

KETAN R. GANDHI

RCG Dairy Farm: Start-up Challenges

G. Rameshchandra was planning to venture into supply of fresh and pure “Desi / देसी” Gir Cow milk (A2 type) in Pune city during the 2017-18 year. After a pilot project of supplying 30 liter milk a day with just two cows, he had a mixed feeling about market potential of Gir Cow milk. However, based on his grandfather late Vitthaldas Harichand’s advice of consuming only Gir Cow milk at home (from ancient time, Gir cow milk was known for its inherent high nourishment and medical values), he felt that focused & dedicated efforts in sales & marketing would help him to achieve desired results in future for his medium scale dairy business. He decided to conduct consumer survey and prepare projected income-expense statement for next five years for upcoming meeting with a bank manager about business loan.

His major challenges were to convince potential customer to purchase Gir Cow milk at price in the range of ₹ 70 to 90 per liter (rate higher than competitors Amul, Katraj, Govind, Govardhan, Chitale etc. dairy selling cow milk at ₹ 46 per liter & buffalo milk at ₹ 56 per liter), making customers aware about benefits of Gir Cow milk (A2 type and also inform drawbacks of A1 type milk), highlighting drawbacks of milk processed in traditional milk supply chain v/s. benefits of direct delivery of milk from RCG Dairy to customer without any delay or any kind of processing. Due to small scale operation with just 2 Gir Cows and in future with 100+ Gir cows, in comparison with large private/cooperative dairies operating / aggregating milk of thousands of cows, RCG Dairy farm couldn’t afford TV/newspaper advertisement, outdoor hoardings and other sales promotional activities adopted by these large dairies. G. Rameshchandra would be looking forward to your advice in setting up / scale up successful dairy business.

RCG Dairy Farm

RCG dairy was committed to provide its valuable customers fresh A2 type milk from desi Gir cows in pure form without any adulteration, processing, without added water or any harmful material contents. He refrained from churning out the creamy layer or skim of milk which was high in protein and ensured to retain the nutritive value of milk. RCGDF guaranteed purity & quality, was committed to provide fresh milk to any household in Pune city within 12 hours of milking the cow.

Gir Cow

The Gir was famous milk cattle breed of India. The native tract of the breed was “Gir” hills & forest of Saurashtra region including Junagadh, Bhavnagar, Rajkot & Amreli district of Gujarat.

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Case Study

The countries like Brazil, Mexico, USA, Venezuela, New Zealand, Australia and many other countries imported Gir cow breed from India for the milk. The Gir was distinctive in appearance, typically having a rounded and domed forehead (being the only ultra-convex breed in the world), long pendulous ears and horns which spiral out and back. Gir were generally mottled with the color ranging from red through yellow to white, black being the only unacceptable color. They originated in the state of Gujarat. The breed was known for its distinct appearance, height & weight and natural beauty which made it very different from the Jersey cows etc.



The average milk yield for the Gir is 2000 liter per lactation (6-8 months in a year, 6 to 10 lactation period in its lifespan), with a record production of 3182 kg at 4.5% fat in India. The breed was on the verge of extinction from India as people of India preferred to consume more of buffalo milk than the cow's milk and due to lack of breeding programs and irrational crossbreeding with breeds more common to western nations.

Benefits of A2 (desi cow milk) milk

"A2 Milk contains only the A2 type of beta-casein protein rather than the more common A1 protein found in regular milk." A2 milk was characterized by a distinct golden color / yellow color in comparison with white milk. There were many benefits of A2 milk reported through various research findings and farmer's experiences during last two hundred years. Desi cow milk was termed as "Amrut" in Ayurveda because of its overall medical & health benefits thousands of years ago in India. Other benefits of A2 milk were summarised below;

