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Understanding the Intangibles in Value Chain Partnerships



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Presentation Objectives

1. Introduce the SDVC project, objectives and progress to date
2. Examine the Bangladesh dairy sector constraints
3. Discuss three case examples of SDVC private sector partnerships
4. Explore the role of the intangibles in success and failure of private sector partnerships



Strengthening the Dairy Value Chain

- Bill and Melinda Gates Foundation-funded project (2007-2012) to double the dairy-related incomes of 35,000 small farmers in northwest Bangladesh
- Working with the private sector at all VC levels towards sustainable solutions



BILL & MELINDA
GATES foundation

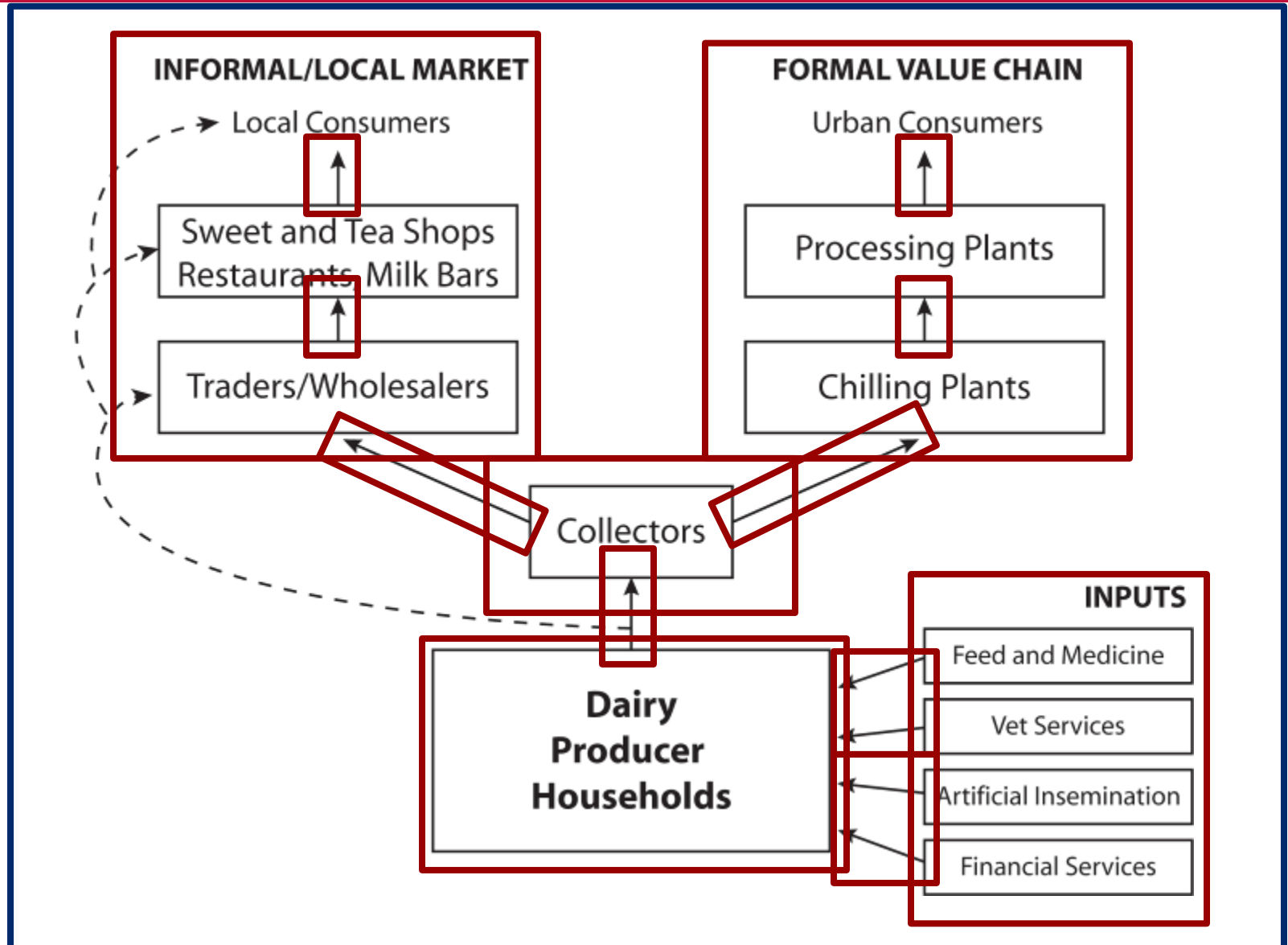


Target Households

- Hamida Begum is married, has three children, works as a day laborer and tends her family's two cows
- Average Household:
 - Very poor
 - Owns 0.75 acres of land
 - \$25 monthly income
 - 1-3 cows
- 83% of SDVC farmers are women



