



INNOVATION BRIEF

Market Engagement Series

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Krishi Utsho: The Building of an Agro-Input Microfranchise Network in Rural Bangladesh

Learning Themes:

Input Service Centers | Distribution of Inputs | BoP Markets | Value Chain Development

The Strengthening the Dairy Value Chain (SDVC) Project is a 5-year, USD 5.8 million initiative supported by the Bill and Melinda Gates Foundation and implemented by CARE. SDVC aims to double the incomes of 35,000 rural smallholder and landless households in the dairy value chain in Northern Bangladesh. This Innovation Brief highlights the input shops that CARE is using to help provide quality services and inputs to dairy farmers at an affordable price.

Context

Cattle are everywhere in rural Bangladesh, with 90 percent of country's milk production coming from small scale farmers in rural settings. However, Bangladesh experiences one of the lowest levels of milk production in the world (1-2 liters per day), while cows in neighboring India produce over 4 liters per day and cows in the US produce 23 liters/day. This is largely the result of a poor breed of cow coupled with a lack of inputs and services such as feed and medicines. Currently, the stores in the region that do sell cattle medicine are often plagued with low quality and counterfeit products, which has resulted in a lack of trust between the farmers and input salesmen. CARE's Krishi Utsho microfranchise model has taken strides to address this problem through a new type of social enterprise that links poor households with vendors of the quality inputs they need to improve production and increase their incomes.

CARE's Response

To address this problem, CARE has worked to build a microfranchise network of input shops to provide quality inputs and services to farmers at a low price.

After analyzing the dairy industry, CARE has come to the conclusion that the best way to increase the milk yielded from the dairy cows is to find a way to provide the farmers with health services and quality inputs, such as artificial insemination (AI), medicines and proper feed. Initially, CARE worked to train a group of livestock health workers (LHWs), who would travel throughout these communities, providing farmers with health services and advice. As the project evolved, CARE worked to connect the LHWs with input shops and service centers who could provide the farmers with the medicines that they needed. As the input shops were developed, CARE began to organize them into a cohesive network, which evolved into the microfranchise system that is present today. The shops that CARE has developed are located in communities where they can connect to nearby SDVC groups. CARE has linked with these shops and continued to provide the shop owners with training in basic and advanced livestock health care services along with AI training to improve the cattle breed. The input shops are not only for dairy. As the shops expand, they will begin to offer a wider selection of farming goods to be used across multiple farming sectors, such as fish, goat, and chicken. The shops will continue to educate

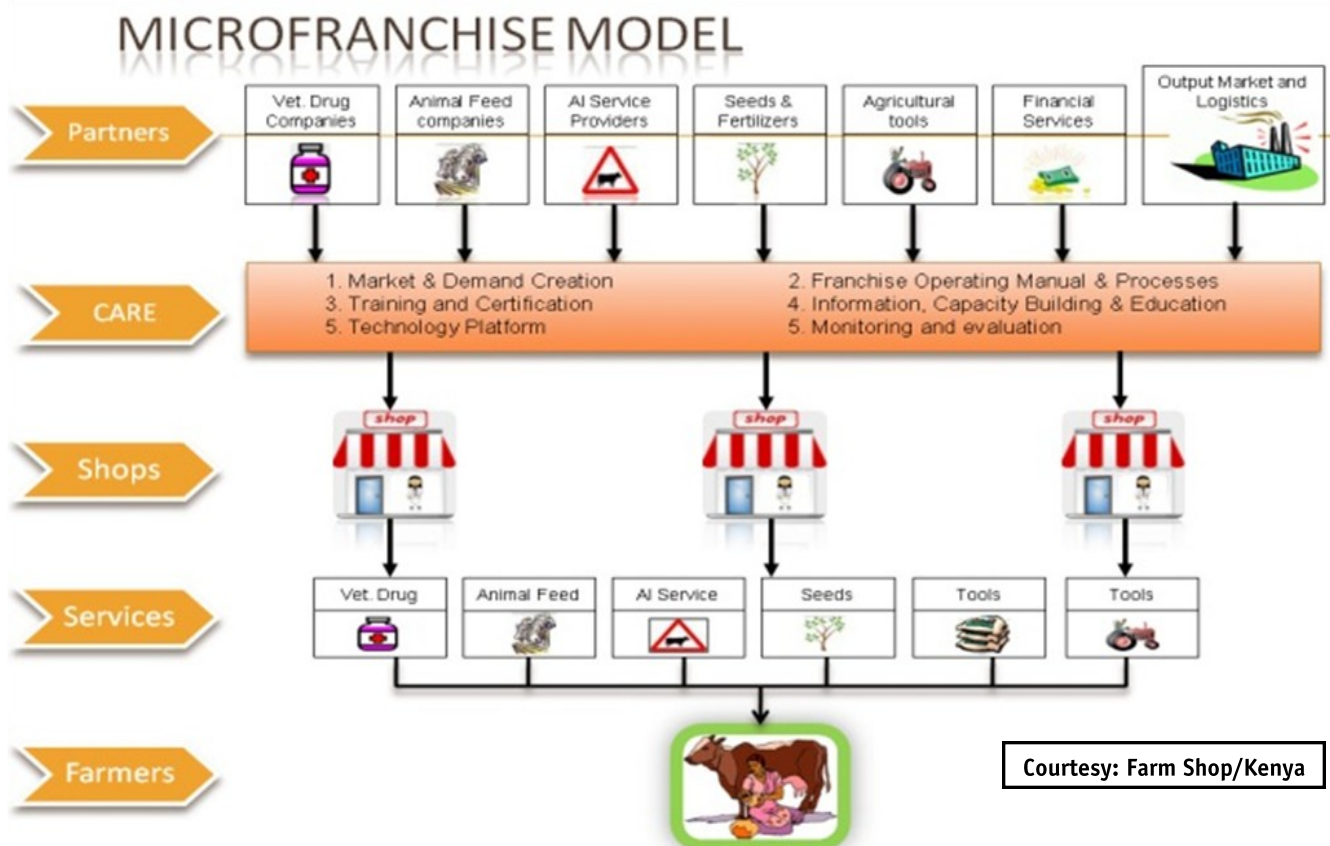
people on improved farming practices, benefiting all types of farmers across Bangladesh.

