



INTERNATIONAL UPDATE by Jon Halverson

# Delivering Sustainable Results

Stretching the food aid dollar by building strong local markets

Floods, typhoons and droughts. Market fluctuations and inflation. Unhealthy government transitions and local political flare-ups. Disease-ridden crops and tainted water sources. All of these shocks can devastate any country, but for nations combatting poverty, food insecurity and malnutrition, disasters often precipitate acute food security outbreaks that result in suffering and loss of life.

The U.S. Administration's proposed food aid reforms will focus on combatting extreme vulnerability by strengthening disaster-prone communities through market development before emergencies happen. Under a pilot program in Bangladesh, Land O'Lakes International Development discovered that it is possible to deliver sustainable, market-driven results in a country that faces recurrent shocks by building local capacity and making business linkages.

In 2010, we launched a one-year program called the Local and Regional Procurement (LRP) Pilot in Bangladesh. Funded by the U.S. Department of Agriculture (USDA), Land O'Lakes worked with two local processors – Olympic and PRAN – to develop a cereal bar using locally grown ingredients.



Nearly 100,000 Bangladeshi students and teachers enjoyed cereal bars, which matched local tastes by using local ingredients, during the school feeding program.

The program paired the processors with Bangladeshi farmers, helping them to develop mutually beneficial business partnerships. Olympic and PRAN found a source for high quality ingredients, while farmers secured a dependable market for their goods.

The cereal bars, which were produced for a school feeding program in three extremely poor sub-districts of Jamalpur District, were the first of their kind to be

developed in Bangladesh. By using sesame seeds, puffed rice, chickpeas and peanuts, nearly 100,000 schoolchildren and teachers in 441 schools enjoyed eating the new product that matched local tastes.

## Reducing Cost, Speeding Up Delivery

Before the LRP began, we were working in Bangladesh leading a school nutrition program that relied on monetization to source ingredients. The program fed

more than 260,000 students in nearly 1,000 schools with milk and biscuits, and witnessed a dramatic increase in attendance – as high as 95 percent.

The difference between the former school nutrition program and the LRP, however, was not just in the sourcing of ingredients. Our LRP initiative produced the cereal bars for about 8 cents per bar, compared to the 20 to 26 cents cost for milk and biscuits. The program also be-

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gan distributing the snacks rapidly to schools. Under most monetization programs, it takes about one year to distribute snacks to schools. With the LRP pilot, Land O'Lakes saw bars reach students in less than two months.

### Cereal Bars Create Lasting Commercial Opportunity

When we helped form a supplier-buyer relationship between farmers and processors under the LRP pilot, two unintended consequences evolved. First, the processors, who realized that they could meet an unmet market opportunity, decided to invest with their own capital in new equipment that produced higher quality bars.

Second, we checked in with Olympic and PRAN in November 2012, more than a year after LRP closed, to see if they were still producing the cereal bars. They were not only producing the bars, but they were



Employees separate cereal bars prior to packaging.

selling 2.5 million bars commercially each month. Both processors also continue to source from local farmers. Olympic has expanded their product line to six varieties of cereal bars, which use different ingredients depending on the season. They have also begun constructing a new plant to meet market demand more efficiently.

### Meeting Development Objectives with Food Aid Reform

The success of the Bangladesh pilot offers a unique incentive to other emergency local and regional procurement initiatives to make significant steps to capacitate local processors and strengthen value chains. By building strong business relationships that last beyond the life of the program, we see other opportunities for such programs to succeed in countries like Bangladesh that are highly prone to shocks. If another disaster

strikes this nation of 167 million people, this cereal bar could play an integral role in feeding those affected. Unlike other emergency rations that may require water, the bar is ready-to-eat and would prevent contamination and water-borne illnesses that often arise during disasters. Land O'Lakes sees the value that such LRP efforts can bring to countries like Bangladesh, and supports steps that will help meet development objectives through food aid reforms and ultimately make populations more resilient in the face of future shocks. ■

Jon is vice president of Land O'Lakes International Development. He has more than 20 years of experience managing international business development, developing sustainable business models and leading executive teams in strategy development and implementation. Jon is based in Shoreview, Minn.