5. Power to Producers

Building a network of dairy enterprises owned by local farmers’ groups in Haiti

Lèt Agogo, a project initiated and led by a Haitian NGO, Veterimed, has created a network of small dairy enterprises that process milk and cheese products for domestic markets. Key to the project’s success has been the involvement of local farmers’ associations, who supply the dairies with milk; in return, farmers receive technical and material support and benefit from collective inputs and marketing. As a result, their incomes have risen and women in particular have been able to play a more prominent economic role. The next step is to scale up the network nationally, using a franchise model that will enable shared ownership between producers, processors, and the brand holder, and which will transfer management responsibility for individual dairies to the producers themselves.
Introduction

This paper tells the story of the Lèt Agogo project from its inception in 1999 up until 2009, but was largely written before the devastating earthquake that struck Haiti on 12 January 2010. Here follows a brief update on how the project has been affected by the earthquake and plans for taking it forward during the period of recovery.

The impacts of the earthquake were huge. It left 238,000 people dead, one million people in emergency shelters, and a further half-million internally displaced. Those affected suffered loss of personal as well as public assets, and their productive activities. Much of the capital Port-au-Prince was destroyed. Damage to infrastructure affected the availability and accessibility of basic services. Destruction of roads restricted movement, supply of food, and other types of trade. Many people lost homes, social capital, and support networks and were left at greater risk of crime and disease, due to the increased prevalence of both.

The Lèt Agogo project also suffered as a result of the earthquake. With support from local NGO Veterimed,1 the project had created a network of small dairy enterprises, with the objective of increasing the incomes of small farmers. Among the dairies’ main clients were government schools, the majority of which were in Port-au-Prince. The earthquake destroyed 80 per cent of the schools in the capital and the rest closed for several months, so the project lost its biggest single customer. Damage to roads in and around Port-au-Prince and other affected areas prevented milk from being distributed more widely and, as there was no way of selling all the milk, some producers had to sell their animals. The majority of the milk produced had been sold to state schools, but the earthquake left the state unable to pay its bills.

Looking to the future, the earthquake has brought into focus some of the project’s weaknesses, in particular its dependence on too small a number of clients, the complexity of its procurement and logistics chain, and its vulnerability to late payments from the state. However, strong leadership skills were developed as part of the project. The organizations involved have shown themselves to be capable and efficient, and have been able to react and innovate in the face of such challenging and unexpected events.

In the short term following the earthquake, the partners in the project were able to collaborate with the World Food Programme (WFP) in developing the framework of an emergency food assistance programme. In the longer term, they are engaged in a process of holding strategic discussions and have agreed to design a new business plan. This will include a comprehensive review of the project’s production model as well as its distribution model.
second phase of the project will be developed during 2011 with support from Oxfam.

Even before the earthquake, Haiti was one of the poorest countries in the world. Political instability, civil war, natural disasters, deforestation, and economic liberalization policies have all contributed to severe structural poverty. The country ranks 149th out of 183 countries on the UNDP’s Human Development Index, with 72.1 per cent of its population living on less than $2 a day and 54.9 per cent living on less than $1.25 a day (UNDP).²

Despite the fact that over 75 per cent of Haiti’s population work in agriculture or depend on the sector for their living,³ agriculture has undergone a serious decline in the past two decades, with both production levels and the volume of agricultural exports falling.⁴ The continuous political turmoil and the neoliberal policies implemented in the late 1980s have contributed to a significant decrease in national production and have exacerbated the food insecurity of poor and marginalized people. In 2007, the WFP estimated that 25 per cent of rural households were food-insecure.⁵ Import taxes have been reduced or even abolished for the majority of agricultural products. As a result, local markets have been flooded by subsidized products from industrialized countries and local producers have struggled to compete.⁶ In the dairy sector, all of Haiti’s milk processing factories had closed down by the mid-1990s.⁷

Small farmers in Haiti typically farm less than five acres of land, with no irrigation and only basic tools. Serious investment in agriculture is needed to raise the productivity of small farmers in order to reduce food imports and replace them with domestic production. Promoting new areas of local production – such as dairy products – is therefore a key opportunity for boosting income and increasing food security.

