



GRAMEEN DANONE FOODS LTD.

A Social Business Enterprise



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«From a dream to reality in three months...»

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“This is a unique opportunity to create a business with a strong social aspect, a company whose ambition is not to maximize profits but rather to act in the interests of the population, but without making losses.”

Professor Muhammad Yunus, President of the Grameen Group

“I am utterly convinced that our future depends on our ability to explore and invent new businesses and new types of enterprise” ...
“a great opportunity to make progress in that direction and take another huge step towards fulfilling our mission: to bring health through food to as many people as possible.”

Franck Riboud, CEO of Groupe Danone

“Reducing poverty by means of a new business model that will provide the least well off with a healthy diet, every day.”
“With this initiative, social impact on local community takes precedence over the need to maximize profits and share them with local communities.”

**Emmanuel Faber, Groupe Danone,
Executive Vice-President, Asia Pacific**

The birth of Grameen Danone Foods Ltd.

Franck Riboud and Mohamed Yunus met in Paris at the end of October 2005.

Following their meeting, they decided to explore the possibility of establishing a partnership in Bangladesh.

An initial workshop was organized in Dhaka at the end of November, attended by a team from Danone and a team from Grameen.

Just a few months later, in March 2006, Grameen and Danone were able to announce the creation of Grameen Danone Foods Ltd.

In mid-July, Grameen Danone acquired a plot of land in Bogra on which to build its first plant.

Now, in November 2006, the plant is producing its first yoghurts.

(Extract from press release published by Groupe Danone on 16/03/06)

“On 16 March 2006, the Grameen Group and Groupe Danone joined forces to create a new Bangladeshi-based company, Grameen Danone Foods Ltd.

This unique initiative is intended to combine Groupe Danone’s expertise in the field of healthy foods with that of the Grameen Group, set up by the founder of the Grameen Bank, a specialist in micro-credit for the poor and economic development.

Grameen Danone Foods Ltd. aims to offer healthy food to Bangladesh’s least well off, who often suffer from nutritional deficiencies, and to fight poverty by establishing a unique, «proximity-based» business model.

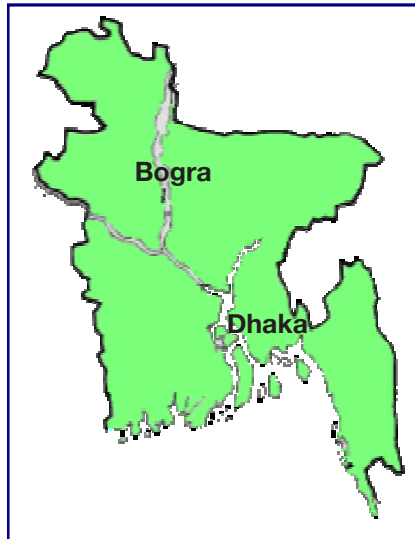
One of the main objectives of Grameen Danone Foods Ltd. is to promote local business activity and to indirectly create jobs in the agricultural industry, or in sales and distribution. To ensure the initiative’s long-term success, the idea is to offer appropriate micro-financing solutions and professional training tailored to the people from local communities who will be taking part in the project.

Reflecting the key values held by both companies, Grameen Danone Foods Ltd. commits to protecting the local environment, and to promoting the use of renewable energy for its various activities. Similarly, pioneering techniques will be used to produce more environmentally-friendly packaging.

Grameen Danone Foods Ltd.'s primary objective is to launch a dairy product at a highly affordable price. The product will be specially developed to meet the specific nutritional needs of Bangladeshi children, guaranteeing them harmonious growth whilst providing them with all the benefits of milk and the micronutrients they lack.

A first plant, which will begin operating before the end of 2006, is under construction in Bogra (around 250 km north of Dhaka). Several hundred new jobs will be created in the region's distribution and livestock farming sectors.

To maximize the project's social impact, Grameen and Danone intend to reinvest the profits from Grameen Danone Foods Ltd. in a process to gradually deploy this unique model across the entire country."



Project objectives

Mission:

“Reducing poverty by a unique proximity business model that will provide daily healthy nutrition to the poor.”

Specific objectives:

The four main objectives of Grameen Danone Foods Ltd. are as follows:

1. To offer a product with high added nutritional value.
2. To create jobs.
3. To protect the environment.
4. To be economically viable.



1. Shoktidoi!

1.1 Nutritional impact

Grameen Danone wants to “help the children of Bangladesh stay in good health and grow strong” by offering them “a healthy and nutritious food that they can consume every day.”

