

Building Rural Income through Inclusive Dairy Business Growth in Ethiopia



BRIDGE grant approach as an innovative tool to contribute to an improved role of dairy value chain actors in the sector

BRIDGE Project brief

Background

The Ethiopian dairy sector is dominated by value chain actors, that in general take a rather passive role. In most cases, Agro-Input Dealers are shopkeepers, who wait for farmer to come to them. This often means that dairy farmers can only access input markets if they live near to urban areas. Dairy cooperatives mostly limit themselves to collecting milk and selling milk products directly to local consumers.

However, even though it is slow, a change in the positioning of these key value chain actors can be observed. Agro-Input Dealers are starting to invest in marketing, in order to increase their clientele by improving their outreach and diversification of their products. Similarly, some of the cooperatives have gone through a transformation, shifting from market gatekeeper to actively link to the market, by selling to processors and increasing their membership base. In January 2020, the dairy cooperatives targeted by BRIDGE collected just 33,000 ltr/day, and only 40 % of the milk was entering the value chain through delivery to processors. In December 2021, this had increased with 50 % to 54,000 ltr/day (and 75 % to processors). Whereas in early 2020, there were 5.879 dairy cooperative members registered, in December 2021 this increased with 73% up to 10.147 cooperatives members registered.

Introduction

Improved dairy markets are key in transforming the dairy sector in Ethiopia. In order to improve dairy markets, the BRIDGE project aims to contribute to effectively operating in-and output markets by supporting the private sector and by improving the role of dairy cooperatives in the dairy value chain. BRIDGE its grant approach is an innovative and important tool for the project to reach its development objectives and to create impact. The grant approach has developed in 2021 into a major component of the BRIDGE programme, and hence the reason to dedicate a project brief to the approach. While the expenditure in 2021 was just € 20,498 in 2020, this increased to € 901,913 in 2021, i.e., 19 % of the total BRIDGE budget. Most initiatives in the development sector are usually providing grants as handouts in order to introduce technology innovations. This approach is presumably based on the notion that the respective stakeholders do not have the capacity to either recognize the advantages of the technology to be introduced or do not have

Key messages

This brief shares the key findings of a three reviews on grants conducted by the BRIDGE project.

Instead of the hand-out approach BRIDGE uses smart subsidies and matching grants to improve the role of key dairy value chain actors

The concentrate feed subsidy resulted in improved capital of the cooperative and enabled dairy cooperatives to provide the embedded services to its members

The professionalization grant supported cooperatives in attracting professional to improve the business performance of the cooperative

The performance-based grant resulted in a shift of the mindset of cooperatives. Cooperatives were used to receiving donations and had therefore limited experience with purchasing materials themselves. Ownership and empowerment of cooperatives increased, as they expanded their networks, improved their technical knowledge by engaging directly with suppliers.

the means to contribute. However, because of this approach, stakeholders are disempowered, with consequences for sustainability and impact.

Instead of the hand-out approach BRIDGE uses two core principles in its grant programme interventions:

- Smart subsidy: an important objective for the project to contribute to sector transformation is to kick-start input markets. The input market for dairy farmers is poorly developed, with inputs being expensive, difficult to access, of poor quality (equipment, AI services, seeds, feed, etc). Subsidies, following a gliding scale starting at 50%, reducing to 25% and eventually 0%) are an attractive and useful instrument to create demand and create the incentives for the private sector to provide the supply.
- Matching grants: in order to strengthen ownership and the position of the various stakeholders in the value chain, the project provides matching grants (starting at 50 %, and then reducing to 25 %) to build capacity, introduce technologies and create commitment and ownership.

The aim of this brief is sharing the key findings of a conducted review on three grant facilities implemented by BRIDGE. The professionalization grant, performance based-grant and concentrate feed subsidy available to dairy cooperatives, were reviewed as together they comprise 67% of the total grant component of the project. In total, 10 different type of grants are available. Grants are addressing the position of key stakeholders in the value chain, i.e. smallholder farmers, Agro-Input Dealers and dairy cooperatives. Expansion is foreseen in 2022 to also include commercial farmers and processors. Sometimes also a hybrid of the two approaches is applied, as further explained in the table below.

