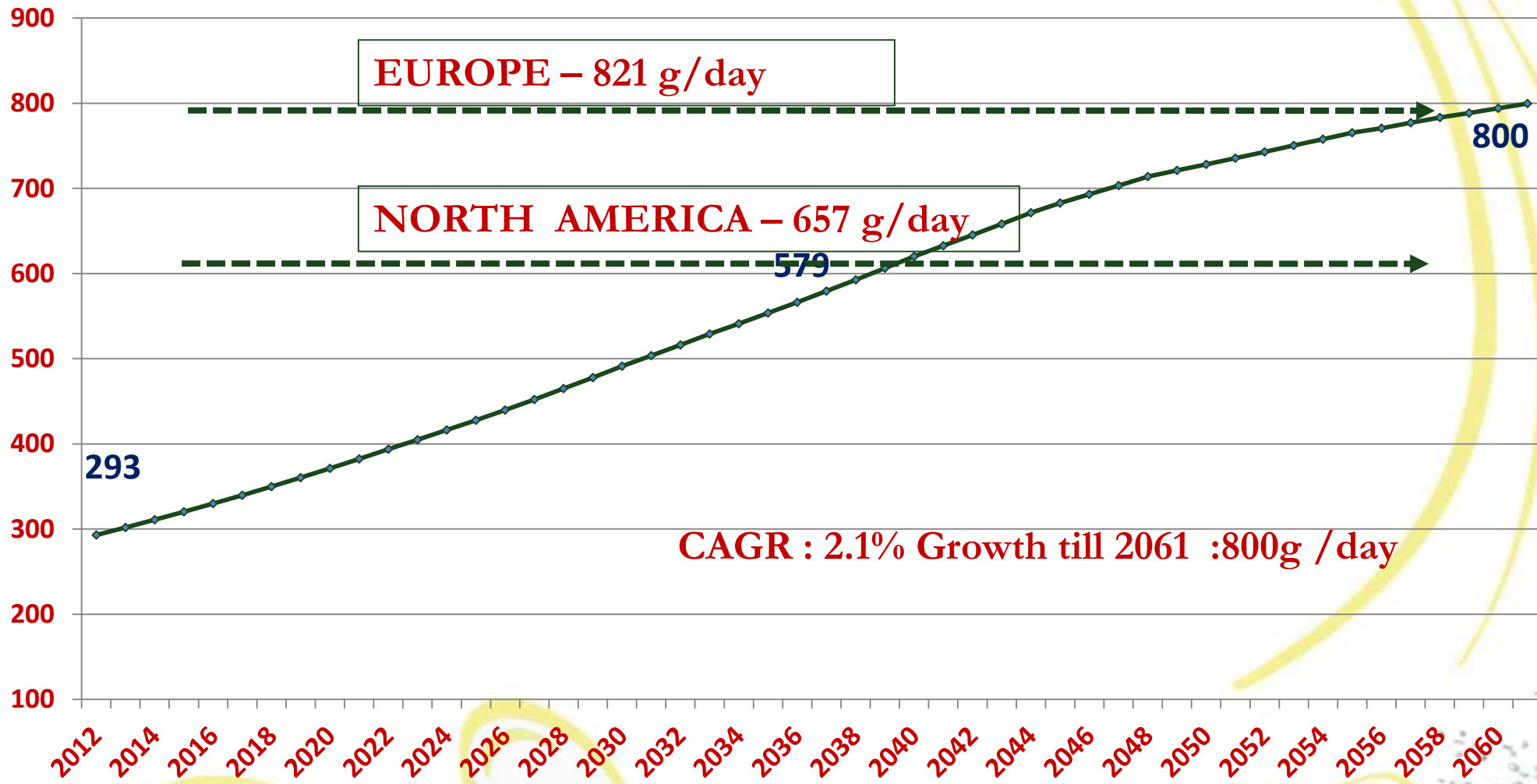
Population in Billions



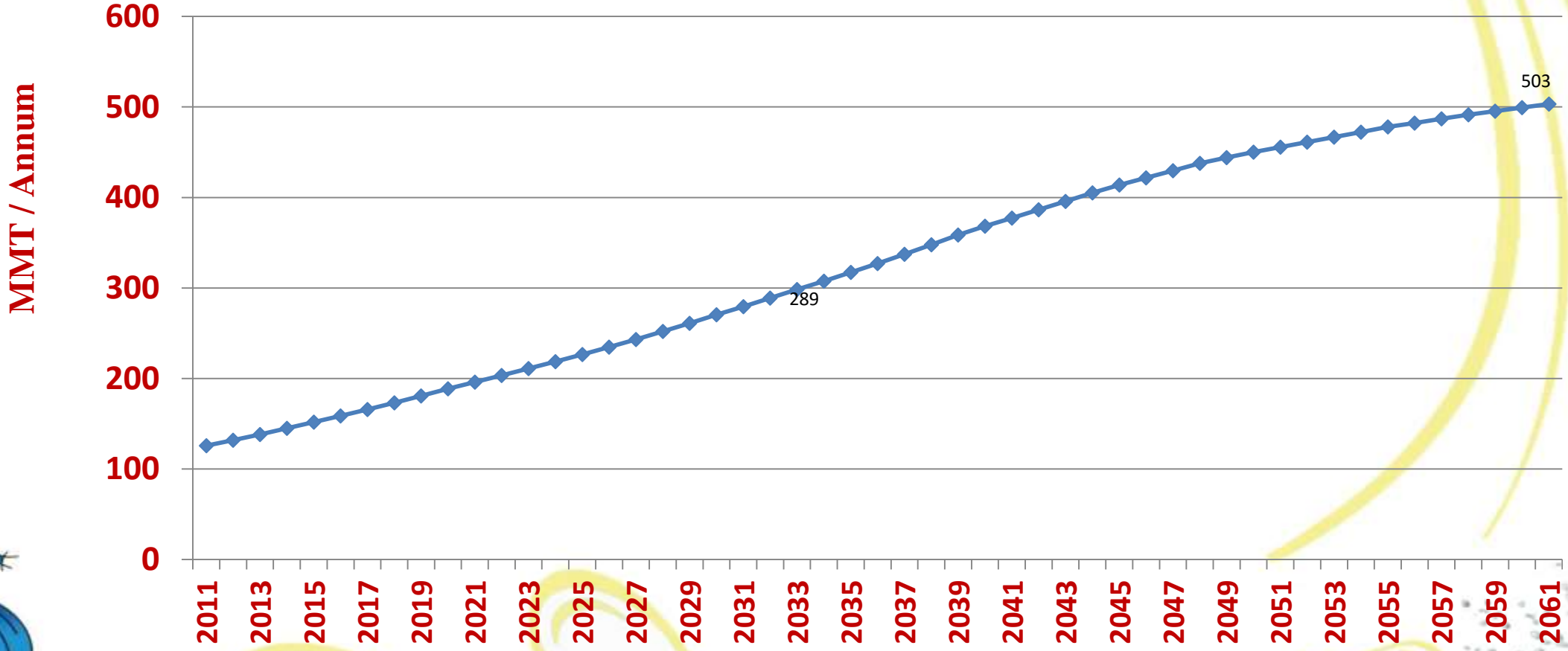
Largest workforce in the world with a population of 1.7 billion people



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



The Road Ahead

- ▶ Milk is the largest Agricultural Crop with promising returns to farmers
- ▶ India growing at faster pace than global milk production
- ▶ Dairy gives consistently good returns to farmers
- ▶ Trade Advantage to India due to Location between deficit region and become a dairy to the world.
- ▶ Explore cooperation between old friends -India and Russia



And Finally . . .

“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, because we hold trust in the aims and aspirations of millions of our countrymen.”

- Dr. V. Kurien



1921-2012





Thank you

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