

### COMESA Countries Agree to Remove Barriers to Regional Dairy Trade



COMESA countries can make their milk markets more efficient through a training and certification program for small-scale traders, which would also ease cross-border trade in dairy products.

Dairy trade in east and central Africa could soon become easier if recommendations to remove trade restrictions are im-

plemented.

Public and private sector representatives from countries covered by COMESA (Common Market for Eastern and Southern Africa) and ASARECA (Association for Strengthening Agricultural Research in Eastern and Central Africa) met recently at a two-day conference in Nairobi, Kenya to explore possible avenues of easing barriers to regional dairy trade.

The Regional Dairy Trade Conference, which ended on 7 October 2004, proposed the removal of unnecessary

*(Continued on page 4)*

### IFCN Seeks to Better Understand Dairy Farming Worldwide

This feature article highlights the work of one of our partners—the International Farm Comparison Network (IFCN). IFCN was founded in 1997 as a network of dairy economists who analyse and monitor changes in the dairy sector and forecast future dairy developments worldwide. IFCN’s mission is to create a better understanding of global dairy farming. The group has released its Dairy Report for 2003 in which it compares farming systems, production technologies and competitiveness of dairying in different countries worldwide.

Following studies in 27 countries on the status of dairy farming, the International Farm Comparison Network (IFCN) found that farmers who produce milk for local markets only and who do not have competitors within a distance of 500 to 1000 kilometres can obtain significantly higher prices from the sale of their milk than the world market price.

Conversely, where milk is produced for both local and export markets, the farmers’ milk price will be determined by the world market prices for manufactured dairy products and the performance of local dairy processors.

These findings are contained in the IFCN Dairy Report 2003 which gives an overview of the status of dairy farm-

*(Continued on page 2)*

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Issue 3

#### Inside this issue:

COMESA in quest for easier dairy trade in east & central Africa	1
IFCN: For better understanding of global dairying	1
Uganda’s dairy traders promote sale of clean milk	3
Smallholder Dairy Project wins CGIAR award	4

Welcome to the third issue of “The Milk Run”. This edition highlights work by our regional and international partners.

Again, we invite you to send us feedback to help us further improve on the newsletter.

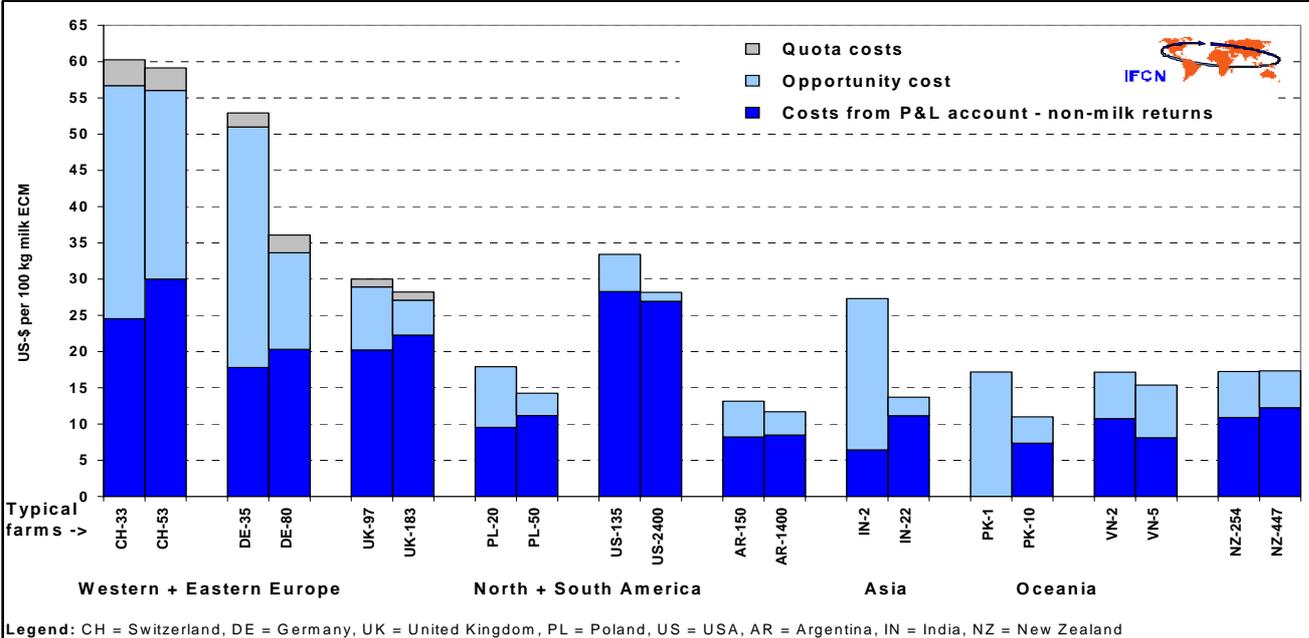
For contributions to or information on the smallholder dairy network, please contact Steve Staal ([s.staal@cgiar.org](mailto:s.staal@cgiar.org)) or William Thorpe ([w.thorpe@cgiar.org](mailto:w.thorpe@cgiar.org))