CARE's Krishi Utsho microfranchise network is a pilot social enterprise initiative to establish a network of rural input supply shops that effectively meets the needs of Bangladesh's poor producers. A Base of the Pyramid (BoP) innovation, the model positions CARE or a subsidiary to serve as a franchisor supporting 50 target microfranchisees. The model enables agro-input companies producing feed, seeds, veterinary medicines and breeding services to profitably reach a BoP consumer segment while ensuring the rural poor have access to high-quality, affordable agricultural inputs they need to escape poverty.

CARE is currently playing the role of the franchisor for this microfranchise initiative. In this operation, the franchisor will perform a variety of services such as, organizing all of the shops into one cohesive network, creating partnerships with private sector input suppliers, monitoring the performance of the shops, assisting shop owners with any problems, and providing training for the shop owners. The shop owners are provided training in business management and various cattle health service.



The organization of private sector partnerships will enable CARE to supply the shops with high quality inputs at a wholesale price. CARE will be responsible for organizing the orders from all of the shops and then placing bulk orders to the various input suppliers. The franchisees will each be run according to an established operations manual, which will outline the operational procedures of each shop. The franchisees work to spread the word in their communities about the microfranchise network and the benefits to dairy production that their inputs have to offer.



Impact

Farmers have seen significant increases in production levels, family milk consumption, and income. The shops have grown at a rapid rate and the shop owners' incomes have increased.

Farmers Farmers throughout the SDVC project have seen a significant increase in the amount of milk produced by their cows and in turn, their income. In only a few years, the average daily milk production has increased by 50 percent. These numbers are expected to continue to rise as the cross-bred calves from AI delivery reach maturity and begin to produce milk. The yield of each cross-bred cow will be several times greater than their local counterparts. Over the course of the project, the AI workers have performed AI treatments to over 13,500 households, with over 9,100 cross-breed cows being born (a success rate of around 70 percent). The families of the farmers have also seen a 46 percent rise in consumption of milk as they are producing more and can now afford to consume it without jeopardizing their income. The health of the cattle has also improved significantly. As a result of deworming and vaccination initiatives, disease rates in SDVC cattle have fallen greatly. As more and more farmers gain access to treatment options, the disease rates will fall across the entire region.

Shops The shops have exceeded CARE's target for owner income. On average, the input shop owners earn \$365 a month. With over 150 input shops across Northern Bangladesh, nearly 40,000 clients are served (about 40 percent are from SDVC producer groups). Annual growth for these shops is estimated to be 35 percent, and demand has consistently increased as the shop reputation spreads and more and more farmers begin to seek out inputs.

Corporate Partners The microfranchise initiative has also benefited private sector input suppliers who have partnered with CARE. The partner companies will supply medicine and feed along with various other agro products. These companies are given the ability to supply the entire franchise network with their company's inputs. The corporate partnerships are still in their early phases, but as the network expands, these partnerships will be a large source of revenue for the partner companies.

