

## Matching Downstream Activities with Upstream Activities during Covid 19 at Banas Dairy, Gujarat India

Sourbhi Chaturvedi<sup>a</sup>, Vidhita Sinha<sup>a\*</sup>, and Nelson Mcwaan<sup>a</sup>

<sup>a</sup>Ganpat University- V M Patel Institute of Management, Kherva, Gujarat, India

### Abstract

According to data from the dairy industry in 2018-19, out of a total of 3210 lakh kg/day of milk production, 1080 lakh kg/day came from the organized sector and the other 2130 lakh kg/day came from the unorganized sector. Due to COVID-19, there had been an increase in production from the organized sector, which was 50% of total milk production. This change was due to consumer preference for packaged and pasteurized milk, which was considered as safer and more reliable in comparison to the loose milk available. This case highlights how Banas Dairy quickly adapted to the changing times by ensuring regular and increased milk collections despite supply chain disruptions caused by the pandemic. The case also demonstrates how Banas Dairy effectively coordinated its downstream and upstream activities during the COVID-19 crisis. Despite the challenges posed by COVID-19, some employers had stepped up to support their employees. Banas Dairy, for example, not only continued to pay its employees during the lockdown but also provided an additional month's salary to over 4000 employees, amounting to 11 crores.

**Keywords:** Procurement, District Cooperative Societies, Organized and Unorganized

### ABOUT THE DAIRY INDUSTRY:

India has been the world's leading milk producing nation since 1998 and has the largest bovine population globally. Over the period of 1950-51 to 2017-18, milk production in India had grown from 17 million tons to 176.4 million tons, a growth rate of 6.65 percent compared to 165.4 million tons during 2016-17. This had led to a sustained increase in the availability of milk and milk products for the growing population. In 2017-18, the total value of milk output was Rs 7,01,530 crore, surpassing the value of the top two grains, paddy and wheat. The dairy industry in India has observed that around 48% of the milk produced is consumed by the producer or sold in rural areas, while the remaining 52% is sold in urban areas. According to data from 2018-19, out of the total milk production of 3210 lakh kg per day, 1080 lakh kg per day came from the organized sector and 2130 lakh kg per day from the unorganized sector.

### COVID-19 AND CHANGE MANAGEMENT :

The COVID-19 pandemic had a significant impact

on businesses and organizations worldwide, and managing this impact required a significant amount of change management efforts. The pandemic had forced organizations to adapt to new ways of working, such as remote work and virtual collaboration, which had required changes in policies, processes, and technology. Organizations had to implement new safety protocols and procedures to ensure the health and safety of their employees and customers. Additionally, many organizations had to pivot their business models to respond to changes in customer demand and market conditions. Effective change management had been critical to navigating the challenges posed by the pandemic. Organizations had to be agile and responsive to changes in the environment, and they have had to communicate effectively with stakeholders to ensure buy-in and support for the changes being implemented. The Lewin's change management model is an effective framework for managing change during times of crisis.

There are several reasons why effective change management was necessary during this time and why

\*Corresponding Author  
E-mail address: vrs02@ganpatuniversity.ac.in

Lewin's model could prove to be useful:

Firstly, the pandemic caused significant disruptions to business operations, requiring organizations to quickly adapt to changing circumstances. The Lewin's model helps in identifying areas that need improvement and implementing changes to adapt to the changing circumstances.

Secondly, employee safety was critical during the pandemic, and effective change management was necessary to implement measures to ensure employee safety. The Lewin's model provides a framework for identifying areas where employee safety can be improved and implementing changes to ensure that employees are safe.

Thirdly, COVID-19 had caused significant disruptions to supply chains and customer demand, making it essential to maintain business operations. Effective change management is necessary to adapt to these changes and maintain business operations. Lewin's model helps in identifying areas where business operations can be improved and implementing changes to ensure that operations continue.

Lastly, effective communication was crucial during times of crisis, and the Lewin's model provides a framework for communicating changes effectively. Effective communication helps in ensuring buy-in and support for the changes being implemented, which is vital for successful change management.

