



AGRF 2016 – VALUE CHAIN WORKING SESSION REPORT

Day 4 - Thursday, September 8

14:00pm- 15:45pm

Working Sessions

Dairy Value Chain

SESSION BRIEF

Context: The global population growth is expected to reach 9.6 Billion by 2050. The population has increased by approximately 2.4 billion people over the last three decades. In the same period, world milk production has increased by more than 50%, from 500 million tons in 1983 to 769 million tons in 2013. Sadly, despite Africa's resources and potential, it only accounts for approximately 5% of global milk production, a factor that is largely blamed on poverty, adverse climatic conditions and other structural issues. Globally, an estimated 1 billion people live on 145 million dairy farms. Most of these households comprise small holder farmers with 3-10 cows who depend on milk production as a source of nutrition, food security and for income generation. In light of this, the projected increase in population offers an immense market opportunity to lift small holder farmers from poverty. It is therefore incumbent on the continent to put greater emphasis and investment in unlocking the dairy sector.

The dairy industry in Africa is one of the most important sectors in terms of income generation, nutrition and food security. As continental demand grows, improving the dairy value chain is increasingly a priority across the continent. This discussion seeks to press the need for a continental agenda on dairy transformation as well as share innovative, scalable and sustainable models to transform the dairy value chain in Africa, for economic, social and nutritional benefits. The key focus must be on inclusive, pro-poor and gender-responsive institutional arrangements that are also market-driven. These would encompass mechanisms of structured market access and value chain integration, and will include aspects of aggregation/bulking models, hub development approaches, vertical/horizontal integration and contract farming arrangements that support sector development and competitiveness.

Session Objectives:

- Discuss and frame what a continental agenda for dairy transformation would look like.
- Discuss and share examples of innovative, scalable and sustainable models.
- Explore and chart a road map towards a continental agenda for dairy transformation in Africa.

Key Questions/ Issues:

- How do we bring about systemic/transformational change in the dairy subsector to take advantage of the increased demand for milk in the continent?
- What are the critical intervention areas that will catalyze transformation in the dairy sector in Africa? What do we need to work on now to seize the moment?
- Who are the actors whose performance needs to be improved to catalyze systemic change in the sector?
- How do actors collaborate on partnerships to set continental, regional and national agendas for dairy transformation?



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Outcome Desired:

- Agreement on the need for a continental agenda for dairy transformation.
- Dairy transformation working group formed or participants show willingness to participate in such an agenda.
- One organization can agree to take ownership of the coordination of the agenda development exercise.
- Participants share innovative, scalable and sustainable models for dairy transformation in Africa

Organizers: AGRF Secretariat

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Name	Picture	Discussion
Mr. Peter Ballantyne, Head Communications and Knowledge Management, International Livestock Research Institute (ILRI) Role: Moderator		Mr. Ballantyne, in his role as moderator of this session, introduced the session speakers, briefly discussed their roles, and explained that he wanted their respective comments on what drives the dairy sector in Africa, generally, and East Africa, more specifically.
Dr. James Smith, Director General, ILRI Role: Setting the Stage		In his Setting the Stage presentation, Dr. Smith of ILRI, introduced the institution as the leading international livestock and dairy sector research institute and one the 15 CGIAR partner research centers. Formerly called the Consultative Group for International Agricultural Research, CGIAR is a global research partnership for a food-secure future. CGIAR science is dedicated to reducing poverty, enhancing food and nutrition security, and improving natural resources and ecosystem services. Its research is carried out by 15 CGIAR centers in close collaboration with hundreds of partners, including national and regional research institutes, civil society organizations, academia, development organizations and the private sector.



