

Corporatization of Mother Dairy

A

Case

Submitted to

Prof. Anish Sugathan

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Submitted by

HEMANT CHAWLA

(Roll No. 16155)

SHUBHRANSHU

(Roll No. 16332)

VARUN PAUL

(Roll No. 16379)

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Indian Institute of Management, Ahmedabad

Abstract

Dairy industry has undergone considerable transformation and greater importance has been given to the development of dairy co-operation infrastructure. This has resulted in substantial growth in milk production since the early seventies. From the launch of Bombay Milk Scheme to ideological and market fights between various brands, the dairy industry has undergone a stark transformation. Launch of Mother Dairy brand by National Dairy Development Board (NDDB) under Operation Flood in 1974 provided impetus to the industry through investments for infrastructural improvement and provision of marketing and distribution channels state run cooperatives. Dr Varghese Kurien, the founder of NDDB and The Father of White Revolution envisioned an industry where control stays in the hands of the farmers and they remain the largest beneficiaries. The next generation under Dr Amrita Patel, a disciple of Kurien, was oriented more towards profits and dreamt to increase the reach of Mother Dairy through a corporate rather than a cooperative approach. It instituted Mother Dairy Fruits and Vegetables Pvt Ltd to procure, process and sell the products and Mother Dairy Foods Ltd to form joint ventures with state cooperatives to sell their products under Mother Dairy brand. These ventures brought the two milk powerhouses in direct conflict leading to a fierce competition in the market. Amrita was in a dilemma to follow the footsteps of his guru or to create an identity of her own.

Dairy activities in Kaira District in 1940s

Pre independence dairy industry was fragmented with dairy farmers holding one or two milch cattle. Buffaloes were reared in Bombay and Punjab while cows were reared for milk extraction in other parts. The marketable surplus milk routed to the market through milk traders. The supply was erratic with winters experiencing surplus while summers experienced deficit. The prices fluctuated and quality was not consistent ^[1].

There were two colleges for Agricultural Sciences, one in Pune and other in Allahabad. They supported the education and research in the dairy sector. The British Government had set up Imperial Dairy Research Institute in Bangalore to provide training in dairy engineering.

This era experienced a pathetic condition of farmers in Kaira (now known as Kheda) district of Gujarat. They depended on seasonal crops for incomes and faced starvation during off seasons. The other source of income were milch buffaloes, but the milk market was dominated by middlemen and contractors who exploited these farmers who were left with no choice due to the perishable nature of the product. The launch of Bombay Milk Scheme by the Government of Bombay in 1945 aggravated the situation. Mr Pestonjee, an entrepreneur from Bombay, set up a pilot plant for pasteurization of milk in Kaira. Milk had to be transported from Kaira to Bombay after pasteurization, the contract for which was offered to Pestonjee's firm Polsons Limited (**Exhibit 1**) ^[2]. This firm along with the contractors deployed by Mr Pestonjee, exploited the farmers to a large extent for financial gains.

Genesis of Amul

Sardar Patel, leading lawyer during 1940s, advised the farmers to pasteurise and sell their milk through a cooperative society of their own. He sent his deputy Morarjibhai Desai to Kaira district to organize a milk strike. On January 4, 1946, the farmers resolved to form milk producers' co-operative societies in Kaira villages to collect milk from member farmers and form a Union constituting these societies to own and run milk facilities ^[3]. 15 days post the strike, the milk commissioner of Bombay visited the district and accepted the formation of Kaira District Co-operative Milk Producers' Union Limited (**Exhibit 2**). It was formally registered on December 14, 1946 with the objective to provide proper market for the milk producers of the district. The Union began pasteurization in 1948 for Bombay Milk Scheme. Varghese Kurien (**Exhibit 3**), an MS degree holder from Michigan State University with Metallurgy as major, Nuclear Physics as minor and Dairy Engineering as second minor was asked to run the sole plant available in Kaira which came into existence during World War II.

By the end of 1948, 432 farmers had enrolled and the quantity of milk handled had increased to 5000 litres a day. However, the quality produced from the plant was too low and Kurien was distressed about the lack of funds and poor machinery. A dejected Kurien resigned from his job and was jubilant to return to his home town. While Kurien was packing his bags, Tribhuvandas, the forerunner for Sardar Patel's vision of cooperative dairy industry, entered his house and pleaded to continue with them. Tribhuvandas' words urged him to stay in Anand and serve the farmers. In an interview in 2013 he remarked, "I saw that when you work merely for your own profit, the pleasure is fleeting, but if you work for others, there is a deeper sense of fulfilment and if things are handled well, the money too is more than adequate"^[4]. This shows that he had developed a sense of kinship to farmers and Kaira. In 1953, with financial aid from UNICEF and technical assistance from government of New Zealand, construction of a plant to process milk to ghee and butter was undertaken. Commissioning of this plant in 1955 provided a further fillip to the co-operative movement^[5]. The cooperative was further developed and managed by Dr Varghese Kurien who is known as the Father of White Revolution in India. Kurien's brother-in-law K.M. Philip introduced him to the fine aspects of marketing, including the creation and popularization of a brand. Brand 'Amul' was launched to market products from the Kaira cooperative^[6]. The suggestion of Amul came from a Sanskrit word 'Amulya' which means 'priceless' and symbolised the pride of swadeshi production.

National Dairy Development Board and Operation Flood

1964 saw the beginning of a milk revolution in India. Shri Lal Bahadur Shastri, the then Prime Minister of India visited Anand on 31st October for inauguration of Amul's Cattle Feed Plant. During his talks with Kurien and farmers of Kaira he proposed a nationwide movement to replicate the Amul model in other districts to uplift the conditions of farmers. To kick start the movement National Dairy Development Board was set up in 1965 by an Act of Parliament of India^[7]. NDDB empowered millions of small and marginal farmers through village dairy cooperatives. It also empowered women and made them involved in socio-economic activities. It combined the wisdom and energy of farmers with professional management to successfully capture liquid milk and milk product markets while supporting farmer investment with inputs and services. It organised dairy farmers in the villages and linked them directly to consumers in the market by eliminating middlemen, ensuring them a steady and a regular income even during the lean season and a competitive price to the consumer in the large markets^{[8][9]}. The major success for NDDB came through its flagship programs such as

Operation Flood, Operation Golden Flow and Safal. These operations were responsible for setting up cooperative models for milk, oil and vegetables in several towns and cities.