Table 1: BRIDGE grant facility overview				
Type of grant	Target group + results	Expenditure	% of total grant component	Time line
1. AgID shop branding	A total of 22 AgIDs accessed this grant (11 in South East Oromiya, 6 in Sidama Region, 4 in North West Oromiya and just 1 in Amhara	€ 63,522.58	7%	Started in 2020 and continued in 2022
This was the first grant issued with the matching grant principle. Its aim was to support Agro-Input Dealers to improve their storage and shop facilities, including branding.). Gradually the approach shifted to supporting the AgID in growing their business and in providing subsidies to inputs, in order to increase their clientele by improving their market outreach and diversifying their product base.				
2. Concentrate feed subsidy	A total of 62 dairy cooperatives have received the concentrate feed subsidy. They cooperatives were enabled to increase their capital and provide concentrate feed as a service to its members	€ 228,507.71	25%	Introduced in 2020. Will be phased out in 2022, as it is now included in performance grant. The grant remains available for new cooperatives.
In order to strengthen the position of cooperatives in the dairy sector, cooperatives need to increase their membership base. To do this, they can often not compete on the basis of price only, but need to demonstrate their relevance by providing access to inputs (e.g. concentrate feed) and services. When this was promoted to the dairy cooperatives working with the project, cooperatives indicated that they did not have the working capital required to pre-finance the purchase of concentrate feed (popular among members). Subsequently, the project introduced the concentrate feed subsidy. Cooperatives were provided with a 25 % subsidy on the purchase of concentrate feed for a maximum of six months.				

3. Professionalization	A total of 36 dairy cooperatives have received the professionalization grant. The main objective was to incentivize dairy cooperatives to employ professional staff to stimulate professionalization of the cooperative.	€ 26,904.19	3%	Introduced in 2020 and will be phased out in 2022. The grant remains available to new cooperatives
Matching grant to support cooperatives in the hiring of professional staff (50 % in first year; 25 % in second year) This grant was successful, as costs were limited, though actual impact has also been fairly limited so far (beyond a change in mindset, realising that ownership is different from management).				
4. Performance-based grant	A total of 51 dairy cooperatives have received the performance based grant. The main objective of the grant was to further improve the overall performance by improving the ownership of the cooperative.	€ 349,183.73	39%	Introduced in 2021 and continued into 2022
The impact of this grant has been considerable. It was only introduced in the second half of 2021, but it has hugely contributed to the realisation that cooperatives should not focus on marketing (including processing) their milk locally, but should focus on their position within the value chain, linking rural farmers to the broader market (mostly processors)				
5. Forage seeds	In total, 13.000 + benefitted from the smart subsidy, realising an improved access to quality forage seeds for farmers.	€ 39,971.48	4%	In 2020: 50 % subsidy; In 2021: 25 % subsidy for oats and 50 % for other seeds.
In 2020, 2,000+farmers were reached, while in 2021 almost 10,000 farmers benefitted. Vouchers were distributed to farmers who indicate their interest, and with the voucher they obtained a 50 % discount when they purchase the seeds at the selected Agro-Input Dealers. As the seed market is poorly developed, the project facilitates that AgID are linked to selected seed providers (members of the nascent Ethiopian Forage Seed Association). The project brief: " Improving the forage seed market system through smart forage seed subsidy".				
6. Starting grant	A total of ... dairy cooperatives have benefitted from the starting grant.	€ 18,130.23	2%	Introduced in 2021 and continued into 2022
To complement the performance-based grants to dairy cooperatives, also a starting-up grant fund was established for newly started dairy cooperatives. This incentive was mainly used in Sidama Region.				
7. AgID activity grant	A total of ... AgIDs accessed this grant.	€ 18,388.27	2%	Introduced in 2021 and continued into 2022
This is a new facility, only started in the final quarter of 2021, and stimulates Agro-Input Dealers to provide services to dairy farmers (mainly AI, but also extension and other services).				
8. Calf feed	A total of 2,930 Households have benefitted from the calf feed subsidy.	€ 62,152.81	7%	Introduced in 2021 and continued into 2022

This subsidy was aimed at introducing calf feed, as this was not being stocked by most AgIDs. It was only introduced in the final quarter of 2021 and was also linked to AgID employing their own extension agents, both to promote the use of calf feed, as well as its proper usage. The response has been fairly positive, posing a challenge for its continuation, due to the costs involved.

9. Commercial farmers	Support will be provided for new barn construction, professionalisation and other equipment	TBD	TBD	Will be introduced in 2022
10. Processors	Grant targeted to support processors with the purchase of milk testing equipment, both for their own laboratory, as well as for the supply chain, including training.	TBD	TBD	Will be introduced in 2022

Review of grant facility available for cooperative

In this section, three of the grants provided by the project in 2021 are reviewed in more detail. The professionalization grant, performance based-grant and concentrate feed subsidy available to dairy cooperatives, were reviewed as together they comprise 67% of the total grant component of the project. As aforementioned, it is possible that cooperatives have benefitted from one or more grant facilities.

Concentrate feed subsidy

Objective & approach

BRIDGE started the concentrate feed subsidy support in December and the grant was phased out in beginning of 2022. The main objective of the grant was to improve the working capital of dairy cooperatives and enable dairy cooperatives to provide concentrate feed service to its members.

