

How to Transform the Food System by Empowering Smallholder Farmers



The Margarita project
Since 2011



DANONE
· ECOSYSTEM

Mexico's milk market



49%

of Mexico's milk is produced by local family farms

which play a fundamental role in delivering a sustainable food system

Yet...

smallholder farmers face challenges

- Insufficient market access due to milk quality
- Inadequate infrastructure and financing
- Difficulty staying up to date with best practices
- Lack of skills to succeed as entrepreneurs



Leading to...



30%

of Mexico's Milk being imported

Mainly as powdered milk



That's why a group of public and private partners joined forces to find solutions and empower smallholder farmers



And the Margarita Project was born

How it Works



Smallholder farmers join Margarita and receive comprehensive support



Technical Assistance & Training

- Training and 1:1 support on animal health and care
- Regenerative Agriculture and business administration



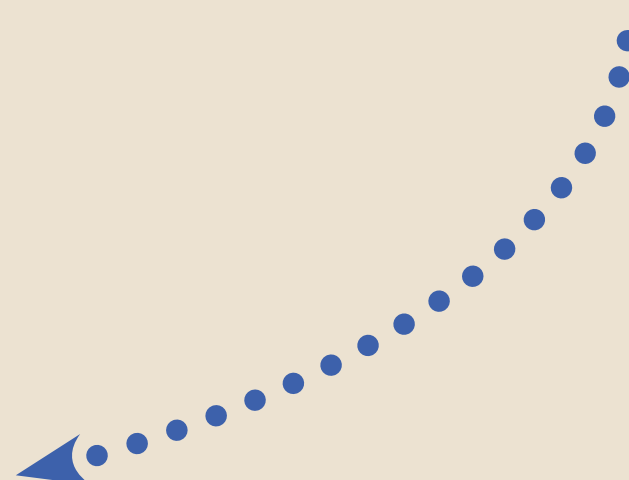
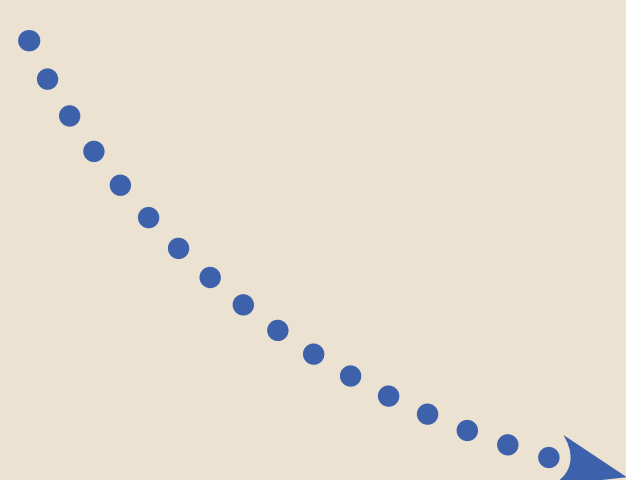
Financing

- Government support
- Credit services through loan guarantee fund (ROSCA)
- Support to procure animal feed and supplies



