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**Case Name**                      Milk Mantra

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**Company or  
Project  
Description**
**Vital Stats of the Firm:**

- Date of creation:	2011
- Purpose & Mission:	Creating healthy dairy products in India with sustainable impact amongst network farmers in East India
- Sector of activity:	Agri-food and beverage (dairy)
- Geography:	Odisha, Jharkhand, Chhattisgarh and West Bengal of East India
- Size (employees & revenue):	300 permanent staff, almost 200 contractual and a network of 50,000 farmers
- Any other relevant information:	2 Venture Capital Funds (Aavishkaar and Fidelity) own a significant share

**Vital Stats of the Ecosystem:**

- Business Ecosystem Purpose	Milk Mantra works with network farmers and finance providers to produce healthy dairy products in East India for a sustainable impact
- Sector(s) of activity	Agri-food and beverage (could widen)
- Geography	Odisha, Jharkhand, Chhattisgarh and West Bengal of East India
- Members	Milk Mantra, various finance providers, network farmers, consumers [could widen to include equipment providers? NGOs? Collaborators for products (honey?) competitors?]
- Focal/leader organization:	Milk Mantra
- Size (employees & revenue):	Milk Mantra's 300+, financial providers, [plus others if they expand to include equipment providers? NGOs? Collaborators? Competitors?]
- Key Financial Performance Indicators (Growth, Earnings):	MM appears to work currently as a business ecosystem quadrilateral. We need more on MM's KPIs to see if/how they are integrated with purpose, and with the finance providers and network farmers.
- Any other relevant information:	(relationship between focal firm and stakeholders/ecosystem pain point):

**Potential issues:**

- To expand, the firm needs to find new ways to close the trust gap with consumers and farmer-suppliers. Milk Mantra educates consumers about benefits of their milk products including no need to boil milk; yet this helps competitors too. The company needs to build farmer capacity to increase supply.

**Mutuality Strategy** Milk Mantra entered Tripartite Agreements with banks and financial providers to help farmers secure affordable loans, microfinancing and insurance to build their animal husbandry and financial management capacity.

1. In addition to loans, Milk Mantra facilitates microfinancing is made available to farmers through their “backend development team” which works in the field (**more details?**)
2. Payment of the loans is deducted from the respective farmer’s milk payment and deposited into bank accounts to assure banks.
3. MM works with insurance companies to cover all cattle purchased.
4. **Any cross-subsidization through higher prices or only for those who can afford superior quality products?**

On capacity building, Milk Mantra offers farmer training, animal check-ups at village health camps, breeding advice (artificial insemination) and help purchasing new animals.

**Business  
Ecosystem  
Strategy**

Milk Mantra’s Ethical Milk Sourcing program has focused on creating an ecosystem for farmers to have a better livelihood through financial inclusion and capacity building.

Other opportunities include learning stakeholders’ expressed pain points to be able to address them. One example includes distributors’ and retailers’ complaint that milk spoils quickly. MM worked with packaging suppliers to produce packaging that keeps milk fresh longer by preventing light exposure. The packaging also stands out from competition. Learning more about stakeholder pain points might suggest other business opportunities, including with equipment and packaging manufacturers, NGOs, yoghurt additive organizations (honey).

**Unique  
contribution to  
EoM**

The business model of Milk Mantra contributes to upward mobility of network farmers (human capital) by helping to fund their growth and build their capacity. The control of the entire supply chain this has given Milk Mantra is key to its business growth. It also eliminates middle men, and enables the farmers greater control and growth prospects. Within the network, where farmers are small holders, mutuality is practised by training farmers on animal husbandry.

Milk Mantra improves human health by adding nutrients such as natural antioxidants and probiotics to its products.

**EoM Performance: How is performance measured beyond financial capital and how is it integrated in the firms' performance dashboard to guide management in their decisions?**

- *Financial:* Managed to turn ₹18 crore in revenue its first year of operations in 2012 to ₹182 crore in the last fiscal. Sales in 2016 were \$19 million. The company's compound annual growth rate (CAGR) has been 71% in the last four years.
- *Shared Financial:* Partnering with rural small holders improves livelihoods through financial inclusion, training and other capacity building measures. Informal measurements have shown an increase in farmer income by 60% over the last 5 years.
- *Human:* The company has an animal husbandry training programme. The company uses natural antioxidants and probiotics in products to improve health.
- *Social:* The company's Ethical Milk Sourcing Program helps network farmers grow in a transparent manner. This has led to improving lives in the community and helping to further develop dairy farming in the region.