The contribution by the project was 25% of the monthly sales of concentrate feed for 6-months. The payment to the cooperative was made at the end of each month. In total, 62 dairy cooperatives targeted by BRIDGE received the concentrate feed subsidy. As the grant comprised 25% of the total of BRIDGE grant component, a review was conducted.

Methodology of the review

The review included the assessment of the monthly performance of the cooperatives (milk volume collected & membership growth) (1), focus group discussions with cooperative members that purchased the feed (2) and key informant interviews with dairy cooperative

committee members (3). The objective of the review was threefold:

- 1) Assessing the impact of the grant on the working capital of the dairy cooperatives
- 2) Assessing the benefit for dairy cooperative members
- 3) Assessing the effect of the grant support on strengthening the provision of embedded services by the dairy cooperatives.

Results

The concentrate feed subsidy contributed to dairy cooperatives improving their financial capital, in total 62 dairy cooperatives realized a 17 million ETB capital gain. The review showed that most of the cooperatives used the capital gain for supplying concentrate feed to its members (as intended by the project).



Picture 1: Dairy cooperative stocking its concentrate feed supply

In total 5,130 dairy farmers have been reached through the concentrate feed supply grant support (see figure1). By the end of December 2021 all dairy cooperatives that utilized the grant distributed a total 28,107 quintal of concentrate feed to their members. The feed was purchased from 15 dairy feed manufacturing companies. Based on the number of cooperative buying feed, the top three feed suppliers for the cooperatives were Gummara PLC, Mizan and Alema Koudijs.

Farmers reached through concentrate feed

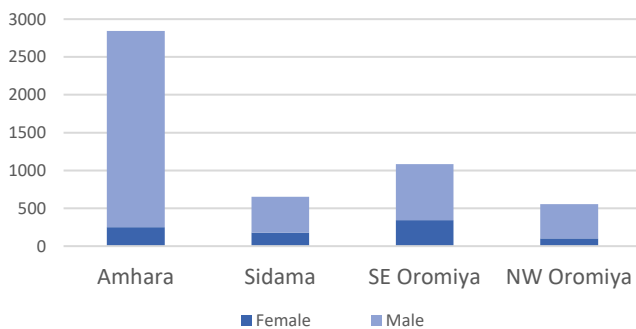


Figure 1: Dairy farmers reached through concentrate feed subsidy

The review showed strong evidence that the capital gained from project support has enabled dairy cooperatives to continue the service of supplying concentrate feed to its members. In addition, several dairy cooperatives also used their capital to keep the schedule of bi-weekly or monthly milk payment to its members. Especially, in cases of delay in payment from the processors/milk buyer's side.

Dairy farmer's benefit

Early access: Improved accessibility resulted in reduced cost & time spent to purchase feed.

Credit service: Members receive credit service; the payment of concentrate feed will be deducted from milk payment

Price discount: Members save up to 200 ETB per quintal compared to purchasing from the nearby concentrate feed seller.

Quality: farmers are able to comment on the quality so that the committee of the cooperative can change supplier in case of low quality, which previously was not possible when purchasing from an individual trader.

Improved access and reduced price provide an incentive for farmer to purchase concentrate feed, resulting in an increased milk yield.

Previously, most of the cooperatives limited themselves to the collection and selling of milk. By improving the working capital of the cooperatives, they were able to continue the provision of embedded services to their members. In their 'new' role, cooperatives are more actively contributing to linking farmers to the market, by increasing the milk volume collected, selling to the formal value chain (processors) and growing their membership base

Several cooperatives supplying feed to their members with the support of the grant. Other cooperatives were enabled to continue the supply without interruption. Through the credit-based system the cooperatives provide members with embedded services, which contributed to increasing the member's trust in the cooperative.

In addition, the grant and the facilitation support of the project enabled dairy cooperatives to establish long term business relationships with feed companies that resulted in price discount, provision of transport service for delivery and extension advice.

Quote from executive committee member: of Dankaka Konicha dairy cooperative

"If we do not supply concentrate feed, our members will not bring us their milk, and then the cooperative will stop functioning... There are many traders who can attract our members to sell the milk to them by a slight increase in milk price."