Technology Tools

- Monitoring system
- Pilot to test cow collars

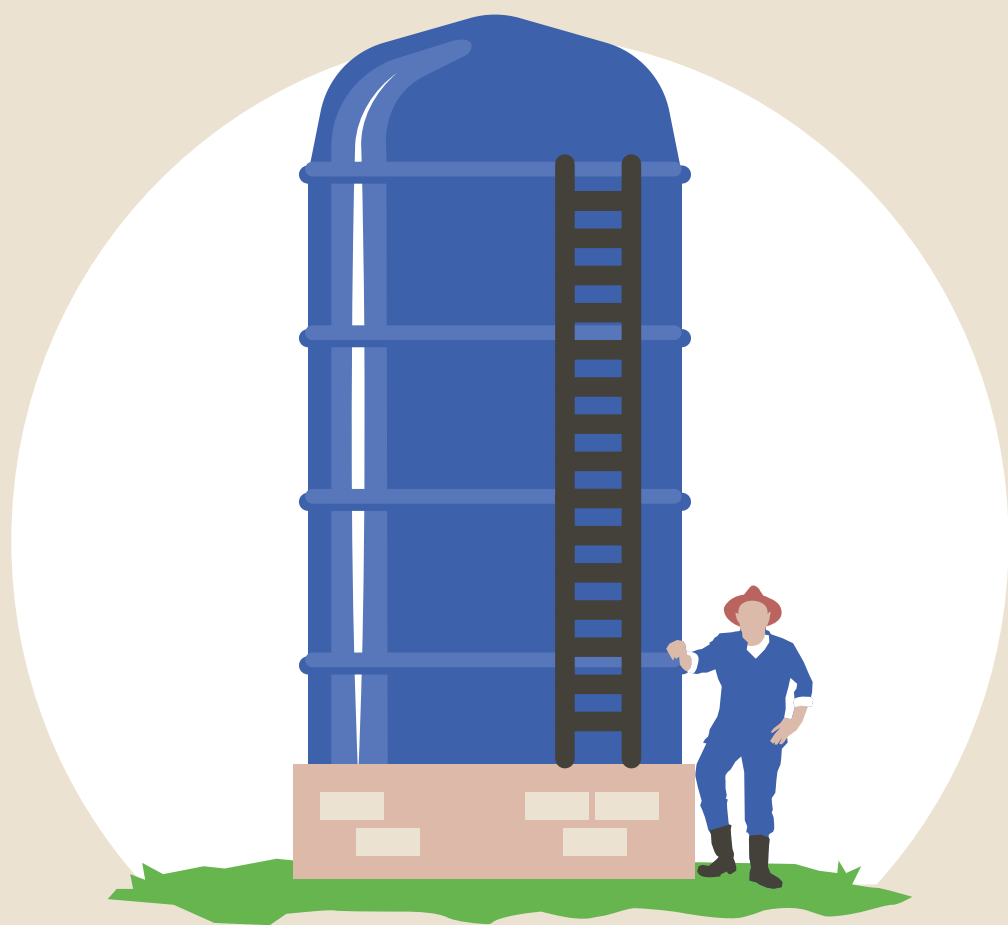
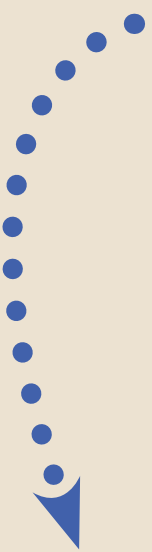


Enhanced growth and greater autonomy and livelihoods for farmers
Better farming practices to increase milk yields and quality business skills to secure the financial robustness of farms.
Regenerative Agriculture ensures farms' sustainability

