

US market will breach ₹100-crore revenue mark, says Amul chief

Vinay Kamath



Contract dairy makes ghee, paneer, shrikhand in New Jersey for Indian diaspora

Chennai, August 9:

After years of exporting Amul products to the US market to feed the Indian diaspora, the Gujarat Co-operative Milk Marketing Federation Ltd, or Amul, has begun making some of its products at a facility in New Jersey a few months ago.

“We have started our production in the US. We buy milk from local cooperatives and convert it into ghee, paneer and shrikhand under the Amul brand. A third party is converting it into our brand at its dairy.

“We have been exporting to Indians there but since we were facing problems we started manufacturing in the US,” says Rs. Sodhi, Managing Director, speaking to *BusinessLine*, after he received a distinguished alumni award at the Indian Management Conclave held recently at ISB, Hyderabad.

Value-added exports

Sodhi says Amul exported ₹240 crore worth of milk products last year; the year before it was ₹540 crore but the export market for commodities (milk) crashed. Amul will focus only on value-added export, avers Sodhi.

He expects the US market to eventually notch up ₹100 crore in revenue. “But our focus is on the domestic market,” he emphasises, even though Amul is exported to over 50 countries. The co-operative will also explore manufacturing in EU as exports to those markets are not allowed, he adds.

Amul’s turnover for 2014-15 was approximately ₹21,700 crore. Its daily milk procurement is around 14.85 million litres from 18,536 village milk cooperative societies.

Expansion plans

Sodhi says Amul will invest ₹1,000-1,200 crore a year for the next few years to expand its dairy facilities. Amul has 60 dairies around the country, all owned by it.

“This year, we will be adding many dairies: one each in Faridabad, Lucknow, Mumbai, Kanpur, Kolkata and three in Gujarat. A modern dairy requires approximately ₹250-500 crore to set up,” he says. It is also setting up a new milk powder plant in Gujarat at an investment for ₹500 crore and a cheese plant for ₹600 crore.

Asked about the financing of its investment plans, Sodhi says, “We borrow; we don’t have much profits or reserves, so we borrow to build, we get base rates for our credibility.”

Speaking on milk prices, Sodhi says it’s an extremely difficult situation all over the world as milk prices have crashed by 50 per cent. “Farmers of dairy countries such as New Zealand are getting half the prices from the same time last year; in Europe it is 30 per cent less. In Maharashtra also farmers are getting 30 per cent less.

“But our farmers are happy as we sell mostly value-added products; only 5 per cent is commodity (plain milk). Our margin is paid to the farmer,” Sodhi explains.

Elaborating on the New Zealand predicament, which exports 95 per cent of its dairy products, Sodhi says same time last year, skimmed milk powder was selling in the international market for \$4,000 a tonne but now has crashed to \$1,700 a tonne.

Increase procurement

In January, Amul launched pouch milk in Hyderabad, procuring it locally as well as bringing milk from Gujarat in insulated trucks.

The trucking cost works out to only ₹2 a litre. “Our strategy is to launch milk from Gujarat initially and then slowly step up procurement from local cooperatives. Local cooperatives are our ‘brothers’ too, we help each other,” explains the Amul MD. There are no immediate plans to expand further in the south, he says, as the cooperatives are fairly well run and offer “less opportunities for intervention,” he adds.

(This article was published on August 9, 2015)