The idea behind Lèt Agogo

Annual consumption of milk in Haiti is estimated to be 130,000 tonnes, of which 45,000 tonnes are produced domestically.⁸ However, with between 450,000 and 675,000 dairy cows, potential national production is estimated at 145,000 tonnes.⁹ Due to a lack of technical ability and adequate infrastructure for processing and marketing, 100,000 tonnes of milk are wasted every year. Some farmers sell milk to merchants, but prices are generally poor and markets unreliable. Many farmers do not even milk their cows because they are not able to sell the milk immediately or preserve it. Meanwhile, milk and dairy products are the second biggest category of food imports, with more than €40m ($59m) worth of evaporated milk, UHT milk, yoghurt, and cheese coming into Haiti every year.¹⁰

Haitian NGO Veterimed is attempting to confront this challenge through its Lèt Agogo dairy project, which is working to provide a
secure outlet for small producers’ milk. Established in 1999, Lèt Agogo has built a national network of 13 micro-dairies that process milk produced by local farmers’ associations into a number of different products – sterilized bottled milk, pasteurized milk, flavoured yoghurt, and artisanal cheese – which are sold for profit through various outlets (street sellers, supermarkets, and the government’s school programme) across Haiti. As well as farmers’ associations, the project involves the participation of other NGOs and agencies (including Christian Aid, FAO, the European Union, and Veterinarians without Borders) and youth and women’s groups, including the African Institute for Development Policy (AFIDEP). It receives financial support from a number of sources, but has been supported from the beginning by Oxfam GB.

Box 1: How Lèt Agogo works

Every day farmers and their children travel by foot, bicycle, or donkey to deliver their fresh milk to Lèt Agogo dairies across Haiti. Here, dairy staff test the milk rigorously for dilution and impurities, ensuring that it is of high quality. The dairies handle close to 150 gallons of milk per day. They are well adapted to the lack of electricity in Haiti, transforming milk into cheese, yoghurt, and sterilized bottled milk via simple processes that require only the use of propane gas and running water.

These products have average profit margins of $0.02 per bottle for yoghurt, $0.10 per bottle for sterilized milk, and $1.80 per pound for cheese. The sterilized milk is often flavoured with vanilla, chocolate, or strawberry, and can keep fresh in heat-resistant bottles for up to nine months without any need for cooling.

In some areas, dairies represent a first ever opportunity for producers to sell milk commercially. Richard Joseph, the president of a producer association in Terrier Rouge, explains: ‘Before the dairy existed, I had cows at home but I didn’t sell much milk at all, because local buyers weren’t offering good prices. But since we’ve had a dairy in our community, I know there’s a reliable place I can take it for sale.’

The dairies have supply contracts with government schools, which before the earthquake bought between 1,500 and 5,000 bottles of milk each week. This meant that dairies could offer producers fixed prices: $1.50 per gallon as opposed to $1.00–$1.40 on the street. Unlike street buyers, the dairies could also offer producers a guaranteed regular income. Of producers surveyed, 89 per cent reported that their annual incomes had increased since joining the Lèt Agogo network, while only 26 per cent of non-beneficiary producers reported similar income increases.

The majority of producers have used the new surplus income from milk sales to pay for their children’s school fees. One producer in Terrier Rouge was able to pay for tuition for seven of his children and then to send two to university. He said, ‘Were it not for milk sales, they wouldn’t have been able to attend.’

Many producers collect their earnings after several months and invest in items such as motorbikes and livestock, which they can use to earn further revenue. Some have simply been able to improve their living conditions, repairing their roofs or building new houses.
Veterimed has followed a shared ownership franchise model in building the Lèt Agogo network. Investors are identified to support the construction of a dairy, by purchasing equipment and recruiting staff. The dairies use basic and easy to maintain equipment that is appropriate to the local context and which requires a relatively small initial outlay. Each dairy employs between five and 15 staff.

Most importantly, the model requires that dairy farmers living nearby are recruited to form a producer association, which co-ordinates milk production and delivery to supply the dairy. Veterimed provides capacity-building support and technical training for association members and, depending on funding, may also provide other inputs such as water wells or cows (cows are provided specifically to enable women to get involved). Each dairy has a board of directors that includes farmers’ representatives.