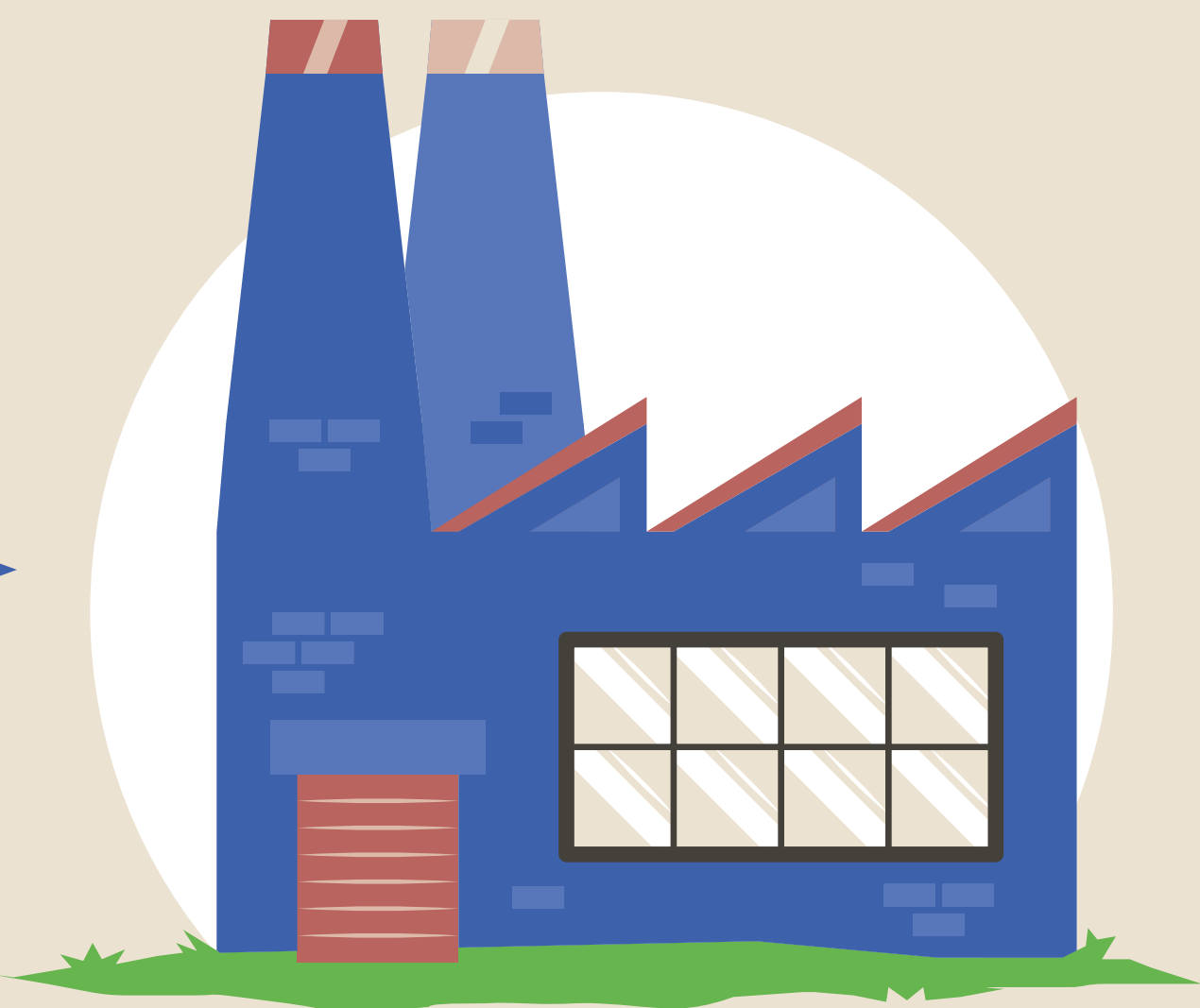
Key Pillars to Support Smallholder Farmers Activities at Distribution Level



Collection center trucks pick up milk from hundreds of participating farms everyday



Milk collection



Milk Transformation

Milk transformed by food producers



- Milk delivered to two collection centers
- Administrative support and quality assurance provided
- Milk sold to food producers: Danone, Mondelez...
- Stable channel to sell milk without limits on volumes



Securing farmers' revenues

- Access to reliable market
- Productivity and quality incentives



Money **improves farmers' livelihoods** and is reinvested into farms **to further enhance growth** ✨

Securing Dairy Farmers Access to Finance: The innovative ROSCA solution



For many smallholders, the lack of financial access is a significant barrier **to joining formal supply chains** and **investing in sustainable farming methods**



To adress this challenge, Margarita created the **ROSCA mechanism** allowing to:



Access to Credit

Help farmers obtain credit at affordable rates and manageable terms



Credit History & Risk Reduction

Support farmers in building a credit history and reduce lending risks for financial institutions



Support & Alliances

Strengthen partnerships with government and private entities, and help farmers explore credit opportunities and subsidies

