

## **Developing inclusive value chains through end to end solutions: Producer organizations as franchisees for agribusiness**

In India, large corporate agribusiness enterprises in the private sector like AMUL ( a \$ 2 billion turnover) dairy and dairy products company has developed its value chain through a network of dairy cooperatives with a membership base of 3 million producers who are the principle shareholders of this company. These cooperatives collect 13 million liters daily at the village level and aggregate their milk produce through successive value addition and forward linkages ensuring access to a rapidly growing market for dairy products among India's growing middle class and export markets in many other countries. Many programs nationally and globally have learnt from this program to ensure that small livestock and dairy producers develop forward linkages with national markets.

Learning from the above example, World Bank has supported various State Governments and National Governments in India and South Asia to invest in the ecosystem for forward linkages and access to markets and value chains for smaller livestock producers belonging to poor households; especially women. Millions of producers are organized to deliver significant quantities of milk to the market on daily basis. These programs have invested in the following:

1. Producer organizations and federations of small producers at village level and higher level enabling development of institutions to access services and aggregate their produce
2. Door to Door, Last mile collection of milk through village level milk collection centers run by a village level entrepreneur on behalf of producer organizations at village level
3. Doorstep quality assessment and control through digital milk testers at village milk collection centers for fat measurement to ensure transparent price discovery. These programs have invested in creating human capacity through a network of local level controllers, most of whom are women
4. One stop shop for accessing inputs, credit and insurance, services and extension including membership in dairy field schools to access animal health services. This is also run by a producer organization.
5. Invest in storage and intermediary chilling through chillers of 3000 liters capacity enabling their management by local trained entrepreneurs. Technology has been downscaled to enable localization of the value chain. Local entrepreneurs and para professionals run these on behalf of district milk cooperative of producers which runs a large processing plant.

6. Financial Services and Payments System including payment for milk through biometric cards and now through Bank operated ATMs
7. Transportation and Logistics Services through a viable milk route. A number of transportation enterprises are also run by local entrepreneurs.

This ensures that a significant part of value chain is managed by producer organizations and local entrepreneurs thus creating local employment opportunities and livelihoods. It also enables private sector companies to focus on processing and markets and get better prices. This has ensured that smaller producers get better prices for their produce and also enables them to reinvest in dairy as an enterprise and improve their stock.

Similar investments have been made in other agricultural commodities following broadly same principles. In many of these cases the forward linkages have been established in conjunction with agribusiness enterprises in the private sector and large public programs on commodity procurement. The nature of the value chain investments varies depending on the commodity. However investments in producer organizations, village level collection and aggregation, doorstep quality assessment using digital moisture meters and weight, one stop shop for inputs and services, intermediary value addition, financial payments through a digital format and transportation and logistics services are common investments which are required to ensure forward linkages for small farmers and producers and creation of an ecosystem for inclusive value chains.

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