

Monday, 08 October 2012 22:02

Sakura Initiative: Water Buffalo Microfinance Project in the Philippines

Written by Geoff Thompson



This evening, the Luxembourg-based Sakura Initiative held a presentation on a project based in the Philippines, the Water Buffalo Dairy Holdings (WBDH) project.

Xavier Heude introduced the Sakura Initiatives as a non-profit initiative active in the domain of corporate social responsibility, helping with information and communication of projects, as well as helping link investors with specific project. Their PEERS Direct Investment (PDI) methodology helps analyse companies and projects at market and financial levels as well as defining their suitability regarding investment projects.

Danilo Valenton Fausto then presented the project. Around 30 million people, one third of the country's population, live below the poverty line with around €100 per month seen as the breadline/threshold.

In a country that is almost completely dependent on imports of all dairy commodities, powdered milk from multinationals such as Nestlé and Alaska Milk Corporation (USA) is used largely for (reconstituted) ready-to-drink milk, either fresh or UHT. Locally-produced milk constitutes just 2% of the market consumption in the Philippines.

The main obstacles to addressing this imbalance is the shortage of productive cattle, partly due to a lack of government investment over the past few decades, a lack of support from major dairy products manufacturers, as well as limited educational opportunities for the rural farming community.

The WBHD project is aimed at empowering rural communities, with developing a competitive milk industry and using microfinance best practice. Its strategic plan is fully in line with the government's policy for the dairy industry and its vision has been developed and is being implemented by DV Fausto, a leading Filipino social entrepreneur with a long track record in such projects.

Since the 1990s, DVF Dairy Farms (DVFDF) has been bringing together small-hold farmers together with individual investors, initially from Hong Kong.

Together they formed a livelihood project with the investors owning (normally two per farmer) hybrid water buffalo (female) - four times more productive than the native breed - with the farmer caring for it and feeding it, sharing the benefits from the sale of milk and calves, with the investor receiving 50%, the farmer receiving 40% and the co-operative receiving 10% - split between operational costs (5%) and a trust fund (5%). The financial return for investors is around 20-30% per annum over 5-6 years.

DVFDF buys milk from the small-hold farmers, pasteurises and homogenises some for milk sales and processes most for cheese and yoghurt sales in Manila, a distance of 2 hours' drive. The "Gatas ng Kalabaw" brand of milk products has been sold in shops in Manila since 2000.

They then launched a business development plan to raise capital to spread and pool the risk of investors and to become a nationwide business and brand by 2015 and international to the ASEAN bloc thereafter.

The buffalo initially came from Bulgaria and now come from Italy from where another 200 have been ordered recently. Over 80 small-hold farmers are involved in the project to date, out of 7,500 farmers nationally involved in milk production. By 2015 they expect an annual investment in 700 new buffalo per year. This expansion plan needs an investment of around 1.3 million USD which they hope to raise over the next 9 months.

In relation to this project, the PDI score is 3.11 out of 4 where the benefits of the proposed project expansion will not only be investors and consumers as it will rebuild rural communities as parts of the proceeds will be reinvested into the local social infrastructure.

Photo by Geoff THOMPSON, (L-R): Christian Descoups, Chairman Sakura Initiative, Danilo Valenton Fausto of WBHD project, Xavier Heude of Sakura Initiative

<http://www.chronicle.lu/component/k2/item/1021-sakura-initiative-water-buffalo-microfinance-project-in-the-philippines>