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# News from THE IDF



## Cheese as star dairy product

Cheese production is growing all around the world, and is at record levels in some EU countries. This is one of the positive facts to emerge from the sixth edition of *The World Market for Cheese*, published by the International Dairy Federation (IDF). The report presents the latest trends and structural changes in total world cheese production, trade and consumption. Thirty countries, representing approximately 80% of total world cheese production from cow's milk, participated in the survey.

"The main drivers of cheese consumption are increasing populations and incomes. A range of new cheese varieties also stimulates demand in the same way as expansion of cold storage facilities, improved product marketing and packaging. Moreover, the expansion of the ingredient market and the food service sector for cheese, are also vital for a positive outlook of cheese consumption," says H Herlev Sørensen, compiler of the survey.

As far as international cheese trade is concerned, world cheese trade increased by approximately 32% from 1995-2004. Oceania accounted for the largest rise in world cheese market shares, up from 25% in 1995 to 37% in 2004. Another remarkable growth comes from the new EU 10, whose exports almost doubled from 1995-2003, reaching 172 000 t in 2003. The US experienced a growth of almost 100%. According to the survey, the major suppliers of cheese to the world market in 2004 were Australia, New Zealand and Germany.

## Focus on dairy safety and hygiene

The IDF seized yet another opportunity to enhance its pro-active approach towards hygiene and safety of milk and milk products at the FAO/WHO side-event on Feed and Food of Animal Origin Safety in Costa Rica on 8 December 2005.

Speaking at this international event, Christian

Robert, IDF director-general said that "to produce safe and wholesome dairy products, it is imperative to control all factors in every step of the production chain that might have a negative effect on safety and suitability of the final product. Our programme of work is designed towards an integrated chain management approach to dairy safety and hygiene. Providing scientific and technical expertise to develop regulatory texts and supplying practical guidance to the dairy sector and other stakeholders on how to achieve the required safety and suitability of dairy products is a key role for the IDF."

The IDF is currently developing guidance for the dairy sector on how to apply the new concepts of Food Safety Objective (FSO) and Performance Objective (PO) to achieve a continuum of food safety control measures throughout the dairy production chain.

Traceability will also prove essential in contributing to both product safety and consumer confidence in food labelling. The IDF is currently involved in the establishment of internationally recognised sound principles and guidelines for the application of traceability in food/dairy products.

Furthermore, the IDF co-operates with Codex, OIE, and FAO on several projects addressing the issue of dairy safety and hygiene. The IDF has undertaken work to establish a framework for exchange of information and consultation on food safety issues involving various international organisations.

## Keep energy use down

The international dairy industry is currently looking at a number of ways to reduce energy use in processing milk and milk products and the environmental effects of energy use. Long before Kyoto, the dairy industry was working on keeping its energy use down. "The world has become increasingly aware of both the unsustainability of its present modes of energy use, and the effects



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of the CO<sub>2</sub> emissions from fossil fuel usage and the cost of energy has increased," says Martin Tynan, chair of the IDF Standing Committee on the Environment (SCENV).

Operators of dairy processing facilities have also become increasingly aware of the significance of energy use. For many processors, this is one of the larger cost components and one that is most amenable to reduction by improved technology and closer management control.

"We are taking responsibility for our part in achieving the targets set out in the Kyoto protocol. Using the expertise of the IDF SCENV we hope to build strategies taking into account a number of environmental issues. The objective is to ensure the production of safe and quality food for human consumption in harmony with the environment," said Christian Robert, director-general of the IDF.

The IDF bulletin *Energy use in dairy processing* covers all of these aspects. It can be ordered in electronic form via [www.fil-idf.org](http://www.fil-idf.org).

### **Milk benefits to human health**

Seven independent scientific review papers recording the views of some top nutrition scientists on milk and its role in the diet have been published as a supplement to the December issue of the *Journal of the American College of Nutrition*.

These review papers address key health topics such as dairy and breast cancer, weight, osteoporosis, asthma, allergy and lactose intolerance. "This information will help health professionals respond to questions and confront misinformation about the role of milk and milk products in a healthy diet," commented Jill Nicholls, nutrition expert for the IDF, who commissioned the work, and director, scientific affairs at the US-based National Dairy Council.