Text box 1: Quote from executive committee member

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Lessons learned

The review revealed that some cooperatives used the grant to buy other (dairy) equipment and or used the grant to cover operation costs. Other cooperatives did not use the grant (5%) or started the feed supply late or stopped supplying concentrate feed (31%) Discussions with management committee indicated three reasons that contributed to low or no utilization of the grant: shortage of capital and therefore unable to pre-finance the orders (1), weak cooperative management (2) and low demand from cooperative members for concentrate feed (3). The grant allowed cooperatives to establish market linkages with feed companies. This resulted in price reductions for the farmers, as transaction costs were reduced. In addition, (follow-up) extension advice was provided to farmers on the use of concentrate feed. Prior to the concentrate feed subsidy most cooperatives only sold the milk collected and did not provide any other services to their members. The provision of concentrate feed to members has shown to be an effective strategy for attracting new members as well as improving the membership satisfaction of the current members (case study 1).

The market linkage between the feed suppliers and cooperative allowed for the development of a 'feedback loop', in which the farmers could comment on the quality of the feed supplied via the cooperative committee. In case of low-quality feed supplied, the committee can choose to change feed suppliers, previously individual farmers purchased from traders which made it more difficult to act on poor-quality feed.

The feed supply provision by the cooperative provide incentive to members to consistently supply their milk to cooperatives. In some cases, concentrate feed was also sold to non-

members that provided milk to the cooperatives. As a result, the performance of dairy cooperatives, in terms of milk collection and membership growth, improved. To prevent cooperative' dependency on the concentrate feed subsidy, the concentrate feed subsidy was discontinued for the ones that benefitted from the six-months subsidy. The grant remains available to newly selected cooperatives. Although, the subsidy contributed to an increase in milk volume collected and membership growth,

Case study 1: Selling concentrate feed to non-members as strategy to increase cooperative membership: case of Fiche town dairy cooperative.

One of the strongest unions in the area, Selale Union, collapsed a few years ago, leaving a gap in the market which was eagerly filled by traders. Fiche town dairy cooperative was affected by the bankruptcy of Selale union and inactive for more than five years. Under the BRIDGE project they resumed their business activities. However, attracting farmers remains a challenge for the dairy cooperatives. Fiche town dairy cooperative purchased

120 quintal of concentrate feed, for distribution to its members. The concentrate feed was also available for non-members, as a way to attract new members. The idea was to build trust, and incentivize the non-members to become a member by promoting the perks such as commission-based payment and provision of embedded services.



Professionalisation grant

Objective & approach

In order to contribute to the professionalization of cooperatives, BRIDGE designed a matching grant scheme for the employment of professional staff (mainly manager and accountant). The first year is subsidized by BRIDGE with 50% of the monthly salary costs. The second year the grant will be reduced to 25%. A maximum of two employees per cooperative can benefit from the grant and the grant will not exceed the maximum amount of 15,000 ETB. BRIDGE developed, together with the dairy cooperatives and woreda cooperative promotion office (CPO) performance indicators for all recruited staff. The progress of the employee based on the performance indicators was to be evaluated on a biannual basis. If there was insufficient progress on KPIs, the grant for the cooperative could be discontinued. A total of 36 dairy cooperatives have received the professionalization grant support. Those cooperatives employed professionals based on the needs of the cooperative. The rationale behind the professionalization grant was that a professionalized cooperative would create better results on volume of milk collected, volume of milk supplied to processors, and membership growth.

Methodology of the review

A professionalization assessment was carried out of all the dairy cooperatives that utilized the professionalization grant. The performance data of January- December 2021 from these 36 cooperatives was used for the analysis. Furthermore, the perspective of cooperative members and management committee members were included through:

- 20 FGDs (10 FGDs with cooperative members groups and 10 FGDs with cooperative executive committee).
- 20 key informant interviews with managers and/or staff of cooperative and the experts of the woreda cooperative agency.

The assessment focused on the review of key performance indicators and on how the employed staff through professionalization grant contributed to a better performance of the cooperative (increased milk collection and membership growth).

Results

Membership growth: The professionals developed different approaches to realize membership growth. Such as promoting the

cooperative in social events, door-to-door and community meetings. Increasing the membership base of cooperative was a shared task of the executive committee and manager/professional staff of the cooperatives. However, the involvement of the cooperative members on increasing the membership base of the cooperatives was low. In 2021, only one cooperative, out of the 36 dairy cooperatives that received the professionalization, reported no increment in membership growth. On average a 51% increase was reported. Out of the 36 cooperatives surveyed, half (18) grew only marginally (less than 30 members), while 6 cooperative showed substantial growth in membership (4 with more than 100 members and 2 grew with even more than 200 members).

