Case study 10
Bangladesh
Community Livestock and Dairy Development Programme (CLDDP)

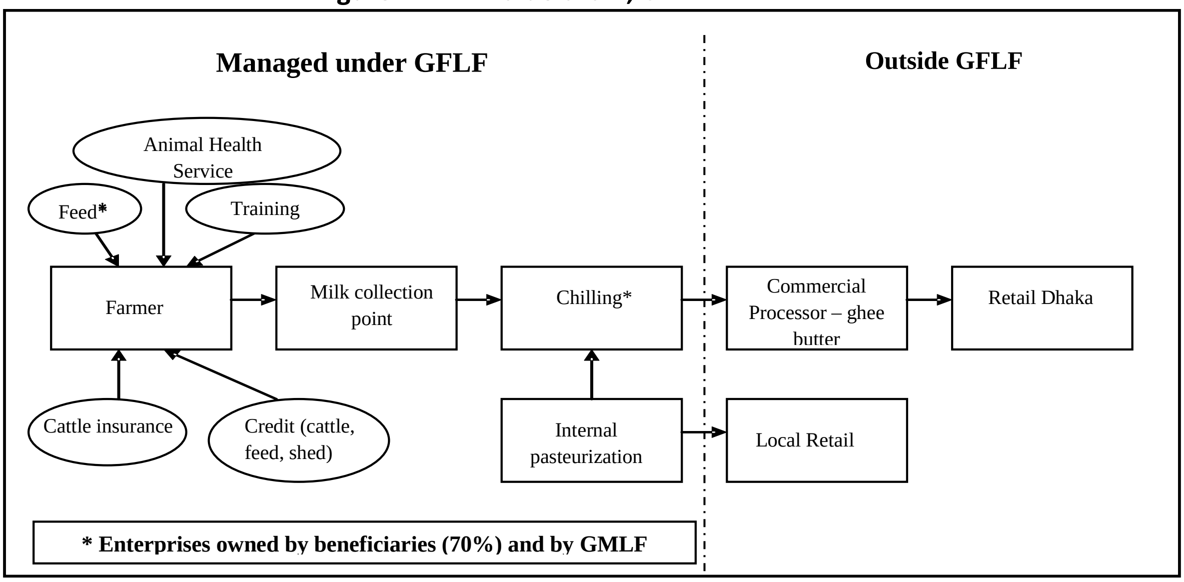
Total cost:	USD 3.0 million
Financier	Grameen Bank, through the Grameen Fisheries and Livestock Foundation
Year of establishment:	1999
Value chain approach:	Relational chain, intermediary-driven with a stake in the intervention, (intermediaries acting as Social Entrepreneurs)

Background. This programme was launched in 1999 with the help of a UNDP grant of USD 3.0 million, to provide additional income to the beneficiaries of an existing project that had not succeeded in boosting incomes above the poverty line of USD 318 per year (see Case Study 9).

Intervention. The dairy programme has adopted a 'total livestock development' approach that includes coordinated delivery of services (finance for livestock purchases, training of farmers on livestock husbandry, provision of feed, animal health care by qualified veterinarians, milk collection and chilling, pasteurizing, packaging, sale to commercial processors and cattle insurance). GFLF has fostered groups of dairy farmers (mostly women) who meet bi-weekly to repay their loans.. Loans are provided for three years at a 10% annual rate of interest. The total loan amount includes USD 18 for shed construction/repair and USD 18 for feed. Part of the loan (5%) is withheld to cover insurance (3%) and a deposit (2%) to the livestock development fund. GFLF also trains all members in dairy management, assists them in buying cows (GFLF staff are present at the time of purchase), offers an artificial insemination service, and runs a network of animal health care centres.

Assistance to beneficiaries includes de-worming, vaccination, clinical health care, and post-mortem certificates (for insurance claims) free of charge. The 3% withheld for insurance covers up to 80% of the purchase cost of a cow and claims are settled within a week; farmers are obliged to replace the deceased cow. Improved management and disease control has reduced the livestock mortality rate from 5% in 1999 to 0.5% in 2007. In collaboration with group members, GFLF has set up milk collection centres and chilling plants (70% owned by members) and signed sales contracts with several milk processing companies (Milk Vita, Bikrampur dairy and others). Members are paid on a weekly basis. The product flow can be seen in Figure 1.