### **Milk genomics symposium**

International experts in nutrition, genomics, bio-informatics and lactation gathered at the second International Symposium on Milk Genomics and Human Health in Napa, California last month to

advance the collective knowledge of how milk components promote health and to provide collaboration in efforts to isolate the functional mechanisms behind milk's physiological benefits.

*"In its second year, the symposium is proving to be an important collaborative environment for the advancement of our knowledge of how milk delivers health"*

Focusing on the comparative genomics of milk, symposium speakers looked at the variation in milk compositions, the disparate functions of milk as they apply to different mammals and infant circumstances, and the myriad benefits provided by milk for energy balance in animals and humans. The tools used in genomics, specifically comparative genomics approaches as a primary tool for functional annotation and identification of genes, was discussed. A session on the consortium's web portal, which was recently introduced in a beta format, was also featured.

"In its second year, the symposium is proving to be an important collaborative environment for the advancement of our knowledge of how milk delivers health," said Joseph O'Donnell, executive director of the California Dairy Research Foundation (CDRF).

### **IDF diary**

The third International Symposium on Milk Genomics will be held in Brussels, Belgium in September 2006. This leading trend in dairy nutrition will gather international experts in nutrition, genomics, bio-informatics and lactation to advance the collective knowledge of how milk components promote health, and to provide collaboration in efforts to isolate the functional mechanisms behind milk's physiological benefits.

This symposium will be co-ordinated by the IDF and the California Dairy Research Foundation. To be kept up to date, visit the IDF website at [www.fil-idf.org](http://www.fil-idf.org), or e-mail Jennifer Giamboni [info@cdrf.org](mailto:info@cdrf.org) or Joerg Seifert [jseifert@fil-idf.org](mailto:jseifert@fil-idf.org) **DMA**

# WEALTH CREATION IN THE CATTLE CORRIDOR

by Michael Baingana, promoter/co-ordinator, Amate Gaitu Co-operative Group

*The Amate Gaitu Co-operative Group in Uganda is engaged in advocating an overall enhancement of dairy policy aims, currently limited to providing household incomes to smallholder milk producers in the outdated poverty eradication paradigm towards comprehensively supporting rural commercial dairy farming in the Ugandan Cattle Corridor. The rural economy and society will transform decisively within a new wealth creation paradigm.*

**T**he Amate Gaitu initiative was born out of a desire to resolve the incessant production and marketing issues of the Cattle Corridor's milk producers. The vision and advocacy of Amate Gaitu is the result of wide, continuous consultations with smallholder milk producers, (semi-)commercial dairy farmers, managers, technologists, bureaucrats, development partners, academics and consultants in Uganda, South Africa and elsewhere.

The initiative is driven by the conviction that the Cattle Corridor industry of Uganda is potentially Africa's most competitive milk producing region. The dairy industry also provides the most readily available and strategic means for wealth creation and socio-economic transformation in the Cattle Corridor – and Uganda in general. Commercial dairying will impact nutrition and health, scientific knowledge, technological skills development, labour productivity and incomes, infrastructure development, rural economic integration, value addition, industrialisation, job creation and the environment. A strong dairy sector will also strengthen intra-regional trade links and address Uganda's trade deficit with Kenya.



While it is common knowledge that agriculture is Uganda's competitive advantage in the new East African Customs Union, as well as the region at large, the unanswered question remains how to turn this advantage into a competitive edge to impact rural living standards decisively. We believe that the Common Market for Eastern and Southern Africa (Comesa) market for dairy products that is projected to grow to a colossal US\$36 billion by 2015, provides Uganda with the opening it needs. Uganda clearly has the advantage in the Comesa dairy market on the basis of low production costs and geo-strategic positioning. Furthermore, we contend that the pursuit of the Comesa dairy market will ignite a wider agricultural revolution and lead to the realisation of Uganda's full economic potential.

Our assertion is based on the following observations: Firstly, ownership of large enough tracts of land (100-200 acres on average), livestock and the inclination towards dairying are widely spread throughout the south-western and central areas of the Cattle Corridor (an area of about 25 000 square miles). Secondly, dairying provides the opportunity for significant value addition. Lastly, that commercial dairy production has a high tendency to create linkages and jobs at farm-

level by means of farm input supply. These inputs include crop residues and other grain products for fodder feeds that will be required to bridge the dry season feed resource gap. This will also create an opportunity to add value to dairy products.