Operation Flood ^[10] was implemented in 3 phases. From 1970 to 1980, it was financed by the sale of skimmed milk powder and butter oil gifted by the European Union through the World Food Programme. This phase saw the linking of 18 of India's milk-sheds with consumers in four major metropolitan cities: Delhi, Mumbai, Kolkata and Chennai. The phase from 1981 to 1985 saw an exponential increase in the number of milk-sheds. By the end of 1985, it had a network of 43,000 village cooperatives covering 4.25 million milk producers. The last phase consolidated India's dairy cooperative movement by adding 30,000 new dairy cooperatives. Importance was given to research and development in animal health nutrition and veterinary health care services were made available. Under the dairy development initiative of Operation Flood, Mother Dairy was launched in Northern India in 1974.

Mother Dairy under Operation Flood faced criticism from the opposition and activists that the foreign monetary assistance would result in a price crash and will thus disincentive milk production leaving the country permanently dependent on other countries for dairy needs. However, the flow of the dairy aid was calibrated in a way that foreign supplies do not flood the market and a national plan was designed to mitigate the foreseeable issues in the daily earnings of dairy farmers. The strategy adopted was to fund the commodities using foreign investments and use the profits to build capital intensive infrastructure in the form of National Milk Grid System to link surplus milk in one region to the demand for milk in another region (**Exhibit 4**) ^[11]. This comprehensive and multifaceted strategy neither affected the market supplies nor crashed the prices. Moreover, the necessary infrastructure was established and streamlined to match the growing demand. The central principle held that it was the sole responsibility of the farmers to cater to the entire value with smaller farmers given more importance. The billion litre idea of Dr Varghese Kurien helped India surpass United States of America in 1988 as the largest producer of milk ^[12]. Considering the success in Dairy industry, NDDDB established 'Fruits and Vegetables project' in Delhi in 1988 under the brand Safal and 'Operation Golden Flow' in 1989 under the brand Dhara.

Safal ^[13], the Fruits and Vegetables project of NDDDB was a strategic move to diversify its business and to open another avenue cater to the needs of the farmers. The firm had the strategic assets to succeed in the new market. A strong network of farmers, business and personal relationships with rural families, distribution channels to cater to the milk industry and the

technology to handle perishable goods created synergies for Safal with the existing business of NDDDB. Under this business, instead of the farmers coming all the way to markets where the middleman levied heavy taxes and charged commissions, the market went to their doorstep. This made farm-to-fork concept a reality long before retail chains began doing so in the metros. The cultivator was at focus not only because NDDDB had a social mandate but also to improve its own business. It provided advice on crop planning and rotation, good agricultural practices and tips on which seeds and fertilizers to be used.

Operation Golden Flow was also a related diversification for Mother Dairy to cater to small scale and low income oilseed farmers. This was a vertical integration of Mother Dairy with farmers to produce, collect, process and package oils from different oilseeds and distribute it to the customers at reasonable prices. This model also was based on the philosophy of eliminating the menace of middlemen and intermediaries who appropriated most of the profits of edible oil market. Thus, Dhara ^[14] offered farmers a route to be more profitable and assured customers a stable price. The Golden Flow project had synergies with the existing business in milk sector and fruits and vegetable sector.

The environment between 1990 and 1988

The fast paced growth in the dairy industry began when the Indian government introduced major economic policy reforms in 1990s which favoured privatization and liberalization of the economy. With a view to encourage private sector investments and flow of capital and technology, the dairy industry was de licensed in 1991. This attracted a lot of players but also increased the risk of excess capacity and danger of sale of contaminated or substandard quality. To overcome such issues and regulate the quality and quantity, the government of India introduced Milk and Milk Products Order (MMPO) in 1992 ^[15] which prescribed state registration to dairy plants based on the processing capacity and mandated constitution of a board named Milk and Milk Product Advisory Board (**Exhibit 5**). The Standard Weights and Measures ^[16] published in 1976 had already established fair practices with respect to packaged commodities. The quality aspect of milk was covered under the Essential Commodities Act of 1955 ^[17]. The existing players as well as new entrants in the dairy industry had to adhere to these policies and orders in order to be in business. This era saw growth of many dairy players. Ved Ram and Sons (VRS) Food Limited's brand Paras ^[18] which established its first unit in 1987 gained momentum in this decade. Paras also had village level collection centres and provided financial help to farmers for to buy cattle and feed, veterinary services for health and

nutrition of cattle and capital investment for infrastructural development. The Punjab State Cooperative Milk Producers Federation Limited's brand Verka^[19] which was launched in 1973 to provide remunerative market to milk producers of Punjab and played a major role during Operation Flood had gained a significant market share till 1990s and with more liberal policies was poised to grow big. The new policy also favoured globalisation and the decade saw entrant of dairy multinationals into Indian territories. Brooke Bond Lipton India Ltd. (presently known as Hindustan Lever Limited) of the Unilever Group of UK launched their ice cream brand 'Walls' in Indian markets in mid-1993. It got into strategic alliances with Cadbury (The chocolate brand), Kwality (The first Indian ice cream company set up in Delhi and Bombay in 1955 by I K Ghai and P K Lamba. They incorporated Kwality Dairy Limited in 1992) and Milkfood (A brand of ice cream by MilkFood Ltd. in Delhi. and North India MilkFood Ltd. was incorporated in 1972) between July 1993 and April, 1995. Subsequently, Hindustan Lever went for acquisition of all these units to make its umbrella brand 'Kwality-Walls'^[20]. The growth of expenditure levels on milk and milk product added fuel to the rivalry between the brands (**Exhibit 6**)^[21]. The levels of competitiveness were high and Mother Dairy was in need of a focussed and streamlined approach. Having an experience of working for more than 35 years with Dr Kurien, Dr Amrita Patel was in eyes of many the right successor to the post of chairman of NDDB in 1998.

