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

### Activity
- **Input:** Cattle feed, animal health services, financial products
- **Collection of Milk**
- Quality control using electronic/digital milk testers for fat measurement
- Management of chilling centers (descaling of chilling technology to 3000 litre chillers versus larger and fewer chilling facilities before);
- Financial management: book keeping, (bundling microfinance), Smart card based payments

### Entrepreneurs
- Village level input entrepreneurs trained with skills
- Dairy farmers
- Local quality controllers
- Locally trained professionals/managers
- Paraprofessionals
- Village level entrepreneurs

### Institutional structure
- Milk Union
- Dairy cooperatives
- Milk Union
- Dairy cooperatives; Milk Union
- 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 procurred 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 throughout the year