Contrary to the common view in favour of the

smallholder supply chain model, only commercial milk production, based on high raw milk quality standards and high production volumes at farm level (1 000-10 000 litre/day) can sustain the sort of productivity levels that will make the Ugandan dairy industry competitive in the African market.

### The dairy revolution

Amate Gaitu believes that, by 2015, the Comesa market of 360 million people will have a *per capita* dairy consumption of 100 litre per year of which 50% will be processed dairy products. Amate Gaitu Co-operative Group will have a 50% share, amounting to 9 billion litre of milk each year. We envision 500 000 jobs on 10 000 commercial dairy farms, in farm supply businesses, dairy processing and distribution. It will support 3 000 000 livelihoods in Uganda and provide quality nutrition and health to millions more in Africa. At a revenue of 1 US\$/litre, dairy will contribute US\$9 billion to Uganda's GDP.

The dairy industry will provide the rural children of Uganda a unique opportunity to learn

science and technology and to acquire professional skills. Dairy will drive rural electrification, clean water supply and ICT network schemes. Dairy will create wealth for our children and our children's children and lead Uganda towards its place among the developed nations of the world.

Wealth Creation in the Cattle Corridor is a set of public policy proposals, compiled by Amate Gaitu Co-operative Group. They believe these proposals will collectively ignite the process of agricultural commercialisation, exponential economic growth and social transformation.

Contact Michael Baingana at amategaitu@yahoo.com or 075 522 852. **DMA**

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# SEMEX BOVITEQ

## AT THE FOREFRONT OF THE INDUSTRY

by André Barnabé, CEO, L'Alliance Boviteq



*Three years ago, L'Alliance Boviteq, the research and development arm of The Semex Alliance, launched a comprehensive, integrated research and development (R&D) programme, focusing on industry needs with short-, medium- and long-term objectives. This ambitious five-year-plan is now well on its way with very promising results.*

Like all industries, farming is influenced directly by two major external factors: technology and the environment. The degree of influence of these parameters varies from one industry to another. However, during the last two decades, agriculture has faced ever-increasing challenges such as mad cow disease, Sars and avian flu. These are all animal-borne diseases with potentially harmful effects on man. As more is known about the relationships between living organisms and man, one can choose to suffer the harshness of the environment or try to act directly on it.

### **New extender**

At L'Alliance Boviteq, the choice is clear. Although egg yolk has been used as cryoprotectant in bovine semen extenders for many years with great success, identifying new sources from non-animal products is part of our reality. We have now developed a new "synthetic" extender with plant-based material designed not only to circumvent potential risks, but to also yield the same great performance as the former extender. This new product should be introduced to the market in 2006.

### **Bovine genomes**

Since the DNA discovery in 1953, major steps have been achieved, with the latest being the



sequencing of the bovine genome. This work not only tells us what the genes are, but also what their functions are. Therefore, genomics opens up a whole new world of opportunities in producing and selecting better breeding stock.

This is exactly why L'Alliance Boviteq is now investing in the second phase of our genomics project, investigating genes associated with traits of economic value such as milk production, disease resistance and fertility.

The combination of current selection methods and genomics will become a powerful tool in animal breeding and selection. Validation of such methods is long, but is definitely worth the wait. Thus far, our indicators suggest we are looking in the right direction.

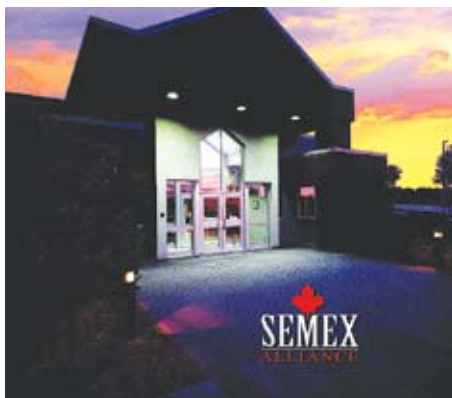


### Sexing semen

Knowing that nature leads us to a 50 : 50 male to female birth ratio, the technology to predetermine the sex of the animal is extremely valuable. L'Alliance Boviteq acquired a worldwide license from XY Inc to sex bovine semen. The equipment is already installed in our new laboratory in St Hyacinthe.