Women's Empowerment The input shop network has worked to break gender barriers within the communities of rural Bangladesh. Several shops are owned by

women, who travel throughout their community, providing livestock health services. When they began to work, much of their community looked down on them, but these women have ignored the discrimination and become well-respected members of their communities. However, women shop owners still face discrimination and operate their businesses with a limited travel range and have to work hard to gain clients. CARE plans to continue to fight village discrimination during the next series of shop expansions by selecting more female shop owners and working with them to establish successful businesses.

PERFORMANCE AS OF JANUARY 2012

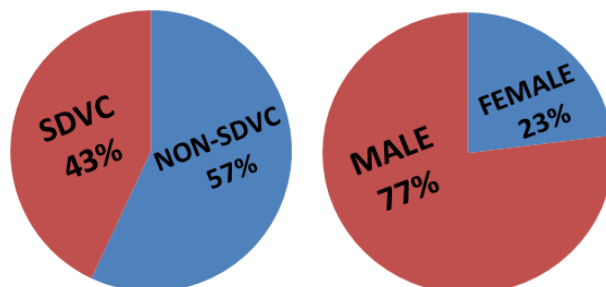
50 TOTAL NUMBER OF SHOPS

35% AVERAGE YEARLY SALES GROWTH

\$16,875 TOTAL VALUE SOLD LAST YEAR (USD)

CLIENTS AS OF JANUARY 2012

40,000 TOTAL NUMBER OF CLIENTS SERVED PER MONTH



Why Microfranchise?

The microfranchise system is a sustainable solution to a widespread problem, benefiting the people at the base of the economic pyramid.

The microfranchise system has been incredibly effective at improving the lives of people throughout the value chain; from farmers to shop owners to collectors, everyone involved has benefited. The microfranchise network has addressed an issue (in this case, poor dairy markets) by creating an entire business designed to provide what the farmers need at an affordable price. The business it brings fosters the entrepreneurial spirit within these communities. The microfranchise does not provide handouts of animal medicines and seeds to farmers, a short-term solution that would have led to dependency on handouts. The system that has been built is sustainable and in the coming years, will be able to function without the support of grants and donor funds. The benefit in this system goes to the people in the village who are directly involved and responsible for the success of this project.

Challenges

The main challenges the program faces are credit sales, quality of inputs, recruiting, and expansion.

The input shop network still faces several challenges moving forward. As the franchise undergoes a series of expansions, it will be important to maintain the quality



A dairy worker vaccinating a cow

of the franchise network. Three principal areas for maintaining quality will be a consistent supply of quality inputs, supply of semen for the AI treatments, and selling to people on a credit system. These are the main problems that shop owners currently face, and CARE is working to address them. In order to ensure the quality of inputs, CARE must sell the microfranchise idea to private sector companies to create partnerships for supplying inputs. Moving forward, it will also be important to form specific guidelines for shop selection into the brand. CARE does not want to suffer a drop in shop quality as a result of trying to expand too quickly. Every potential shop location must be thoroughly researched before a shop is brought into the franchise. Shops will also face the challenge of expanding the services they offer. There is a demand for agro inputs in all farming sectors, but the shops have mainly worked to address the demand within the dairy sector thus far. Shop owners want to offer more, but at the same time, they must maintain the quality of the services provided.

Road Ahead

After branding the first 50 shops, CARE will move forward and begin to expand the shop network to include a total of 300 shops.

Moving forward, CARE plans to brand the input shops across the region under the name of Krishi Utsho (Agro Source). Each shop will be under the same brand name and decorated with the colors of the brand along with the brand logo. The aim of branding is to create these shops as a symbol of quality inputs for farmers across Bangladesh. CARE will begin by branding 10 input shops, with another 40 soon to follow. In the coming years, CARE will expand its branding operation, bringing another 250 new shops into the franchise. These new shops will remain connected to the SDVC program and will be a mix of existing shops and newly established shops. CARE will continue to develop private sector partnerships, which will be useful in ensuring the supply of quality inputs. As the brand's reputation spreads, the branding will also help to establish new shops faster as they will not have to spend as much time working to build a reputation in the community. CARE also plans to launch a marketing campaign in association with the brand operation in order to build awareness for the new brand.

CARE is also working to establish connections between the input shops and the milk chilling plants. Farmers will be able to buy feed and inputs for their cattle on credit, and when the chilling plants receive the milk, they will pay the input shops directly on the farmers behalf. This will help to strengthen the credit system and support the shop owners who are forced to make sales on credit, not knowing when they will be reimbursed.

Learn More about SDVC

To learn more about our work, see the following resources at <http://edu.care.org>.

- SDVC Project Summary
- Innovation Briefs:
 - Building Trust, Accountability and Performance: The Bangladesh Participatory Performance Tracking Matrix
 - Commercializing Dairy Inputs through the Rural Sales Program