

# Marketing Experience of Malabar Milk Union, Calicut, Kerala

**K. T. Thomas**

Managing Director

Malabar Regional Cooperative Milk Producers' Union (MRCMPU), Kozikode, Kerala

## About Malabar Regional Cooperative Milk Producers' Union (MRCMPU)

The Malabar Regional Co-operative Milk Producer's Union (MRCMPU) is one of the three Milk Unions under the Kerala Cooperative Milk Marketing Federation, popularly known as MILMA. It was formed under the Swiss-aided North Kerala Dairy Project (NKDP) in 1990 on the famous *Anand Model*.

## Milk Marketing: The Key Component of Dairy Development

Market is the precursor for any production activity. Therefore, any production enhancement activity should go hand-in-hand with the activities that will dispose of the products so created. Conventionally, milk production in India remained as supplementary and complimentary activity to agriculture operations. Therefore, the earlier dairy development activities under the five-year plans stressed mostly on breeding, feeding and cattle management aspects. It was presumed that the resultant milk would get sold automatically!

But when calculated efforts for milk production enhancement started under the *Operation Flood* project, marketing attained prime importance. The fact that economic gains through milk marketing is the prime motive for increasing the milk production started gaining importance in the dairy development projects. In fact, the strategy of *Operation Flood* was to first create urban market through recombined milk using foreign-gifted milk powder & butter oil and to use the money from the sales to create farmers' cooperative institutions for procurement, processing and marketing of "Indian milk" to substitute the "foreign" milk. This market oriented dairy development strategy later made India the number one milk producer of the world.

## Dairy Development in Kerala

Kerala was never considered to be a dairy potential state. It possessed no traditional breed popular for milk production or even for the draught purpose. The pressure of population on land being very high, animals always competed with the human beings for space. Assured rains, perennial cash crops with near-guaranteed income, high education level, alternate potential for income from well paying labour activities etc created an environment of low *income-uncertainty* from agriculture and over the years, dairying lost its role of a secondary activity to agriculture.

Therefore, the initial dairy development strategy of Kerala was to produce more milk per animal without involving too many cattle for milk production. The Indo-Swiss project started in the sixties converted almost the entire of the Kerala cows to cross breeds. The cattle population of Kerala has fast fallen over the years. However the milk production has increased, thanks to the incentives for production enhancement made possible by the organized procurement, processing and marketing efforts of the Cooperative Milk Unions established in Kerala on the Anand model. The Malabar Milk Union is the most successful among them.

## Milk Marketing under Malabar Union

MRCMPU stated operations in 1990 by first selling the milk even when there was not enough milk! To meet the available demand, the Union depended on milk reconstituted from milk powder as well milk purchased from outside the State. It also made use of the surplus milk of two sister milk unions in South Kerala, where cooperative dairies were already well established under the *Operation Flood*. Then after, the Union

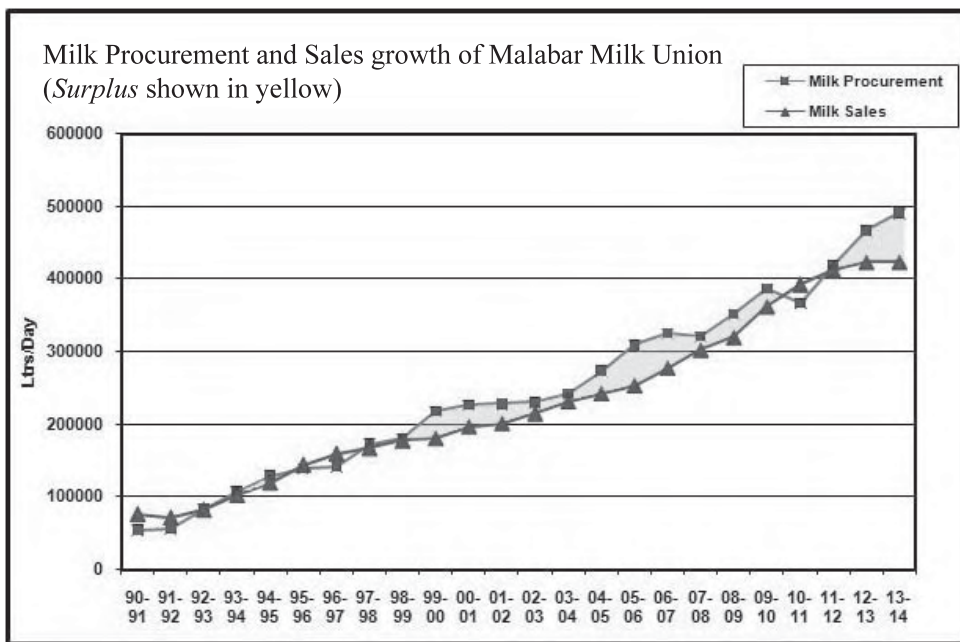


systematically expanded the rural cooperative societies, processing facilities and the marketing network. The following graph shows the success story then after. The milk procurement and sales is in continuous growth, Generation of surplus milk has helped the Union to enter into manufacture of milk products also.

