

Milking to Potential:

Joint Dairy Sector Development in Emerging Economies



The dairy sector challenge

- How do I identify opportunities in a new market?
- What constraints and dilemmas can I expect?
- What public and private partners should I involve?
- How do I get from analysis to action in a complex chain?
- What lessons have been learned?

Dairy sectors all over the world are being challenged by expanding populations and economic growth. A growing demand for dairy products has led to a significant increase in Dutch public and private involvement in dairy activities in Africa and Asia, creating new opportunities for many different stakeholders.

A fresh approach to joint dairy sector development is called for—one that helps stakeholders to create a shared language, shared objectives, and a shared strategy.

The framework presented here is part of a dialogue organised by the Dutch Ministry of Economic Affairs as part of its policy to better connect development aid, trade and investments.

Dutch dairy sector expertise

The Dutch dairy sector has a long tradition of exporting dairy products, dairy cattle, and equipment to produce and process milk all over the world.

Its key areas of investments and exports are:

1. Dairy-processing technology
2. Expertise and supplies for breeding and feeding
3. Sustainable intensification of dairy farming systems
4. The use of technology in dairy-farm management
5. The collaboration of farmers in cooperatives
6. Strong collaboration between government, the private sector, knowledge institutions, and NGOs
7. Integrated dairy-chain approach
8. Animal health control
9. Capacity development along the entire education chain.

5 steps towards a joint dairy sector approach:



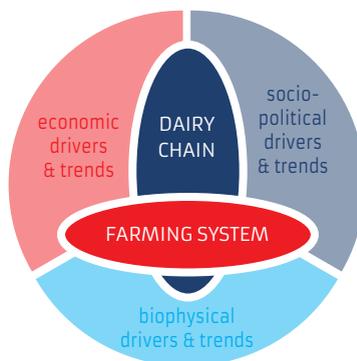
Dairy Actors

Organize stakeholders to build a dairy sector development strategy

Stakeholders who are motivated to further develop the dairy sector are the key factor in drafting a strategy. Their experience, their attitude, and their energy are needed to transform the present constraints and opportunities into future plans and actions.

The actors to consider here are governments, donors, private businesses, farmer organizations, NGOs, and knowledge institutes. Under the guidance of an independent facilitator, they will be able to design a sector development strategy that will show the way to a prosperous dairy sector.

Dairy production operating in a dynamic context



Dairy Analysis

Analyse the sector and its surroundings by using the five 'lenses':

The economic context:

- urbanization
- income growth
- population growth
- business climate
- retail chain development
- infrastructure
- production costs

The biophysical context:

- land availability
- feed and water
- land tenure
- milk potential
- environmental stresses
- animal health

The socio-political context:

- dairy traditions
- political systems
- policies and taxes

Farming systems:

- management and entrepreneurial skills
- farm size and farm distribution
- farm profitability
- collective action and cooperative skills

The dairy chain:

- the market share of the formal dairy chain
- milk collection infrastructure
- transaction costs
- farmers' access to inputs

Dairy Diagnostics

Identify constraints and opportunities

The next step is to identify constraints and opportunities tailored to the country concerned. (see Table 1.) This diagnostic phase is carried out together with stakeholders within the dairy chain.

Important issues here include:

- milk volume and quality
- farmers' cooperation and communication
- access to finance and facilities
- level of knowledge
- infrastructure
- education and research
- chain governance
- farm size policies



Dairy Goals

Choose goals and objectives

The list of constraints and opportunities combined with stakeholders policies and priorities leads to the definition of development goals.

The many possible goals are prioritized by judging them based on criteria defined by the stakeholders. Their opinions about "what works and what doesn't" should play a major role here.

Possible criteria for prioritizing goals include:

- appropriateness
- sense of urgency
- feasibility
- expected effectiveness
- costs and revenues

DILEMMAS

When moving from analysis to action, stakeholders will have to deal with many dilemmas encountered in emerging economies and developing countries. Typical dairy sector development dilemmas are:

- To focus on dairy imports or on local milk production?
- To invest in the formal or the informal dairy chain?
- To rapidly or steadily increase milk production, in order to meet growing demand?
- To link smallholders to formal dairy chains or to establish large-scale farms?
- To develop the local herd or to import grade cattle?



Dairy Action

Identify intervention strategies

In the final step definitive goals and objectives are translated into strategies and interventions. (see Table 2.) The final list of interventions should be both challenging and inspiring, and should match the roles and responsibilities that the different stakeholders are willing to take.

Obtaining commitment from the organizations and people who take responsibility for implementing the interventions is a major challenge at this stage. Planning should be followed by joint monitoring, review, and follow-up planning in order to maintain momentum and to make the sector's development a continuous process.

Table 1. Common constraints and opportunities in dairy sector development in emerging

Constraints

Small farms and small volumes of raw milk supply
Underutilization of capacity of dairy plants
Inadequate transport facilities
Lack of testing facilities
Insufficient cold-chain facilities
Food safety and milk quality regulations absent or not enforced
Weak cooperation within dairy chain
Moderate technical and entrepreneurial skills
Insufficient poor-quality fodder
Low reproduction rates
Poor access to finance (& other services)
Research and extension not tailored to needs of chain actors

Opportunities

Strong market demand for milk: upscaling of farms
Start-up of professional processors
Improve infrastructure: roads, transport and trade
Set up milk-testing laboratories
Investments in cold-chain equipment, storage and transport
Set up legislation and enforcement on food safety
Quality assurance and quality-based payment systems
Set up institutions for collective improvement of quality and efficiency
Training and education, Improve farmer entrepreneurship
Commercial feed and fodder supply with better inputs and services
Improve young stock rearing
Improve animal feed and supplements
Improve animal health and veterinary services
Improve finance facilities
Improve regulations around collateral
Tailor-made practical training and extension
Research and development, Training of trainers

Table 2. An example set of a goal, objectives and interventions for a dairy sector strategy

Competitive and developed dairy sector

Objectives	Competitive dairy production	Developed dairy chains	Developed Knowledge base	Developed organization and representation
Example interventions	Introduction of fodder	Collection grid and business clusters	Farmer advisory service	Independent milk-testing laboratory
	Dairy zone development	B2B linkages	Business development services for SME's	Crossbreeding program
	Training young stock rearing	Quality-based milk payment	Innovation coaching and funding	Disease surveillance
	Soil fertility management	Producers organisation capacity building	Business-linked vocational training	Land titling





Colophon

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