

Engro Foods Limited



“ *Engro helps smallholder dairy farmers in rural Pakistan join the formal economy by deploying milk collection infrastructure and integrating it with IT solutions right at their doorstep.* ”

COMPANY INFORMATION

★ Headquarters

Pakistan

Countries of operation

Afghanistan, Pakistan

Year founded

2004

Annual revenue

~20.9 billion PKR

Employees

>1,000

Sector

Dairy foods

COMPANY HISTORY

Engro Foods Limited was launched in 2004 as a fully-owned subsidiary of Engro Corporation Limited, one of Pakistan's largest conglomerates, with seven businesses that include chemical fertilizers, PVC resin, a bulk liquid chemical terminal, industrial automation, power generation, commodity trade, and of course, foods. Engro Foods began in dairy, then expanded to other areas of the food business. The company has processing plants in Sukkur and Sahiwal, and an ice cream factory in Sahiwal. The company also owns and operates a dairy farm. More recently, the company has also entered into the international market. Its first venture has been to acquire a halal foods business, Al Safa Halal, Inc. (Al-Safa) in North America.

WHO THEY ARE

Engro Foods Limited is a foods company in Pakistan that manufactures, processes, and sells dairy products, juices, ice cream, and frozen desserts. Since the company's core business is dairy, procuring milk is one of its most important activities. Pakistan's dairy sector is large, with more than 67 million dairy animals. But the spread of dairy in Pakistan is different from that of other milk-producing countries, where most milk is produced at very large farms. In Pakistan, the millions of dairy animals are dispersed across hundreds of thousands of square kilometers with very small individual farm size.

Most of Pakistan's 8 million farming households live at the base of the pyramid, and the average household owns between two and five animals. Their dairy yields are low, due to primitive farming methods, lack of technical skills, weak feeding patterns, and lack of health services for the animals. More than 97 percent of smallholder farmers live in rural areas where they have no access to markets where they can sell their milk. When they sell their milk, they are often subject to exploitation by middlemen, unjust pricing, and payment delays. As a result, smallholder farmers often raise cattle only for their own consumption in "back yard farming" rather than considering it a viable commercial business.

HOW THEY REACH THE BOP

Engro has tried to change the game by buying milk from these small suppliers. Engro has done this by establishing milk procurement infrastructure in deep rural Pakistan and using a management information system to manage its procurement through GPRS-powered mobile devices. The company has more than 1,000 locations to which farmers can walk in and bring their milk to sell to Engro. The milk is then collected by a fleet of more than 250 vehicles and moved to milk processing plants. Dairy farmers are paid for their supply on a weekly basis and supported by a field force of over 1,500 people. The management information system enables prompt and accurate payments and allows Engro to vary the frequency of those payments to match suppliers' needs, all while monitoring procurement in real time.

ENGRO'S IMPACT

Through Engro's milk collection network being present right at their doorstep, coupled with on-farm training and technical guidance on farming and milk production, Engro is encouraging smallholder farmers to farm on a commercial basis. This is helping improve the livelihoods of hundreds of thousands of people.

LINKS AND RESOURCES

Official website <http://www.engro.com/our-businesses/engro-foods-limited>

Engro Corp
Official website <http://www.engro.com>

Engro Foods Limited

GEOGRAPHY/EXPANSION

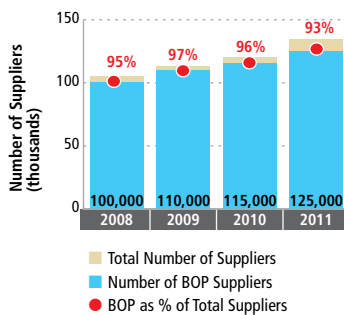
Engro is expanding rapidly. Sales have grown 20 times since 2006, and between 2006 and 2011, milk procurement tripled. The business has 1,000 milk purchase locations, 250 vehicles carrying milk to processing plants, and a field force of over 1,500 people working to help farmers develop their dairy production.



“ *The Engro business model empowers people in small villages at the grassroots level, allowing them to participate in the market, boost their livelihoods, and contribute to the country’s economic development.* ”

KEY DEVELOPMENT RESULTS

Engro Foods has 125,000 direct and indirect end suppliers. Almost all of these end suppliers are BOP suppliers.



“ *With more than 1,000 locations in deep rural areas, Engro is improving the lives of people at the base of the pyramid.* ”

KEY FINANCIAL SUSTAINABILITY INDICATORS

Engro started to make net profits in 2010 and attributes its losses in 2008 and 2009 to the rapid growth of its business.