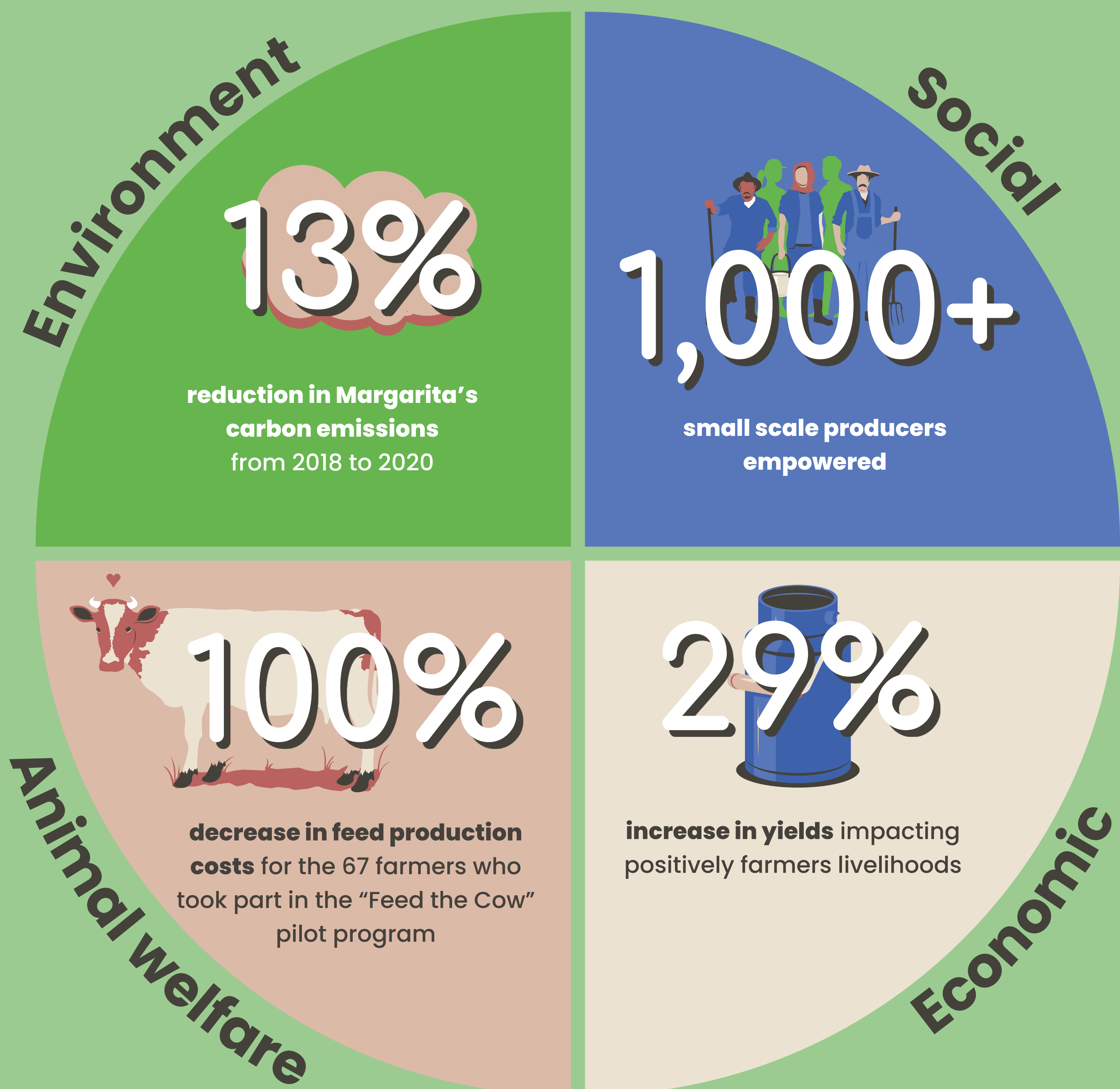


Resulting in a default rate close to zero

Mexican producers have been able to **invest in their businesses** and **improve their quality of life!**



Leading to a Positive Impact on the Whole Ecosystem



Jaime became a farmer "the day he was born." He's followed proudly in the footsteps of his grandfather and father - and yet he's also made his own way in the dairy world by adopting changes and overcoming production and financing challenges. In 2014 he lost his sole milk buyer and "got kind of desperate." It was while searching for new milk buyers that he crossed paths with the Margarita Project.

"Today I can say that Margarita saved my life in milk production"

- Jaime, Mexican Dairy Farmer, Margarita Project

Partners & Roles



DANONE ECOSYSTEM

Brings co-creation spirits
Supports, structures, monitors, and challenges the project
Provides expertise & guidance
Brings systemic and sustainable approach
Provides project funding

IDB LAB

Provides project funding Provides guidance & expertise to implementing partners

TECHNOSERVE

Recruits Farmers
Manages M&E
Manages project micro-finance activities
Training and technical assistance for farmers

DANONE MEXICO

Management of collection and overall project management
Recruitment of farmers

FARMERS

Beneficiaries and actors of the transition to sustainable agricultural practices



FIRA, INAES, SAGARPA

Government institutions
Co-financing
Technical assistance

UNAM (UNIVERSITY)

Deploys training programs for farmers & technicians

FARMER UNION OF JALISCO STATE

Runs milk collection centers
Responsible for farmers payments

CAJA SMG

Financial intermediary Loan support



NUUP

Technology Provider
Data collection and activity planning support

MADERO

Cooling tank supplier & financial intermediary

Sources:

- National Agricultural Census, INEGI
- Market Intelligence Unit of the Executive Milk Commission