The advent of Amrita Patel^[22]

Amrita came from a conservative Gujarati family of Mr H M Patel, former ICS-officer-turned politician who served as the finance minister of the nation as well. She was the youngest among five daughters. The family had hoped her to be a boy and christened the name Amrit before her birth. The family's tailor was also ordered to stitch the clothes in blue colour in anticipation of a male child. As she grew, her parents wanted her to a doctor but the distress she faced by seeing her dogs fell sick and die motivated her to become a veterinary doctor in future. When her family shifted to Anand in Gujarat in 1969, she met Dr Varghese Kurien who happened to be her father's friend. She started accompanying the vet from Amul on his field trips to farmers. These trips made her realise the importance of cattle to a farmer and strengthened her desire to become a vet. She moved to Mumbai to pursue her dream. Being the sole girl in veterinary sciences class she was shunned by her class mates. On field visits also, she had to stay secluded from the batch. But her determination made her survive through all this and after completing the course she approached Dr Kurien for a job in Amul. Kurien refused to give her the job stating that Amul does not recruit women. Resolute, she volunteered for 11 months for no pay

and was later offered a full time job. After an exceptional record she was handpicked by Kurien to be trained for administrative services. On proving her mettle, she was made the Director of Administration and Commercial for Amul in Anand and then moved to Delhi as project executive for NDDDB. In 1986 she was appointed as the Chief Executive of NDDDB and in 1988 the Managing Director (Operations). Amrita was responsible for the implementation of the national dairy programme, Operation Flood to promote, finance and deliver supporting services to a national cooperative dairy structure that included more than 15 million members from over 150,000 village dairy cooperative societies, affiliated to 183 district and regional unions and 22 state cooperative federations ^[23]. She got involved in activities ranging from livestock development, disease control, vaccine production, R&D and policy review to banking and finance through her nomination on the Boards of RBI and NABARD. She also played a leading role in advocacy of environmental protection and stability pioneered the promotion of women participation in cooperatives and equipping them to take leadership roles. She was fast paced in her thoughts and as the Chairman was hell bent on bringing revolutionary changes in the structure and business of NDDDB/Mother Dairy. The summer of 1996 saw Mother Dairy's maiden foray into ice-creams. Prior to this, ice-cream was reserved only for the small-scale industry. In this year, Mother Dairy received the 'Best Productivity Performance Award' in the category of dairy development and production in the cooperative and public sector, by the National Productivity Council. After succeeding the chairmanship of NDDDB she launched flavoured milk (half litre packs) in 1999 and Mishti Doi, plain curd and buttermilk in 2000 ^[24]. In April 2000, based on recommendations from Samsika Marketing Consultants Pvt Ltd. she merged Mother Dairy and Fruits and Vegetable project and formed Mother Dairy Fruits and Vegetables Limited ^[25] and it was officially instituted as an independent, 100 per cent subsidiary of National Dairy Development Board (NDDDB) ending ties with Gujarat Cooperative Milk Marketing Federation's (GCMMF) brand Amul. This was the holding company for Mother Dairy India Limited and Mother Dairy Foods Processing Limited which were marketing and processing arms respectively. Also, in December 2000, Dhara Vegetable Oil and Foods Company Ltd (DOFCO) was set up for procurement of seeds, processing to make oil and marketing of brand Dhara ^[26]. Changes through the years, in product portfolio of Mother Dairy, shows a change in the vision of management (**Exhibit 7**).

The clash of ideologies

This corporate structure and bureaucracy for Mother Dairy was in direct conflict with the ideologies of Dr Kurien. He remarked that NDDDB was established to provide financial and

infrastructural support to farmers and this ‘commercialization’ was a detour from the roadmap for the Board. He alleged Amrita of destroying the cooperatives by allowing administrators in a farmers’ movement. According to him the moves by Mother Dairy violate the NDDB Act, 1987 which declares NDDB as an institution of national importance and its Section 16(1) (b) states that it shall be the responsibility of the NDDB to adopt the cooperative strategy in a more effective manner on an intensive and nation-wide basis and to take such steps as may be necessary for the purposes aforesaid and Section 16 (2) lists various measures NDDB may take to fulfil its objectives as financing, in such manner as the Board may deem appropriate, of cooperative federations, cooperative unions or cooperative enterprises or of any scheme in the cooperative or public sector intended to stimulate the production, preservation, distribution and consumption of milk and milk products nation-wide and promotion and encouragement of cooperative effort among those engaged in the production of milk and milk products and other foodstuffs ^[27]. In the midst of tussle between the GCMMF’s chairman and NDDB’s chairperson, Amul launched its ice cream in Delhi in April 2002 ^[28].

Amul and Mother Dairy had a non-compete agreement since years. Although the agreement did not include ice cream, it was a basic understanding between the two brand to not enter each other’s’ territory. This entry of Amul in Delhi market set the stage for a three cornered fight for dominance between Hindustan Lever Limited’s (HLL) Kwality Walls, NDDB’s Mother Dairy and GCMMF’s Amul. Amul priced its ice cream at Rs 65 for a 1,250 ml Vanilla brick, whereas Kwality Walls and Mother Dairy charged the same amount for 750 ml and 1,200 ml respectively. Similarly, Amul sold 100 ml Vanilla cup for Rs 10 same as Mother Dairy, whereas, Kwality Walls charged the same amount for 80 ml cup. Amul deployed 1,000-odd deep freezers in Delhi under its ‘Hamara Apna Deep Freezer (HADF)’ scheme. The retailers were encouraged to buy their own deep freezers for vending ice creams, with Amul negotiating a discounted price on their behalf with refrigeration companies like Blue Star, Voltas and Carrier. The cooperative giant threatened to capture the market at a fast pace and its intentions were clear from investments in infrastructure in Delhi region (**Exhibit 8**).

A new venture by NDDB

In August 2002, in order to meet the growing demand and overcome the reduced supply due to lost ties with Amul, NDDB, through its subsidiary Mother Dairy Foods Ltd. (MDFL) ^[29], started entering into joint ventures with State-level dairy federations in order to market their produce. These federations included Milma Foods Ltd, Aanchal Milkfoods Ltd, Parag

Milkfoods (UP) Ltd and Maathasri Milk Products Ltd, which were formed in partnership with the respective dairy federations of Kerala, Uttaranchal, Uttar Pradesh and Andhra Pradesh. NDDDB created a distinct brand identity for liquid milk marketed by the dairy cooperatives. This was intended to create product differentiation in the minds of consumers, based on superior quality (laid down parameters and guidelines) and standardised package design (blue for toned, green for standardised, orange for full-cream, yellow for double-toned and purple for skimmed milk packet). 'Milk drop' symbol (**Exhibit 9**) was launched to establish a cooperative identity among the participating brands through standardisation of pack design, logo, retail outlet design, distribution vehicles, etc. Brands such as Aavin, Milma, Nandini, Parag, Sanchi, Sangam, Saras, Sudha, Verka, Vikas, Vishaka and Vita adopted the symbol ^[30].