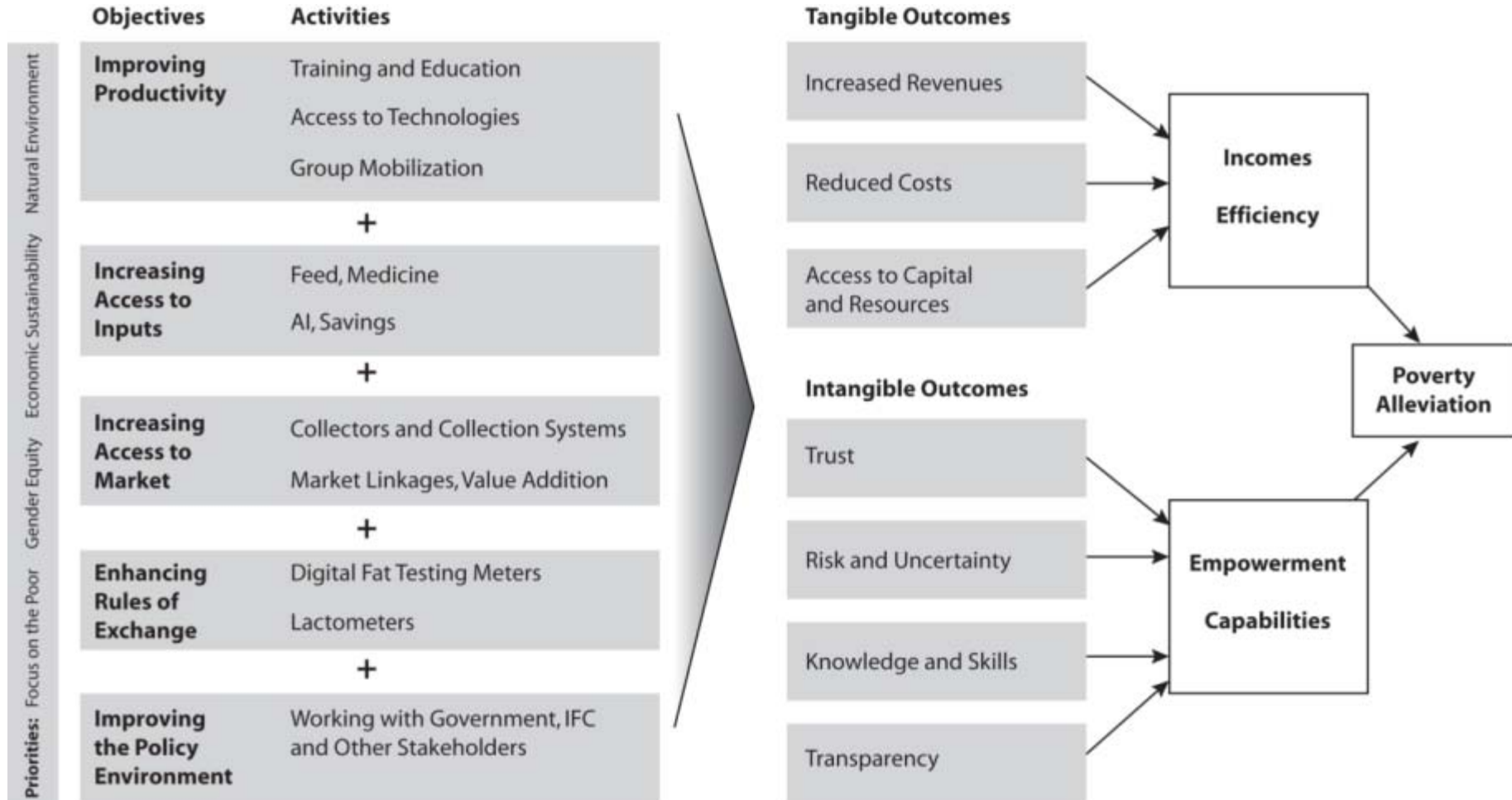
Bangladesh Dairy Value Chain



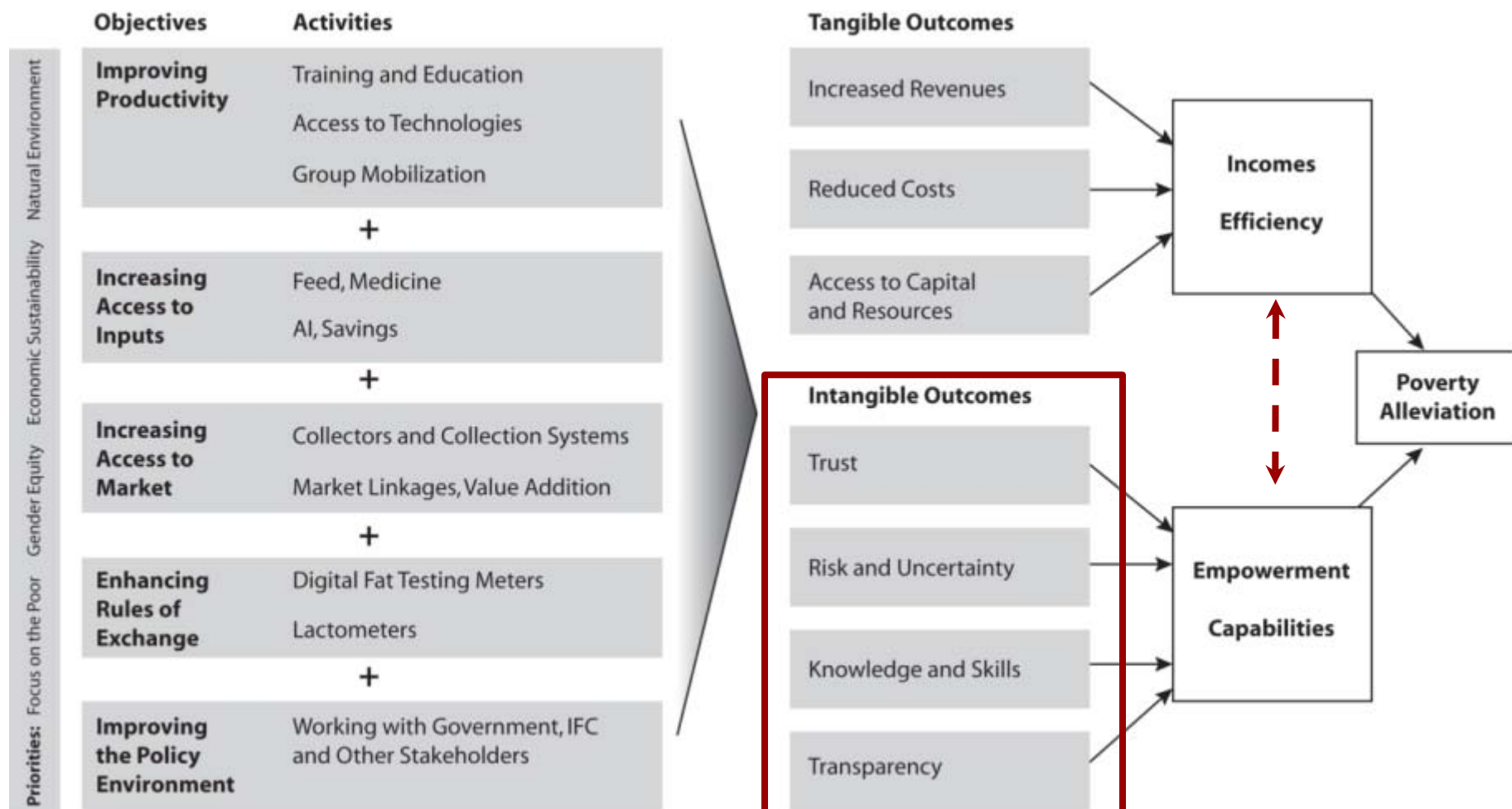
Achievements to Date

Outreach and Outcomes		Current (% women)
	Total milk producing (participating) HH	36,400 (83%)
	Total milk producer group	1,182
	Farmer Leader	3,425 (71%)
	Milk Collector	308 (9%)
	Livestock Health Worker (LHW)	201 (23%)
	Input supply shops	150
	Increased productivity of LB cows	65%
	Increase in dairy-income	40%
	HHs' milk consumption increases	40%
	Total savings among groups	> \$70,000

