

A Case Study of Amul Co-operative Model

The Kaira District Co-operative Milk Producer's Union was founded in 1946. It started with two village milk producers' societies pasteurising milk product in the Bombay Milk Scheme in 1948. From this start, there are 1,713 village dairy co-operative societies and almost 700,000 producer members (see www.amuldairy.com). The trade name 'Amul' was developed and used to create a brand name for marketing purposes; now it is a household word in India.

Today, Amul is India's largest food marketing firm with an annual turnover more than US\$ 4 billion. Its daily milk procurement is approximately 18 million litres per day from 18,549 village milk co-operative societies, 18 member unions covering 33 districts, and 3.6 million milk producer members. It operates from 56 sales offices and has a dealer network of 10,000 and 10 lakh retailers, one of the largest such network in India.

Apart from the technical efficiency of its processing units, the union's most striking achievements is its impact on poor farmers' socio-economic condition. By establishing a steady and remunerative market for the milk that is produced throughout the year, Amul has given farmers an incentive to adopt scientific practices to produce more milk at lower cost, thereby to further increase income.

Amul is a co-operative which has an incorporated corporate structure as approach for trade. It takes members as the participative owners of the organisation. It has merged three tiers of dairy co-operative viz., the village society (procurement unit), the union (processing unit) and the federation (marketing unit), each of them being an institution. These institutions at each level have the organic inter-institutional linkages and responsibility with sense of purpose and directions in their approach. Even though Amul has hired professionals as part of its corporate structure, at each level the decision-making lies in the hands of the producers (farmers) only. This creates a sense of ownership among farmers as major stakeholders.

The co-operative collects the milk directly from the farmer's gate. There is provision of democratic election, every three years, to elect the members of the management. This leads to an environment for active participation of farmers in final decision-making. Membership in the co-operative is open to any farmer who owns at least one cow and can produce a minimum of 700 litres of milk per year. The end price of Amul products are decided by Gujarat Cooperative Milk Marketing

Federation (GCMMF) — one of India's largest food product marketing organisations with 18,545 village milk co-operative societies, 18 member unions covering 33 districts, and 3.6 million milk producer members. GCMMF conducts market research and incorporate the cost of milk, manpower, processing, packaging, advertising, transportation, taxes, and other operational activities.

Amul emphasises sustainable trade relationships with farmers. Surplus supplies of milk in season (spring) is a challenge for company (management point of view) as well as farmer. Amul also procures surplus amounts of milk to ensure continuous supply throughout the year. Amul follows specific quality measures. Technical staff of the company conduct regular monitoring of milk quality and execution of contractual obligations. Amul provides on-field technical services to farmers, as an extension of best farm practices, through agricultural (veterinary and animal husbandry) scientists. These scientists keep regular track of farming through field visits or cell phone contact. They also keep track of field practices adopted at various stages. Farmers are provided with on spot (collection points) feedback on milk quality. Use of antibiotics by the farmers for milk production leads to punishment (low price of milk).

Repeated irregularity leads to breach of contract. This model works in that the co-operative get stable supplies of milk throughout the year at constant price, and farmers get remunerative prices of milk irrespective of market fluctuation. The functioning of co-operatives is also motivated by the maximisation of returns for stakeholders with value addition in all possible ways in the value chain. The organisation structure allows maximum participation of members and the benefits can be passed on to the stakeholders. Profit-sharing at organisational level is in accordance to the proportion of business contributed by the member. It leads to creation of sense of ownership and well-being for members.

Source: Parwez, S. (2017). Co-operative led contract farming in India: a case study of Amul. *Journal of Co-Operative Studies*, 50(2), 54-59.