



'Building Trade Capacity in Developing Countries'
Private Sector Contribution to Aid for Trade
'A World Bank / WTO initiative'

In all countries where Danone manufactures fresh dairy products, the supply of milk happens almost exclusively on a local basis. Breeders and farmers are often subject to major challenges and have to adapt continually to new demands, both national and international. Danone's role in the organization of collection, through cooperatives for example, can help improve the living conditions and incomes of farming families through the increase of milk quality, productivity and overall farmers know how.

MILK COMMUNITIES, Ukraine, Danone Ukraine
Creation of milk cooperatives to reinforce micro-farming

1. Introduction

What is the key contribution of this company initiative to strengthening trade capacity in a developing country?

Our project aims to help/foster the transformation of the Ukrainian milk agriculture activity from a declined and neglected to a more dynamic sector by regrouping micro farms and developing milk communities around Kherson factory. We envisage establishing 20 cooperatives with approximately 1 000 members.

2. Brief Company Background

The economic crisis to which most of the world's economies have been confronted since 2008 has given new meaning to Danone's dual economic and social project because it enables us to face up to the changes that have arisen in all areas, bringing sweeping changes not only to lifestyles but also to production methods, consumption patterns and ways of understanding the distribution of wealth, going so far as to call into question the values which have structured our societies.

For Danone, a range of stakes are involved, and the responses are drawn from our core mission: *bringing health through food to as many people as possible.*

Danone's approach has always been a mixture of vision and pragmatism. Based on a few beliefs, a little bit of intuition and a great deal of experimentation, we endeavour to bring to life a corporate model in which economic and societal performance are mutually self-sustaining.

3. Motivation / Problem Identified / Issue Addressed / Focus

Main producer of milk in Ukraine are individuals that live in rural areas. They produce more than 80% of Ukrainian milk. Their income – 1300 UAH (100 EURO) per month is only 67% of average income for Ukraine. 70% of rural households do not have employed persons. 70% of total income is spent on food. 1/3 of farmers live below the poverty line. Over the last 3 years, there has been a 50% cows headcount reduction.

The main challenges are the following: reinforce villages and develop social infrastructures to improve the income of 1 000 farmers; reduce erosion of rural population; consolidate milk sourcing for Danone Ukraine.

4. Description of Initiative

The Milk Communities project transforms separate individual milk producers into professional cooperatives with greater opportunities to succeed in market. The project introduces modern equipment & knowledge into rural areas to improve milk quality to generally expected EU standards. The model of milk community is economically self-sustainable and newly created cooperatives are eligible for additional support from NGOs and current government programs (e.g. free milk trucks).

1. Investment in infrastructure and productive facilities
2. Development of local know-how (training or business mentoring): augmenting the skills of business managers in a wide range of issues, including the competitiveness of production chains and processes, the quality of exports, both of goods and services, in addition to measures aiming at promoting the marketing of goods and services
3. Upgrading of product standards
4. Support for R&D (e.g. innovation centers)
5. Provision of seed and working capital to suppliers

→ Services provided in the cooperatives:

- Efficient milk collection, cooling and hygiene fundamentals
- Cattle management (genetic, animal well-being) / Better feeding
- Bigger family farms with more cows + milking system
- Common services, materials and agriculture inputs common sourcing

How:

- Private-public partnerships, e.g. Build Own Operate / Build Own Transfer approaches

Are there measures to build in sustainability in the longer-term?

In the Ecosystem approach, co-creation is key for both the design and co-management of the initiatives supported by the Fund. To achieve the Ukrainian project targets we invited a partner, Heifer Ukraine, expert in the development of rural communities, which has been addressing the issue of organizing cooperatives in Ukraine since 1994. Heifer is the intermediary and manager of the Fund donation. They organize, manage and develop newly created cooperatives.

- Governance

This project has been designed in cooperation with an NGO partner (as explained above).

- Monitoring and evaluation (data collection)

KPIs definition is key

Regular reviews of the projects are done; a progress report is regularly updated.

Social and business impact measurement is a key challenge and a specific model has been designed for social impact measurement.

- Information-sharing / best practices

Ecosystem projects are selected also on their replication potential. The Milk Communities project has been used as a model for the same kind of project in Kazakhstan, where Danone also operates. A learning expedition has been organized in order to share best practices and experiences.

5. Impact/Results

Danone's ambition and mission is at the heart of crucial challenges about feeding the planet with healthy products so we need to scale up our ideas/projects: scaling up ambitions instead of keeping them small, isolated labs. Replicability and scaling up possibilities are thus two key criteria in the decision making process of validation for Ecosystem projects.

They are co-designed to explore ways to reinvent and transform usual business practices. The possibility to scale up such innovative models is completely integrated in Ecosystem projects' DNA.

Financial sustainability of the model and public policies integration are two key elements. This scaling up process/ goal is a key condition to help entire informal sectors to be structured, or make an entire sector more dynamic again, as it is the case in Ukraine. It is often a first necessary and up-stream step towards trade capacity building as such, especially in emerging countries.

- What have been the trade and financial (or other) impacts?

To date:

23 cooperatives have been launched
17 cooperatives equipped
16 insemination centers equipped
5 cooperatives delivering milk
40 members / coop
253 beneficiaries / 581 persons trained
3/5 jobs created by coop
167 tons of milk delivered
80 articles in local newspapers + 3 TV programs

- Were there any unintended consequences – both positive and negative?

→Challenges:

Develop coop members loyalty programs
Cooperative model strength (profitability)?
Day-to-day local community follow-up
Services diversification for sustainability