

# Value Chain Addition in the Dairy Sector through Community Groups Acting as Franchises

Door to Door Milk Collection from the farmers



Doorstep Quality Assessment



Aggregate, Store and Process Milk



Transport, & Market



Activity	Entrepreneurs	Institutional structure
Input: Cattle feed, animal health services, financial products	Village level input entrepreneurs trained with skills	Milk Union
Collection of Milk	Dairy farmers	Dairy cooperatives
Quality control using electronic/digital milk testers for fat measurement	Local quality controllers	Dairy cooperatives
Management of chilling centers (descaling of chilling technology to 3000 litre chillers versus larger and fewer chilling facilities before);	Locally trained professionals/managers	Milk Union
Financial management: book keeping, ( bundling microfinance) , Smart card based payments	Para-professionals	Dairy cooperatives; Milk Union
Transporting, providing milk routes, marketing, distribution	Village level entrepreneurs	State Level Federation



## Benefits from Milk Collection Franchises

- 752,000 dairy farmers linked to markets ( more than 90% are small livestock holders ;one to four milch cattle owners
- Over 2,784 milk procurement centers
- 176 bulk milk chilling units
- 330,000 litres as average daily procurement
- 82 million litres procured annually
- 2,768 villages have village level procurement centers in Andhra Pradesh
- US\$63 per household from organizing small farmer milk producers and linking them to market
- Increase in market price of milk by 20-30%
- Additional income of \$30-35 per month to each dairy farmer
- IRR ranging from 25-36%
- 12% of Poverty Line Target through Dairy intervention alone

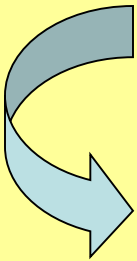
# Procurement Centre: Key Elements of a Franchise

**Providing End-to-End Support to the farmers:**  
From production to reaching market

- 1. Managing Supply Chain:** input, technology, organization
- 2. Quality Control & Local Level Value Addition**  
(coordinating local commercial banks, input suppliers, companies trying to source raw material.)
- 3. Effective Conflict Resolution & Labor Management**
- 4. Financial Management:** Accounting, Book keeping
- 5. Infrastructure:** Key equipment (weighing machines, digital moisture meter etc); Warehousing and storage centre; Trading Platform
- 6. Managing Logistics**
- 7. Negotiating and developing partnerships**

**Maize Procurement Centers in Andhra Pradesh District Poverty Reduction Project also performed the following additional functions:**

- Developed good quality network of service providers with skills for micro planning based on market information
- Enterprise Management



# Impact of Community Managed Agricultural Procurement Centers on Small and Marginal Farmers in Andhra Pradesh



- 9.6 million women mobilized into 809,779 self-help groups
- 90 percent of poor are covered
- 3,493 procurement centers for 84 commodities
- Enhanced Price (+10%) for small and marginal farmers
- Saving on Drainage Loss (50% less than middle men)
- Saving on transportation (+ 15 – 20%)
- Elimination of price uncertainty
- Saving on one day wage labor
- Cash Payment
- \$74 per household for one commodity procurement
- Cumulative Turnover of more than \$100 Million
- Over \$22 Million of benefit to farmers in one year
- Access to Minimum Support Price from the Government through out the year