Overall, effective change management with Lewin's model was necessary during COVID-19 times to adapt to changing circumstances, ensure employee safety, maintain business operations, and communicate changes effectively. By applying Lewin's model, organizations could navigate the challenges posed by the pandemic and emerge stronger on the other side.

### **COVID'19 WAS AN ARM-IN-THE-SHOT SITUATION FOR THE DAIRY INDUSTRY WITH THE SUDDEN SPIKE IN SUPPLY & DEMAND**

Covid'19 had proved itself to be a blessing in disguise for the dairy industry with a sharp impact on consumer preference for the packaged and pasteurized milk as compared to the loose milk supplied by the vendors considering the safety and reliability aspects. Covid'19 had witnessed a growth of organized sector which reached 50% share in total milk production. The demand had not only increased for the milk but over the five months of Covid-19 Amul had almost doubled the number of branded products of butter, ghee, cheese and paneer. Products like ghee, butter, milk powder and cheese saw a rise in demand of around 10% to 50 % in 2 to 3 days of the first lockdown. A potential reason for the rise in demand of varieties of cheese was that Covid- 19 crisis had compelled people to stay indoors and try different

varieties of food, which had led to the people's trust on the packaged products which they believed was healthier and richer in nutrition value.

Varieties of cheese, Indian sweets and liquid milk with different flavors were the new avenues which generated revenues. Covid-19 pandemic had helped the dairy industry as the consumers had understood the importance of a healthy diet and had to a great extent shifted from meat based protein to dairy based protein. The revenue mix generated from consumer segment was higher than that from HoReCa (hotel/restaurant/cafe) in contrast to the earlier figures where the revenue from HoReCa was 70 % and consumer segment was 30%. Sensing the potential in the midst of Covid' 19 and with an objective to serve the consumers with immunity boosting products Amul came up with 33 new products in mere 30 days' time which included products like haldi milk and ice cream along with tulsi milk to name a few.

Initially, it was thought that dairies like other sectors would be negatively affected. However, during the COVID-19 pandemic, these dairies made significant efforts to ensure a continuous supply of good quality milk by providing the cattle with high-quality feed and arranging for veterinary services and artificial insemination through district cooperative societies. This led to an increase in both the quantity and quality of milk produced. Additionally, the dairy sector saw an increase in milk supply due to the number of households and smallholders who continued to milk their own cows and buffaloes and sold the surplus milk to local collection centres of these dairies instead of supplying milk to hotels, restaurants, and cafes, which were closed during lockdowns. This milk was then processed, pasteurized, packaged, and sent to various marketing outlets and ultimately to consumers' homes. The milk supply also grew as unorganized players

In order to utilize the excess milk procured was converted to value-added products with long shelf- life e.g. butter, milk powder, ghee, UHT milk, etc. but this led to the fund blockage and as a consequence there was a problem in payment which was made to the farmers. In order to curb the situation, the Government had announced a fund of ₹15,000 crore in the name of Animal Husbandry Infrastructure Development Fund. Other initiatives from the government were it availed low cost working capital for the producer owned institutions which was a sigh of relief for the dairies. The money procured from government was used to convert the milk into skimmed milk powder, milk fat and distribution of milk to the needy people

### **LOGISTICS MANAGED BY AMUL DURING COVID 19:**

Amul implemented several measures to ensure the

regular supply of milk during the COVID-19 pandemic. Here are some of the steps taken by Amul:

- Ensuring the safety of its farmers and milk producers: Amul provided personal protective equipment (PPE) such as masks and gloves to farmers and milk producers. Social distancing measures were also implemented during the collection of milk to prevent the spread of the virus.
- Collaboration with local authorities: Amul collaborated with local authorities to obtain necessary permits and clearances for the movement of goods. This helped in the smooth transportation of milk from collection centers to processing plants and then to distribution centers.
- Increased production and distribution capacity: To meet the increased demand for milk and milk products during the pandemic, Amul increased its production and distribution capacity. The company also increased the number of distribution centers to ensure that milk was available in all areas.
- Launch of doorstep delivery services: Amul launched doorstep delivery services to make it easier for consumers to access milk and milk products. This helped in reducing the footfall at retail outlets and ensured that people could buy milk without leaving their homes.
- Launch of awareness campaigns: Amul launched awareness campaigns to educate people about the importance of milk in their diets. This helped in increasing the demand for milk and milk products, which in turn helped in maintaining the regular supply of milk.