“Shoktidoi ¹”, produced by the Grameen Danone plant in Bogra, has been designed with this aim in mind.

Its price has been set at 5 BDT per 80 g portion, around 6 Euro cents, so that even the poorest Bangladeshi families will be able to afford to buy it regularly.

Shoktidoi is a yoghurt made with cow’s milk, date molasses and sugar. It is a natural source of calcium and protein, which are essential for healthy growth and bones. It also contains live fermenting cultures that help to reduce the severity and duration of bouts of diarrhoea.

“Shoktidoi” is also enriched with micronutrients. A single 80 g pot will provide 30% of a child’s daily requirements of vitamin A, iron, zinc and iodine.

For information:

Micronutrient	Health benefit
Vitamin A	Helps to maintain good eyesight and a functioning immune system.
Iron	Reduces the risk of anaemia.
Zinc	Reduces the risk of growth retardation and weaknesses in the immune system.
Iodine	Promotes brain development and overall growth.

¹ (the name literally means «strengthening yoghurt»)

1.2 Locally available ingredients

Where possible, Grameen Danone uses ingredients that are available locally, to:

- reduce raw materials costs (no import tariffs, simplified logistical chain),
- minimize consumption of fossil fuels (less transport),
- promote the development of local communities and combat the rural exodus.

Milk

Milk is the main ingredient in «Shoktidoi». The price Grameen Danone pays for it is therefore crucial in determining the sustainability of the company's business model.

Yet organizing the milk supply for the Grameen Danone plant represents a challenge in itself, since 90% of the Bangladeshi milk market operates on an informal basis.

To avoid coming into competition with other milk purchasers, Grameen Danone has chosen to develop a series of micro-farms. Grameen Bank will therefore offer micro-credit to potential farmers.

They will then purchase one or more cows and sell the milk they produce to Grameen Danone. In return the company will guarantee them a fixed price throughout the year, and will send its veterinary expert to help them improve yield and quality.

Bangladesh is a country which is heavily affected by bad weather. During the monsoon season, some normally arid regions become fertile, whilst elsewhere severe flooding prevents any farming activity.

This has a major impact on milk production if cows are unable to graze in the fields.

By opting to create several collection «pockets», Grameen Danone aims to ensure a constant supply, solving the problem of seasonal milk shortages, without ever having to refuse milk produced by the micro-farms developed.

Grameen Danone's milk network should be in place by early 2007.



Date molasses

Date molasses is a kind of syrup secreted naturally by date palms. Unlike beet or cane sugar molasses, it is not a by-product of sugar production.

Made by craftsmen in certain regions of Bangladesh, date molasses are highly appreciated by the local population, being used in cuisine to give dishes a distinctive flavour.

Its sweetening power is approximately 70% that of sugar, but it is far cheaper.



Grameen Danone plans to develop its existing farms to supply date molasses.

Grameen Bank will offer the farmers micro-credit. This means they will be able to automate their production processes to boost yield and improve quality.

Grameen Danone will purchase their annual output, harvested during the winter (November and December), at a fixed price.

1.3 An optimized production chain

Minimal investment?

To reduce production costs and guarantee a sale price for «Shok-tidoi» of 5 BDT, Grameen Danone has introduced an optimized production process for manufacturing the yoghurt.

First, the milk is received, cooled and sent to a storage tank to await use.

When a production process begins, the milk is transferred to the mixing tank. There, the milk, sugar, date molasses and micronutrients are added.

The resulting mixture is passed through a homogenizer and then through a sterilizer.

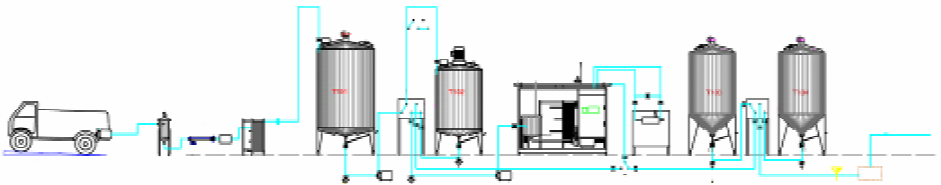
Then, it is transferred to a fermentation tank, where the yoghurt is left to ferment for 9 hours.

Finally, the finished product is placed in pots and stored in a refrigeration chamber.

Not quite...

To minimize even further the investment needed to build a Grameen Danone plant like the one in Bogra, a single tank could be used for both pasteurization and fermentation.

