

SABMiller: Improving Local Production of Barley in India



“At its core, sustainable development is about understanding that long-term business success depends on the sustainable and equitable growth of the economies we are part of. Both the business and socio-economic benefits from this project are clear. We improve the quality of our inputs and save brewing costs, while 8,000 local farmers benefit from having a guaranteed market for their crop at a guaranteed price with agricultural support and training.”

-Graham Mackay,
Chief Executive, SABMiller



Initiative Description

SABMiller, through its Business Call to Action initiative, is working to develop and improve local supply chains for barley, a key ingredient for the company’s products, in Rajasthan, India. Through this initiative, the company is helping to promote sustainable social and economic development in this rural community.

SABMiller’s goals:

- Promote sustainable livelihoods for smallholder barley farmers
- Improve the quality of locally grown barley
- Establish centers throughout key barley-growing regions to provide farmers with certified seeds, agricultural skills training, and technical assistance

Business Model

India’s beer consumption rate is growing at a robust 15 to 17 percent each year. This growth has driven demand for malting barley—a key ingredient in beer—to new heights. However, the majority of the 1.5 million tons of barley produced each year in India is feed grade: ideal for cattle but not for lager.¹ Because this lower-quality barley does not command a premium price in agricultural markets, farmers do not consider it a priority crop. Therefore, many farmers do not invest in government-certified seeds and other inputs and training that would help yield a higher-quality crop.² As a result, beer manufacturers make do with the barley that is available, although lower-quality barley drives up the processing costs for brewers.

In 2005, SABMiller India realized that it needed access to better quality barley to create better quality malt and to reduce production costs. The beer manufacturer launched its *Saanjhi Unnati* (Progress through Partnership) program to help farmers overcome the constraints that were preventing many from growing barley as a commercial crop. The program provides rural smallholder farmers in one of India’s main barley-growing regions with access to the seeds, agronomical advice, and the training they need to enhance the quality of their crops.

Farmers participating in the program receive hands-on customized support from agricultural specialists who provide farmers with tips and information on barley cultivation, such as proper irrigation, fertilizer usage, and harvesting. They also have access to conveniently located “Progress through Partnership” centers where government-certified seeds, fertilizers,

1 US Department of Agriculture, Foreign Agriculture Services. “2010 Global Agricultural Information Network Report on India.” Retrieved from http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Grain%20and%20Feed%20Annual_New%20Delhi_India_2-17-2010.pdf.

2 Marc Pfitzer and Ramya Krishnaswamy. “The Role of the Food and Beverage Sector in Expanding Economic Opportunity.” (A report by the Harvard Kennedy School and FSG Advisors, 2007.) Retrieved from http://www.hks.harvard.edu/m-rcbg/CSRI/publications/report_29_Harvard%20EO%20Dialogue%20Summary%2020071018.pdf.

and pesticides can be purchased; best practice workshops and literature can be found; and harvested crops can be sold. Through the “Progress through Partnership” program, farmers benefit from an assured market for their barley, transparent transactions, and fair pricing structures. In addition, the program promotes community development by offering extension workshops on topics of interest such as youth employment and water management.

For SABMiller India, supporting the development of the local barley value chain helps the company meet its long-term goals for growth in India. SABMiller needs a stable, secure source of malting barley to produce its beverages and meet its growth targets in the future. Having access to the higher-quality malting barley has helped the company reduce the cost of the brewing process, while also improving the quality and extending the shelf life of its products. By investing in farmers and the local supply chain, the company is investing in its future in this high-growth market.

How it Works:

In 2005, SABMiller India established “Progress through Partnership” based upon a similar initiative already being implemented in Uganda. The success of that program served to encourage company leadership of the long-term benefits of investing in barley cultivation. What is unique about this initiative is the range of partners that are working together in support of Rajasthan’s barley farmers.