A Veterimed-funded marketing and purchasing ‘hub’ called the Central Purchasing and Commercialization Unit – the ‘Central Unit’ – co-ordinates marketing and sales for all dairies, finding clients for the products, negotiating contracts, and helping the dairies to restock equipment and packaging supplies – a service for which it takes a small margin to cover its costs. The individual dairies then deliver the products to clients, claim a small margin to cover their own expenses, and pass on a premium to the producers.

In addition to processing the products, Lèt Agogo aims to increase dairy productivity by improving animal health services and feed quality; reduce animal mortality rates; provide organizational support to farmers’ associations; and promote the consumption of dairy products at the national level. Its dairies now claim an estimated 0.4 per cent of the national milk market and just over 1.1 per cent of the market for locally produced milk. Lèt Agogo’s products are the only dairy products currently on the market that are made from locally produced milk.

Creating the potential for scale

The franchise model has been promoted to enable self-replication of a profitable business across the country. The programme staff identified the following key factors in ensuring that the model was ‘scalable’.

**Promoting a model adapted to the local context**

The model adopted is simple and enables wide geographic coverage with a large number of small dairies spread across Haiti, rather than a smaller number of bigger, central units that would be inaccessible due to poor infrastructure. It enables easy collection of milk, while at the same time developing a national brand, providing central support to marketing and economies of scale. The centralization of bulk purchasing (for example, of glass bottles) allows individual
dairies to save on costs and to access inputs that would otherwise be unaffordable.

**Developing diverse and profitable products**

Production and marketing strategies aim to increase the market potential of Lèt Agogo products through diversification and by providing products adapted to local tastes. Winning a government contract to provide milk to schools provided a major boost to profits. Before the earthquake, schools in areas close to the dairies purchased between 1,500 and 5,000 bottles of milk each week, depending on the size of the school. The retail price of the milk allows a healthy profit margin of 10 gourdes (USD 0.27) per bottle for each dairy. While most dairies produce sterilized milk and yoghurt, others are producing cheese and pasteurized milk. An analysis of the most profitable products will drive future decisions on product focus.

**Box 2. Building self-reliant producers’ associations**

Central to the Lèt Agogo project is the creation of local producer associations based around each dairy. These associations provide sources of support for farmers and knowledge-sharing networks, as a male beneficiary in Bon Repos explains: 'If I have a problem with one of my animals, I now have an organized network of people to consult for help. Now my cows get sick much less frequently, and this lets me produce more milk for sale.'

In Limonade in north-eastern Haiti, where the first Lèt Agogo dairy was set up in 2002, women’s associations have given their members training on gender equality, which has helped them as producers and in the home. Many women now know that men need not be the sole decision-makers, and that they should play an important part in this process as well.

Through the associations, Veterimed has launched a fodder species improvement programme and has encouraged the building of wells to improve the quality and availability of food and water for livestock. It has also provided veterinary services.

Veterimed’s long-term goal is to hand over control of the Lèt Agogo dairies to producer associations, and so it also provides associations with training on legal matters, organizational management and administration, and other topics, with the aim of creating self-sustaining entities that can assume full management of dairies within two to four years of their launch. So far, however, only one of the 13 current dairies, the one in Limonade, has moved to producer-led ownership. The plan is to develop the governance structure of Lèt Agogo/Veterimed, so that the others should follow during the life of the project.

**Working across the market system**

Oxfam GB and Veterimed aim to ensure that Lèt Agogo is able to work across the whole dairy value chain, from small-scale producers to private sector outlets (such as supermarkets), while also supporting access to services and lobbying to improve the enabling environment.
For example, in order to support access to services, Veterimed has mobilized resources from Intervet, a national network of veterinary workers, and has signed a memorandum of understanding with the Ministry of Agriculture which provides guidance to farmers’ organizations affiliated to different dairies. Oxfam is also supporting the Central Unit to provide business development services to the dairies. In order to develop a more constructive policy environment, Veterimed’s strategy is to work with producers’ associations and with organizations such as NGO Agropresse, a national agricultural information agency. This aims to give producers a voice and to ensure that policy decisions support the dairy sector.

Creating a national network
The Lèt Agogo brand is currently managed by Veterimed. The plan is to integrate the dairies into a national-level network of franchises run by producer associations, helping them to access vital inputs (including all the raw materials that the dairies require - bottles, bottle tops, labels, and so on) and to enter local markets using modern marketing techniques. The final make-up of the network will include representation from the dairy boards, farmers’ associations, and the Central Unit. Once this structure has been consolidated, brand management will be transferred to the network itself. The objective is to develop an ownership model that includes small-scale farmers in decision-making and profit-sharing structures.

