

## Cow to consumer: Beyond profit for Gujarat Cooperative Milk Marketing Federation

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At the Gujarat Cooperative Milk Marketing Federation, which runs the Amul brand of dairy products, making profits is important only so that they can be routed back to the cattle farmers



### **Forbes India Leadership Award: Conscious Capitalist for the Year**

Bhanubhai Patel from Sandesar village of Gujarat's Kheda district wakes up at 5 am every day, recites the morning prayers and heads to his cattle farm. He affectionately pats his cows before milking them. Then, with the milk carefully packed in steel canisters, he heads to the Sandesar Dairy Cooperative Society—an institution he helped build along with others in his village, and one that has played a key role in establishing one of India's most trusted brands: Amul.

## GUJARAT COOPERATIVE MILK MARKETING FEDERATION LTD.

**Why it won this award:** GCMMF has ensured it increases value for its shareholders (farmers who own it) and enhances the value of brand Amul. It is led by a team of conscious leaders who work assiduously for a much higher purpose than maximising profits. They have demonstrated that doing well can also be coupled with doing good

Managed and run by the Gujarat Cooperative Milk Marketing Federation (GCMMF), the Amul brand is owned by 18,536 village dairy cooperatives like the one in Sandesar and 3.6 million farmers from Gujarat. Coined in 1955 as an acronym for Anand Milk Union Limited, Amul is now the umbrella brand of over 50 different milk products, from the best-selling butter and cheese, to ice creams, chocolates, milk powder, yoghurt and sweets such as shrikhand and gulab jamun. These products find a place on every retailer's shelf; moreover, GCMMF has also established around 9,000 Amul parlours (dedicated stores).

GCMMF, which is headquartered in the nation's milk city of Anand in Gujarat, had an annual turnover of Rs 20,733 crore in FY15, a remarkable 159 percent growth from just five years ago when it clocked Rs 8,005 crore.

But beyond the growth, the story of Amul is primarily one of grit, gumption and ambition of the cattle-rearing farmers of the Kheda region. In 1946, the farmers united to fight against corrupt middlemen who procured milk at arbitrary prices on behalf of the local Polson dairy. The middlemen would keep fat margins for themselves. Inspired by social leader Sardar Vallabhai Patel, the farmers decided to stop supplying milk to the local dairy: They rallied under the leadership of Tribhuvandas Patel, a local farmer, demanding their own cooperative society. After more than 15 days of complete shutdown, the British government relented and allowed the farmers to form a village dairy cooperative society. The British assumed the farmers would never be able to run it professionally and that the society would disband in a few months, if not weeks. But that was not to be.

The first village dairy cooperative society was formed in 1946; there are over 18,500 such societies in Gujarat today. And it has inspired over 1.5 lakh such societies of other milk federations across the nation. This has led to the launch of multiple dairy cooperative movements across the length and breadth of India. Famously known as the Amul pattern, the three-tier structure of GCMMF has been replicated in various states via Operation Flood, executed by its architect, the late Dr Verghese Kurien, and it has turned India into the world's largest milk producer.

Each farmer in the village dairy cooperative owns one share in his or her local society, which in turn owns a share in the District Milk Cooperative Union. Seventeen such unions own a share each in the apex body GCMMF that has 58 dairy plants and a milk handling capacity of 24 million litres per day.

This unique structure makes GCMMF possibly the only organisation that is built by farmers, run by farmers and works primarily for the interest of farmers. The company's managing director RS Sodhi explains that for a company in the dairy sector, its CEO has only one goal—buy raw material (milk) at the lowest possible price and sell goods at the highest possible price so as to maximise profit margins. “But as the head of GCMMF, my goal is to buy raw material at a high price from the farmers, and then sell the final product at the highest

quality and the lowest possible price,” says Sodhi. “So in a way, my role is diagonally opposite to that of other CEOs. As an intermediary, our role at GCMMF is to minimise our own profit, and ensure that both the milk supplier’s and the customer’s interests are protected and they repose trust in us.”

Moreover, GCMMF is bound by a mandate to buy all the milk that farmers bring to them, unlike other private dairies that procure only the required amount. As a result, GCMMF has to operate on a much larger scale and keep prices low so that whatever it produces is sold quickly.