

Are investments of milk corporations in developing countries likely to promote socially sustainable business? Lessons learnt from West Africa and South-East Asia

Guillaume Duteurtre¹ and Christian Corniaux¹

In emerging and developing countries, many international corporations are investing in dairy processing industries. Some of those businesses support the development of milk powder imports, resulting in upgrading the local value chains but also resulting in direct competition with local milk producers. Some other firms invest in local milk sourcing, and contribute to the local development of the dairy industry as a whole. In that context, multi-national dairy corporations are increasingly questioned on the impact of their business on sustainable development of the dairy industry. Based on 2 complementary field studies conducted in West-Africa and in South-East Asia, we assess in which conditions those new investments from dairy business firms might result in socially sustainable businesses.

The dairy profiles of developing and emerging countries refer primarily to their specific historical trajectories. Most South-East Asian countries are relatively “new” milk producers with an emerging sector highly connected to milk marketing schemes. Most farms are commercial farms that started milk production in the last 15 years, with a majority of them being very small. In Indonesia, the average size of dairy farms is around 4 dairy cows; in Vietnam, it is around 6 dairy cows. On this base, milk production has risen tremendously in the region. On the opposite, West African countries are traditional dairy producers, with most of the milk being consumed locally and very little being collected for processing. Apart from a small number of commercial dairy farms located around the main cities and raising specialized dairy cows, most West-African producers are agro-pastoral households. They raise multi-purpose animals producing around 1 litre per day and per milk cows, but with a very high capacity to cope with to the local agro-climatic environment. Those farms do participate in traditional dairy marketing channels by selling fermented milk, butter or raw milk on rural markets or in the vicinities. Those marketing strategies might vary according to the herd mobility on short or long distances. But they lack capacity to participate to formal milk collection schemes connected to processing industries. In West-Africa, cow milk production is estimated to 1.5 million tons, but less than 5% of this milk is collected by dairy processing units.

In this context, milk is recognized as a “social” product in both types of those emerging and developing countries. And local dairy policy programs have been highly concerned with supporting rural livelihoods. In East Asia, dairy policies have focused on small farms support programs through credit, trainings and cooperative promotion. And in West Africa, social oriented dairy development policies have focused on developing rural milk collection schemes through networks of “mini-dairies”.

However, this global context is changing rapidly. New international trade agreements have brought increased competition from imported powder milk. And more and more domestic dairy development programs are oriented towards large farms that are more eager to provide milk to large processing units. Those shifts in international and domestic policies have resulted in less interest for smallholders. And this new vision, focused on promoting a modern dairy industry with lower impact on rural development, has been strongly challenged by international NGOs and producers organizations. In this situation, there is a need to clarify the role of international firms in the development of the milk sector. In particular, the social impact of the international dairy businesses must be assessed with attention.

Built on several research programs conducted in West Africa and South-East Asia, we identify 2 main inclusive business models involving international firms in those regions.

1. Cirad, UMR SELMET, F-34398 Montpellier, France.

The first one relies on large-scale industries that develop their sourcing from local milk in addition to powder milk. Those units justify their local milk sourcing strategy by expected economic benefits (in particular regarding volatility of powder milk prices) or by for specific processing lines that valorize locale milk (cheese, white cheese, butter, ripened cheeses or high quality milk).

Example of firms collecting fresh milk in East Asia and West Africa

Firms	Country	Milk collection in litre/day (year)	Specific processing lines
IDP	Vietnam	30 000 (2014)	Certified “local” UHT milk
Vinamilk	Vietnam	500 000 (2014)	UTH milk “100% fresh milk”
Danone Dairy Indonesia	Indonesia	60 000 (2015)	Lactic acid beverages
Mali-lait	Mali	5 000 (2015)	White cheese
Kirène	Senegal	800 ? (2015)	UTH milk “from local cow”
Danone / Laiterie du Berger	Senegal	4 000 (2015)	Fermented milk

The second inclusive business model relies on industries involved in corporate social responsibility projects to support their local credibility, but with no direct relation between the business strategy and the local milk sourcing. In these situations, the investments of the firm in supporting local communities are not restricted to milk producers. They might concern any community that represents an eligible target for the funds used for local development projects. Those programs are most of the time managed by NGOs and are limited to a restricted period of time. The impacts of those “social projects” do not directly affect the business of the firm (though some of the programs might concern milk producing communities) but can still have an impact on the ground. They also affect the reputation of the firm.

Corporation	Country	Type of CSR actions	Relationship with milk producers
Vinamilk	Vietnam	Scholarships, community development	Few
Sari Husada	Indonesia	Community development	Few
TH milk	Vietnam	Scholarships, community development	No

Aside with those initiatives of large scale firms, the dairy sector in emerging and developing countries is structured around a large number of small and medium enterprises (SMEs). Some of those small-scale dairy companies are involved in milk collection, and they play a significant role in securing outlets for producers. However, those SMEs have very few relations with international firms.

The new investments of private corporations offer opportunities to promote sustainable development of the local dairy industry in the developing world. In the future, new partnerships between producers’ organizations, private firms and NGOs could support the development of inclusive dairy value chains. The Round Table organized on 3-4 November 2016 in Abuja (Nigeria) by the partners of the “Milky Way Alliance” is a good example of such initiatives. Investments in cooling centres and other milk collection facilities, when managed in a sustainable way, could foster the social role of international private firms in those fragile rural economies.