Supporting the business to grow
Lèt Agogo began in 1999, and in 2008 Oxfam conducted an evaluation of the model’s impact. This showed that Lèt Agogo producers had seen an increase in milk production of nearly 67 per cent, in comparison with a decline reported by dairy farmers not involved in the project. This was matched by a much larger increase in income for producers supplying Lèt Agogo dairies. The project has now moved into a second phase and is receiving funding from various organizations including Oxfam’s new Enterprise Development Programme (EDP), which links businesses in the developing world with providers of finance, skills, and advice.

The second phase aims to expand the dairy network from 13 to 25 units, with support from other donors. In doubling the number of processing sites, Veterimed and Oxfam aim to increase Lèt Agogo’s domestic market share from 0.4 per cent to 5 per cent, while benefiting 2,000 rural producer families across Haiti. Oxfam’s contribution to this expansion will be complementary to any budget requested for the recovery of Lèt Agogo’s capacity following the 2010 earthquake.

The impact of the earthquake on the programme was great. The Veterimed office in Port-au-Prince was destroyed and two members
of staff were killed. Two local dairies were also severely damaged and 45,000 bottles were broken. Farmers’ time and financial resources were strained by their hosting of displaced people, and some affected buildings were looted.

Veterimed is working with other partners to rebuild its assets and implement its business plan. At present, the network has 11 functioning dairies, two severely damaged, and five in the process of joining the network. The second phase will eventually be delivered by building on the existing model by:

- **Supporting producers**: This includes technical training on improved animal husbandry, provision of animals and supplies, and other activities. Specifically, Oxfam is contributing funding for the distribution of cows to female producers.

- **Strengthening producer associations**: The project will provide capacity-building training for new and current producer associations. It is anticipated that by the end of the project the associations will be capable of managing all aspects of milk production and processing themselves.

- **Developing dairies**: New dairy facilities will be created and the production capacities of existing dairies will be strengthened. Oxfam is providing funding for new dairy equipment, and anticipates that the 13 existing dairies will ultimately have an increased production capacity, while 12 new dairies will each process at least 200 litres of milk each day. Overall, the project team hopes that the network will process approximately 2m litres of milk per year, with higher milk quality and increased storage capacity to meet new client demand.

- **Enhancement of dairy marketing**: The marketing and outreach capacity of the Central Unit will be strengthened to help it evolve from being entirely supported by Veterimed and donor funds to becoming a self-funded, independent marketing and supply corporation, with a more diverse client base.

- **Strengthening of dairy sector advocacy**: There are key constraints in the policy environment that inhibit dairy production, therefore lobbying the government to guarantee the pasture land rights of producers, improve their access to state credit, and restrict cheap imports are essential to the success of the model.

The second phase is also committed to improving gender equality in local communities by giving women access to cows, by engaging more women as producers, and by creating women’s producer associations in some communities and in others integrating women into mixed associations. The programme aims to ensure that 30 per cent of all new members of producer associations are women and that they will occupy at least 40 per cent of all leadership positions.
Outcomes and impacts to date

After ten years of the project’s existence, the results achieved by Lèt Agogo show that smallholder farmers can be competitive dairy producers and that development of the dairy sector is likely to provide significant opportunities for poor women and men to increase their incomes. Key results to date include the following:

- An innovative dairy model has been developed, using simple technology suited to a context of dispersed milk production and basic infrastructure. There has been steady growth in the number of dairies since the first one opened in 2002 in the city of Limonade in the north-east of the country. By 2003 there were five dairies, in 2004 seven, in 2007 ten, and in 2008 twelve. In 2009 thirteen dairies were operational, with over 1,400 producers supplying them.

- The brand is well positioned at the national level. Franchise investors (from the franchise model being developed as part of the project) who want to use the brand must respect the conditions established by Veterimed. These include a minimum 30 per cent level of producer participation in decision-making structures; the existence of a board of directors to manage each dairy; respect for hygiene and quality standards; use of packaging agreed by the network; and participation in Lèt Agogo marketing campaigns.

