



## BACKGROUND

In the central highlands of Madagascar, cattle represents status and wealth. There, a farmer typically breeds one or two cows for the social standing it brings, but usually does not generate much income by milking them. This is an unfortunate reality in light of the broken fresh milk supply chain which collapsed, along with a major local dairy processor in 2009, both a collateral damage of the coup. With its demise, many formalized collecting centers disappeared, making small scale farmers unsure of their ability to sell milk, to whom, and most importantly, at what price. Given that insecurity, the lack of assistance and of quality requirements, breeding and collecting practices progressively degraded, depleting milk yield to a low of 4 liters per head per day (7 times less than the European average), with output of inconsistent quality and exacerbating seasonal swings: from abounding and highly-wasted volumes during rainy season to scarcity during dry season.

With this unorganized and highly seasonal supply, imported powder milk is often preferred by local food processors despite the exposure it brings on exchange rates and world price volatilities. A sub-optimal situation for both the processors and a region that would benefit from any extra income. "Socolait", a leading dairy processor in the country, was no exception and exclusively used imported powder milk for its dairy products until 2012.

In 2012, Adenia acquired Socolait along with the company's current Managing Director. The partners soon realized that securing a reliable supply chain of fresh milk was a must for the

company as it would create a sustainable competitive advantage. Indeed, while ensuring a substantial income flow for the local community, it would (i) reduce Socolait's exposure to global price fluctuations and foreign exchange uncertainties and (ii) improve the quality of Socolait's products. To that end, the company developed the "Milk Road" project, an ambitious initiative targeted at 1,400 micro scale farmers, many of them located in remote areas.

The project received support from two of Adenia's partners, FMO and BIO, respectively the Dutch and the Belgian development finance institutions.

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*Socolait has helped the collectors modernize their activities with new equipment and trainings”*

*Raphaël, milk collector*

## PROFESSIONALIZATION OF SMALL BUSINESSES

To reach the farmers, Socolait started by partnering with small-scale milk collectors, with an aim to turn them from informal operators to professional businesses complying with good collection standards.

These collectors are coached and trained continuously by Socolait's veterinarian and team of technicians. Good collecting, testing, milk handling and hygiene practices are imparted and management trainings are provided to help these entrepreneurs

Fund	Adenia Capital (II) and (III)
Status	Current
Industry	Packaged food
Country	Madagascar
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successfully run their small businesses. In a country where the lack of chilling equipment and milk adulteration practices pose worrying food safety issues, each partner-collecting-center was provided with refrigerated tanks and testing equipment to ensure that the milk collected is and remains proper for consumption. In fact, with clear contracts on price and quality requirements, Socolait commits to buy its 6 partner-collecting-centers' entire stock of compliant fresh milk all year long at predetermined prices. This provides them, and all the farmers they collect their milk from, secured incomes. A drastic change from the unorganized system, where milk price typically collapsed during rainy season (November to March in Madagascar). Socolait has also helped the collectors establish formal traceability systems. While none had such a system before, today 100% of the milk Socolait receives can now be traced back to the farmers who produced it – a criteria that enabled the Company to obtain, in 2014, the only HACCP certification within the local dairy industry.



### KNOWLEDGE TRANSFER TO SMALL-SCALE FARMERS

Socolait's technicians are deployed throughout the Vakinankaratra region and have been regularly visiting 1,400 small-scale farmers within a 100 kilometer radius around Socolait's plant. The role of the technicians is to spread knowledge and share the idea that, with proper practices, the region's cows can generate significant income for their owners. Since 2013, Socolait's technicians conduc-

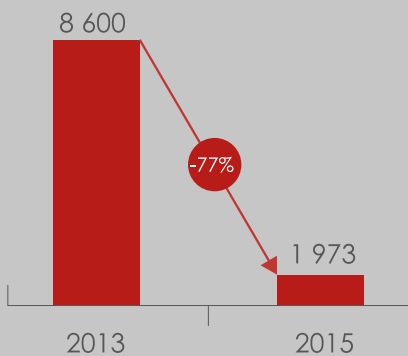


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*When Socolait began to (re)collect fresh milk, I decided to breed cows again. Now, the milk I sell to Socolait constitutes my family's main monetary income”*

*Alfred, farmer*

#### Germ rate (thousands germs per ml)



#### Volume of fresh milk collected, base 100 2012



ted more than 60 trainings on various themes including cattle feeding, caring, milking, hygiene and farm management. With continuous assistance and high quality standards, the milk produced by Socolait's network have noticeably improved:

- The excessively high germs-rate (20x European standards) has decreased by as much as 77% only two years after the launch of the project, a result of better hygiene practices when milking and handling the milk.
- Improved feeding and caring practices have resulted in a gain of 4% in the fat content of raw milk collected, a key achievement that has enabled Socolait to augment its cheese and butter yields.

Since 2012, Socolait has collected 6.3 million liters of fresh milk, generating a revenue stream of 2 million Euros for the network. Far from a mere status symbol, today many farmers now rely on their milk as their main or only monetary income.