Simplifying premix procurement & ensuring sustainable supplies

FFI: Celebrating and Equipping Progress Through Partnerships
Cape Town
2-3 Dec 2014
GAIN Premix Facility
- Certification process
- Procurement (forecasted and aggregated demand)
- Extended credit

Examples of National Systems for Procurement
- Kyrgyzstan
- Ghana
- Ethiopia
- Tanzania
GAIN Premix Facility (GPF)
There was a ‘bottleneck’ on the success of fortification programs: availability and affordability of quality micronutrients.
Simplifying premix procurement from multiple angles

The GAIN Premix Facility (GPF) was established to support national fortification programs and make premix procurement more effective

Challenges in Premix Procurement

Quality of premix varied due to inconsistent approach & standards

Decentralized procurement drove different price and service outcomes depending on the buyer and supplier

Micronutrient costs are a high proportion of ongoing fortification costs and some projects struggle to finance purchases upfront

Offering a comprehensive service from initial product development and premix formulation through to delivery
Ensuring premix quality

The GPF has a multi-pronged approach to ensuring the quality of premix and micronutrients being procured.

- Upfront Supplier Audits & Certification
- Security of Supply Chain Sources
- Independent Analysis of Premix
- Technical Investigation on Quality Issues

Powdered blend of Vitamins and Minerals

Typical Packaging: 25kg Aluminium Bags

Typical Microfeeder dosing wheatflour with premix
A global, centralized procurement platform

Leading global and regional blenders make up the current GAIN premix facility supplier pool
A secured supply chain

In addition to premix suppliers, the GPF has a certified pool of vitamin and mineral manufacturers in order to have several mechanisms in place at different points in the supply chain.

<table>
<thead>
<tr>
<th>Certified Vitamin and Mineral Manufacturers</th>
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<tr>
<td>Ajay Europe, SARL</td>
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<td>Lianyungang Debang</td>
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<tr>
<td>Aland (Jiangsu) Nutraceuticals Co Ltd</td>
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<td>Lonza Ltd</td>
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<tr>
<td>Akzo Nobel Functional Chemicals Pte Ltd</td>
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<td>LycoRed</td>
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<td>BASF SE</td>
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<tr>
<td>Macco Organiques s.r.o</td>
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<tr>
<td>Beijing Vita Sci-Tech Co Ltd</td>
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<tr>
<td>Natural Enrichment Industries</td>
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<tr>
<td>Calibre Chemicals</td>
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<td>NCPC Hebei Welcome</td>
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<tr>
<td>Canton Laboratories Pvt Ltd</td>
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<tr>
<td>Northeast Pharmaceuticals</td>
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<tr>
<td>Crown Technology, Inc</td>
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<td>PD Navkar</td>
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<tr>
<td>Dr. Paul Lohmann GmbH KG</td>
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<tr>
<td>Piramal Healthcare</td>
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<tr>
<td>DSM Nutritional Products Ltd</td>
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<tr>
<td>Polydrug Laboratories Pvt Ltd</td>
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<tr>
<td>Eskay</td>
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<tr>
<td>Prayon SA</td>
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<tr>
<td>G.H. Chemicals Ltd</td>
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<td>Salvi Chemical Industries Ltd</td>
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<tr>
<td>Industrial Metal Powders Pvt Ltd</td>
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<td>Shanpar Industries Pvt Ltd</td>
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<tr>
<td>Israel Chemical Ltd</td>
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<tr>
<td>Sri Krishna Pharmaceuticals</td>
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<tr>
<td>Jiangsu Brother Vitamins Co Ltd</td>
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<tr>
<td>Sudeep Pharma Ltd.</td>
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<td>Jiangxi Tianxin Pharmaceutical Co Ltd</td>
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<tr>
<td>The Wright Group</td>
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<tr>
<td>Jubilant Organosys Ltd</td>
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<tr>
<td>Vista Organics Pvt Ltd</td>
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<tr>
<td>K&amp;S Kali and Eire Ltd</td>
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<tr>
<td>Xiamen Kingdomway</td>
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<td>Lasons India Pvt Ltd</td>
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<tr>
<td>Zhejiang Hangzhou Xinfu Pharmaceutical Co</td>
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<tr>
<td>Lehmann and Voss</td>
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<td>Zhejiang Medical Co Ltd</td>
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The process is simple and efficient – customers simply place an order, triggering a competitive bidding process amongst the approved suppliers.
A global Revolving Fund has been established to allow tailored credit arrangements for specific programs and customers.

- **Premix Supplier**: GPF pays Suppliers on standards payment terms (using Revolving fund money).
- **GPF Revolving Fund**: Food Producers/Association pays for premix on extended credit terms (reimbursing the Revolving fund).
- **Food Producers & Associations**: Extended Credit Terms
  - GPF can offer extended credit terms of up to 120 days.
  - When appropriate, the GPF can supply premix on a “pre-financed” basis consignment where the premix is paid for only after it has been used in production.
- **Consignment Stock Model**
The GPF supplies a large choice of fortificants used in food fortification programs.
The GPF directly supplies to both private and public partners.