Overall, Amul took several steps to ensure the regular supply of milk during the COVID-19 pandemic. The company's efforts helped in meeting the increased demand for milk and milk products and ensured that people had access to essential food items during the pandemic.

#### **MEASURES UNDERTAKEN BY AMUL FOR PROCUREMENT OF MILK DURING COVID 19:**

During the coronavirus pandemic, Amul took several steps to ensure the procurement of milk from dairy farmers and maintain the supply of milk and dairy products to consumers. Here are some of the measures taken by Amul:

- Increased procurement prices: Amul increased the procurement prices of milk to support dairy farmers who were affected by the pandemic. This move helped to ensure that dairy farmers continued to produce milk despite the challenges posed by the pandemic.
- Implemented e-procurement system: Amul implemented an e-procurement system to facilitate the procurement of milk from dairy farmers without

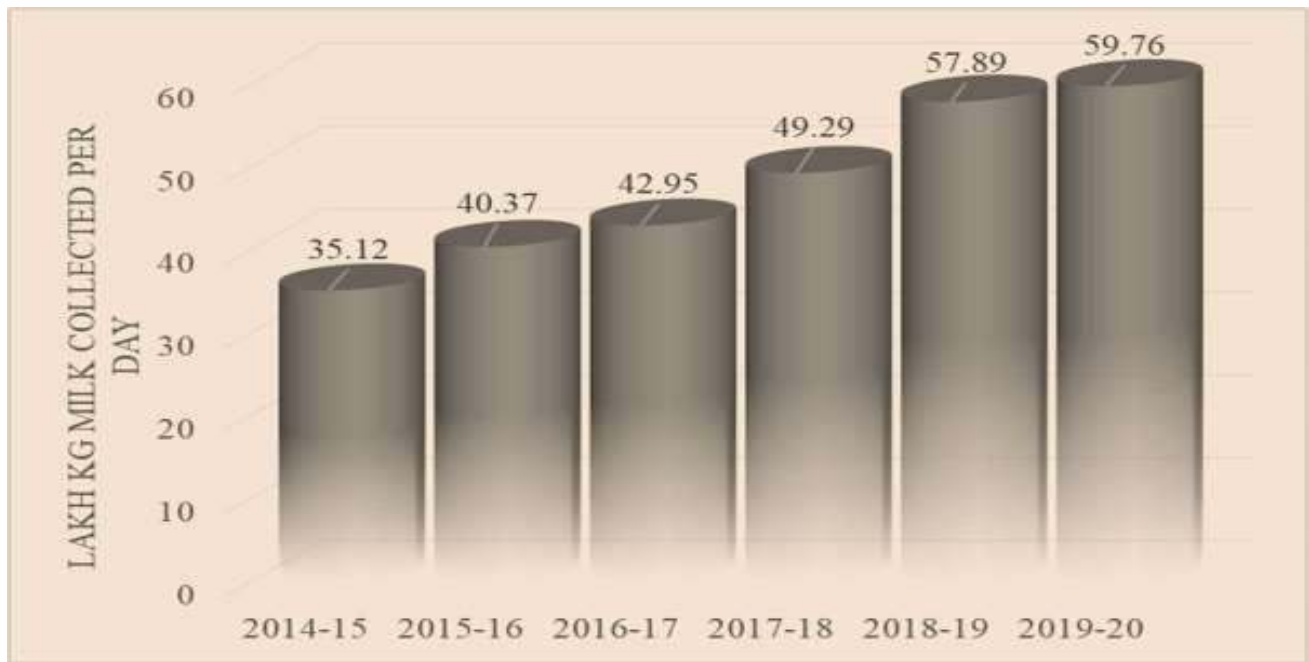
physical contact. The system enabled farmers to sell their milk to Amul without leaving their homes, which reduced the risk of infection.