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		<p>Mr. Smith noted that the keys to the development of a dynamic livestock sector involve a combination of strong and supportive policy, the use of modern technology throughout the value chain, provision of access to markets, and availability of research solutions for the industry. Where these components are found, it leads to more milk, higher quality milk and more jobs.</p> <p>As an example he spoke about “Operation Flood”, which was launched in 1970 in India to cushion the farmers from a milk glut. The project was initiated under India’s National Dairy Development Board. It transformed India from a milk deficient nation into the world’s largest milk producer. It is considered the greatest trigger of transformation in the Dairy Industry – the “White revolution”.</p> <p>It linked producers throughout India to consumers, reducing seasonal and regional price variations by cutting out middlemen. Villager created nationwide milk producing cooperatives. They buy the milk from the farmers, provide inputs and services – they make modern management and technology available to members.</p> <p>This increased milk production, augmented rural incomes and ensured fair prices for consumers.</p> <p>Today, the challenges that exist in Africa’s dairy sector could benefit from the continent’s own version of a “white revolution”. Four key challenges in Africa’s dairy sector include the following:</p> <ol style="list-style-type: none"> 1. Productivity gaps – largely due to animal diseases; 2. Unreliable markets; 3. Women are denied/lack access to lucrative value chains; and 4. Inadequate access to inputs and services. <p>He continued by noting that despite these challenges, growing private sector involvement, the use of value chain approaches and increasing public-private partnerships are beginning to enhance sustainability in the sector. He added that farmers are also being taught that if there is no market, do not increase production. Similarly, there is an effort to learn from past</p>
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		<p>experience not to over build when the supply of milk is not guaranteed, as in the past, huge plants were built – but the supply of milk to process was inadequate - leading the plants to import milk and depressing the local market.</p>
<p>Dr. Andrew K. Tuimur, Permanent Secretary, Ministry of Agriculture, Livestock and Fisheries, Kenya</p>		<p>After Mr. Smith spoke, Kenya’s Permanent Secretary, Dr. Tuimur shared the Kenyan experience with the delegates. He explained that farming in Kenya goes back 100 years.</p> <p>Rural small holders he continued, produce most of the milk in Kenya. The volume of what they produce though is significant as dairy outputs in Kenya contributes 4.5% of the national GDP, and 50% of the GDP in agriculture. They practice zero grazing because of the small acreage.</p> <p>Government supports the sector by providing the dairy farmers with access to health, breeding services and ARV services. This has provided a solid foundation to build on.</p> <p>Dairy products, though he commented are of high commercial value and as such, increasingly, the private sector has become interested in the industry.</p> <p>He added that the government’s policies have also evolved over the years. The industry offers one of the easiest ways for small holder farmers living in rural communities to derive a livelihood. Returns on investment in the dairy sector are quick as there is a ready local market for milk and its by-products as they come with known and appreciated nutritional benefits.</p> <p>A question that is emerging though he continued – is can the industry grow and remain “pro-poor”? At present it is hoped that smallholders will continue to benefit and that there will be equity within and between households, as this has been historically a very inclusive sector of Kenya’s agricultural landscape.</p> <p>In closing he commented that for the Kenyan government, key approaches for Dairy Value Chain transformation include:</p>



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		<ul style="list-style-type: none"> • Utilization of contract farming and the development of vertical integration between the dairy farmers and the buyers; • Facilitation of improvements in the delivery systems for of inputs and services; • Encouragement of farmer collective production structures, eg. cooperatives, producer groups.
Panelists		
<p>Ms. Isabelle Baltenwick, Program Leader, International Livestock Research Institute (ILRI)</p>		<p>Ms. Baltenwick was the first panelist on the program and she shared with the delegates some of ILRI’s past and current experiences in working to transform the dairy value chain in East Africa.</p> <p>She centered her remarks around the work of ILRI through the East Africa Dairy Development (EADD) Hub Approach. She noted that the EADD Hub approach was developed to improve inclusivity. It is about collective action – and it helps the dairy farmers to take advantage of economies of scale. It also facilitates easier access to financing, artificial insemination inputs and extension, feeds supply transportation, testing field days as well as chilling and bulking facilities.</p> <p>The Hub approach has increased household dairy income in the three countries where it has been initiated (Kenya, Uganda, Tanzania) (82 Hubs have been supported in the region). Yet, she added they still need to be made more resilient and productive. Some lessons learned include the following:</p> <ol style="list-style-type: none"> 1. Promote such approaches as a facilitator; 2. Model is not a ‘one size fits all’; 3. Governance/leadership key driver of sustainability; 4. Invest in enhancing value propositions to farmers; 5. Increase engagement; 6. Ensure women and youth inclusion.



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Mr. Amos Omore,
Tanzania Country
Representative, ILRI
East Africa



Mr. Omore’s contribution to the discussion centered on the challenge of how to produce commercial dairy in areas that have not yet fully developed into commercial dairy areas?

In his remarks he noted that ILRI has been testing some interventions, notably the Leah Mwilaki milk business in Morogoro, Tanzania. This dairy farmer serves as a critical link and is using an adapted “hub” approach through which he is seeking to grow farmer groups and build commercial dairy processing operations. The results of his efforts so far have been encouraging. The program has been able to yield higher revenue (20%) from milk sales.

This and other efforts like it in Tanzania have had a very positive impact:

- Participation in farmer groups in Tanzania trebled (15%-47%);
- There has been an increased use of inputs and services boosting productivity;
- The program has provided an important platform for accessing training/expert support; and
- Multi-stakeholder innovation platforms have cropped up to complement hubs by promoting information sharing.

He further offered selected inputs and processes that he felt were still needed to achieve scale:

- There is still a need for increased business expansion;
- There is a requirement to generate more local evidence of the benefits to attract more private and public investors;
- Greater effort has to be made to leverage local successes like Leah, and to treat them as entry points or engage them as local partners to develop/ catalyze short value chains;
- There is a need for more partnerships at community level comprised of microenterprises, producers, producer associations, processors, local government, research institutions, NGOs etc.