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# IFCN Seeks to Better Understand Global Dairy Farming

## Cost of milk production in typical dairy farms



(Continued from page 1)

ing in 27 countries in North and South America, Asia, Oceania and Europe with special focus on milk prices, cost of milk production and competitiveness of dairying.

The IFCN report also concluded that in a liberalised situation, the milk price on the world market is determined by the least competitive producer still able to cover the costs of production, implying that marginal producers are still relevant.

But milk price comparisons alone do not allow for conclusions to be made about the competitiveness of milk production and future shifts of market share. Thus, the costs of milk production in selected countries were also analysed.

The IFCN report pointed out that the cost of milk production will be a major factor driving the future development of manufacture and trade in milk and dairy products.

Comparison of the costs of production used the IFCN concept of typical farms. In each country, the first (small) farm represents the farm

size closest to the statistical average for that country while the second represents a larger farm type to study the economies of scale and competitiveness of milk production after structural on-farm changes (see figure on cost of milk production).

The farm size was wide-ranging, from the two-cow smallholder farm in Vietnam to as many as 2400 cows per farm in USA. Besides the inter-country differences, significant variation in farm size was seen within the countries where larger farms were found to be more cost-competitive than smaller ones.

However, most milk producers tended to have average-sized farms; in this category the most competitive dairy farms were found in South America, Oceania and Poland where the cost of production was less than 17 US dollars per 100 kg of milk.

In USA and West Europe where farm sizes are comparatively larger, production costs per 100 kg of milk exceeded 30 US dollars.

In Argentina, India, Pakistan, Vietnam and Poland the larger farms analysed can produce milk at a cost

below 15 US dollars per 100 kg. Similarly, small farms in Pakistan and Vietnam (1-22 cows per farm) are potentially cost-competitive with milk production costs just over 15 US dollars per 100 kg.

For more details about IFCN visit the website [www.ifcndairy.org](http://www.ifcndairy.org).

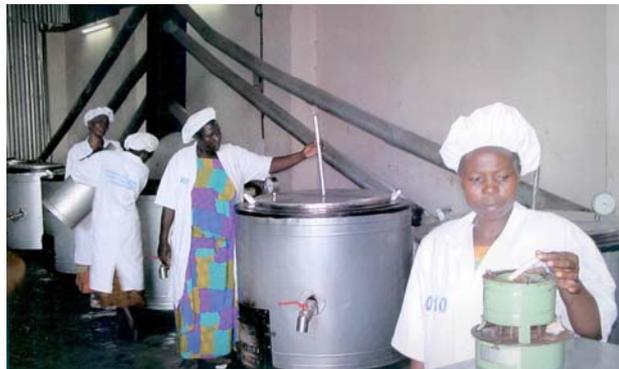
—Torsten Hemme/Tezira Lore

Credit: Information provided by Torsten Hemme, Head of IFCN Dairy. <Torsten.Hemme@fal.de >



