

## Case Study

# SUMUL - Surat District Co-operative Milk Union Ltd.

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## Executive Summary

Surat Milk Union Limited, (recently renamed The Surat District Co-operative Milk Union Ltd, is one among the 12 district unions which act as manufacturing units of dairy products for Gujarat Co-operative Milk Marketing Federation Limited, the marketers of Amul and Dhara brand of products. SUMUL was established in Surat in 1951 to address the lack of an organized milk market. SINCE THEN, IT HAS BECOME A key driver of social and economic development in the region. The organisation has consistently delivered on its promise of quality products and services to its members, consumers and the society at large; not only by effectively leveraging emerging technologies, but also by adopting a mindset of constant innovation and collaboration between key stakeholders.

## Background

Sumul or Surat Milk Union Limited, (recently renamed The Surat District Co-operative Milk Union Ltd), is one among the 12 district unions which act as manufacturing units of dairy products for Gujarat Co-operative Milk Marketing Federation Limited, the marketers of Amul and Dhara brand of products.

SUMUL was established in Surat in 1951 to address the lack of an organized milk sector, where private milk traders were dominant; leaving both the consumers and sellers vulnerable to an unreliable market. The milk procurement price which used to be fixed by the traders (traditional Bhatias) was very low and fluctuated frequently based on the trader's discretion. The traders also capitalized on the absence of infrastructure, thereby denying producers equitable benefits from the marketable surplus generated. While milk producers resented the system, they couldn't do much in the face of traditional constraints and a lack of resources.

When compared to even the average standards today, production levels were extremely low. One, due to the market barriers stated above dairying was never really considered a valid source of income. Two, there was little or no knowledge of scientific methods of animal husbandry in the predominantly tribal region. In the absence of any processing facilities, milk being a perishable product had to be sold soon after production. This always gave an edge to the middlemen when it came to price negotiation.

The consumers also suffered because unbridled adulteration of milk was practiced by private traders to meet the growing demand of milk in the city. Eventually, the farmers realised that the only way out of this exploitative cycle was to market the milk themselves, and thus SUMUL which literally means 'good price,' was established in 1951. The organisation's subsequent growth as a dairy giant can be attributed to a number of factors; including state

support (at least in the initial years) as well as the organisation's business model and its nimbleness i.e. the ability to adapt to changing market scenarios. Most importantly perhaps, from the very beginning SUMUL established itself as an integral part of the Surat community. While it was important to make profits, it was equally critical to give back to the society as well. The impact can be witnessed not just in its consistently increasing market share and higher profit margins for SUMUL members, but in the overall socio-economic prosperity of this primarily rural region. Over the years, SUMUL has been recognised for being one of the most innovative organisations in India. Its use of new technologies for improving even the most traditional of procedures has been the subject of several national international case studies. Now, SUMUL has adopted yet another cause, that of being an environmentally conscious organisation and is reassessing all its activities to make them as eco-friendly as possible

## Objectives

SUMUL was registered under Bombay state co-operative society act VII vide registration NO.PD/688 of 22nd August 1951 with the following objectives:

- To provide guaranteed remunerative milk market for surplus milk
- To provide maximum return to milk producers
- To provide good quality milk and milk products to consumers
- To increase productivity by providing technical know-how to producers

## Working Design

### Operations, Growth and Marketing

SUMUL began with operations in only six village level cooperatives, collecting around 200 liters a day. Today, SUMUL's network is mindboggling in its sheer complexity and reach.

Some statistics at a glance (2008-09):

- 1068 Village level milk co-operatives, 85% districts in tribal areas
- 225389 Milk producer members
- Centres in Bajipura, Uchchhal, Navipardi, Nizar
- Monthly income Rs. 50 Crores
- Average member income Rs.16000 to Rs. 35000
- 29.50 crores kg milk procured annually
- Annual turnover Rs. 4000 Crores

Population of Surat City	39,15,177
Market Size	8,86,604 LLP (Per capita cons.226 ml)
SALES(Avg. per day)	694604.30 Liters
Market Share	77.99%

Table 1: Statistics at a glance

Milk is procured twice daily from 1068 cooperative societies with the farthest collection centre being 170 kms away from the main centre. Approximately 3,00,000 people are involved in the daily milk procurement/production activity and together they send more than 6.5 lakh liters of milk everyday to the main plant, which is processed and then delivered to over the roughly 2700 retail outlets in SUMUL's supply chain.

The robustness of SUMUL's three tier system (Village, District and State) is unique and provides maximum returns to milk producers per kilogram of fat in the milk procured. Each of 1068 cooperatives and four chilling centres are virtually connected to each other and to the central unit in Surat for quicker and constant communication. (Read more in the technology section below.)

While SUMUL is the third largest dairy cooperative after Anand and Mehsana, it offers the highest remuneration (Rs. 318 per kilo of fat in milk) to its members. regular and assured twice a day supply of milk to 1662 agents and 198 institutional buyers, through 85 contractors' route vehicles.