## Strategies of Marketing at MRCMPU

### A mission founded on a “marketing vision”

The mission statement of the Union is: *Farmers’ prosperity through Consumer satisfaction.* MRCMPU believes that more and more milk



Liquid milk is the major item of sales of the Union. MRCMPU sells about 4,50,000 LPD as milk. The Union also sells products like ghee, curd, buttermilk, peda, ice cream, sip up, flavoured milk, butter and paneer.

The turnover of the Union was Rs. 709 cores during the year 2013-14, of which Rs. 534 crores (75%) was from liquid milk and Rs.175 crores (25%) was from milk products. These are sold through over 10,000 outlets. The Union exports ghee to Gulf markets. The brand name of the Union is MILMA, which is also used by the two sister Unions as well as the Federation. The total business under the MILMA umbrella is Rs. 2200 crores. MILMA is the market leader in the dairy sector of Kerala and possesses the experience and expertise gained through the operations of several years.

production can be attained only by making more and more flow of money from the consumers to the farmers. For attaining this, the dairy farmers need be empowered in the market through an organization (cooperative union), technologies (processing and value addition) and market command (market share, brand name, network and selling strategies etc.)

### Market Segmentation

Initially, the Union sold only Toned Milk, Later we introduced variants like Homogenized Toned Milk, Homogenized Double Toned Milk and Standardized Milk, each of them targeting specific consumer segments. Such segmented positioning of milk variants increased scope for value addition. For example, Homogenized Toned Milk version brings in 80% of the revenue from milk sales. It commands Rs.2 extra per litre than usual Toned Milk, though the fat and SNF requiring



for both the versions is the same. We have also recently introduced Frozen Toned Milk for Juice Parlors for the direct addition to iced fresh milk-juice preparations. Here the level of extra value addition is Rs.4 per litre.

### Introducing Curd

Malabar Union is in constant growth of milk production. The organization's purpose is to give year-round market support to all the milk produced by the farmers and to give it a remunerative price. During the rainy season (flush), the procurement goes beyond demand. The surplus milk goes to the sister Milk Unions of Milma in South Kerala, where milk is in short. But on day-to-day basis, there would be certain days, when all the milk will not be exactly absorbed there. On such days, milk receipts would not exactly match with the disposal. This is particularly relevant on the frequent *Hartal* days of politically hyper-active Kerala. In the initial years, the Union had no option, but to give *Milk Holidays* to the farmers on certain days of the week, to contain the surplus.

Nowadays, the surplus milk gets converted to milk powder in the Milk Powder Plant established at Alappuzha. Five paise from every litre of milk procured is set apart to maintain this facility as a *Safety Valve* to ensure that not a drop of milk produced by the farmers gets rejected. Now the MRCMPU is in perennial annual surplus and milk powder production is more frequent.

Kerala milk procurement prices being very high, our milk powder always remained to be very costly when compared to commercial milk powders available in the market. This left no chance for retailing or bulk sales of such powder. The only option was to enter into some product line that could use skimmed milk powder in large extent and also could give very high level of value addition.

Thus MRCMPU entered in to curd business. There were many technological impediments to create an ideal curd that much market requirements specific to Kerala. All of them were solved through bacterial culture modifications and process improvements. Culture improvements were required to take care of the body/texture/consistency/acidity/phage attack

related matters. It also allowed us to attain the most economical incubation time and temperature for ideal curd setting.

The process improvements were targeted towards the right whey protein denaturation status, attained by hard heating and more holding of milk. This was required for reaching the cooking properties of the product ideally required for the Kerala-specific ethnic curry preparations. However, more in-process holding time of milk after the heating process caused loss of energy due to forgoing of the re-generation feasible during normal HTST pasteurization. But the recent modifications of the curd pasteurizers in the UHT lines paved way for regeneration and related energy savings too.

Curd is a currently Rs.80 crores business, releasing to the markets 250 lakh litres of our milk produced and generating high level of value addition. We have now segmented the Curd market too to low acidic set curd in cups and high acidic, mass-transacted version in half litre pouches.

### Peda

The start of Peda production in MRCMPU was again situation-driven. Its start was in 1989 at a remote Western Ghat village called Kanjirakolly in Kannur District. Situated 10 kilometres up-hill with no road access, the poor milk producers here had to see the milk cooperative started by them downing its shutters due to unviability of head-loading the milk down the hill. Milma reopened the society, trained the village women to convert their milk into Peda in MILMA brand. The business picked up and the milk society survived.

Later, we shifted the production to our new Milk Products Factory in Beypore to make the production large-scale by applying modern methods of industrial production that are energy efficient, hygienic and employing new generation packing. More than 50 trained local housewives now work in our sterile and air-conditioned production unit churning out 200 metric tons of Peda (150 lakh pieces) annually. Peda sales are touching 10 crores a year!

We introduced scraper pans for production, extrusion technology for formation of pieces without weight variations, flow-wrapping