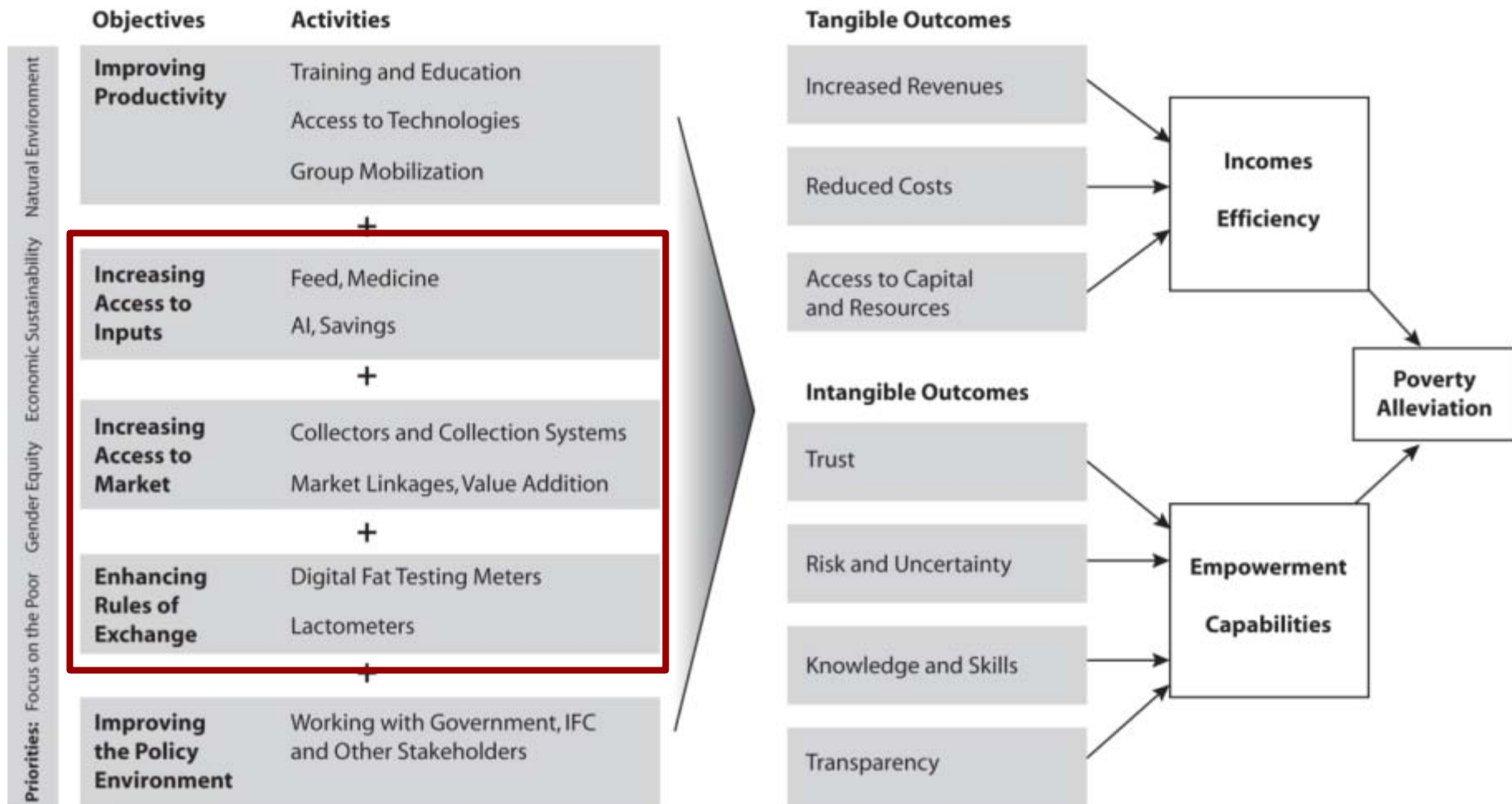
Initial SDVC Theory of Change



Revised SDVC Theory of Change



Two Case Examples



Case #1: BRAC Dairy

Producer Perspective

- Households dependent on collectors to link to formal sector
- Milk purchases based on aggregate fat percentage, not individual
- Fat content determined by a tool that is highly susceptible to manipulation

Market Impact

- Disincentives for investment by producers or processors
- Collectors positioned to manipulate all sides
- Deterioration of trust along the supply chain

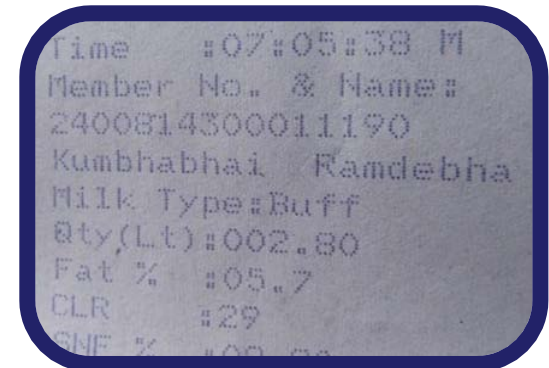
Processing Co. Perspective

- Excess processing capacity
- Over-concentration of dairy infrastructure
- Lack of incentives to invest in backward linkages due to fear of side selling
- So, heavy reliance on collectors as linkage agents

Case #1: BRAC Dairy

CARE's Response

1. Established relationships with all major dairy processors
2. (BRAC, PRAN, Milk Vita, Rangpur)
3. Developed pilots with two processors (PRAN and BRAC)
4. Invested in understanding business constraints and pursuing low-risk, quick wins
5. Engaged BRAC for fuller partnership based on interest and commitment
6. Co-developed a small, disruptive pilot to overcome failures of trust in the supply chain
7. Piloted fat testing meters with over 500 producers and around 5 BRAC chilling plants
8. Signed MOU to take new model to greater scale



Case #1: BRAC Dairy

Results

- Initial fat testing pilot demonstrated:
 - At least 10% increase in income per day for producers
 - Improved quality and quantity of milk channeled to BRAC
- Scale up underway
 - 8,000 HHs around 4 chilling plants.
 - ~ annual increase of \$236,000 in revenue to SDVC HH

Success Factors

- Alignment with long-term business incentives
- Slow building of trust though lots of small collaborations
- Patience and flexibility



Case #2: Input Supply Network

Producer Perspective

- Proliferation of local, informal input supply shops
- Many shops focused on a single service
- No assurances on product quality or shop owner qualification

Market Impact

Informal network of shops in rural areas w/ limited product knowledge, weak links to suppliers