▪ **Figure 1: Milk value chain, CLDDP**



Impact on target group. The project, which initially started with about 3,275 beneficiaries, most of whom were involved in the sister project (see Case Study 9), now has 11,500 beneficiaries. Participation has lifted them over the poverty line with a stable income and financial security in the form of insured cattle wealth. In addition to the base price of milk**,** beneficiaries get 70% of the profits generated at the chilling centres, with GFLF receiving the remaining 30% to cover its own costs.

Impact on women and minorities. The majority of the beneficiaries involved in fisheries and livestock are women and minorities such as the *Mahato*, who have gained status in the community.

Price transmission along the value chain. As seen in Table 1, the average farm-gate price received by milk producers amounts to an estimated 56% of the final retail price in the city.

Table 1: Price Transmission along the milk value chain[1]

Stage in the chain		Amount (USD/litre)	Percentage of final price (%)
Farm-gate price		0.22	56
Costs along the chain	Chilling	0.02	4
	Transport	0.02	4
	Packaging	0.01	3
	Staff	0.03	7
	Waste in distribution	0.01	3
	Shop waste	0.02	4
	Other costs	0.01	2
	Agents' commission	0.03	7
	Sub-Total costs	0.14	36
Retailer's margin		0.04	9
Retail price in cities		0.40	100

Cost per beneficiary. With a total project cost of USD 3.0 million and a total of 11,500 beneficiaries, the cost per beneficiary works out to USD 261.

Key features

Effective governance. While the Grameen Foundation is the primary governor of the chain, the beneficiaries have a significant voice in decision-making through elected leaders, and they also share in the profits of the milk-chilling operations on a 70:30 basis. The fact that GFLF has a stake in the chain ensures that the programme will be successful and sustainable in the long run.

Coordinated delivery of services. The fact that all the relevant tasks are handled by one administrative structure ensures timely delivery of services, including assistance for the procurement of cows, artificial insemination services, health care services by veterinary doctors and other skilled staff, livestock insurance, inputs, etc.

Value added/Vertical integration. Value-addition is assured by milk collection centers and chilling plants that are 70% owned by the beneficiaries).

[1] Data provided by Md Eshanul Bari, Managing Director,GMPF.

Information flow. Farmers' participation in the selling activities and proximity to the market, gives them ready access to up-to-date market pricing information.

Trust. There appears to be a high level of trust between the farmers and GFLF based upon a long and transparent history of mutually satisfactory dealings.

Horizontal integration. Most of the groups formed are made up of dairy cow farmers (mostly women). Relations between group members are strengthened by the obligation to attend bi-weekly meetings for loan recovery. Inter-group relations are actively fostered by GFLF through frequent meetings and events.

Provision of credit. The groups of dairy cow farmers meet bi-weekly to repay their loans. The latter are issued for three years at a 10% annual interest. The total loan amount includes USD 18 for shed construction and repair, and USD 18 for feed. Included in the loan package are 3% for livestock insurance, 2.0% for the livestock development fund used to assure group members of access to vaccinations, three months of feed, training on feed management and special care for pregnant cows.

Diversification. This project represents a significant diversification of income sources for the beneficiaries, most of whom were landless labourers.

Capacity building. Beneficiaries are trained on livestock and dairy management.

Chain efficiency/Competitiveness. The chilling centers have reduced losses, resulting in significant improvements to chain efficiency. Milk produced by the beneficiaries is sold to private companies, at prices that compare favourably with those of other suppliers.

Inputs. Farmers are provided with USD 18 worth of feed from GFLF-run mills that are 70% owned by members, and 30% by GFLF.

Technology transfer. Efforts are being made to boost milk productivity through artificial insemination.

Market linkages. Sales contracts have been signed with several milk processing companies (Milk Vita, Bikrampur dairy and others).

Sustainability. The project is now totally self-sustaining, representing a "win-win" situation for both the Foundation and the beneficiaries. The insurance scheme is also self-sustaining, because livestock mortality rates have decreased and the premiums exceed total claims. Prospects of sustainability are, however, excellent because GFLF has a vested interest in the venture and it is backed by a financially powerful social entrepreneur (Grameen Bank) with an excellent record.

Sources:

- Field mission: Grameen Fisheries and Livestock Foundation, Sirajganj, 25th May 2008; discussions with Grameen Foundation, Dhaka, 29th May 2008.
- Data provided by Md. Ehsanul Bari, Managing Director, GMPF.
- Small scale dairying in Bangladesh, Hafezur Rahman, Department of Parasitology, Bangladesh Agricultural University.
- Grameen Fisheries and Livestock foundation website: http://www.gfish-livestock.com/