

Private Sector Partnerships: How Correcting a Market Failure is Transforming the Dairy Sector in Bangladesh

The poorest dairy farmers in north-west Bangladesh went from being 2% of the suppliers to BRAC Dairy—the second largest private sector company in the industry—to being 55%. At the same time, BRAC grew its business by 32%, and is working to scale pilot models through its entire network. This will double the reach of SDVC's successful models.

What made the change? A dedication to social change and a compelling business case that working with poor producers benefits BRAC's business. CARE conducted pilots and helped BRAC figure out ways to bridge the gap between poor—mostly women—producers and the formal market.

Strengthening the Dairy Value Chain is a CARE project funded by the Bill & Melinda Gates Foundation that works not only create a more pro-poor market system in Bangladesh that offers advantages for the poorest dairy producers, but also to create sustainable links to markets by building business incentives.

Mr. Taufiqur Rahman Mollik, the CEO of BRAC Dairy, talked about why the new Digital Fat Testing Models are ones that BRAC will take to scale. He also offered his insights on the way forward for Bangladesh's dairy sector.



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BENEFITS FOR THE PRIVATE SECTOR:



Improved the quality of milk BRAC can buy

The rate of contaminated milk went from **25%** to effectively zero because testing is faster, easier and more transparent. Farmer's now have an incentive to produce higher quality milk.

Increased efficiency

Quality testing now takes 15 seconds, more than 7 times faster than the traditional methods. There is significantly less time spent and error in data collection and payment processes. BRAC has reduced overhead cost and human error through practicing digital mechanism.

Less waste

The amount of milk wasted in the system has gone down **83%**.

Better brand

BRAC now has more grade A milk to sell in the market, and can swear by the quality of its milk. Transparency means that farmers trust BRAC more, and now consider them the first partner to sell to.

More stable supply

SDVC producers were **2%** of the supply chain, now they are 55%. They produce quality milk more consistently, and can bounce back more than 3 times faster after political crises. The reduced dependence on middle men gives BRAC a higher daily supply. That means BRAC spends less time with their facilities operating below capacity.

Higher quality production

Farmers have the tools, information, and incentives they need to produce higher quality milk more consistently—and can buy products they need to keep their cows healthy.

Data-driven decisions

Using the data the DFTs automatically upload to the online system allows BRAC's senior management to make decisions about where to place new centers, offer new services, and make changes to management practices.



BENEFITS FOR COMMUNITIES

Mr. Mollik says: "An exponential growth in a sector like dairy, contributes not only in GDP, but also in nutrition. Dairy farmers now demand the DFT machine because they benefit from fair pricing. Livestock extension service is now much more available, and farmers are asking for services. Quality and hygienic shed management has improved because farmers get a better price for a tested and quality product." What other benefits do communities see?



More efficiency:

Bringing the milk collection centers closer to the community decreased the time men spent selling milk and immediate payments mean farmers don't have to wait for benefits. The reduced distance also increased opportunities for women farmers to sell milk.



Higher incomes:

The increase in the quality and quantity of milk results in higher incomes for farmers. With the information provided by the DFT about improved practices, farmers understand how to produce higher quality milk and increase their income.



More accountability:

Machines with transparent data displays and automatically generated receipts have reduced corruption and collusion that occur between milk collectors and chilling plant milk receivers.



More milk available:

The follow-on effects of better dairy production are higher milk consumption at home and better nutrition for families.

THE WAY FORWARD

Work to reduce input costs:

The basic challenges of the dairy sector are mostly production costs. Feed management is very expensive due to high profit margin and inadequate production of natural feed (fodder and others). SDVC has experimented with Krishi Utsho—input shops that can reduce travel time by 58% and input costs up to 92% for smallholder producers.

Advocate for favorable policies:

The public sector can play a huge role in the expansion and growth through policy and service incentives in the dairy sector. Settling an affordable margin and emphasize on quality fodder production can reduce the production cost for the farmers.

Expand the number of private sector partners:

Encouraging investment through small tuning in the policy and regulation can bring broader changes in the industry. Success in the dairy sector demands longer term investment. If the largest investors in the market get involved and contribute in dairy, Bangladesh has a huge potential in the dairy sector.

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HOPE, TOLERANCE
& SOCIAL JUSTICE, WHERE
POVERTY
HAS BEEN OVERCOME
AND PEOPLE LIVE IN
DIGNITY
AND SECURITY

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