- Increased storage capacity: Amul increased its storage capacity to ensure that milk and dairy products were available to consumers even in case of disruptions in the supply chain.

#### **BANAS DAIRY:**

Banas Dairy, located in the Banaskantha district of Gujarat, India, is a member union of the Gujarat Cooperative Milk Marketing Federation (GCMMF), which owns the Amul brand. Established in 1969, Banas Dairy is Asia's largest milk producer and one of the largest dairy cooperatives in India. It is part of the cooperative structure that was established to empower small milk producers in Gujarat, provide them with a fair price for their milk, and ensure the availability of high-quality dairy products to consumers in India and around the world. The dairy collects milk from over 3,000 village-level dairy cooperative societies and has a processing capacity of over 10 lakh litres of milk per day. Banas Dairy produces a range of dairy products including milk, butter, cheese, and ice cream under its own brand. Galabhai Nanjibhai Patel played an important role in the foundation of the dairy in accordance with the 1961 rule of the National Dairy Development Board under Operation Flood. Banas Dairy currently has four running dairy plants in Palanpur, Faridabad, Lucknow and Kanpur. Banas Dairy currently has two running cattle feed plants Katarva and Palanpur. Katarva Plant is Asia's largest cattle feed plant with the capacity of 1800 MTPD. Banas Dairy collects 50 lakh liters of milk every day on an average which increases to 76 lakh liters in winter. Banas Dairy through its 1,450 cooperative societies accounts for about 30 percent of the total milk collected by the Gujarat Cooperative Milk Marketing Federation (GCMMF) from 18 unions associated with it. Being a cooperative, it has to accept every single drop of milk bought in the district cooperative societies (DCS). Banas Dairy is a member union of the Gujarat Cooperative Milk Marketing Federation (GCMMF), which is the organization that owns the Amul brand. Banas Dairy collected 30-40 LKPD before 2019, which was considered very high. In 2019-20, the dairy has reached to 59.76 LKPD with a recorded highest milk collection of 73.72 lakh liters in a day. This simply put the dairy achieving highest milk collection rate in Asia. The dairy has helped to achieve triple income of milk producers (52nd annual report, 2020).

**Figure 1: Average milk collection**



**Source: Banaskantha District Cooperative Milk Producers' Union Ltd. 52nd Annual Report 2019- 20**

**PROCUREMENT AT BANAS DAIRY DURING COVID 19**

COVID 19 had hit all the walks of our life. The employees on one hand looked up to the employers to provide them salaries of the lockdown period and the employer on the other hand looked at the government’s help to keep their business afloat. Even in this testing time there were few employers who have emerged as the saviour of their employees. One such employer is Banas Dairy, it had not only ensured that the employees receive salary continuously during lockdown but they also declared an additional one month salary to more than 4000 employees to the tune of 11 crores. There was no cut in the salaries of the employees who were quarantined. The chairman and the Board unanimously declared this incentive to the employees to recognize the hard work.

For boosting the immunity of all the staff the organization gave 2kg Ghee worth rupees 50 lakh was also distributed to the employees free of cost.

As Banas Dairy is a member union of the Gujarat Cooperative Milk Marketing Federation (GCMMF), which is the organization that owns the Amul brand. Therefore it implemented all the measures adopted by Amul during the Covid 19 times. In addition, Banas Dairy provided financial assistance to its members to help them overcome the financial difficulties caused by the pandemic. Banas Dairy distributed animal feed to its members to ensure that their animals were well-fed and healthy. This helped to maintain the production of milk and dairy products.

Moreover, the organizations foresightedness made

the downstream and upstream activities smoother for Banas dairy even during the pandemic. During January and February 2020, the company had observed that they had difficulty in procuring safety gears like mask and gloves from their regular suppliers under the annual rate contract. Since the last 3 months they had not been able to procure mask and gloves. Also, the prices had soured from .80 paisa per mask to Rs. 8 due to its less availability. All these indicated some problem brewing throughout the world. Proactively the Banas dairy decided to produce 10,000 cotton masks in advance and before the first lock down on march 23rd they had produced enough masks for their staff in and around Banas dairy.