This solution is currently being looked at...



2. Social impact

2.1 Job creation

Inside the plant

The Grameen Danone plant in Bogra has been designed to rely on local labour rather than sophisticated machinery.

This decision was inspired by a strong desire to create new jobs, but also has the advantage of avoiding recurring maintenance problems.

Once it has reached full capacity (in 4 years' time), the Bogra plant will employ around 50 people on a full-time basis. The team will include disabled workers.

By developing micro-farms

The main raw materials used in the production of «Shoktidoi» (milk, sugar and date molasses) will be supplied by farmers who have begun or developed their operation with the help of micro-credit from the Grameen Bank. Those farmers will receive expert advice from the staff at Grameen Danone, to help them improve the quality of their products and to boost their output. In addition, a contract will be signed with them, guaranteeing a fixed sale price throughout the year.

(See 1.2 Locally available ingredients)

And organizing a pioneering distribution system

Two systems will be deployed to distribute the «Shoktidoi» produced by the Bogra plant:

- door-to-door sales of 80 g pots,
- single unit sales via dispensers in local stores.

«Grameen Ladies», supplied via small intermediaries, will make door-to-door sales. They will be trained to convey a nutrition-based message developed in partnership with Danone and GAIN and will be paid a commission on every pot they sell.

Altogether, this activity should provide an income for more than 1,600 people in a radius of 30 kilometres.

2.2 Territorial presence

The Bogra plant's influence

«Shoktidoi» will be produced at the very heart of the region where it is set to be marketed. The size of the Bogra plant will enable it to supply products to an area within a radius of 30 km.

The environmental impact of transporting «Shoktidoi» will therefore be kept to a minimum (especially since rickshaw vans will be used to serve points of sale within 5 km of the plant). The cold chain will also be scrupulously maintained even without using refrigerated trucks (isothermal crates and ice packs will be used instead).

Most of the plant's employees, the farmers involved with the project and the Grameen Ladies distributing the «Shoktidoi», live in the Bogra district. By choosing to work with them, Grameen Danone is seeking to counter the rural exodus affecting Bangladeshi society.



2 GAIN: Global Alliance for Improved Nutrition, an NGO partnering the project

2.3 Social marketing

In partnership with GAIN

The marketing strategy developed for the Grameen Danone project is completely different from the traditional strategies used to market consumer goods.

It is tailored to the local context, and emphasizes the importance of sending out a global nutritional message. Accordingly:

- informative posters are to be displayed inside the meeting centres used by Grameen Bank borrowers groups (every week, around 160,000 women meet at these centres, offering a fantastic window for reaching out to potential consumers),
- the Grameen Ladies distributing «Shoktidoi» will carry a visual aid explaining the product's health benefits,
- educational games will be handed out at schools in the Bogra area. This will provide a fun way for children to learn that a balanced diet goes hand in hand with physical and intellectual development.

GAIN (Global Alliance for Improved Nutrition) is making an active (technical and financial) contribution to drafting Grameen Danone's nutritional message.

Under its authority, an efficacy study is set to be launched in early 2007, to test the benefits of regularly consuming «Shoktidoi» for a group of children in Bogra.



3. Environmental impact

3.1 Packaging

Recycling

To reduce the environmental impact generated by its activities, Grameen Danone has decided to manufacture the pots in which «Shoktidoi» is sold using a recyclable material.

The pots will be made using PLA (Poly Lactic Acid) which is created from corn starch, and is therefore 100% biodegradable at certain temperatures and humidity levels.

To degrade the residues from the PLA used in the plant, a bio-digester has been installed at the Grameen Danone plant in Bogra. It will produce biogas (mixture of CO₂ and methane), which will then be recovered and used for various heating and lighting purposes (see 3.2 Energy alternatives).



Re-using

In addition to door-to-door sales, portions of «Shoktidoi» will be sold at stalls in the Bogra area (5 BDT for 90 g).

They will be distributed directly via a dispenser, meaning consumers will take their own containers with them when they go to do their shopping. The manager of the shop will place the desired quantity of yoghurt in the container.

The dispensers will of course be re-used. After being recovered from the stalls, they will be taken back to the plant for cleaning and re-filling.



3.2 Energy alternatives

To reduce the use of fossil fuels, the Grameen Danone plant in Bogra has been designed to avoid wasting electricity wherever possible (energy-saving lights, timers on light switches, etc.).