Kurien in February 2003 said that the setting up of market joint ventures with State-level dairy cooperative federations ran counter to the Centre's disinvestment policy ^[31]. In an interview he remarked, "There may be lot of interference from State Governments in the running of many dairy federations. But at least technically, the federations are cooperatives, which the NDDDB now wants to formally convert into PSUs". Kurien launched a full-throttled attack on the NDDDB's plan. He felt that if the State-level federations surrendered their marketing functions along with their brands, the cooperative dairy sector will effectively be handed over to the government, which will inevitably privatise these entities in the long run. However, Amrita negated the allegations by stating that NDDDB's intention was to help dairy cooperatives in marketing which is the biggest challenge in their growth ^[32]. She believed that struggling state milk federations need to be bailed out before they become victims of the private sector onslaught. She argued that lack of brand strength and marketing wherewithal were major roadblocks in the growth of federations and thus NDDDB planned to help them. With the debate leading to no fruitful discussion, Amul launched its milk and other milk products in Delhi on completion of its non-compete agreement with Mother Dairy in 2003 and the fight of ideologies converted to fight for survival and market dominance ^[33].

Kurien regains lost ground

NDDDB under the leadership of Amrita did not get bogged down by allegations from Kurien and the fierce competition from brand Amul and continued the adoption of joint ventures (**Exhibit 10**). To break the dairy war and settle the issue between dairy giants of India, Kurien in March 2003 suggested three shareholding options for NDDDB to go ahead with its proposal

to enter into joint ventures with various state cooperatives ^[34]. He spelt out three options in a letter to the Union Agriculture Minister, Mr Ajit Singh. The first option was to offer 51% equity to state cooperative and rest to Mother Dairy Foods Ltd. The second option called to offer 49% equity each to state cooperative and Mother Dairy Foods Ltd and the remaining 2% to National Cooperative Dairy Federation of India (NCDFI). The third option stated to provide NCDFI or member dairy cooperatives (in proportion to their procurement) 51% equity in Mother Dairy Foods Ltd. However, NDDDB overlooked all the options and continued to enter into joint venture, in which Mother Dairy Foods Ltd had 51% equity and 49% was offered to state cooperatives in respective states. To Amrita's dismay, the marketing gains expected from the joint venture did not materialise and profit-making regional cooperative incurred heavy losses in several states after the MDGL took over their marketing activities ^{[35][36]}. This failed venture compelled NDDDB to close down Mother Dairy Foods Ltd (**Exhibit 11**). Following the failure of JVs, Kurien in an interview with The Times of India in June 2004 said, "We have opposed joint ventures, because they are against the basics of the co-operative concept. The case of Kerala will support our argument. Many federations, including Kerala and Andhra Pradesh, have understood that joint ventures are not in their interest. They are disengaging themselves from this and turning towards co-operatives" ^[37].

The effectiveness of JVs to strengthen the cooperative movement in India was in question after their dissolution. With cessation of major bone of contention it remained to be seen whether the relationship between Kurien and Amrita would return to normal or not. Dr Varghese Kurien in October 2005 expressed that Amrita was a mistake (**Exhibit 12**).

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Exhibit 1: Polsons Limited

A dynamic young Parsi named Pestonjee Edulji Dalal, aged 13 in 1888, started a small shop in Bombay to roast and grind coffee. Dalal's nickname was Polly, which he adapted into the British sounding Polson's as brand name for his business.

Polson's coffee soon got regular customers among the British and by 1910 Pestonjee was well established and looking for new opportunities. So when a customer in the Supply Corps told him of the problems the army had in getting its supply of butter, Pestonjee found his mission in life. During World War I it supplied Polson Butter and Polson's pure coffee to British Indian and American forces. He set up a dairy in Kaira, Gujarat and used his army and railways contacts to ensure that Polsons was so widely supplied that it became synonymous with butter.

As an incentive to big consumers, the brand used to hand out gift coupons as rewards. Polson's was a forerunner of the gift coupon redemption system here. The more you collected, the more you redeemed. If you had enough, you could buy a mixer or toaster. By 1945, Polson as a brand was flourishing and had touched a record production of 3 million pounds of butter every year. Despite this success rate, it did not do much to help improve the condition of Indian farmers. Due to the monopoly it had established with government support, farmers were unable to sell their milk to any other vendor in the market



Exhibit 2: Setting up of Kaira District Co-operative Milk Producers' Union



Exhibit 3: Brief life history of Dr Varghese Kurien



Born in Kozhikode, Kerala on November 26, 1921, Kurien had graduated in science from Loyola College in Chennai (1940) and obtained his degree in engineering from the Guindy College of Engineering in Chennai.

After a stint at TISCO, Jamshedpur, Kurien got the Government of India's (GoI) scholarship to study dairy engineering.

Following specialised training at Imperial Institute of Animal Husbandry and Dairying in Bangalore, Kurien went to the United States where he completed his masters' degree in mechanical engineering, with dairy engineering as a minor subject, from the Michigan State University in 1948.

On his return to India, Dr Kurien was assigned to join Government Creamery located at Anand in Gujarat to serve his bond period. By the end of 1949, Kurien got release orders from his job at the creamery.

Sardar Patel asked Kurien to help set up a dairy processing plant, which saw the birth of Amul.

Kurien started various organisations like the Indian Immunological Society, Indian Dairy Machinery Company, Mother Dairy Tribhuvandas Foundation and many others. He was also founder Chairman of National Dairy Development Board and the Institute of Rural Management (Anand) Gujarat.

The work of Kurien was rewarded with various national and international awards. He has been honoured with Padma Shri, Padma Bhushan and Padma Vibhushan. In addition, he is also the recipient of international awards like the World Food Prize and the Ramon Magsaysay award for community leadership, the “Wateler Peace Prize” of Carnegie Foundation for the year 1986 by His Royal Highness Prince Claus of The Netherlands.