When the prime minister had announced the lockdown, Banas dairy worked in and out for getting the required logistics permission for its vendors supplying the packaging material, the lubrication, the raw materials for the milk products. The best part was that the milk being essential was permitted to be processed and to be transported. The visionary top management got the government support within 24 hr for all its operations across different districts. Initially for some time during the lockdown the daily milk collection had got affected as 25 villages had got infected with the pandemic. The situation was that the people were not allowed to step out of their houses and they could not go to the local milk collection centres to sell their milk. In such a situation, milk collection was not possible. To solve this problem, the dairy took proactive steps to avail the cattle feeds to the farmers so that the supply was not affected. Moreover, Banas Dairy had employed 197 Vets for doorstep

Veterinary services to the cattles of the farmers who were associated with the dairy during the lockdown period. Each Vet was provided with a pick and drop facility from the fleet of 120 vehicles deployed for this service. Before Corona Pandemic the Vets were making 1200 to 1300 visits per day which had increased to 1500 visits during the lockdown period.

Banas dairy had changed its policy and had arranged for alternate day work plan for the employees. Social distancing was strictly followed. In order to have hygienic conditions for its employees, automatic sanitizers were installed, sanitization tunnels were used, Vehicle disinfectant system was encouraged, contact free invoicing was implemented, proper record keeping of the entries and the exits were being made for a proper follow-up for any infection, and lastly installation of thermal camera were done instantly. Sanitizers were also manufactured in house with the help of the R&D team. Masks and sanitizers were distributed to 4 lakh members of the 1600 societies. Banas Dairy took various steps during the Covid-19 pandemic to ensure its operations ran smoothly. In supply chain management, upstream activities refer to the earlier stages of production, such as sourcing materials and manufacturing, while downstream activities refer to later stages, such as distribution and retailing. To ensure milk delivery to its customers, Banas Dairy took several upstream measures including securing a supply of raw materials, maintaining cattle health, and sanitizing its facilities. It also took downstream measures such as ensuring supply chain continuity, working with logistics partners, and prioritizing customer safety through contactless delivery, online payments, and safety protocols.

The result of these measures was that this period witnessed the regular and even larger collections of milk nearly 60 lakhs liter daily. The daily procurement also saw an increase of 2 lakh litres due to the absence of private players from the market. The Banaskantha District Cooperative Milk Producers' Union Ltd. registered the highest single day procurement on Nov 27th 2020.

Lewin's Model has three stages: unfreezing, changing, and refreezing. Though the management of Banas dairy might not be knowing about the Lewin's model but the model was thoroughly followed in the case of Banas dairy. The dairy unfroze by recognizing the need for change and identifying areas that needed improvement, such as employee safety and supply chain. The dairy implemented changes such as providing PPE to employees, sanitizing workstations and equipment, and collaborating with local farmers to increase the supply of raw materials. Coming to the refreezing stage, Banas Dairy stabilized the changes made by creating policies and procedures that supported the changes and communicating them to its employees and customers. For example, the

dairy continued providing PPE, implemented regular sanitation procedures, and maintained alternative distribution channels. These efforts helped the organization to successfully adapt to the new situation and create a culture that supports the changes made during the pandemic.

Overall, Banas Dairy successfully adapted to the challenges posed by the COVID-19 pandemic and ensured the safety of its employees and customers while maintaining its business operations.

#### QUESTIONS:

1. Do you think Banas dairy was adequately prepared for the change? Comment on the application Lewin's model undertaken by Banas dairy during the pandemic times.
2. Explain the procurement process adopted by Dairy cooperatives.
3. "There are several reasons which make a strategy a winner strategy" Justify the statement with reference to the winning strategies implemented by Banas Dairy during the pandemic.
4. Comment on the measures adopted by the dairy sector to balance the upstream and downstream activities in the pandemic situation. Assume yourself to be the operations management and suggest some additional strategies which could have been implemented during Covid'19 to ensure better execution of upstream and downstream activities.

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