# Uganda's Dairy Traders Unite to Promote Sale of Clean Milk

At the Regional Dairy Trade Conference held in Nairobi in October 2004, Gordon Mutima, chairman of the Uganda National Dairy Traders Association (UNDATA), informed the meeting what his association is doing to rationalise the efforts of small-scale dairy stakeholders toward the quest for safe milk in Uganda.



**Following reforms in Uganda's informal dairy sector aimed at improving milk quality and safety, many small-scale processors no longer boil milk over open fires (left) but now use hygienic water-bath batch pasteurizers (right).**

Pictures courtesy of Dairy Development Authority, Uganda

Before Uganda's dairy sector was liberalised in 1992, the state-run Dairy Corporation Limited held the monopoly for collection and sale of milk in the country. The post-liberalization era saw the entry of many small-scale milk market agents. Because official legislation did not recognize this 'informal' milk market, the sector's operations were largely unregulated with little or no quality controls.

Thus, in a bid to remedy this situation the government enacted the revised Dairy Industry Act in 1998 leading to the Dairy Development Authority (DDA) being established as the national regulatory body. The Uganda National Dairy Traders Association (UNDATA) came into being a year later as the umbrella association of Uganda's small-scale milk traders, cooling plant operators, transporters and processors.

Through its chairman, UNDATA is represented on the DDA board, enabling the voice of the small milk trader to be heard at the national level. UNDATA's overall mission is to

promote the marketing of high quality milk and dairy products within Uganda through efficient operation and management of dairy trade.

By working together with the government and stakeholder NGOs, UNDATA seeks to enhance solidarity among Uganda's small-scale milk traders and promote safe and efficient production, handling, distribution and marketing of milk. This unified stance has fostered efforts to improve milk quality particularly in the informal sector where raw milk sales dominate.

By educating its members on milk quality and safe milk handling, the association has influenced many transporters to switch to carrying milk in hygienic metal cans instead of using cheaper non-foodgrade plastic jerry cans. Some small-scale processors have also sought to add value to liquid milk by adopting appropriate technologies such as batch pasteurization, fermentation and cooling, which also enhance milk safety.

Yet despite these achievements, the group still faces some chal-

lenges. Long distances travelled on poor roads cause transporters to incur heavy losses as raw milk goes sour before it reaches the cooling plants. Many farms are difficult to access due to poorly developed rural road networks; this increases transport costs and often causes farmers to lose market opportunities for their milk. The lack of electricity supply in many parts of rural Uganda hinders the setting up of cooling facilities at milk collection centres. Yet another constraint is inadequate funding to implement formal training courses and purchase better milk handling equipment.

Even with these hurdles, UNDATA is optimistic that with the assistance of the government and development partners, these problems can be overcome and significant improvements in the traditional milk market achieved. UNDATA intends to continue training its members on hygienic milk handling thus acting as a potential avenue for implementing a regional training and certification scheme for small-scale milk traders.

—Tezira Lore

## Employment generation through small-scale dairy marketing and processing

Experiences from Kenya, Bangladesh and Ghana

by A Omoro, J Cheng'ole Mulindo, S M Fakhru Islam, G Nurah, M I Khan, S J Staal (ILRI) and B T Dugdill (FAO Animal Production and Health Division)

A joint study by the ILRI Market-oriented Smallholder Dairy Project and the FAO Animal Production and Health Division.

You can now access this report online from the FAO corporate document repository.