Exhibit 4: National Milk Grid in India (1993)

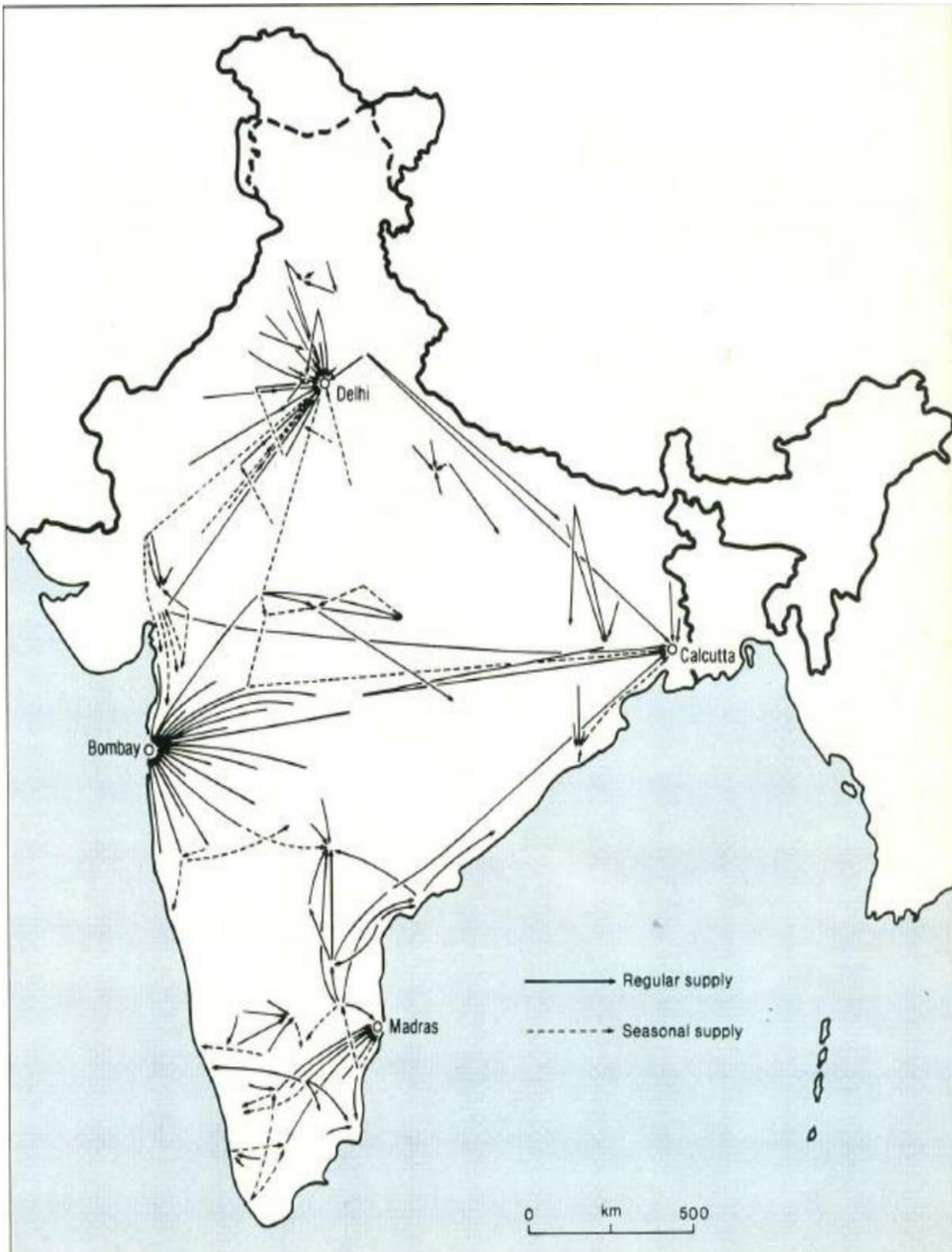


Exhibit 5 (a): Members of Milk and Milk Product Advisory Board

(I) Official Members:

- | | | |
|-----|--|----------|
| (a) | Secretary to the Government of India, Department of Animal Husbandry and Dairying, Ministry of Agriculture (ex-officio) | Chairman |
| (b) | Joint Secretary to the Government of India in-charge of Dairy Development Dept. Of Animal Husbandry and Dairying, Ministry of Agriculture (ex-officio). | Member |
| (c) | Joint Secretary to the Government of India, Department of Industrial Development, Ministry of Industry. (ex-officio). | Member |
| (d) | Joint Secretary to the Government of India, Ministry of Food Processing Industries (ex-officio). | Member |
| (e) | Additional Director General of Health Services Government of India, Department of Health, Ministry of Health and Family Welfare (ex-officio) | Member |
| (f) | Director, National Dairy Research Institute, Indian Council of Agricultural Research, Karnal. (ex-officio) | Member |
| (G) | Managing Director, National Dairy Development Board, Anand (ex-officio) | Member |
| (h) | Managing Director, National Cooperative Member Dairy Federation of India, Anand (ex-officio). | Member |

(II) Non-Official Members:

- | | | |
|-----|---|--------|
| (a) | Two representatives from the Cooperative Dairying Sector. | Member |
| (b) | Two representatives from the private sector from amongst those engaged in the business of milk or milk product. | Member |

(III) Secretary of the Board Member Secretary

Exhibit 5 (b): Functions of Milk and Milk Product Advisory Board

- (1) The Board shall assist, aid and advise the Central Government on any matter concerning the production, manufacture, sale, purchase and distribution of milk and milk product and on matters incidental thereto.

- (2) Without prejudice to the generality of the provisions of sub-paragraph (1), the Board may advise the Central Government on matters relating to :-
 - (a) facilitation of the supply or availability of liquid milk, by balancing uneven supplies in different regions and seasons;
 - (b) maintenance or increase in the supply of milk and equitable distribution and availability thereof;
 - (c) establishment of proper standards and norms for control and handling of milk and milk product;
 - (d) maintenance of high standards of sanitary and hygienic conditions in the manufacture of milk and milk product.
 - (e) Establishment, promotion or registration of any industry which is relatable to milk or milk product ; and
 - (f) Such other purposes as are necessary or incidental to the effective implementation of the Order;

- (3) Where the Central Government considers that the expenditure of the Board may be utilized in the implementation of this Order in any respect, it shall be competent for the Central Government to direct that any of its functions relating to the implementation of the Order shall be performed by the Board, subject to such conditions, restrictions and limitations as the Central Government may specify, whereupon it shall be competent for the Board to discharge those functions.