**Unique BE contribution**

Milk Mantra has initiated its BE contribution through its Ethical Milk Sourcing Program and its Tripartite Agreements with banks and other financial institutions.

- The company can consider whether other stakeholders can buy into its purpose, and if not, how it can be shaped into a more compelling vision for a wider ecosystem.
- Using a differently shaped ecosystem purpose as a focal point<sup>1</sup>, Milk Mantra could consider which stakeholder(s) it should involve to carry out the purpose; i.e. reaching new farmers through NGOs?
- They could further investigate stakeholder pain points to determine other trust gaps: for example, do they have a distribution gap?

**Process to develop business ecosystem**

To expand, they could re-shape the criteria they currently use for selecting partners (business partners, farmers, NGOs that would buy into the purpose and help materialize it)

- Stakeholder interviews and research on community, living and working conditions to understand pain points
- Develop metrics for project (social, human, natural, shared financial capital)
- Design initiatives to address other expressed pain points, grow 3-4 capitals and test against business hypothesis: will initiatives add up to a business model that can deliver social value on a larger scale?

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<sup>1</sup> At first I wondered whether they would consider the last 2 days of sellable products to be sold at cross-subsidized rates to poorer families, but to avoid cannibalization, they'd require re-branding and a different distribution system...



**Performance Review**

Shared Financial Growth: could profits from superior quality products cross-subsidize other firm or ecosystem activities?

- Key Financial Performance Indicators (Growth, Earnings): ??
- How is project success assessed (delivering measurable results across human, social and shared financial capital): ??
- Ownership structure:

**Prognosis**

Milk Mantra appears to operate under the assumption that doing so in the right and ethical way will allow them to be profitable.

This case suggests that a successful business can be built by addressing and integrating diverse target populations' specific pain points (e.g. access to credit, animal husbandry, training of the network farming community cross-subsidized (?) by premium quality product sales).

It is clear the case has real potential to drive business performance toward non-financial benefits for ecosystem partners.

**Situating the project and its dual objectives**

- The firm already contributes toward EoM goals through basic shared financial returns (through partnership with finance providers where Milk Mantra intervenes to assist farmers get low-interest loans and insurance); and investment in human capital through training and advantageous payment arrangements that cut out middlemen.

## **Milk Mantra, a young Business Ecosystem with growing Mutuality**

India has a large vegetarian population, with rising income levels and sub-standard protein consumption. That consumption is shifting to high-margin value-added products such as cheese, whey and flavoured milk with increasing urbanization. By plugging the trust gap and increasing investments in the organized management of dairy products, fresh dairy products are expected to grow at a 20% compound annual growth rate until 2020 (Meghani, 2018).

Milk Mantra's response has been to cut out middlemen and work directly with a network of 50,000 dairy farmers to produce its growing list of dairy products that includes curd, buttermilk and paneer. Since 2011, the company has grown to include 50,000 farmers in its Ethical Milk Sourcing program. The program has created an ecosystem for network farmers to earn a better livelihood through financial inclusion and capacity building. When joining, farmers get access to financial resources, whether through banks, microfinance or insurance to cover procurement, establishment and strengthening of animal husbandry practices to grow. They can also take advantage of vet camps and training programs on best practices in calf rearing including artificial insemination. The commitment has generated healthy calves that have grown into healthier cows and resulted in more product.

In return, farmers bring their milk exclusively to the nearest Milk Mantra collection point to have their milk tested and priced based on its quality. Payments are tracked for each farmer daily based transparently on the milk's fat content. The company offers bulk coolers to farmers and possibly most importantly, transparency and fairness. Milk Mantra has cut out the middleman by working directly with farmers. In this way, the company has earned farmer loyalty and trust.

The company does business in Odisha, Jharkhand, Chhattisgarh and West Bengal of East India. The company's compound annual growth rate (CAGR) has been a strong 71% in the last four years and its prospects look promising. India's organized market in dairy products is estimated to double by 2020 to ₹250,000 CRORE (over \$37 billion US Dollars).