The organisation is committed to meeting international quality standards and is certified for ISO 9001:2008, ISO 14001:2004 and ISO 22000:2005. Members are trained to procure the best quality product which is consistently monitored by SUMUL. Emphasis is also given to upgrading processes and machinery to make them more efficient and state of the art. Equal importance is given to meeting the quality and need standards of the consumers as well, and the organisation maintains a dedicated team to resolve consumer complaints.

## Use of Technology

SUMUL's growth has been buttressed by a judicious and innovative use of technology both in the organisation and its network. Within the organisation, a need was felt to evolve superior work flow processes to address the growing complexity of operations. Externally, the cooperative wanted to make its processes more efficient and cost-effective. For instance, SUMUL's award winning Online Integrated Computerized Systems (OICS), has helped the dairy use data generated at 1004 village level dairy cooperatives collecting milk from 2,14,415 members, spread over 7,65,759 Sq. Km area for various analytical purposes.

## The OICS system at a glance

The OICS integrates all vital processes ranging from milk procurement, marketing, cattle feed management, materials management to human resource and financial accounting. The system also uses an integrated GIS to keep track of animal population, animal diseases, milk route transport management, milk procurement cattle feed utilization, and other veterinary services.

The main components of OICS are the following:

- Milk procurement system
- Cattle feed and Finished Product Management
- Materials Management
- Marketing Sales Accounting System
- Financial Accounting System
- Human Resource
- Document Management System
- Financial accounting package for village societies

More than four lakh records are generated by this system that pivots around six major modules comprising approximately 500 data entry forms, 40 query forms, and 800 reports, on a daily basis.

THE OICS acts as a network procuring and providing all crucial information like weigh bridge data, all production/stock data and cash collection details. Automatic Milk Collection System (AMCS) and Bulk Chilling Unit (BCU) modules are also integrated into the OICS at village cooperative societies. These are used by SUMUL members to procure information like receipt for milk sold, society credit/debit note, society ledger/pass book, information on pending loans etc. On the packing side, OICS maintains the data from milk Form Fill and Seal (FFS) pouch-filling machines to ensure packing of the right quantity.

Apart from the OICS, SUMUL also avails of other technological advances to support day-to-day processes. Some examples include:

- Using biometric technologies and swipe cards to capture time taken by truck drivers to identify ways of minimizing transport delays. This is important to avoid milk from going sour.
- Wireless connectivity links (802.11b, 11 Mbps) are used to connect Sumul's head office, chilling centers (a distance of up to 55 Kms) and its cattle feed factory (25 Kms away). This innovative use of Wi-Fi comes at a low cost compared to the more expensive optical fiber alternative.
- The campus also has 12 wireless access points. IP cameras are used at remote locations and in the dairy premise for surveillance.
- VoIP services have also been provided between societies and between societies and SUMUL centre.
- Order acceptance over telephone and through Mobile SMS

## Environmentally Conscious

SUMUL is committed to the cause of conserving energy and reducing its carbon footprint. The organization has taken upon itself to be the lowest specific energy consumer in the dairy industry. The organization takes the following approaches to achieve its environmental goals:

- Manage all resources efficiently, employ cleaner technologies and upgrade to hardware that is more energy efficient.
- Conduct regular internal & external audits to identify areas of improvement.
- Constantly benchmark SUMUL's performance against best practices.
- Engage in ideas exchange to learn from other organization working with similar technologies.
- Promote awareness among all employees and members by conducting events like Energy Conservation day, conducting workshops and planting trees.
- To the extent possible, use cleaner fuels like natural gas to operate boilers, DG sets and hot hair generator stacks.
- Comply with all applicable environmental legislation, regulations and other requirements.
- Control Plant Operations to conserve natural resources such as water, electricity & fuel and prevent pollution

## Supporting and Developing the Surat Community

SUMUL is a key driver of the socio-economic development of Surat and adjoining districts. To this end, the organisation provides a range of services, often in collaboration with other domain experts, that may not be readily available in the region. This includes initiatives that focus on health and sanitation, education, women's upliftment and environmental conservation, among others. SUMUL also provides technical inputs and veterinary services to members at subsidized rates.

Activity (2008-09)	No.
HIV control programme in rural areas	497 villages
Safe & hygienic water supply scheme	100 villages
Anemia control program for women	129 villages
Sanitation campaign	187 villages
Bio gas plant for domestic use	400 units
Tree plantation in last Five years.	32 lakh approx
Rehabilitation programme for the disabled	1397 people
Organic farming "wormy compost, demonstration and supply	330 MT
Eye camp	20504 people
Cataracts	1177
Glasses provided	12764
Plastic Surgery	145

Figure 2: Community development activities of SUMUL

## Conclusion

SUMUL continues to strive to be an industry leader and responsible member of the Surat community. The organization is constantly seeking newer ways to increase production, improve processes and ultimately create better and more profitable sources of livelihood for its members. In the near future, SUMUL plans to expand its network by encouraging marginalized farming communities to join the dairy movement. The organisation also continues to look for ways to improve efficiencies of scale keeping in mind its mantra of "Decrease expenses, Increase production". In terms of ICT innovations, plans are afoot to further the reach of the OICS to ensure that milk producers receive all critical information at their fingertips and ensure that every single animal and milk producer is recorded and monitored. SUMUL also intends to expand its market into the virtual world by developing an online shopping system.

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