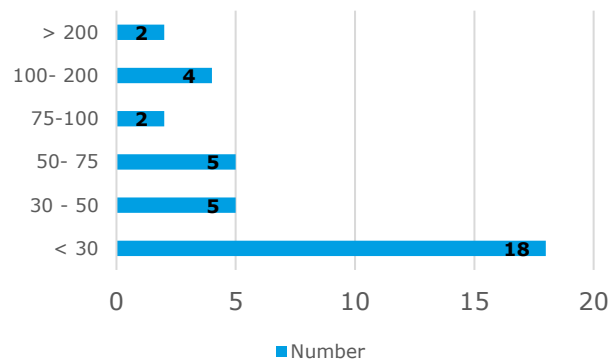


Figure 2: Membership growth cooperatives receiving the professionalization grant

Milk collection and efficiency of the professional staff: In 2021, the 36 cooperatives collected 14,650,350 liters of milk, of which 11,045,058 liters (75%) of milk was supplied to processors.

The professional staff cost per volume of milk sold was used to assess the efficiency of the professional staff.

The figure below shows that 16 cooperatives (44%) spend 0.10-0.40 ETB (\approx €0,002 - €0.007)/per liter of milk sold on salary costs of the professional staff. 4 cooperatives (11%) spend 1-3 ETB (\approx €0.04) /per liter of milk sold on salary costs of the professional staff. The overall average cost of staff is 0.19-birr (\approx €0.003)/ liters, while the range is between 0.04 -2.72 birr (\approx €0.0007 - €0.05)/liters. For instance, with a milk market price of 30 birr (\approx €0.55), cooperatives that have average costs between 0.98 and 2.72 ETB (\approx €0.018 - €0.05),

pay between 7-9% to cover the staff cost. There is high probability that cooperatives grouped in this category are making

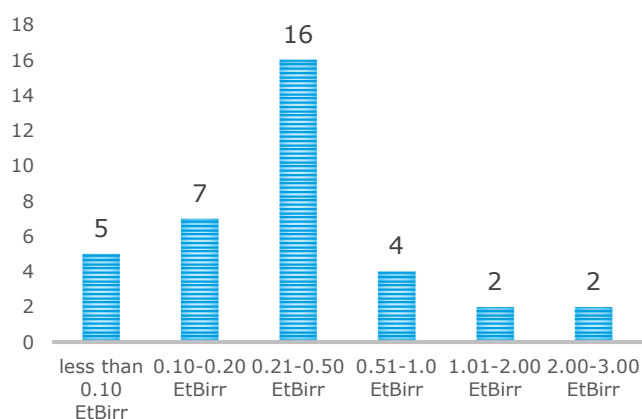


Figure 3: overview cooperatives and average staff costs per liters of milk sold

operational losses. Most cooperatives pay between 2 and 3% of their total sales to staff cost.

Depending on the context, thresholds for cooperatives vary regarding the amount of milk they should collect in order to remain or become profitable, when employing professional staff. Increasing the milk volume and increasing membership base are important when improving the business performance of the cooperative. Establishing additional milk collection centers by the cooperatives, that collect both morning and evening milk is a way to mobilize new members and activate existing members to increase the milk volume supplied to the cooperative.

Professionalization grant: lessons

Increase of milk volume: The efforts done to increase the number of members and milk volume are encouraging, however more attention should be paid to increase the milk production of existing members. For example, 75% of the cooperatives that received the professionalization grant, collected less than 6 liters milk/member/day. The average volume of milk supplied per member/day is 6.8 liters. FGDs found that 10-30% of members don't supply milk for the cooperative. 50% of members who currently supply milk to cooperatives, keep 20-40% of produced milk for home consumption or to produce butter, cheese or ergo. Others keep 20-40% to sell

the raw milk to local traders/collectors for a better price.

Membership growth: Although, an average of 51% membership growth may sound promising, often membership mobilization is still considered as one-off activity and there is no long-term strategy in place. The problem occurs in the 'planning phase', often cooperatives struggle with setting realistic targets. In addition, lower milk price offered by cooperatives, experiences of previous bankruptcies, delay in milk payments contribute to lower willingness of farmers to join dairy cooperatives.

Professionalization grant:

The professionalisation grant was intended to attract individuals that could function as a facilitator/guide concerning strategic and tactical issues for the cooperative. However, in practice, the professional staff seemed to fulfil less of a strategic role than expected. There are several reasons for this: there was a lack in regular monitoring of the performance of

Case study 2. Role of professionalization grant in membership growth: Tired Dairy Cooperative

Tired cooperative is one of the cooperatives who benefited from the professionalization grant in Bahir Dar Zuria Woreda, Amhara region. The cooperative used the professionalization grant to employ a manager and finance expert. After the manager was assigned, membership of cooperative increased with 125% (53 to 119) in 2021. The monthly volume of milk collected increased from 22,080 litres on Jan 2021 and reached 39,265 litres per month in Dec. 2021. According to members, the improvement was realized because of new manager and the innovative ideas he brings to the table. The milk payments are made on time through the bank and payment is made every two weeks. Moreover, the cooperative has started to supply concentrate feed on credit basis, supporting farmers in saving their time. The manager has also played an important role in creating market linkage between processors and feed suppliers. The resilience of the cooperative increased, resulting also in good relationships with government offices at different level and with development partners. In addition, the record keeping and documentation system of cooperative improved. As of now, financial statements are prepared timely and shared to auditing and the general assembly. Those changes contribute to build trust between the members and the cooperative and inspire potential members to join as well.