Exhibit 6: Changes in average value of consumption of milk & milk products per person per 30 days

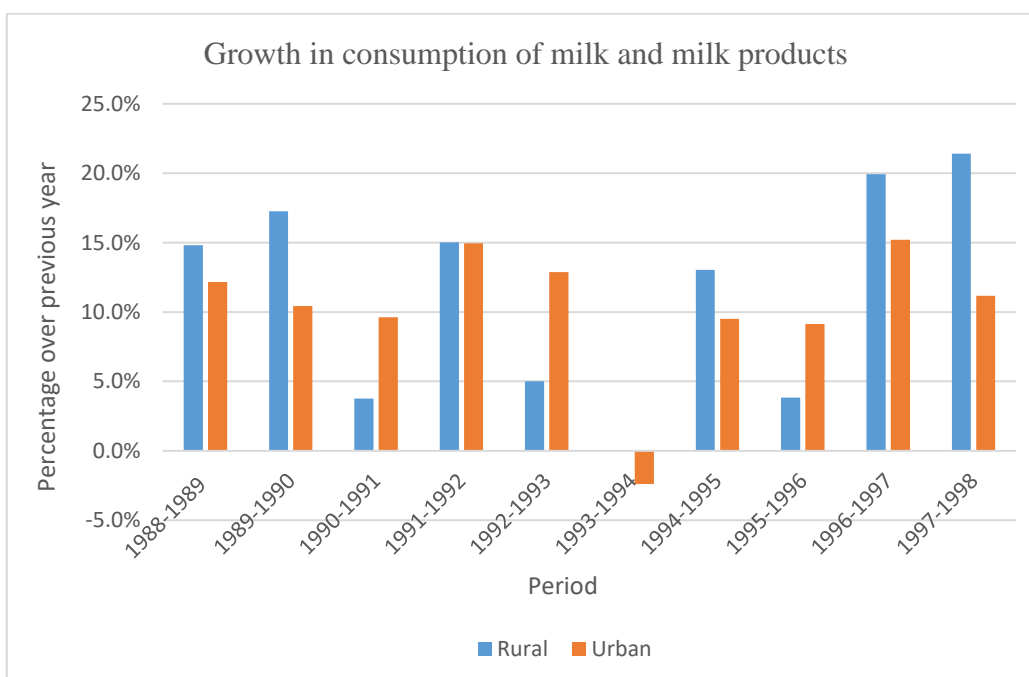
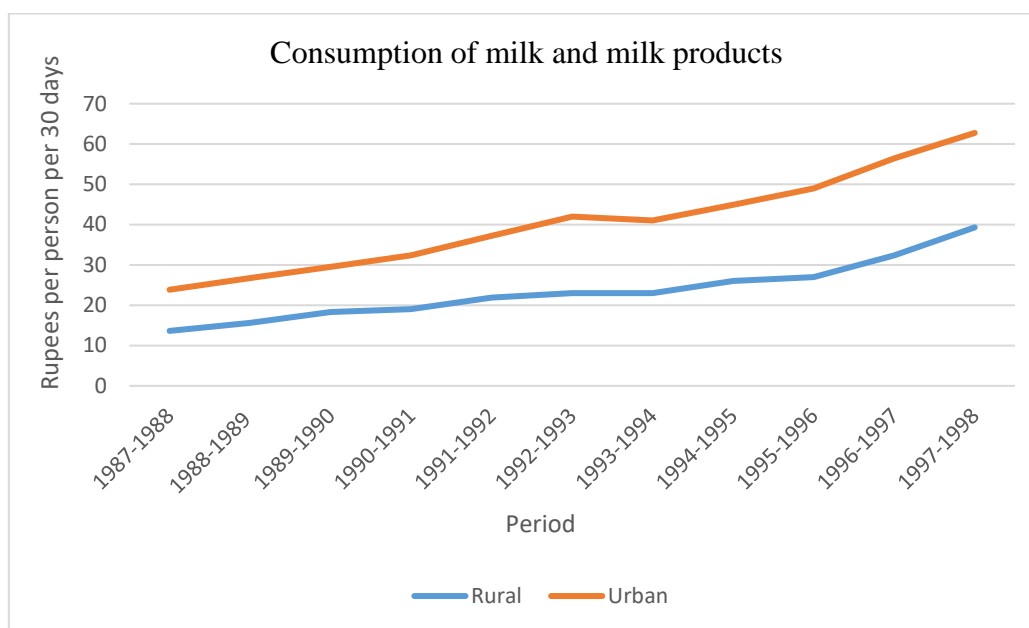


Exhibit 7: Product portfolio of Mother Dairy (Through the years)

| S. No. | Year | Products |
|---------------|-------------|---|
| 1 | 1990 | Liquid Milk, Skimmed Milk Powder, Butter Oil, Fresh Fruits and Vegetables |
| 2 | 1991 | Liquid Milk, Skimmed Milk Powder, Butter Oil, Fresh Fruits and Vegetables, Frozen Peas |
| 2 | 1996 | Liquid Milk, Skimmed Milk Powder, Butter Oil, Fresh Fruits and Vegetables, Frozen Peas, Ice-cream |
| 3 | 1999 | Liquid Milk, Skimmed Milk Powder, Butter Oil, Fresh Fruits and Vegetables, Frozen Peas, Ice-cream, Flavoured Milk |
| 4 | 2000 | Liquid Milk, Skimmed Milk Powder, Butter Oil, Fresh Fruits and Vegetables, Frozen Peas, Ice-cream, Flavoured Milk, Mishti Doi, Plain Curd, Buttermilk |
| 5 | 2001 | Liquid Milk, Skimmed Milk Powder, Butter Oil, Fresh Fruits and Vegetables, Frozen Peas, Ice-cream, Flavoured Milk, Mishti Doi, Plain Curd, Buttermilk, Flavoured Milk Variants |
| 6 | 2003 | Liquid Milk, Skimmed Milk Powder, Butter Oil, Fresh Fruits and Vegetables, Frozen Peas, Ice-cream, Flavoured Milk, Mishti Doi, Plain Curd, Buttermilk, Flavoured Milk Variants, Table Butter |
| 7 | 2004 | Liquid Milk, Skimmed Milk Powder, Butter Oil, Fresh Fruits and Vegetables, Frozen Peas, Ice-cream, Flavoured Milk, Mishti Doi, Plain Curd, Buttermilk, Flavoured Milk Variants, Table Butter, Ghee, Cheese |
| 8 | 2006 | Liquid Milk, Skimmed Milk Powder, Butter Oil, Fresh Fruits and Vegetables, Frozen Peas, Ice-cream, Flavoured Milk, Mishti Doi, Plain Curd, Buttermilk, Flavoured Milk Variants, Table Butter, Ghee, Cheese, Frozen Snacks |

Exhibit 8: Amul's entry into Delhi market in 2002

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Amul planning to set up ice-cream plant in Delhi

Swati Bharadwaj Chandl | TNN | Aug 31, 2002, 02:00 AM IST

AHMEDABAD: With milk co-operative giant Gujarat Co-operative Milk Marketing Federation (GCMMF)'s plans to acquire ice-cream facilities in Delhi failing to make headway for quite some time now, it is veering around to creating a new ice-cream facility in Delhi.