- The project has successfully attracted the interest of different stakeholders, such as NGOs, youth associations, women’s associations, and individuals to invest in the dairy sector at local level. More and more groups want to invest in the business, either creating new dairies with their own capital or with support from the state and/or donors. Individual investors have also shown interest in participating.

- Lèt Agogo has secured an important institutional customer, supplying the Haitian government’s national school canteen programme. The programme is the network’s main client, accounting for some 70 per cent of its sales. A key part of the growth plan is to develop the institutional market and to sell, for example, to schools outside the capital. An important side benefit is that drinking Lèt Agogo milk provides schoolchildren with a better source of nutrition than powdered milk.

- Of the turnover of each dairy, 65 per cent goes to reinforce the local economy, 40 per cent to dairy farmers, and 25 per cent to dairy workers. This compares favourably with the average percentage earned by dairy farmers in developing countries.

- There have been concrete results from advocacy initiatives: for example, dairy farmers in the north-east of Haiti have been supported to gain legal title to 1,070 hectares of pasture land. One
beneficiary from Terrier Rouge explained: ‘The association’s work is meaningful to us, because it would be much harder for us to mobilize to find land or water as individuals.’

Efforts have been made to increase women’s economic participation. One example is the distribution of cows to women (see Box 3). This allows them to become members of producer associations and to earn an income from milk production. Over 120 cows were distributed in one district, Limonade, between 2006 and 2008. This increased female membership of the Limonade producers’ association APWOLIM from zero to 32.5 per cent in 2008.

Oxfam and Veterimed have also begun promoting reflection on gender issues within one producer association in Limonade. This aims to build women’s confidence and encourage male members of the association to reflect on and question their attitudes and behaviours towards women and to actively support activities that help to reposition the role of women. This activity has been well received by men in Limonade and will be expanded to other organizations in future.

Box 3. Mama Boeuf: supporting autonomy for women

Veterimed has been supporting women in Limonade, north-eastern Haiti, through the ‘Mama Boeuf’ cow distribution scheme. To date, 127 cows have been distributed to women in the area, giving them a valuable asset that increases both their financial position and social status in the eyes of their peers. One recipient, Elise Elbeau, says, ‘This was such an amazing gift and an amazing start for me. Owning a cow is everything. I was able to be one of the first to show what women can do. I was a pioneer.’

The scheme has enabled women to contribute financially to their households and to their communities. According to Elise, with a regular supply of milk from her own cow, she can earn 60 gourdes (USD 1.6) a day, which is enough to send her children to school. She adds that, with the earnings from the cow, she can be secure. Another recipient of a cow, Marie-Thérèse, is now earning an additional 420 gourdes a week (USD 11). This has enabled her to pay school fees, allowing five of her six children to go to school.

According to Veterimed management consultant Gerard Grandin, the Mama Boeuf scheme has had a far-reaching effect on economic and social relations within the community: ‘It has really helped women get more independence. Typically, rearing cows was viewed as a male pursuit, but now women can show the community that they’re equally capable of holding this responsibility and earning income.’

Evaluation results also show that over 65 per cent of survey respondents believe that earning an income has boosted women’s participation in household decision-making. Focus group participants in Limonade commented on changes in their own households, such as greater respect for women and lower levels of conflict and abuse.
Challenges to overcome

The Lèt Agogo business model has become one of national reference for processing agricultural products. However, much remains to be done to consolidate and replicate the model to enable further scale-up, including:

- **Governance structure**: Lèt Agogo’s governance structure needs clarification. Each dairy has an administrative council, or board of directors, which should involve some producer representatives, and at network level there is a confederation of producer associations, but this is not well organized. Therefore not all the dairies are well managed and the producers themselves do not have the influence, voice, or representation that was originally envisaged.

- **Participation by producers**: A sizeable problem remains in resolving how to integrate producers into decision-making structures. Grouping producers together helps boost access to resources and training. However, many members feel that they have only limited participation in the management and decision-making structures of their associations. Moreover, some dairies have not yet established producer associations.

- **Capacity of the Central Unit**: The Central Unit, which is currently managed by Veterimed, does not have adequate capacity to deliver high-quality marketing support across the franchise. It is also highly dependent on donor funding and needs to ensure that it can fund itself through the supply of inputs and replication of the franchise model.