the professional staff **(1)**, not all cooperative followed transparent recruitment procedures resulting in hirings not based on merits **(2)**, the salary was found to low by the attracted professionals, resulting in less competent staff being hired **(3)**.

Performance-based grant for cooperative societies

Objective & approach

The Performance-based grant was awarded to 51 cooperatives based on their performance (membership growth and volume of milk collected). The cooperatives gained access to the grant based on their investment plans (combination of discretionary and matching grants). The rationale behind the grant was to further improve the overall performance and ownership of the cooperative by incentivizing the cooperative to increase their milk volume collected, their membership growth and supply for the (formal) value chain.

The criteria of the grant is explained the in the table below:

Performance-based grant criteria for cooperative societies						
Volume of milk marketed L/per day	% change in milk volume of marketed milk (A)	Allocation of fund in birr (B)	Supply half for processor (C)	Discretionary grant (D)	Total performance grant	50% cost sharing grant
Large (>1000)	% Change	1000	4	100.000	$A*B*C + C*D$	$A*B*C$
Medium	% Change	250	4	50.000	$A*B*C + C*D$	$A*B*C$
Small (<200)	% Change	100	4	10.000	$A*B*C + C*D$	$A*B*C$

A: The percentage of increase in volume of marketed milk (comparing average daily volume December with daily volume July 2021).

B: For small cooperatives (< 200 ltr/day marketed output for December 2021), the value was ETB 100 (≈€1.84) per percentage of milk increase; for medium cooperatives this was ETB 250 (≈€4.61) and for large cooperatives this was ETB 1,000 (≈ 18.43).

C: When the cooperatives supplied at least 50% of their milk to the processors, the discretionary grant was multiplied by 4.

D: Discretionary grant is awarded based on the milk volume collected by the cooperative, there are three categories: large, medium and small.

The total performance grant that the cooperative can be awarded = $A*B*C + C*D$, if the cooperative is able to match the costs by 50%.

Methodology of the review

This review include the findings of the evaluation of the PBG facility in 2021. The findings will serve as the basis for improving the product and the guidelines that will be used for the implementation of the grant in 2022.

The following data was collected:

- Interviews with the value chain staff and respective cluster managers
- 12 cooperatives were visited
- FGD with cooperative members, executive committees manager and/or other professional staff