Lack of trust in and effectiveness of rural input supply and service sector

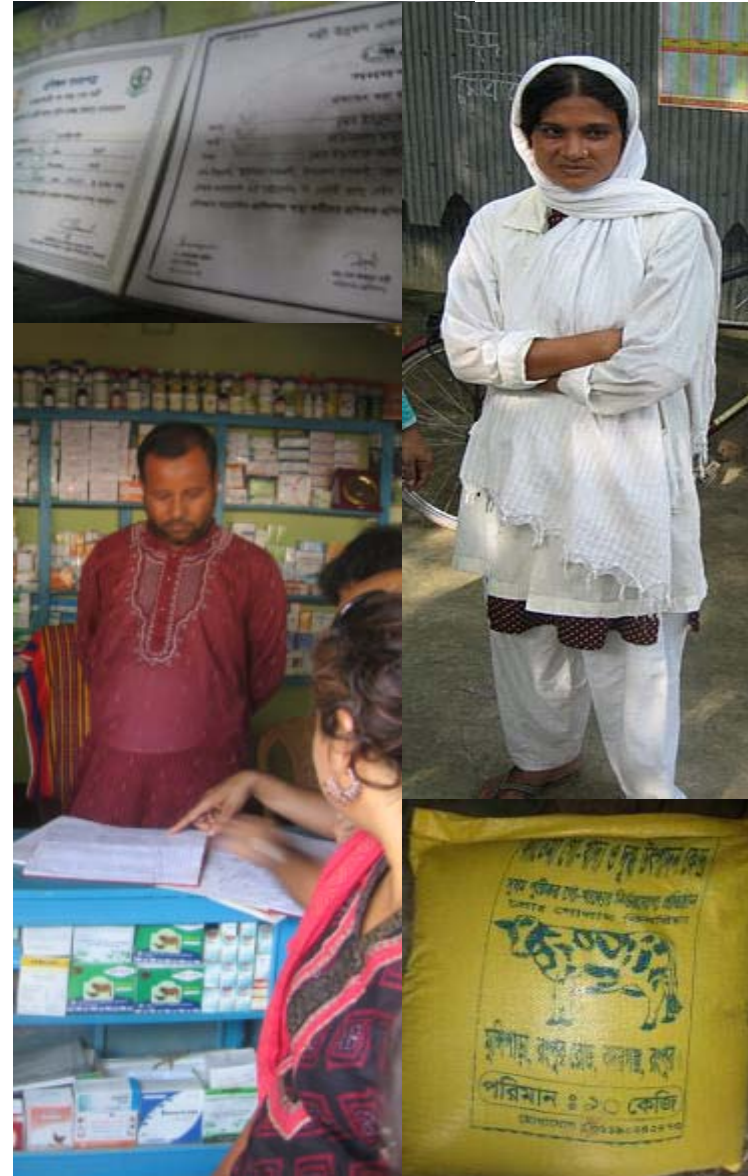
Input Supplier Perspective

- Crowded and competitive market targeting better off producers
- Lack of distribution channels to rural areas
- Lack of knowledge of BoP product demands

Case # 2: Input Supply Network

CARE's Response

- Recruited network of 150 small scale input supply shops and 201 livestock health workers (LHW) from current base and new entrants
- Built shop owner technical and business skills, trained LHWs in shop management
- Built partnerships with wide range of input suppliers and service providers
- Developed new products for BoP
- Facilitated linkages with input suppliers and service providers



