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## There is no slowdown in Amul, going ahead with 100% butter cookies: RS Sodhi

BY ET NOW | UPDATED: AUG 16, 2019, 03.50 PM IST

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*We want to give a differentiated, niche product and create some disruption in the market by launching pure dairy fat-based bakery, says **RS Sodhi**, MD, **Amul**. Excerpts from an interview with ETNOW.*

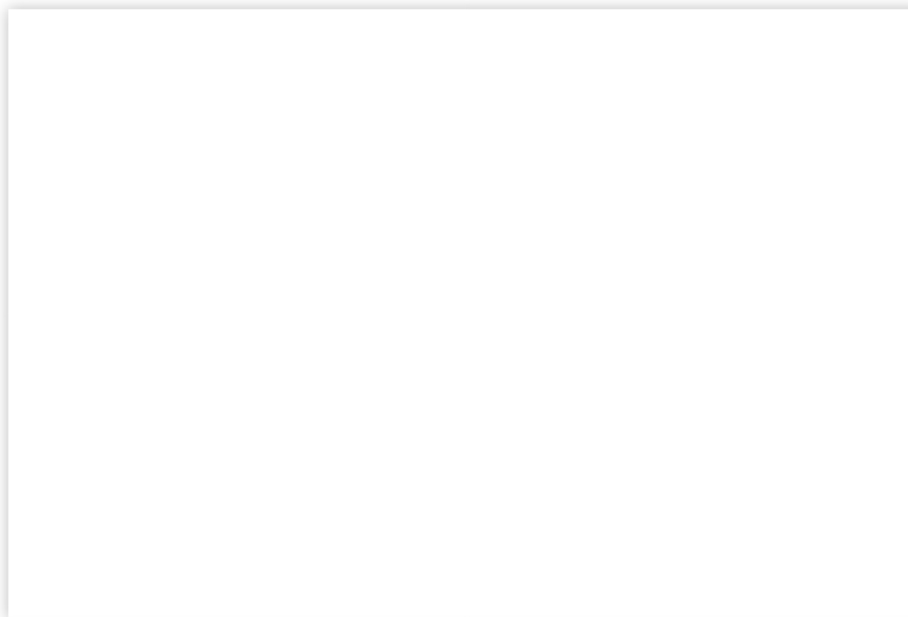
**You have launched butter cookies recently. How is the pricing here and how are you planning to face the competition?**

Amul is India's biggest food brand with more than Rs 45,000 crore turnover. We have entered butter cookies. We realised that in the market a lot of cookies are sold with the butter prefix and in India when you say butter, it means Amul. We got all these so called butter cookies and saw that in any cookie, there is generally 24% to 25% fat and we thought when they say butter cookies, they will be using butter for making these cookies. But we realised that out of 24% or 25% fat, only 0.3% were using around 4% butter fat. The remaining are using refined vegetable oil. We realised consumers were being fooled and they were ignoring the butter category.




So we thought of launching bakery or cookies made using 100% dairy fat, which is butter.

So in the last two-three years, we have been making it and selling it in Gujarat only. We got very good response and then we thought of launching in other parts of Gujarat, some parts of Maharashtra, Rajasthan, MP and wherever we launched it, we got very good response.



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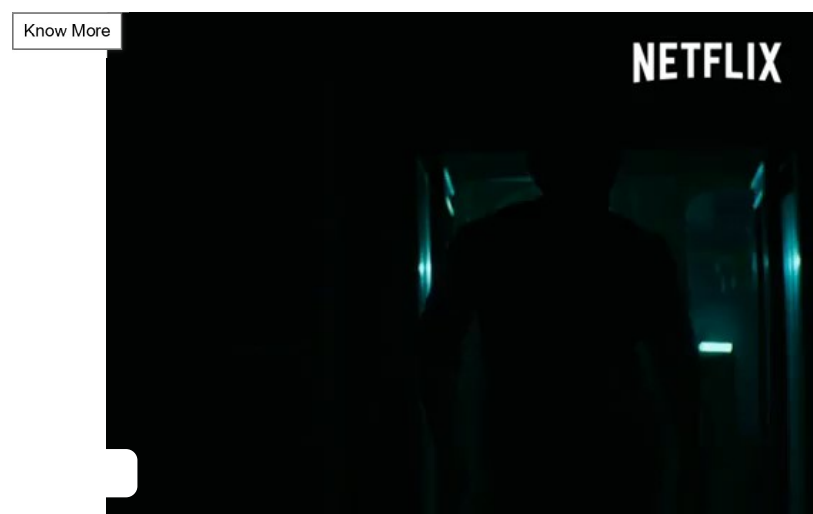
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We are not talking about competition here because we are operating at a very small scale. Just now, our second production unit started at Surat but the type of response and the media and social media buzz it has created, we are encouraged to manufacture our butter cookies and other butter based bakery products all over India.