Cooperative performance data

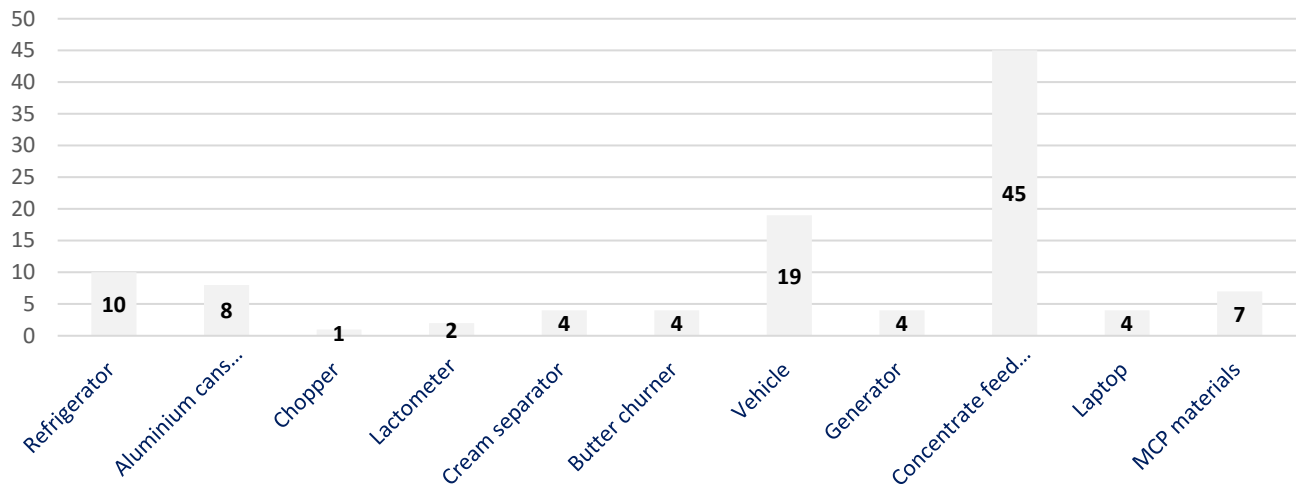


Picture 2: Milk sold at the cooperative level to the local consumers

Results

Introducing the performance-based grant resulted in a shift of the mindset of most cooperatives. Cooperatives were used to receiving donations and had therefore limited experience with purchasing materials themselves. Ownership and empowerment of cooperatives increased, as they expanded their networks, improved their technical knowledge by engaging directly with suppliers. In addition, they improved negotiations skills and created market linkages which improved the position of the cooperative in the market. On the next page a figure is presented that includes an overview the items purchased with the PBG by cooperatives. The purchased items enabled many cooperatives to improve milk collection, membership growth & membership satisfaction

Utilization of PBG by cooperatives



Purchased materials' impact on milk collection, membership growth and membership satisfaction

Concentrate feed

- Sustainable supply available for farmer
- Promotional strategy to attract new members (case study 1)
- Improved production and quality of the milk

Laptop

- Often cooperatives calculate the milk payment manually, especially when number the number of members increases; the possibilities of mistakes in calculation and delays in calculation/payment occur more frequently. A laptop allows for calculating digitally, which saves and prevents delays in payment to the members. Some cooperatives pay their members within 15 days, while others within 30 days. Among members payment within 15 days is preferred.

MCP establishments

- Saves time for the farmer
- Increase in bulking capacity
- Connect rural farmer to the market that is living far away from the cooperative
- Source of (female) employment: overseeing the milk collection at MCP level
- Source of (youth/male) employment transporting the milk from MCPs to the cooperative
- Potential for providing other services in the future

Dairy equipment:

- Refrigerator, butter churner: Allows for storing (left over) milk, which can be processed into dairy products (butter, cheese and ergo)
- Aluminium cans: members are happy with the cans as it allows them to transport their milk in a more hygienic manner, in addition it reduces post-harvest loss.
- Chopper: members are happy with the chopper service as it saves their time when chopping feed.
- Cooling facilities will prevent the milk from perishing. Some dairy equipment such as aluminium cans improve milk hygiene and decrease post-harvest losses.

Milk testing equipment:

- Rejecting the milk of a member may lead to discouragement and even rejection of membership of the farmer.
- Most cooperatives, promote the home consumption of milk, the regular testing at MCP and cooperative level informs the farmers that his/her family are consuming safe and quality milk.
- Testing has a positive effect on the milk quality collected, it also enables the cooperative to sell to processors when collecting good quality milk.
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Generator

- Generator allows for the milk cooler to keep functioning with no or irregular access to electricity, this ensures that the milk will not perish.

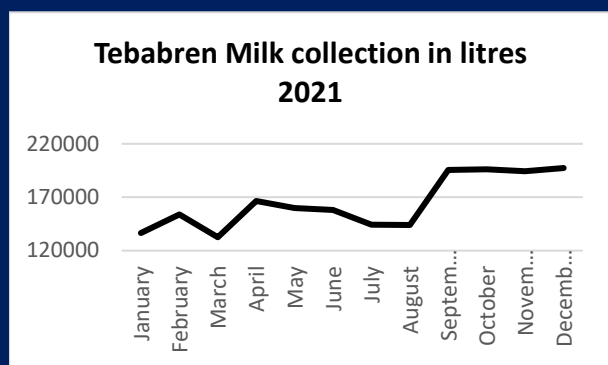
Case study 3: Milk collection points as an effective strategy to increase the amount of milk collected and to realize membership growth: The case of Tebabren Dairy cooperative

One of BRIDGE core strategies is transforming the role of dairy cooperatives in the sector. Key elements are the professionalization and increasing the milk collection capacity of the cooperatives. Tebabren dairy cooperative, located in North Mecha, currently collects 7000L of milk per day, has 510 members and established 16 Milk Collection Points (MCPs).

The cooperative is an employer to 35 staff: 29 permanent (13:F & 16M) and 6 temporary staff (4:F & 2:M).

Tebabren started the construction of the MCPs in November of 2020. Before the MCPs the cooperative collected 2700L per day. The cooperative purchased two vehicles. The vehicles enabled the cooperative to collect milk from MCPs located relatively far away from the cooperative, resulting in connecting the rural farmer to the market.

The vehicles became operational for milk collection in September 2021, since then the amount of milk collected increased by 37%.