The project's geographic location (see 2.2 Territorial presence) will not generate any additional environmental costs due to transport. Part of the plant's output will be distributed by rickshaw vans, which do not use any natural gas or carbon fuels whatsoever.

Biogas production and consumption

A pioneering system, the first of its kind in Bangladesh, was added to the waste water treatment station installed during construction of the Grameen Danone plant in Bogra.

The system is designed to produce biogas through the anaerobic digestion of effluents generated by the «Shoktidoi» manufacturing process.

The resulting biogas, along with the gas produced by the biogas digester used to degrade PLA residues, is used for the following purposes:

- lighting the plant's outer walls using gas lamps,
- cooking food in the plant canteen, using hot plates.

In the future, and if the plant's biogas output is sufficient, a biogas generator will be used to power the plant's main submersible water pump.

Rainwater collection

To reduce the risks of exhausting the water table, the Grameen Danone plant in Bogra is equipped with a rainwater collection system.

The rain that falls on the various roofs of the plant during the monsoon season is carried along guttering to a filter, before being emptied into a special underground tank.

The rainwater recovered is consumed as needed by a boiler producing steam for the plant's processing lines. Since the water is naturally soft, it does not need to be pre-treated.



Using solar water heaters

Water heating equipment tends to consume large amounts of energy, resulting in substantial additional costs, both for private individuals and industry.

However, water does not always need to be heated to a specific, constant temperature.

At the Grameen Danone plant in Bogra, the taps in the staff showers, in the area where plastic crates are washed and in the laboratory sinks are only used intermittently.

Grameen Danone has therefore decided to install solar water heaters to supply these taps.

Also, since the boiler that provides the steam used by the plant runs on natural gas (a fossil fuel), solar water heaters have been installed to pre-heat the boiler's water supply. This will reduce both the environmental impact of the project and Grameen Danone's energy bills.



4. Profitability

Grameen Danone is a company keen to respect the lines of conduct set down by the mission, concerning the creation of a «social business enterprise».

This does not mean that Grameen Danone must be a loss-making company, but rather that the profits it makes will be reinvested to develop new businesses.

4.1 Investment

The total investment needed to build the Grameen Danone plant in Bogra has been low (a prerequisite for ensuring the sustainability of the «Shoktidoi» production business model).

It is substantially less than that needed to build a standard Danone plant.

All the engineering work for the project has been carried out by Grameen Danone. The costs of the technical drawings and designs was kept to a minimum.

Simplicity

The Grameen Danone plant in Bogra is relatively small (surface area of 500 m²).

However, it has been designed in accordance with Danone specifications. The product and staff flows within the building are identical to those found elsewhere.

The quality standards imposed by Danone have been followed. Every possible measure has been taken to ensure that «Shoktidoi» meets the requirements of Danone's quality charter.



The production process chosen for «Shoktidoi» at the Grameen Danone plant in Bogra has been optimized.

It includes very little use of machinery, and where possible only simple equipment is used, easy to maintain and able to be operated by relatively unskilled workers (see 1.3 An optimized production chain).

Most of the equipment has been purchased locally (boiler, air compressor, refrigeration equipment, gas generator, effluent treatment station, etc.) and therefore at least cost. It does, however, fully comply with the technical specifications laid down by Groupe Danone.

The tanks and machines used to manufacture and package «Shoktidoi» have been imported from China.

Already used by Groupe Danone in other parts of Asia, they are reliable and priced within the budget set aside for creating the Grameen Danone plant in Bogra.

4.2 Management

By choosing not to place the plant in the hands of expatriate managers, Grameen Danone has confirmed its desire to minimize operating costs. The staff employed by Grameen Danone in Bogra will therefore be exclusively Bangladeshi and, where possible, recruited from the area around the plant.



In conclusion

The creation of the Grameen Danone factory at Bogra marks the completion of the first stage of the project.

If this project is a success, it could be the start of a new “community business model” based on an integrated approach on health, environment and socio-economical impact.

To appraise the durability of this model, Grameen Danone will put performance indicators in place, on several criteria which are;

- the impact on the level of poverty
- the impact on the health of children (to be established with Gain)
- the capacity to generate enough profit to allow us to invest in new factories

The ambition is to have around fifty factories in Bangladesh in 10 years time.

Thanks go to:

Grameen Danone would like to thank all Groupe Danone's partners for their help with this project, and their (technical and financial) contributions to the successful launch of the Bogra plant:



This document was produced by Laurence Tournerie, Guy Gavelle, Nicolas Dhers and Guillaume Lorcy.

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