**Some of your peers have flagged off slowdown especially in the biscuit category. Do you think this is the right time to move**

### into this category?

In Amul, we do not see any slowdown. Last financial year our growth was 14% and it was mainly all volume growth. In the first four months, our growth is around 25% and leaving aside 3-4% due to price correction, the volume growth is around 20%. I do not see a problem if you are in categories that are mass based and where you are selling at a very reasonable price.



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Coming to the slowdown in the bakery products, it is a Rs 25,000-crore category and we have just started. We are going to be very small. Later on, we may become big but for the next one or two years, we are not bothered about the slowdown in bakery, etc. Whatever we are manufacturing, we are able to sell, We are in an expansion mode and I do not see it creating any impact on the existing players because they are too huge and we are too small as far as bakery category is concerned.

### How has the performance been so far in the biscuit category for you? Are you looking to enter the premium biscuit products?

We have realised that for disposal of milk and dairy fat, bakery is a good category as about 20-25% can be used. We are looking purely bakery from dairy point of view. We will be launching the products which are consuming only dairy fat or milk powder. In any of our bakery product, we will not be using vegetable or refined vegetable oils because world over, people have realised that butter or dairy fat is healthier than the refined vegetable oils.

In fact, recently Time Magazine has carried a cover story that how butter is healthy and all over now butter consumption is increasing. We want to give a differentiated, niche product and create some disruption in the market by launching pure dairy fat-based bakery.

### Milk prices have been on the rise. They have increased nearly 15% from FY19 bottom. What is the average procurement price currently and are you going to look at price hikes?

You are right that milk price is increasing, especially the procurement price which we are paying to the farmers. In Gujarat, Amul has been paying good price consistently for the last three-four years. **No doubt**, in the last two, three years, price has not increased. There was one small price hike but in other parts of India, price being paid to the farmers reduced by Rs 7-8 as compared to 2015.

But now price is increasing. In Maharashtra, the private dairies were buying milk at the rate of Rs 18-21 in 2015, 2016, 2017 and mid 2018. Now the same one litre of cow milk price being paid to the farmers has increased from 20-21 to Rs 28-30. So, around Rs 8-10 increase in price has happened and that is happening in all milk product prices, but MRP or price to consumers has not increased in the same proportion,

I will give you an example of liquid milk. In the last three years, we have increased price of milk by just Rs 2 a litre in Bombay, Delhi or in Gujarat. What is happening is that the gross margin or EBITDA of most of dairy manufacturing has increased considerably. It would be extremely difficult for any dairy company to make profits in the next two years because they have to sell at a price equal to what cooperatives are selling. They have to buy the milk at Rs 8-10 higher per litre and it would be extremely difficult to make huge profits like they have been making in the last two, three years, if at all.

### Currently your SMP prices are at about Rs 28 to 30 per kg. Are you being able to generate profits with such high prices and what is the production cost currently?

The price of skimmed milk powder is Rs 270-280 a kg. A year back, it was only Rs 140-150. So, there has been an increase of around Rs 120. For 10.5 litres of skimmed milk you can get one kg of skimmed milk powder. So today, you get skimmed milk at around Rs 24 a litre, which is the cost of production. So at this price, farmer are getting price equal to the cost of production. Last year, farmers were losing money. This year, they are getting equal to the cost of production because cost of production has increased by 15-20% as cattle feed ingredient prices have also increased, de-oiled rice bran which was last year at around Rs 8-9 per kg, today is around Rs 15 a kg. Corn prices have increased by more than Rs 8-9 a kg. All has impacted the cost of cattle feed but now with the increase in butter prices, ghee prices or the SMP prices, farmers are able to survive and are encouraged to invest more in the milk production.

**With the government now mulling the idea of importing dairy from Australia as well as New Zealand, are you worried this could hurt the industry?**

Definitely the Indian dairy industry and especially the 100 million dairy farmers should be worried because dairy is their main source of livelihood, especially the landless and marginal. Dairy is giving them daily income and because of the hard work and the sincerity of our these poor farmers India has become world's largest producer. We were milk deficit till 1980s like our other neighbouring countries, Bangladesh, Pakistan or Middle East or Sri Lanka and because of Operation Flood, where the Amul model was replicated, we became not only self sufficient but world's largest producer and now we have got a surplus. But all dairy rich countries in the West, Europe, New Zealand and Australia overproduce.

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