Samunnati Intervention in Dairy Value Chain

Samunnati currently works in 34 value chains providing customized financial and non-financial solutions to various value chain players involved in each of them. This note explains Samunnati’s AMLA (Aggregation, Market Linkages, Advisor) intervention in the dairy value chain for cattle farmers, milk aggregators, and dairy unit.

An NGO focussed on Community Development & Farmer Mobilisation
A Tamil Nadu based NGO that has organized more than 2,00,000 women into Farmer Producer Organisations (FPOs) last five decades. The NGO has set up 3 dairy plants for procuring milk from its FPOs in three locations. There was lack of funds for on-lending to its members and other services became difficult. The Dairy Unit was unable to mobilize credit from formal institutions. By Sep 2017, milk procurement had fallen to 2,500 litres/day, wherein the processing capacity was 30,000 litres/day.

Samunnati analysed the entire value chain and offered the following solutions to the stakeholders of NGO:

Cattle loan to Milk Farmers
Samunnati sanctioned credit facility to the Dairy for financing the cattle farmers supplying milk. Farmer members having transaction history with the Dairy were eligible for the loan. This facility impacted increased milk supply from a larger number of cattle in the region.

Catalytic Infrastructure loan to Aggregators
Samunnati linked the Dairy unit to Gujarat based vendor for supplying BMCs (Bulk Milk Chilling Centres) to its aggregators based at the village level. The BMCs were brought through the credit facility given by Samunnati. The repayment was through deduction at the Dairy unit level for the payment being made to Aggregators.

Receivable Funding to Dairy
Dairy unit supplies milk and milk-based products to prominent HoReCa (Hotels, Restaurants, and Canteens) in Chennai. Buyers were typically paying in 30 to 60 days credit period. This was blocking the working capital for the dairy. Samunnati offered receivable financing to dairy by discounting all the receivables from the buyers.
Market Linkage
Dairy was linked to Samunnati's Agri Enterprise customer, Mid-Day Meal Provider, an NGO founded in 2000 to eliminate classroom hunger via the Mid-Day Meal Scheme. The entity serves more than 1.7 Mn children from 14,314 schools across 12 states of India.