- **Brand ownership**: The Lèt Agogo brand has until now been owned and managed by Veterimed. The problem for the NGO is how to hand over the brand to a franchised network of dairies while retaining the ability to enforce compliance with the conditions of brand use. To do this, it will be necessary to strengthen individual dairy managements, the Central Unit, and the structure of the whole network. It will also be necessary to formalize the franchise structure, ensuring that all these actors are represented. The risk of compromising the quality of the brand is extremely high, and therefore Veterimed needs to ensure that quality standards are maintained. One way to do that would be by controlling the use of the brand, where it would be associated only with products that meet a certain standard.

- **Approach to investment**: Currently, funding opportunities to set up new dairies are provided by state support or by NGO grants, with priority given to groups of women or young producers who do not already own cows. This could delay the process of strengthening producer participation in the management of the business at both dairy and network levels. Other funding
opportunities might arise from commercial or development banks, or from other financial institutions. In addition, private investors are seen as key players to be attracted.

- **Diversity of the client base:** Product marketing is critical for the Lèt Agogo network. At present, promotion is done mainly through the Central Unit, and is managed by Veterimed. Products are also marketed at local level by the dairies themselves, although as yet there has been little coherent promotional activity at regional level. Dairies located near large towns sell via supermarkets. The bulk of production (70 per cent of the total) goes to meet the school feeding programme contract. This situation is risky, however, as the programme is financed mainly by donor funds and must be renewed on an annual basis, with no guarantee of being continued in the future.

- **Buy-in from the private sector:** Supermarkets are an important distribution channel for Lèt Agogo's products, but many supermarkets do not share the business’s vision and instead prioritize imports or have purchasing practices that disadvantage Lèt Agogo. Veterimed and the producer associations need to develop appropriate campaigns to increase the interest of key actors such as the supermarket sector to support agricultural development across Haiti.

**Conclusion**

The state is a key actor for the success of an enterprise like Lèt Agogo. In addition to infrastructure investments – such as road building to connect farmers in rural areas with urban markets – small-scale farmers need access to affordable services and inputs. Ideally, the government should also make use of tariffs and quotas to protect the domestic dairy industry and to support local production. NGOs have a key role to play in mobilizing civil society and in lobbying government to create an environment in which domestic production can flourish.

The development of enterprise activities for small-scale farmers cannot be realized without innovative partnerships between producers, the private sector, and technical support groups. NGOs have an important role to play here in facilitating the process and in mediating between different actors. Their key roles include the provision of advice and technical guidance and support for the development of producer associations. The sharing of learning is also essential.

Despite many challenges, the Lèt Agogo project has already achieved success in several key areas. In scaling up the network and moving to a franchise-based model of collective ownership, the project aims to give greater autonomy to rural communities with ownership of productive, viable, and sustainable enterprises.
Notes

1 Established in 1991, Veterimed works to help small-scale Haitian farmers increase their incomes and improve their quality of life through training, research, and technical support. Initially focused on animal health, it now also supports producers’ organizations to boost productivity and hence incomes through the use of improved, and sustainable, production methods. For more information, see: http://www.veterimed.org.ht


4 For example, food exports fell from 28 per cent of total exports in 1981 to only 6 per cent in 2004. http://www.veterimed.org.ht


8 Ibid.

9 Ibid.


12 Ibid.

13 Cheese is Lèt Agogo’s most recent product, and offers several key advantages over liquid products: it requires relatively few inputs; can be stored for long periods without refrigeration; and is a good way to ‘store’ excess milk supply over longer periods of time, avoiding waste during periods of abundance. Moreover, the average profit margin is higher compared with that of yoghurt: $1.80/lb as compared with US$0.02/bottle. Oxfam GB (2009) ‘Stories of Change’, op. cit.

14 Intervet (or Entèvèt) is a national professional organization of rural animal health workers, which Veterimed helped to establish. It has more than 1,000 members across Haiti. For more information (in French), see: http://www.veterimed.org.ht/Entevet.html
Agropresse contributes to rural development by disseminating information on lessons learned from projects and opportunities in the agricultural sector. For more information (in French), see: http://www.agropressehaiti.org


For more information on this initiative, see: http://www.veterimed.org.ht/actualite_ecole_lait_2007.htm