

Auction on global platform helps Amul treble exports

THE GLOBAL DAIRY TRADE PLATFORM

Sellers on the platform:

- Amul
- The US's Dairy America
- Europe's Euroserum
- New Zealand's Fonterra
- Denmark's Arla
- Australia's Murray Goulburn
- The US's Land O'Lakes

Auction process on the platform:

- Trading takes place twice a month
- Typically, trading lasts 2-3 hours
- CRA International, a Nasdaq-listed financial and management consulting services firm, is the trading manager
- In each successive round of bidding, if the total bids are greater than the quantity on offer, the trading manager raises the price and bidders enter new quantities

KALPESH DAMOR & SOHINI DAS

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Last financial year, dairy major Gujarat Cooperative Milk Marketing Federation (GCMMF), which markets milk and milk products under the Amul brand, registered a rise of about threefold in its exports at ₹530 crore. The rise was primarily due to the fact that the company sold its products on the international dairy auction platform Global Dairy Trade (GDT).

GDP sees participation from multinational dairy majors such as Fonterra and Dairy America. As of now, Amul is the only India entity on GDT. As about 800 buyers participate in this platform, it helps fetch prices 10-12 per cent more, compared to traditional exports. Also, GDT has, of late, become a major reference point for international prices of dairy products.

Amul joined GDT in April 2013 and started selling skimmed milk powder (SMP) and whole milk powder (WMP) through the platform in June 2013, auctioning products worth ₹220 crore in FY14. In FY13, its total exports stood at about ₹140 crore.

The head of a leading private dairy in the south said, "It (Amul) has volumes to spare for auctioning on the GDT, while others, after catering to the local demand, cannot offer bulk volumes for international auction at a go."

R S Sodhi, managing director of GCMMF, said, "We have sold about 10,000 tonnes of SMP and WMP on the GDT...In 2013-14, our total exports stood at about ₹530 crore; we exported 20,000 tonnes of milk products."

Through the GDT, an auction platform for internationally traded dairy products, two auctions are held every month; these attract hundreds of active bidders from about 90 countries. The sellers are primarily based in the US, Europe and Oceania and include Denmark's Arla Foods, US-based Dairy America, Australia's Murray Goulburn, French Euroserum and New Zealand's Fonterra.

Last financial year, Amul not only competed with these global biggies, it also fetched better prices compared to many international players. "When we started on the GDT last year, we were getting \$600-800 a tonne lower compared to other international players. However, now, we are able to record \$500-600 a tonne more. In the last two to three auctions, we have fetched the highest price," says Sodhi.

He adds Amul's products have 36 per cent protein content, higher than the average 34 per cent of other international players. "Also, our products are tastier and whiter, and this has attracted several buyers," he claims.

This year, however, exports are unlikely to see much traction, as both prices, as well as demand, in the Indian market are expected to be high. "We are expecting at least 20 per cent volume growth in consumer products in the domestic market this year. Also, the flush of milk from Europe (25-30 per cent growth in volumes) is likely to keep international prices low," Sodhi says.

The company feels this financial year, sales through auctions are likely to be similar to those in 2013-14.