Talks between GCMMF and Ravi Jaipuria for the acquisition of the latter's ice-cream plant at Agra have fallen through, prompting the co-operative to look for other alternatives. Interestingly, the Jaipuria plant at Agra was the third party manufacturing facility for rival Hindustan Lever Ltd's Kwality Walls. Confirming the development, B M Vyas, MD GCMMF, told The Times of India here that the plan to acquire the Jaipuria plant at Agra had been dropped.

"We may create our own facility in or around Delhi if our acquisition plans do not materialise. We are talking to another player for picking up their plant," Vyas said. According to GCMMF sources, the pressure on environment was immense in Agra because of the Taj Mahal. "Being close to the Taj, operating the plant would be a very expensive and unviable proposition as there are very stringent fuel usage norms for pollution control," the sources said.

"We are anyway feeding the Delhi and North markets from our Gandhinagar, Anand and Baroda plants at present," they added. Amul ice-cream entered the Delhi market in May this year.

The estimated Rs 100 crore (20 per cent of 60 million tonne organised ice-cream market) Delhi market is being keenly fought for by the three main players Kwality Walls, Mother Dairy and Amul.

GCMMF has been trying to localise its ice-cream manufacturing in the North for quite some time now. It entered the Delhi market in May this year following the breakdown of its non-compete agreement with Delhi-based co-operative Mother Dairy, another major player in the Delhi market.

A couple of years ago it had even made attempts to tie-up with Uttar Pradesh and Madhya Pradesh co-operative federations for the contract manufacture of Amul ice-creams for the North and Central markets.

In the meantime, it is in the process of putting up an ice-cream facility at member co-operative Banaskantha Dairy's Palanpur facility as a stop-gap arrangement to cater to the Northern markets including Delhi, Punjab, Haryana, Rajasthan, Madhya Pradesh, UP, Bihar and West Bengal markets, where it is scouting for an acquisition.

Exhibit 9: The milk drop symbol of adopted by various cooperative brands



Exhibit 10: NDDB continues to enter into Joint Ventures with state federations

Business Line

INTERNET EDITION

Financial Daily from THE HINDU group of publications
Saturday, Mar 22, 2003

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| <ul style="list-style-type: none">HomeNews Update | Agri-Biz & Commodities - Dairy & Dairy Products Marketing - Strategy |
| News | |
| <ul style="list-style-type: none">CorporateMarketsInfo-TechMarketingMoney & BankingAgri-Biz & CommoditiesIndustry & EconomyLogisticsGovernmentOpinionVarietyCorporate ResultsColumnsIndexArchives | <h2>NDDB-Milma JV comes into being</h2> <h3>Our Bureau</h3> <p><i>The joint venture will be replicated in other States and it might enable the marketing federations and producers' unions to stand up to the challenges posed by the emerging marketing scenario, which is fiercely competitive.</i></p> <p>THIRUVANANTHAPURAM, March 21</p> <p>MILMA Foods Ltd, the new joint venture company formed by Mother Dairy Foods, a subsidiary of the National Dairy Development Board, and the Kerala Cooperative Milk Marketing Federation (Milma), has formally come into being.</p> |
| Features | <p>Mother Dairy Foods will hold 51 per cent of the equity in the new company, while Milma would hold the rest, according to Mr P.T. Gopala Kurup, Chairman, Milma. The agreement signed by the parties to the contract binds them to a clause, which prevents either party from offloading shares outside of the venture.</p> <p>This would effectively put paid to the concerns raised in some quarters that the new arrangement would only lead to the federation ending up in the hands of a suitably interested predator company from outside.</p> |
| Stocks | <p>The joint venture company is being set up as part of the campaign mounted by the State-level federation and the zonal milk producer's unions to tone up their respective marketing strategy and make their presence felt on the national scene, according to Mr Kurup.</p> |
| Port Info | <p>It is for the first time that a joint initiative has come to be launched in the cooperative sector in the State for marketing milk. Mr Kurup quoted the Chairman of the NDDB, Dr Amrita Patel, as saying that the joint venture would be replicated in other States and it might enable the marketing federations and producers' unions to stand up to the challenges posed by the emerging marketing scenario, which is fiercely competitive.</p> |
| Archives | |
| <ul style="list-style-type: none">YesterdayDatewiseResources | |
| Group Sites | <p>The joint venture would help bring about a major change in the marketing strategies adopted by Milma and also strengthen the related infrastructure. This would enable the federation to market the entire produce bequeathed to it by the producer unions. With this, Milma is poised to make a quantum jump in marketing, Mr Kurup said.</p> <p>Milma Foods will stick to the 'Milma' brand name for selling its various products. A separate agreement to this effect has been entered into by the respective companies. In the event of the new joint venture not being able to carry on with its activity, the 'Milma' brand would be restored to its original owners. Milma Foods proposes to implement a slew of measures aimed at further strengthening the brand equity associated with 'Milma', Mr Kurup said.</p> <p>Milma Foods would take up the marketing of the entire range of products being produced by the State-level federation and the zonal producers' unions. It will also provide the various dairies with the latest technology for improving quality as well as for product diversification. This will hopefully help Milma raise the general quality levels and diversify its range, Mr Kurup said.</p> <p>The new company is expected to start operations from the middle of the next month. The State-level federation and the zonal unions will continue to take up procurement and processing of milk.</p> <p>They will also continue to be vested with the power to fix the procurement price. Milma Foods and the producers unions will confer among themselves to fix the price at which Milma will sell its products to the joint venture company, Mr Kurup added.</p> |
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Exhibit 11: NDDB shut down Mother Dairy Foods Ltd. in 2004


