



PARMALAT

Areas of Focus: Electronic payments

How it Works: Parmalat, a large-scale dairy company, is using a direct deposit scheme to pay its network of small-scale milk farmers in Zambia. All contracted dairy farmers supplying the company are registered. Farmers must establish a bank account with an institution that can accept electronic deposits, but are able to pick their own institution, as no particular bank is specified. During the procurement process, farmers deliver their production to a local milk collection center (MCC) where it is consolidated, cooled, and transported via tanker to the company processing plant. The MCC notes the milk volume and grade of every individual farmer and transmits this information for each tanker. Upon arrival of each tanker at the processing plant, the company reviews the information sent by the MCC and validates the volume and grades sent. This information is compiled in a database for the overall “milk system” of the company. On a monthly basis, the company issues reports on the volume and grades of the milk delivered by each MCC. The MCC shares this information with the individual farmers for validation or discrepancy claims. Based on the validated volumes of milk delivered by each farmer, the company directly deposits payment into the farmers’ respective bank accounts.

Technology Used: Electronic database, direct deposits to bank accounts

Implementer/Funder: Parmalat pays for this direct deposit scheme out of their operating expenses.

Fees: There are no fees for farmers outside of any administrative costs required by the banks involved.

Primary Markets: Zambia

Users: Parmalat pays 1,422 dairy farmers and 13 milk collection centers through direct deposit.

Business Model/Commercial Rationale: For their role in the collection, cooling, quality assurance, and coordination of local milk procurement, the MCC receives a fee from the company (based on liters delivered to the processing plant). Similar to the individual farmers, the MCC must also establish a bank account to facilitate direct deposit payment from the company. Direct deposits are made electronically so the administrative costs for this system are minimal. Direct electronic deposits enable the company and the individual farmers to trace, track, and monitor all payments. The improved procurement efficiency and traceability of payment from numerous suppliers are the primary incentives for commercial adoption of direct deposits.

Impact: Before adopting this system, Parmalat made payments to the Zambian MCCs who in turn paid the individual farmers. However, the inefficiency and lack of transparency by many MCCs led to farmers not getting paid in a timely manner. Direct deposits to farmers by the company have helped alleviate this problem.

For more information visit: http://www.parmalat.com/en/about_us/parmalat_group/world/other_africa/

Sources: Interview with Mr. Sichone Stuart, IT Manager at Parmalat Zambia in May 2012.

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