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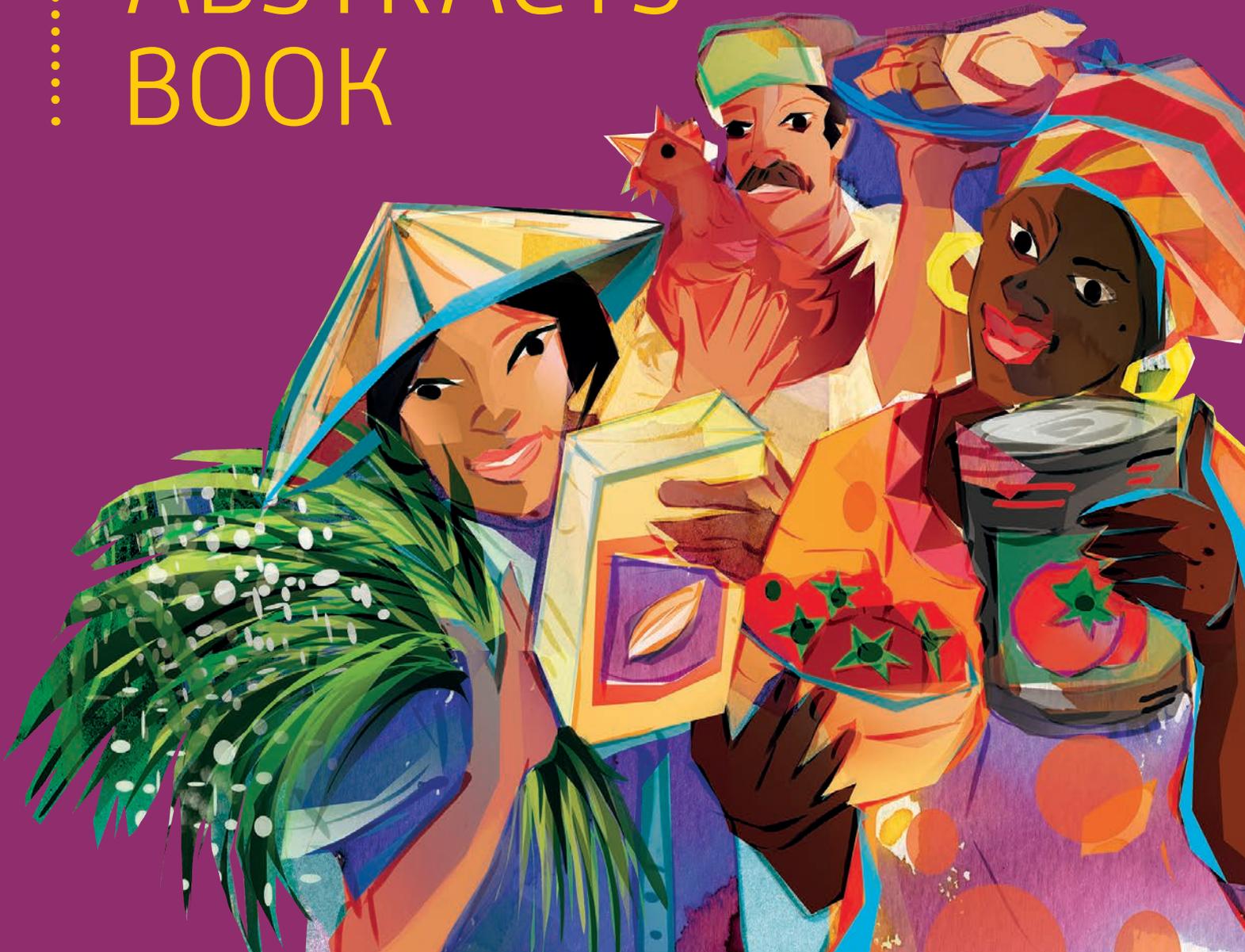
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AC&SD 2016

Agri-Chains & Sustainable Development
> *Linking local and global dynamics*

ABSTRACTS BOOK



WELCOME ADDRESS



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Welcome to AC&SD 2016

On behalf of the Scientific and Organizing Committees, it is a great pleasure to welcome you to the International Conference on Agri-chains and Sustainable Development (AC&SD 2016). This conference aspires to widen the debate about the role of agricultural value chains towards sustainable development. Year 2015 was a critical political and diplomatic milestone: the member states of the United Nations signed a new agenda for development, with the 17 Sustainable Development Goals (SDGs) placing sustainability at the core of international efforts. Development and academic actors are since then exploring new avenues for translating the SDGs into reality and implementing global and local frameworks and partnerships. Our conference aims at joining these efforts, with the consideration that agricultural value chains form spaces where local and global challenges to sustainability connect and within which local and global actors experiment and negotiate innovative solutions.

The scientific committee has assembled a very attractive program for AC&SD 2016 that seeks to cover and confront the diversity of realities behind agri-chains, from localized chains, embedded in specific places, to global value chains. In the parallel sessions, transformations of these agri-chains and their connections to sustainable development will be discussed by speakers from the academia, the civil society, the private sector and decision makers. This multi-stakeholder perspective will also be brought about in the plenary sessions. Here, world renowned keynotes and panelists to three high level round tables will discuss about the role and importance of evaluation, public and private institutions and innovations at different scales for transforming agri-chains towards sustainability transitions.

This edition gathers about 250 participants from 39 countries. AC&SD 2016 owes a lot to the scientific and organizing committees for preparing the program, and particularly to Brigitte Cabantous, Chantal Carrasco and Nathalie Curiallet for all the logistics, as well as to our support team of Alpha Visa that we warmly thank for their help.

We wish us all a fascinating, successful, inspiring and enjoyable AC&SD 2016 and we very much look forward to its result and to the strengthening of both a scientific community and a community of practice to implement the outcome!!

Estelle Biénabe, Patrick Caron and Flavia Fabiano,
Cirad Co-chairs AC&SD 2016

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