Lessons learned

Although leaving the procurement to the cooperative strengthened their internal capacity and sense of ownership, several challenges were identified. Often local market would not supply the desired materials, upon which cooperatives needed to engage with suppliers based in Addis Ababa. In some cases, suppliers didn't have the desired materials in stock, which resulted in a 3- or 6-months delay. The cooperatives collected the proforma and went back to the supplier when the materials were available, in some cases the supplier would increase the price and/or

mix good quality items with lesser quality items.

MCPs: 7 cooperatives have established MCPs using the PBG grant. Looking at the increase in milk collection and new members registered, these cooperatives score higher than the average: while average increase in milk collected for all cooperatives receiving PBG was 29% over the period July – December 2021, for those that established MCP this was 48 %. A similar pattern is observed for membership growth: average increase is 16 %, while cooperatives with MCPs saw an increase of 25 %.

Milk quality: Some cooperatives bought equipment with PBG, for storing (refrigerator) and/or processing (butter churner) the rejected milk. The reason for the rejected milk differs per region, in some cases the milk is adulterated in other cases the morning and evening was mixed by the farmer.

Several coops do not have milk testing equipment and/or technologies, they rely on the processors for these. However, it may improve membership satisfaction if the milk is tested on cooperative level instead of processor level.

As more cooperatives under the PBG started supplying for the processor, the amount of milk tested, either by the cooperative or the processor, has increased.

Opportunities and challenges

BRIDGE its grant approach has showed to be an innovative tool to contribute to an improved role of key dairy value chain in the sector. This briefing, has shared an overview of the grants available and looked into three specific grant facilities: the concentrate feed subsidy, the professionalization grant and the performance-based grant. The three reviews allowed to gain a better insight in the persistent challenges, but also in the opportunities. The reviews pointed out that a continuous challenge remains regarding cooperative management. Weak management often result in low business performance of the cooperative and/or cooperative not living up to its maximum market potential. An opportunity is to work together with the cooperative on attracting capable professional staff, following transparent recruitment procedures. In addition, BRIDGE will provide follow-up training to professional staff to increase their knowledge and skills. An illustration of how professional staff can contribute to improved

performance of the cooperative is illustrated in case study 4.

Case study 4: grant contributing to increased member satisfaction, but limited for membership growth: the case of Aleletu dairy cooperative located in Digalu Tijo woreda.

Under the leadership of the manager, bank accounts for all members were facilitated. The members reported to be happy with the regular payment through their bank accounts every 15 days. Not only because they enjoy a regular source of income, but because it has improved their savings behaviour.

The cooperative constructed four MCPs, which allowed members living far away from the cooperative to still sell their milk to the market. The manager aspires further improvement of the performance of the cooperative. The current executive committee is not prioritizing membership growth.

According to the manager, female representation in the EC could be of importance to have this issue prioritized by the EC. He stated that some of the female members are frustrated. Even though 43% of the members are female and despite the bylaw predicting that 30% of the executive committee should be female; the cooperative has no female representation in the management committee.

The manager thinks capacity building for female members and increased awareness of the importance of women in leadership positions could contribute to growing the number of members of the cooperative.

Another challenge, despite improved business performance measured through increased milk volume and membership growth, is the low milk productivity. More attention should be paid to increase the milk production of existing members. One of the strategies BRIDGE is conducting is facilitating stronger links with private sector to provide input and services to cooperative members. In addition, interventions will be designed to promote improved dairy farmer practices at cooperative level.

Although, in 2021 milk collection of the cooperative improved with 50% and membership growth with 73%, little attention is paid to milk safety. Many cooperatives do not invest milk testing equipment and/or technologies.

In 2021, EFDA conducted a survey conducted on different milk testing parameters such as physio-chemical, biological and aflatoxin on pasteurized milk, yoghurt and cheese produced by 19 dairy processors found in and around Addis Ababa showed that most products do not meet the national standard. Milk adulteration and aflatoxin issues are pointed out as external factors affecting the quality and safety of milk which needs intervention across the value chain. Some other factors contributing to the deterioration of milk quality and safety are unhygienic milking and milk handling practices, use of non-food graded plastic milk containers for milking and transportation, and lack of efficient cold chains.

BRIDGE will give a prominent role to milk safety within the grant facility criteria. An example if the incentivizing cooperatives to invest in milk testing and cooling equipment. Another strategy, is contributing to the development of the cold chain, as it is crucial for milk safety and improvement of the sector. Supporting the cold chain will be facilitated through providing (sustainable) access to equipment, including maintenance service and capacity building on how to use the equipment. BRIDGE will implement two approaches: operationalize existing milk coolers (based on the milk cooler census) and support the introduction of (new) milk cooling equipment into the market. For kickstarting a sustainable market for milk cooling equipment, BRIDGE will use similar market system development mechanisms, as taken up in the grant facility.

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