While the supply to the GAIN programs has remained stable over the past 3 years, we notice an increase in private customers’ requests, being food producers and governmental agencies.
Micronutrients used through various fortified products

**Staple foods:**
Wheat & Maize flour, Vegetable oil, Rice, Sugar

**Iodised Salt**

**Fortified blended food**
Ex. Super Cereal
Micronutrients used through various fortified products

- Micronutrient powders for home fortification
- Fortified biscuits
- Fortified foods for infants and young children
- Condiments fortified with iron
  - Ex. Soya sauce & Fish sauce
In 3 years, the GPF has sourced **250 iCheck devices** which were delivered in **24 countries**.

GAIN and BioAnalyt’s aim is to provide validated, portable and easy-to-use test kits to stakeholders active in analyzing vitamins and minerals in foods.
Achievements to date (Sept. 2014)

- Established global supply base of 20 certified premix blenders and 40 certified micronutrient suppliers.
- Established partnership with major aid agencies such as WFP and UNICEF.

To date, the GAIN premix facility has sourced around US$ 47m worth of premix and straight micronutrients in over 40 countries. Every year, it is estimated that over 150 million consumers are reached in developing countries with affordable premix of certified quality.
## Key Benefits

This model creates value for its partners and customers by improving accessibility and affordability of certified quality vitamins and minerals.

<table>
<thead>
<tr>
<th>Consistent Quality</th>
<th>Competitive Costs</th>
<th>Assisted Financing</th>
<th>Lead-time</th>
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<tr>
<td>• Stringent supplier selection process</td>
<td>• Pooling of volume across projects</td>
<td>• Credit terms for approved customers</td>
<td>• Easier access and more responsiveness through local distribution partner</td>
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<tr>
<td>• Sampling and analysis of product</td>
<td>• Competitive bidding process</td>
<td>• Pre-financing of ‘revolving’ stock model</td>
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<tr>
<td>• Security in the supply chain</td>
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A simple process, good for public health, good for our customers.
Examples of national systems for procurement
In Ghana and Kyrgyzstan the GPF helped set up local distribution partners to facilitate access to affordable, quality micronutrients for small scale food producers.

Partner makes monthly repayment back to GPF based on sales

Producers pay local partner

GAIN Premix Facility

GPF supplies micronutrients every 3-6 months on extended credit

Local Distribution Partner (salt association or private partner)

In-country partner distribute micronutrients to local producers

Small/Medium Scale Food Producers

Delivery lead-time to producers: 2-3 days
“In Ghana, salt producers have struggled to access a reliable source of potassium iodate and this has been a significant barrier to salt iodization efforts. The Ministry of Trade & Industry is collaborating with the GPF on a new supply model which reliably delivers small pack sizes of affordable, good quality Potassium Iodate to any producer’s doorstep within 24 hours. It is a relevant and effective solution to some longstanding problems.” - Andrews Quashie, Project Coordinator Potassium Iodate Distribution System, National Salt Iodization Committee, Ghana
Following GAIN assessments, the supply system became operational in January 2013, using donated seed-stock from MI, UNICEF and GAIN. Eight months later, using recovering costs, the PFSA supply system launched a tender for 14 MT of potassium iodate or enough for 55 million nationwide.
Prepositioning premix stocks closer to end users: premix hubs

Local stockholding and distribution of premix means a more responsive service to food fortification programs

GAIN premix facility

GPF supplies PPTL with premix on a quarterly basis

In-country Vitamin & Mineral Premix Distributor *(Phillips Pharmaceuticals, Tanzania)*

Premix delivered on short lead-time from local stock

Local Food Producers

Distribution partner pays GPF on agreed credit terms

Local Food Producers pay Distributor for premix ordered on extended credit terms

Delivery lead-time to producers: 2-3 days
Tanzania food fortification supply model

- **High quality premix available in Dar es Salaam**
  Premix suppliers approved based on a stringent, multi-stage selection process.

- **Cost Competitiveness**
  Premix stock that is available in Dar es Salaam was procured through a competitive bidding process to get the best possible price.

- **A simple and efficient process**
  Multiple vitamin and premix compliant with DEAS 767:2011:
  Quick delivery is ensured (max 3 days) from the hub to the factory. i.e. stock management handling costs will be reduced.

- **Assisted financing support**
  All food producers can benefit from extended payment terms of up to 60 days.

- **Subsidized premix**
  Get a reduced price with the taxes exemption obtained and subsidy provided by grant funds/HKI.

- Forecast total premix usage by miller every quarter for next 6 months

- GPF ships premix every 2-3 months to Local Distribution Partner on consignment terms (pay upon consumption)

- Miller requests delivery each month – Distributor delivers and notifies GPF of delivery

- GPF invoices Distribution Partner on 90 days terms. Distributor pays GPF

- Distributor invoices miller on 60 days credit terms. Miller pays Distributor.
Tanzania food fortification supply model at a glance

Within 18 months (March 2013-Sept 2014)

267 metric tons of Wheat flour Premix were supplied to produce **445,000 metric tons of fortified flour**
6,400 kg of Vitamin A 1,7 Mio were supplied to produce **128,000 metric tons of fortified oil**.

In 2012/2013 the estimated population reached is **9 million people**

M&E

Shows a constant level of quality in the premix and fortified product which reflects a commitment of all partners involved in this program and a constant engagement of industries.
Questions? Feedback?

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