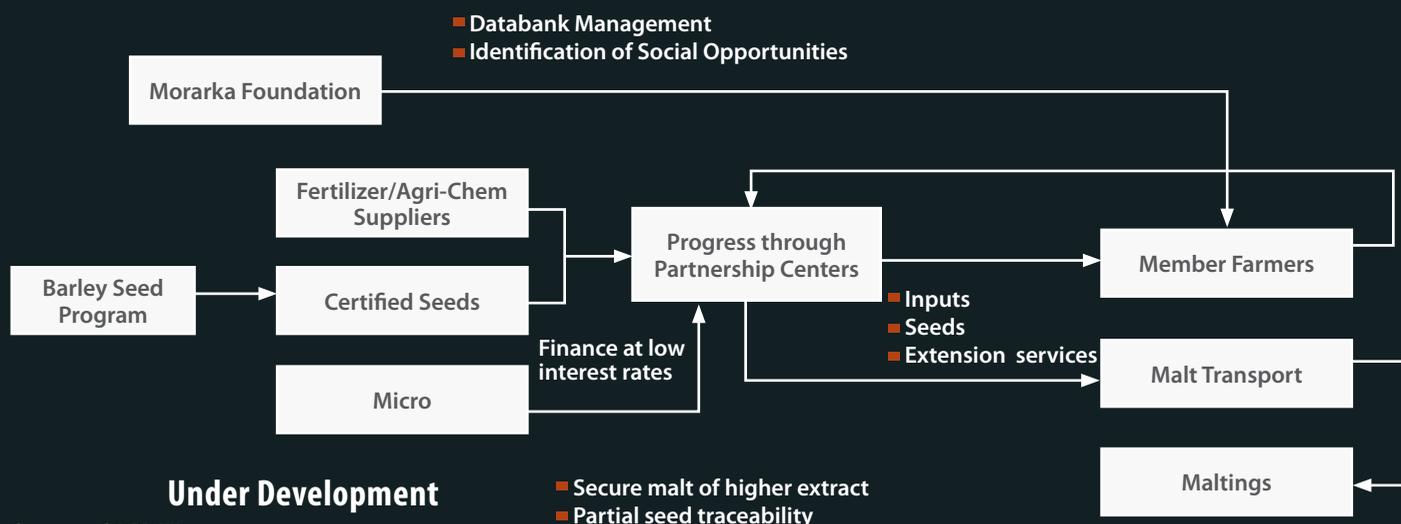
SABMiller India actively manages the day-to-day operations of the “Progress through Partnership” program. The company has a dedicated team that manages and directs the 15 “Progress through Partnership” centers where farmers

can buy seed stock and other inputs such as fertilizers or pesticides or consult with agricultural specialists. Each center employs two technical advisors who give recommendations and instructions relating to seed treatment, time of irrigation, method of fertilizer application, weeding practices, harvest timing, and storage practices. In addition, these centers function as buying stations, where barley is weighed and graded and farmers are paid on the spot for their crops.

The Rajasthan government provides SABMiller India with the appropriate permissions and licenses to sell government-certified seeds and to purchase crops directly from the farmers. Center employees track and monitor how much seed is purchased and the resulting harvest totals in order to help both the company and the government identify seed varieties that are well suited for the Rajasthan’s climatic and environmental conditions. The government will then certify those barley varieties that produce the best quality barley.

SABMiller India has also partnered with the Morarka Foundation to identify and address long-term development needs within barley-producing communities. The Foundation, which is a local non-profit focused on agricultural development, facilitates interaction between the community leaders and the program managers. Community members help to identify the programs and workshops that they believe would be most beneficial, and the partners develop and conduct workshops on those topics. To date, the partners have hosted vocational training camps to promote skills building among young people and animal health clinics that create awareness of cattle care. In addition, the Foundation is creating a database to track the overall impact of the program on these communities.

SABMiller’s “Progress through Partnership” Business Operations Model



Results Achieved

Since launching the “Progress through Partnership” program in 2005, SABMiller India has more than doubled the amount of barley it sources from local farmers and provided 8,000 farmers with access to its supply chain.