The mission of Milk Mantra is to create and produce healthy dairy products in India with sustainable impact amongst network farmers in East India. The objective led to the development of the Ethical Milk Sourcing program.

### **Mutuality Strategy**

To power its Ethical Milk Sourcing program, Milk Mantra needed to work with thousands of individual milk producers. Hitherto these producers, mainly small farmers with marginal land holdings, worked individually in the informal market, selling to middlemen. Milk Mantra offers them transparency, access to financing and training, and regular payments that they can track based on the percentage of milk fat. For some, eliminating middlemen means they receive fair and full prices for their milk.

The financing assistance forms the backbone of the company's mutuality strategy. Milk Mantra entered Tripartite Agreements with banks and financial institutions to secure farmers affordable loans, microfinancing and insurance. The company gets involved when farmers need help managing how to pay back the loans, as most do not have bank accounts. In this situation, the payment of the loans is deducted from the respective farmer's milk payment and returned to the banks on time. The company's "backend development team" works in the field with farmers to provide guarantees to banks and microfinancing providers in order to provide low-interest loans to farmers. Staff also work with insurance companies to cover all cattle purchased by farmers. On capacity building, Milk Mantra offers farmer training, animal check-ups at village health camps, breeding advice (artificial insemination) and help purchasing new animals. Milk production, according to Forbes India, has tripled as a result (Meghani, 2018).

At the same time, Milk Mantra provides better feed at market rates, offers bulk coolers to farmers, and collects and measures their milk in over 350 centers. Every 10 days, farmers receive their payments—about ₹25-29 per litre, depending on the quality. A billboard rating chart at every collection centre labels the prices of milk per litre based on the percentage of fat. Transparency and fair criteria, together with training, incentivize farmers to take better care of their cows. The direct working relationship with farmers ensures the company controls its supply chain, but it also pays other dividends. By showing farmers that it supports them every step of the way, Milk Mantra has earned farmer loyalty and trust.

### **Contribution to human, social and shared financial capital**

In the area of **human capital**, the company has a two-pronged approach. The first involves its training program. When farmers enter the Ethical Sourcing Program, they receive training on animal husbandry and their cows receive veterinary check-ups at village health camps. The check-ups ensure better animal health and therefore better quality milk. Secondly, when they work with Milk Mantra to secure financial support for their dairy practices, they get basic training on financial management. The trainings in animal husbandry and finance therefore combine to improve farming livelihood and human capital at the same time. In their products, Milk Mantra also infuses them with natural antioxidants and probiotics to improve human health.

In terms of the **social capital** contribution, Milk Mantra's Ethical Milk Sourcing Program helps grow farming communities. Its reliability has led to improving livelihoods in these communities and has substantially helped improve dairy farming in the region.

## Metrics and Performance

[Not confirmed] Milk Mantra may establish a set of KPIs that measure not only their financial gain, but that go beyond to include measures involving farmers' livelihoods:

1. **Purpose:** Measuring increase of farmer income since entering the Program. If informal measurements have pointed to an increase in farmer income by 60% over the past 5 years, the company will want to calculate and check measurements year on year.
2. **Sustainability:** Average revenue per participating farmer

On the profit side, Milk Mantra's business model and strategy can be considered a success. Firstly, the company witnesses impressive growth: its compound annual growth rate (CAGR) has been 71% in the last four years. Secondly, its operations have undoubtedly enabled social impact success, through its Ethical Sourcing Program and Tripartite Partnerships.

## PROGNOSIS

There are several reasons for Milk Mantra's success. The first is the creative mind of its CEO, who left a position as head of mergers and acquisitions at Tetley, the Tata group-owned tea company, in London in 2009 to create Milk Mantra. He saw an opportunity to service the growing need for safe milk products through the creation of sustainable impact amongst network farmers. The second is the partnership concept with supply chain network farmers and financial institutions. The third is the no-nonsense principles of offering farmers transparency and fairness and cutting out the middlemen from the market equation.

The question now is whether the company's operations can be scaled up. The fresh dairy market is regional in India because milk is quickly perishable and local players dominate (Meghani, 2018). Packaging innovation has helped give Milk Mantra an edge. Misra worked with suppliers to produce packaging that keeps milk fresh longer by preventing light exposure. The packaging also stands out from competition. If the company dreams of expansion, it will need to scale up its ecosystem ambition.