[www.fao.org/documents/show\\_cdr.asp?url\\_file=/docrep/007/y4860e/y4860e00.htm](http://www.fao.org/documents/show_cdr.asp?url_file=/docrep/007/y4860e/y4860e00.htm)

**ILRI's research themes**

<b>Theme 1</b> <i>Targeting opportunities</i>	<b>Theme 2</b> <i>Enabling innovations</i>	<b>Theme 3</b> <i>Market opportunities</i>	<b>Theme 4</b> <i>Biotechnology</i>	<b>Theme 5</b> <i>People, livestock &amp; the environment</i>
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## COMESA in Quest to Rationalize Regional Dairy Trade

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trade restrictions, including those related to sanitary and milk product standards.

The meeting also endorsed the need for national dairy regulators to increase the efficiency of their countries' milk markets by proactively engaging small-scale traders through a training and certification program, which would also allow certified raw milk vendors meeting minimum handling standards to cross the border points without hindrance.

Traditional milk markets form the back-bone of the dairy industry in most countries in east and central Africa, supporting millions of small farmers and traders. Yet in many countries in the region, this

sector has suffered policy neglect and raw milk traders are not officially recognized by the authorities. Thus, past efforts to streamline the operations of traditional milk markets have received opposition from the large-scale milk processors.

To foster regional dairy trade, the Eastern and Central Africa Program on Agricultural Policy Analysis (ECAPAPA) and Regional Agricultural Trade Expansion Support (RATES) have been leading a process to harmonize dairy policies in countries covered by ASARECA and COMESA.

ILRI, through Amos Omore, has been engaged by ECAPAPA to coordinate technical inputs into this activity. The meeting marked the end of the first phase of the USAID-funded process of

dairy policy harmonization. Subsequent steps will require dialogue and action to realize the intended outcomes.

A synthesis of pertinent issues from the participating countries (Ethiopia, Kenya, Malawi, Mauritius, Rwanda, Tanzania, Uganda and Zambia) was presented and a work plan projected. One of the planned activities is a follow-up of a pilot study by the Smallholder Dairy Project on training raw milk traders in Kenya, which will be undertaken by a local NGO.

The Uganda National Dairy Traders Association—an association of small-scale milk traders and processors—plans to undertake a similar training scheme in Uganda.

—Amos Omore/Tezira Lore

## Dairy Diary: Important Dates For You to Note!

**15 to 17 June 2005:** The 4th NIZO Dairy Conference in Papendal, The Netherlands. For more information visit the conference website [www.NIZOdairyconf.elsevier.com](http://www.NIZOdairyconf.elsevier.com).

**27 to 30 September 2005:** The 1st Eastern and Southern Africa Regional School Milk Conference in Kampala, Uganda. For details visit [www.dda.or.ug](http://www.dda.or.ug) or email the conference coordinator on [dda@afsat.com](mailto:dda@afsat.com).

## Smallholder Dairy Project Wins CGIAR Award

The DFID-funded Smallholder Dairy Project (SDP) received the Consultative Group on International Agricultural Research (CGIAR) Outstanding Communications Award for its dairy policy and institutional reform strategy based on its research results on Kenya's smallholder dairy sector. SDP is jointly implemented by the Kenya Agricultural Research Institute, the Ministry of Livestock Development, and ILRI. The presentation was made at this year's CGIAR Annual General Meeting, which ended on October 29th in Mexico. SDP's multi-sectoral approach involved government officials, industry bodies, researchers and NGOs. Information materials from SDP's research included a comprehensive report on the policy environment of Kenya's dairy sector; six policy briefs on demand, employment, competitiveness, public health, nutrition and policy; a joint policy brief with government officials; and a video entitled *Unheard Voices of Kenya's Dairy Industry*. SDP's communication strategy has influenced a shift in mindset among Kenyan authorities who have now agreed to work towards amending the Dairy Industry Act and developing the informal sector, which supports millions of poor farmers and traders. For more information about SDP's work visit [www.smallholderdairy.org](http://www.smallholderdairy.org)

—Tezira Lore