Business Impact

SABMiller India’s investment in the “Progress through Partnership” program is driven by core business interests. With 35 percent of the Indian beer market, SABMiller India is the second-largest beer manufacturer in the country. By improving the quality of barley production, SABMiller is securing its future—ensuring a long-term source of high-quality barley and reducing the cost of beer production today.

Since this program was introduced, farmer’s barley yields have grown by 20 to 25 percent from 2,272 kilos per hectare in 2005-2006 to 2,784 kilos per hectare in 2008-2009. As yields increased, the company was able to meet its target to more than double the amount of barley procured through “Progress through Partnership” centers from 3,298 metric tons (MT) in 2006 to 14,258 MT in 2009, which represents about 30 percent of the company’s total barley requirements. In 2010, the company expects to procure about 18,000 MT of barley through the program.

The quality of the barley as measured by malt extract has also improved. The average measure of malt extract has increased by 2 percent. SABMiller India has thus reduced its malt usage and decreased the amount of spent grain losses at the brewery.

SABMiller India also believes its relationship with the local government has improved thanks to this initiative.

Development Impact

SABMiller’s investment in the “Progress through Partnership” program provides rural smallholder barley farmers in Rajasthan, India, with access to the beer manufacturer’s vast supply chain. This initiative is targeted to meet Millennium Development Goal 1, focused on reducing poverty and hunger by providing a sustainable source of income in impoverished communities.

In 2005, the “Progress through Partnership” program was initiated in Rajasthan with 1,574 farmers. Since then, the program’s membership has grown to over 8,000 farmers, of whom 1,476 are newly registered to the program. Farmers receive a preferential price by selling directly to SABMiller rather than selling through agricultural middlemen. On average, the preferential price is 5 percent higher than the rate middlemen, or traders, pay. These higher prices translate into a real income hike for farmers; in the 2008-2009 growing season, farmers earned about 10 percent more than they had the year before.

The program has not only spread in terms of reaching more farmers, the geographic reach of the program has also expanded. Today, there are 15 centers in four districts of Rajasthan, up from three centers in one district in 2005. Through these centers, farmers purchased 900 MT of certified seeds last year, up from 165 MT at the beginning of the program. In addition, all 8,000 member farmers receive technical advice and assistance from trained agriculturists.



SABMiller is one of the world’s largest brewers with brewing interests or major distribution agreements in over 60 countries across six continents. SABMiller India, the Indian arm of SABMiller, is the second-largest brewer in India with 35 percent of the market share.



Key Success Factors

Anchor with Core Business

SABMiller India's Business Call to Action initiative is anchored squarely within the company's core business. By investing in local farmers, the company has secured the supply of barley it needs to meet its long-term growth targets. Having higher-quality inputs has enabled the business to reduce the costs of the brewing process, improve the quality of the final product, and extend the shelf life of its products.

Partnerships

Critical to the success of this initiative was the formation and role of partner organizations such as the Morarka Foundation. By leveraging the core competencies of various partner organizations, the "Progress through Partnership" program was able to reach more farmers and provide a wider variety of services to the farmers. Involvement of local partners has also helped to lend credibility to the program in the eyes of the farmers.

Monitoring Results

SABMiller India is working closely with its project partners to track and monitor results of its investment in barley farmers. This monitoring and evaluation function is carried out at the field level with day-to-day interaction between farmers and agricultural technical advisors as well as the centers, where registration of member farmers, seed distribution, and procurement of barley is completed.

Next Steps and Spin Off Effects

SABMiller India is committed to expanding the reach of the "Progress through Partnership" program. The beer maker has extended the program to cover barley farmers in the nearby states of Haryana, Punjab, and Uttaranchal.

Seeds Development

The company will continue to work closely with the Rajasthan government on its seed development program to identify seed varieties that are best suited for the climate and soil in northwestern India.

Finance Partner

The company is exploring opportunities with potential financial service providers to help farmers access micro-finance loans.

Social Development

Barley-farming communities have requested social development workshops and training in water management. SABMiller India is working to develop waste water recycling plants and will provide workshops and trainings for farmers on water conservation in the future.

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