Case #2: Input Supply Network

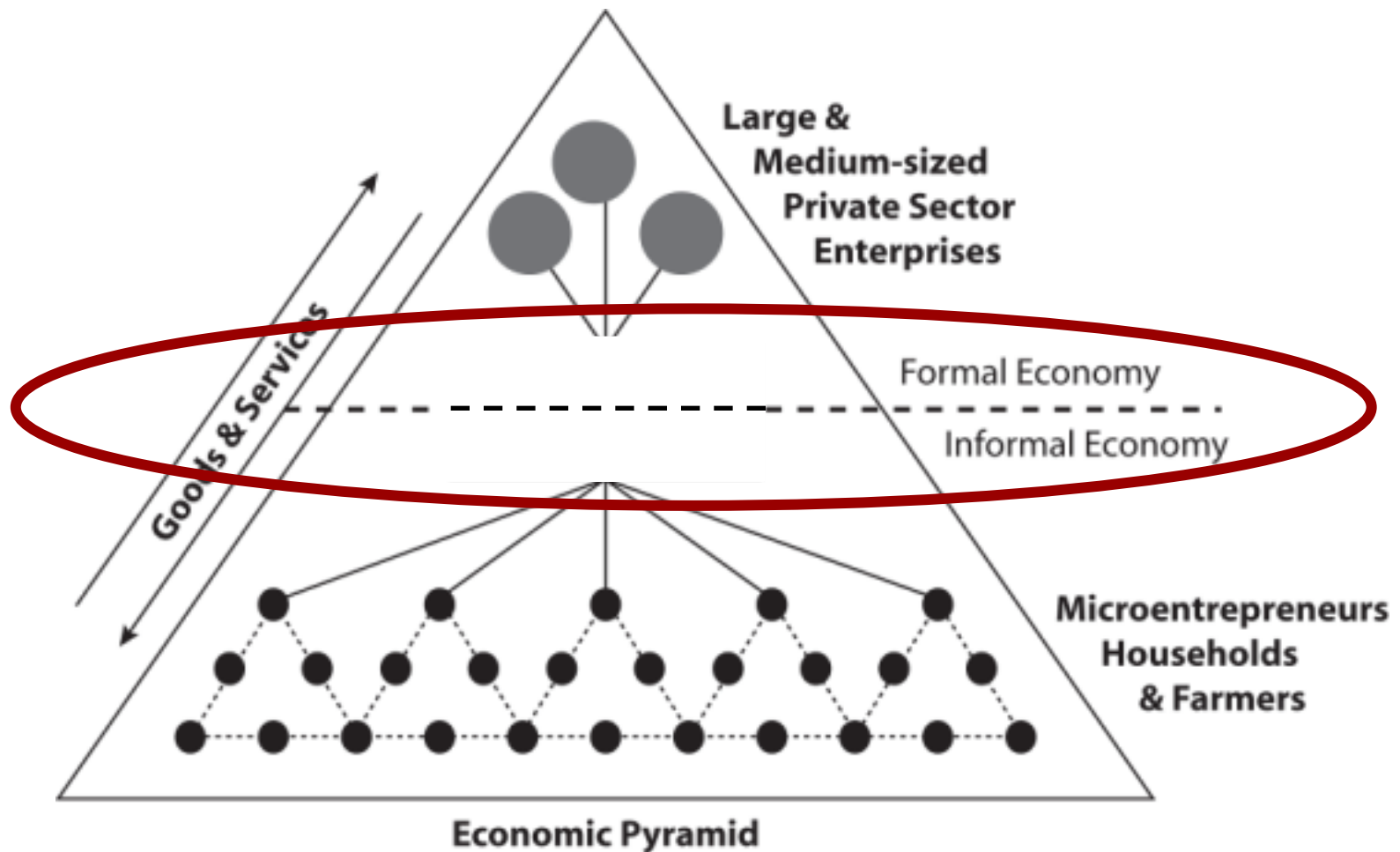
Results

- 150 shops serving over 200 clients on average. Approx. 50% = non-SDVC producers
- Significant innovations emerging from current network
- April 2011 - Selected 48 shops from network of 150 to standardize the model
- Pilot micro-franchise network shops serving 249 clients per month w/ \$300 / month in sales and 15% monthly growth
- Moving to formalize micro-franchise model in 2011/12

Success Factors

- Building multiple private sector partnerships with input providers
- Shop recruitment from communities, enhancing trust in services and advice
- Shop owner capacity building
- Project capacity to establish trust between CARE and target franchisees

Putting it in Perspective



Closing Points

- Intangibles – trust, leadership, risk, values, etc. – are important factors in successful, *sustainable* private sector partnerships.
- **Understanding** the intangibles demands an in-depth knowledge of the value chain and of individual firms
- **Be sure** to bring humility, patience and a willingness to explore and learn



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