-) Most of Ayurveda medicines were prescribed to be taken with desi cow milk only by majority of doctors & physicians
-) highly recommended for infants & kids, pregnant women, senior citizen because of its enriching milk protein contents
-) Ayurvedic ghee from desi cow milk cures acidity, used in panchakarma to treat headache, strengthen bones
-) contains important elements which helped keep up fitness, brain development and fighting dreadful disease such as cancer, diabetes & heart diseases
-) must for babies after few months of birth
-) prevents formation of serum cholesterol
-) one of the best natural anti-oxidants, which gave energy & full protection
-) Regular consumption of A2 milk increased good cholesterol (HDL), stimulated digestion & aided absorption of fat soluble vitamins
-) good for kidney due to Amino acids that made protein easily digestible
-) As milk has more protein, more calcium and more vitamins compared to A1 milk

Case Study

Drawbacks of A1 Milk

A1 milk means the milk delivered using Jersey, Holstein etc. cows. Most of the milk dairy across India processed Jersey / Holstein cow milk mixed with Gir cow milk and sold as cow milk. Holstein cows were known as world's highest milk production dairy animal. This breed was developed in Netherlands, 2000 years ago through artificial cross breeding of a wild animal named URUS for higher milk and meat production purpose. originally a breed People of Europe hunted this wild animal for good quality and quantity of meat, but, hunting was difficult, hence, this wild animal was cross breed with various animals, thus, were born modern day Jersey, Holstein and F.S. cows.

Studies made in New Zealand in mid '90s revealed that A1 milk of foreign breed cows was the major cause of High blood pressure, metabolic degenerative disease, Diabetes type-1 in children, mental disorder in old age, cardiovascular disease, schizophrenia, sudden infant death syndrome, auto immune disease, intolerances & allergies, digestive disorder, stomach ulcers, Crohn's disease, hormonal changes in children due to injection of hormones given to these cows for more milk etc. Hence, so many countries like Brazil, European countries avoided consuming A1 milk for human being.

Traditional milk supply chain v/s RCGDF's direct fresh milk delivery

G. Rameshchandra firmly believed that RCGDF's direct fresh milk delivery to customer with in few hours of milking cow had several advantages over milk supplied to customer from Traditional milk supply chain dairies. Traditional chain of milk supply starts with farmers / cow farms milking the cows and delivers it to collection centre of dairy in their village. Milk was transported from village collection centres to processing & chilling plants. Packed & branded milk bags transported to retail shop for delivery to consumer on subsequent day. This process takes more days & hours than RCGDF's milk distribution.

RCGDF's direct milk distribution also gave assurance to customers that there was no chance of any malpractice / adulteration of milk. (Several media channels reported how middlemen adulterated milk with urea, sugar, salt, oil etc. Several rackets were busted in past who were engaged in manufacturing of milk with harmful chemicals)

Gir cow milk sales price

Although Gir cow milk was rich in its nutritive value, the Gir cow's daily lactation capacity was less (10 – 15 liters) as compared with foreign breeds like Jersey / Holstein (25 – 30 liters milk/day). However, daily fixed expenses for both types of cows remained same. RCGDF also would need to spend lot of money to purchase Gir cow (average ₹ 80000 per cow, ₹ 40000 more than Jersey cow).

Dr. G. Rameshchandra knew that if A2 milk would be marketed well, it can be sold in the market with ₹ 15 to 25 per liter profit margin.

Resource Planning

G. Rameshchandra was planning to obtain loan from bank to purchase 100 cows (@ 15% simple interest). He knew that a Barn for cows would not be available less than ₹ 2,00,000 per month rent. Other expenses like electricity, fodder, veterinary aid, water, insurance and labour expenses will be nearly ₹ 8000 per cow per month and sales & promotion cost ₹ 1,00,000 per month (through inserts in local newspaper). Rate of income tax is 30% for a dairy farm. The loan repayment will have to be completed in five years in equal instalments. RCGDF would incur ₹ 10 per liter cost for home delivery within Pune city area.

Case Study

Road Ahead

G. Rameshchandra decided to analyze major opportunities and challenges. Should Mr. G. Rameshchandra go ahead with scaling up his start-up by 100 more cows? Which actions G. Rameshchandra should take in sales, marketing, operations, finance, customer relationship, branding, & strategy etc. to make start-up successful? What would be your advice to Mr. G. Rameshchandra?

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