Acknowledging social negative loops in inclusive business: an Egyptian case study of dairy sourcing

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Introduction: **Egyptian dairy sector: Rapidly evolving dairy supply chain in 2016**

- **Demand for dairy products Growing and Shift**
  - **Artisanal sector**
    - Dairy intermediaries, family enterprises...
  - **Industrial sector**
    - Dairy agribusiness national and international
    - **Corporate dairy farms**
  - **Cheese export**
  - **Nutrition transition**
    - Standardized dairy products
      - Cow milk
  - **Traditional dairy products**
    - Buffalo or cow milk
  - **Demographic growth**
    - 90 Millions inhabitants
  - **Nutrition transition**
  - **Dairy Inclusive Business**
  - **Milk powder import**
  - **Egyptian Fellah**
Fellah
First objectives of investing companies in inclusive business:

“MAKE BUSINESS”

Social dimension neglected if it doesn’t serve business purpose

Identifying the links between the IB’s social impact and business activity (Porter et al., 2011).

Introduction: Identifying socio-economic negative loops in inclusive business

Community

Inclusive business model

Socio-economic Direct impacts

Socio-economic Positive Indirect Impacts

Socio-economic Negative Indirect Impacts

Community members

Positive feed-backs

Negative loop

Negative feed-backs

Decreased business activity (profit creation, volume collected or customers...), decreased social capital or credit access

Business image, milk supply (quantity and quality) and services attractiveness
Material and Methods: Egyptian case study of dairy inclusive business model

2011-2016
Total investment 1,6 millions euros

MCC
Viable business model
Profit generated suppose to « feed » the agricultural services offer.

Objective: 20 MCC
Achieved:
14 MCC opened
3 MCC supplying Danone in October 16
Material and Methods: Two areas for an in itinere impact study: SIADEEP Project

**Beheira area**
New Reclaimed Land

**Beni Suef area**
Old Land

Since 2014 for 3 years

*Socio-economic Impact assessment of Danone Egypt Ecosystem Project*

→ Farm, community and supply chain levels
Material and Methods: **Halabeya village, showcase of the project**

**Beni Suef city**
+ 600,000 inhabitants

**Halabeya**
- *Showcase village with a MCC since 2011*
- *Project promoters consider it to be one of the best business models*

**Semi-directed interviews** socio-economic impacts of the MCC: 1/y during 3 years
Sample: 28 farmers, 9 milk independent collectors from the area and 2 MCCs (Halabeya and Nowera)

**3 participatory workshops** (May and June 2016): project impacts on the local community.
9 to 15 dairy sector key stakeholders: farmers, veterinary, agricultural cooperative employees and managers, MCC staff members, milk trader and a feed trader
Results: Business model and positive/expected impact

Community

Inclusive business model

Socio-economic
Direct impacts

Negative loop

Socio-economic Positive
Indirect Impacts

Community members

Positive
feed-backs

Negative feed-backs

Socio-economic Negative
Indirect Impacts

Community
Results: MCC in Halabeya after 5 years of activity

- Milk collection 50-50% from farmers and independant milk collectors
- Frequent milk rejection by Danone company
- No financial autonomy
- Difficulty to maintain regular agricultural services
Results: Business model and positive/expected impact

After an initial flourishing phase, decline of the milk collected and extremely precarious economic situation in 2016.

- Milk quality has improved
- Milk prices increased
- 4 jobs creation within the MCC

Source: Dr Heba Aboul el Maaty

After an initial flourishing phase, decline of the milk collected and extremely precarious economic situation in 2016.
Results: Negative loops

Inclusive business model

Socio-economic Direct impacts

Socio-economic Positive Indirect Impacts

Negative loop

Socio-economic Negative Indirect Impacts

Negative feed-backs

Positive feed-backs

Community members

Community
Results: Negative loop of business woman renting separator

- MCC Collect raw milk

- Negative loop

Smear campaign against MCC

Compete with pre-existing local business run by woman (renting milk separators)
Key role in the community “Gossip node”
Results: Negative loop pre-existing milk collectors

- Smear campaign against MCC
- Milk price “war”
- Milk adulteration

MCC Collect raw milk

Community

Compete with pre-existing milk collectors
Social and financial key role in the community

Negative loop

Socio-economic Negative Indirect Impacts

Socio-economic Positive Indirect Impacts

Community members

Negative loop

Positive feed-backs
Results: Negative loop pre-existing feed retailers

MCC
Retail feed to MCC suppliers

Negative loop

Smear campaign against MCC feed and agricultural services

Community

Compete with pre-existing Feed retailers
Social and financial key role in the community
Discussion - Conclusion

In the case study:
- Some expected positive impacts reached
- IB threaten the activity of many local pre-existing businesses
- Various negative loops not acknowledged by project promoters → threatened the sustainability of business model

How to limit these negative loops:
- Prevent their creation → inclusive design of business model
- Monitor negative loops during project life with a dynamic system:
  ex1: Grievance system as in NDDB in India
  ex2: Identify key individuals able to channel the information flow to MCC manager (bottom-up)?

→ What are the barriers faced by project promoters to implement real inclusive strategy?

→ Roles of public institutions to guarantee inclusivity in so called “inclusive business”?
Thank you