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		<ul style="list-style-type: none"> • There is a need to nurture national and local area innovation platforms/alliances for co-learning, policy dialogue and catalyzing widespread innovation.
<p>Ms. Carmen Jaquez, Practice Area Manager - Livestock and Environment, Land O’ Lakes, Southern Africa</p>		<p>Ms. Jaquez of Land O’Lakes joined the panel discussion and spoke about their experiences in developing “Farmer Cooperatives”</p> <p>She first spoke about the overall cooperative model noting that cooperatives are businesses based on a common interest to create social capital. They aggregate farmers to capitalize on economies of scale – for inputs and services and to increase milk supply.</p> <p>Farmers in cooperatives have greater technical competency (they receive trainings and receive production enhancing inputs). Communication is also more efficient.</p> <p>She then provided the delegates with some of her experiences in terms of where this business approach has worked:</p> <p style="padding-left: 40px;"><i>1. Zimbabwe</i></p> <p>Through the Zimbabwe Association of Dairy Farmers, the country’s dairy system has been revamped. There is a 700% increase in farmers’ delivery of milk to the processing centers. There was also an increase in per cow gross margin per lactation (from \$26 to \$1,100) attributed to – access to improved breeds, reliable access to inputs, stable prices and a consistent market. The cooperative also organized financial management trainings for its members which helped increased financial transparency and increased farmer trust and motivation.</p> <p>In Kenya, the Meru Central Dairy Cooperative Union of Land o Lakes focused on improving cooperative management and governance. There was an 11% decrease in farmers reporting problems with leadership, a 36.6% increase in household income from dairy income and a 33% increase in farm-gate milk price.</p>



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		<p>The farmers liked the cooperatives because they received timely payments, had improved access to inputs/services and the prices of their commodity was stable.</p> <p>She offered some solutions about what is required to take these models to scale:</p> <ul style="list-style-type: none"> • Business focus needs business acumen; • Sector analysis and matching of best business approach; • Processors, input and service suppliers willing to work with and negotiate with cooperatives; • Timely and consistent support; and • Finance
<p>Dr. Abdallah Twahir, Director, Market Development and Access, GALVMED</p>		<p>Dr. Twahir closed the panel discussion by adding comment about the importance of animal health. On this point, he explained that the livestock value Chain is only as strong as its weakest link.</p> <p>300M people depend on livestock for their livelihoods, yet In Africa, they lose 25% of their livestock every year due to preventable diseases. The annual cost of animal disease he continued, runs to millions of US dollars each year.</p> <p>In continuing to discuss the impact of disease, he further noted that disease reduces productivity – it affects reproduction, milk production and growth rates. It is a threat to livelihoods and the national economies of the countries where disease is found. Some animal diseases are transmittable.</p> <p>The farmers have to deal with limited availability of vaccines or poor vaccine distribution systems. Often, the infrastructure is inadequate and many farmers lack knowledge on how to manage their livestock.</p> <p>Key steps though he noted can be taken to address these challenges:</p> <ol style="list-style-type: none"> a) Sensitization and awareness among farmers; b) Encouraging dairy producers and processors to use technology to reduce disease risk



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		<ul style="list-style-type: none"> c) Encourage more private sector based service delivery; d) Seek greater support from governments in terms of industry aiding policy and regulation
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Since this was a working group session, the moderator divided those present into 11 groups. Each group was given 15 minutes to discuss what they thought was the most significant issue in the sector, and to develop their thoughts about what were the best ways to take dairy farming to scale . . .

Q & A	Question	Answers
	What is the most significant issue	<ul style="list-style-type: none"> • Linking farmers to the market • Issue of access to healthy feed • Power of the cooperative model • Ways that cooperatives can be used – improve bargaining power • Need/ importance of linkages to address value addition, sharing experiences • Engaging the private sector • Prevalence of disease and the need to mitigate • Need to aggregate, form cooperatives etc • The importance of leadership • Improving access to services by involving the private sector • Critically looking at the Dairy Value Chain • Important to have a multi stakeholder engagement – case of adulteration of milk • That there is money in the dairy sector • Extension services need to be scaled up • Importance of reliable supply otherwise consumers get disappointed. • Breeding programs – expanding the genetic genomes in the Dairy sector
	What is the best way to take this to scale	<ul style="list-style-type: none"> • Sharing knowledge • Finding ways for sharing experiences • Infrastructure development key • Need to map the actors for effectiveness • Mixed models can enhance production • Small holder farmers and finances • Need to continue expanding our markets – look within COMESA • Quality – post harvest losses

Summary





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1. Involvement of the private sector is very important.
2. Annually, 11M youth are added to the workforce, how can the Dairy sector incorporate on them?
3. Feed is a major issue. In Kenya, they have removed tax on raw material to reduce the cost, farmers are mixing their own feeds at home to reduce the costs; this can be replicated elsewhere.

Critical success factors

- Governance and leadership in the sector
- Markets
- Seasonality in production supply and demand