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| <ul style="list-style-type: none">HomeNews Update | Corporate - Mergers & Acquisitions Agri-Biz & Commodities - Dairy & Dairy Products |
| News | |
| <ul style="list-style-type: none">Front PageCorporateMarketsInfo-TechMarketingMoney & BankingAgri-Biz & CommoditiesIndustry & EconomyLogisticsGovernmentOpinionVarietyColumnsIndexArchives | <h3>NDDB winds up Mother Dairy Foods</h3> <p>Harish Damodaran New Delhi , Dec. 22</p> <p>THE National Dairy Development Board (NDDB) has wound up Mother Dairy Foods Ltd, the granddaughter company created by it to forge marketing joint ventures with individual State co-operative dairy federations.</p> <p>Mother Dairy Foods has been merged with NDDB's direct subsidiary, Mother Dairy Fruit and Vegetable Ltd, which itself has been re-christened as Mother Dairy Fruit and Vegetable Private Ltd. Mother Dairy Fruit and Vegetable was set up as a 100 per cent owned subsidiary company of NDDB in April 2000, by corporatising the Mother Dairy plant in Delhi and the fruit and vegetable project (which marketed horticultural produce under the 'Safal' brand), which were both until then simply 'managed units' of the Anand-headquartered board.</p> <p>Subsequently, it was made into a holding company for three other companies — Mother Dairy Foods Processing Ltd, Mother Dairy India Ltd and Mother Dairy Foods. While all the manufacturing units of Mother Dairy Fruit and Vegetable (including the dairy in Delhi and horticultural processing facilities in Delhi and Mumbai) were transferred to Mother Dairy Foods Processing, Mother Dairy India was made the marketing arm for the 'Mother Dairy' brand products on an all-India scale. Mother Dairy Foods, in turn, was created for establishing 51:49 joint ventures with state-level co-operative dairy federations to enable better marketing of the latter's products.</p> <p>The 2003-04 annual report of NDDB, however, lists only two subsidiaries of Mother Dairy Fruit and Vegetable Private Ltd . These are Mother Dairy Food Processing and Mother Dairy India.</p> <p>Mother Dairy Food's role has been taken over by the holding company, i.e Mother Dairy Fruit and Vegetable Private Ltd, which has four joint ventures.</p> <p>These include Milma Foods Ltd, Aanchal Milkfoods Ltd, Parag Milkfoods (UP) Ltd and Maathasri Milk Products Ltd, which have been formed in partnership with the respective dairy federations of Kerala, Uttaranchal, Uttar Pradesh and Andhra Pradesh.</p> <p>NDDB officials, who did not wish to be identified, said the decision to wind up Mother Dairy Foods had been taken "as it is not serving any real purpose". Even the joint ventures, which were originally established by it and are now under the holding company, have made little headway on the ground, with federations such as Kerala pulling out on grounds that the new marketing arrangements had not delivered the desired results.</p> <p>Significantly, for the first time, the annual report has explicitly referred to the 'Mother Dairy Group', with its turnover being put at Rs 1,331 crore during 2003-04.</p> <p>Apart from Mother Dairy Fruit and Vegetable , NDDB's other 'direct' subsidiaries are Dhara Vegetable Oil and Foods Company Ltd (DOFCO), IDMC Ltd and Indian Immunologicals Ltd (IIL).</p> <p>DOFCO's turnover during 2003-04 amounted to Rs 283 crore, which is below the Rs 338 crore recorded in 2002-03 and the peak Rs 382-crore achieved in 1998-99. On the other hand, the respective sales figures of IDMC and IIL have risen from Rs 40.19 crore and Rs 54.7 crore in 2002-03 to Rs 46.50 crore and Rs 65.7 crore during 2003-04.</p> <p>The latest annual report also provides data on the total investment of NDDB in its own subsidiary companies vis-à-vis the various milk and oil co-operatives. As on end 2003-04, NDDB's outstanding investment in its subsidiaries totalled Rs 747.84 crore, comprising loans of Rs 460.45 crore and Rs 287.39 crore by way of subscription of shares. This is as against the corresponding investment figure of Rs 655.83 crore in 2001-02 (Rs 435.95 crore loans and Rs 219.88 crore equity).</p> <p>Over the same period, NDDB's outstanding investment in co-operatives has dipped from Rs 1,227.58 crore to Rs 946.70 crore, indicative of the increased profile of subsidiary companies in its operations.</p> |
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Exhibit 12: An excerpt from Dr Varghese Kurien's interview to DNA in October 2005

DNA | **Esse!** | **90** | **f** | **t** | **e**

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'Amrita Patel was a mistake'

 **SHYAM PAREKH** | Updated: Oct 2, 2005, 11:34 PM IST

The Milkman of India gives an exclusive interview to DNA on what went wrong between him and his protégé, the NDDB chairperson

AHMEDABAD: In spite of the storm that's brewing outside, it's quiet inside the office of the 'Milkman of India', Dr Verghese Kurien. Even at 82, his frail frame and gentle voice fail to hide the determination that has made India the world's largest milk producer. Unfazed by the controversy and allegations that would numb even the strong-hearted, Kurien, who founded and nurtured GCMMF, National Dairy Development Board (NDDB), IRMA, and the brand Amul, for the first time candidly spoke about the differences he had with his successor, Dr Amrita Patel.

Things have come to such a pass that Kurien, who refrained from making any comments on his protégé, now says, "Choosing Amrita Patel as my successor was the biggest mistake of my life. After grooming her for 35 years and thinking that she had imbibed the ethos and true spirit of the cooperative movement, I realised I was wrong."

But what exactly went wrong between the two, who were seen as a winning team? Kurien had the vision and market foresight, Amrita mastered the art of executing his vision into reality. "There is nothing personal about it. No relationship is permanent, things change," he says. He calls it an ideological battle. It was NDDB's attempt to 'corporatise' the dairy sector and 'usurping of farmers' profits', which left him dismayed.

"Instead of empowering cooperatives and the farmers, Amrita empowered the bureaucracy, the government, and tried to corporatise Amul a brand owned by the farmers. She deviated from the fundamental principles of the cooperative sector," says Kurien.

What does he think about Amrita? "She is a very competent woman. But once she became the chairman and had money in her kitty, she felt the cooperatives needed her guiding hand," Kurien explains. "To say the cooperative movement is a failure which needs guidance, is a big folly. In 1966, we started from scratch, and when I left the NDDB was worth Rs 4,000 crore. During this time, we created 176 Anands across the country with the support of 12 million farmers.

Today, India is the world's largest milk producer. If this is failure, what is success?" He fears that the farmers will be ruined if this attempt goes on. "GMMFL is the revenue generator as it is the marketing unit. Its profits were passed on to the farmers, but they are now being usurped by the NDDB."