We are currently testing the sexed semen *in vitro* before starting a limited and controlled field trial in late 2005. Sexed semen from Semex bulls should be available commercially in 2006. With 90% accuracy for the desired sex, this sensitive product delivers better results when used in heifers and with good herd management practices. As this relatively new technology evolves, better results should be obtained on mature cows as well.

Although this quick update highlights only a few of our R&D projects, they all live up to our commitment of putting on the market, through Semex and its affiliates, safe, innovative, and genetically powerful products designed specifically to help you obtain your own goals. As time passes, there is more technology behind each dose of semen, as we continue to master more of our ever changing environment. **DMA**



# Zambia slaps VAT ON AGRICULTURE

by Guy Robinson, president of the **Zambian National Farmers' Union**

*The theme of this year's national budget speech in Zambia was "from sacrifice to equitable wealth creation". Unfortunately, this theme does not apply to agriculture, because the measures introduced under value-added tax (VAT) are negative to the agriculture sector, said Guy Robinson, president of the Zambian National Farmers' Union (ZNFU).*

**A**lthough farmers will be able to reclaim VAT on inputs, standard rating of agricultural supplies and products has created a number of problems. Small-scale farmers have been discriminated against. Whereas VAT registered farmers will be able to claim VAT on inputs, smaller farmers will not, because they are not eligible for VAT registration as most of them fall below the K200 million threshold. This means that small-scale farmers will suffer the 17,5% VAT that will now be charged on seed, fertilisers, agrochemicals, stock feeds, grain bags, etc. Small-scale farmers would not have been discriminated against if agricultural supplies were VAT zero-rated.

Increasing the cost of agricultural inputs is definitely not in line with the theme of the 2006 National Budget. Since all inputs now attract VAT, the costs of production have increased substantially for small-scale farmers and discrimination against them has become worse. Farmers who are VAT registered, will first have to find the money to pay VAT on the inputs and then later claim the VAT back. This will create serious cash flow problems and increase financial costs in the agriculture sector, especially since the Zambia Revenue Authority (ZRA) does not process VAT refunds on the spot.

Consumers have to brace themselves for higher prices of agricultural products as all prices will now attract 17,5% VAT. Although, in theory, a farmer or retailer will simply be collecting VAT

from consumers, the local agricultural produce will become uncompetitive as consumers opt for cheaper foreign produce at the expense of local produce. This will reduce agricultural production and therefore reduce the tax base.

Most farmers and agricultural suppliers who are eligible for registration, were VAT deregistered when agricultural products and supplies were made VAT exempt in 2004. The VAT standard rating measure in the 2006 National Budget was imposed with immediate effect, so in the meantime, the farmers must keep records of their transactions to allow VAT to be paid. We hope that the ZRA will bear in mind the practical difficulties of effecting this immediately.

The informal markets will continue to operate, but anyone selling vegetables on a large scale must charge 17,5% on the produce. This makes the farmer uncompetitive against the informal market or a farmer who is not registered for VAT, and therefore does not charge VAT.

Farmers who are not VAT registered will have problems selling their produce in the formal markets, which will prefer dealing with VAT registered suppliers. The VAT problem that farmers will face has been further compounded by the requirement to charge 45% withholding tax for farmers who are not registered. If a smallholder sells vegetables or a cow worth more than K200 000, he must show a tax clearance certificate to the buyer, which means he must be registered. If he has no tax clearance certificate, the buyer must charge him 45% withholding tax to be passed to ZRA. This also clearly discriminates against the small-scale farmer and rural cattle owner and will encourage informal trade.

#### **The results of these measures will:**

- ▶ Promote informal means of trading
- ▶ Discriminate against small-scale producers selling more than K200 000 worth of produce

- ▶ Discriminate against formal sector producers who are registered for VAT
- ▶ Increase production costs, even for maize, as a maize farmer will incur VAT on inputs, but will not be able to reclaim as maize remains VAT exempt
- ▶ Increased consumer prices
- ▶ Undermine competitiveness of Zambian produce within the region
- ▶ Impose an enormous burden on both the Zambian farmer and the ZRA for distinguishing between standard rated and exempt production lines within the same organisation.

The union foresees chaos in the agricultural sector and an increased tendency to avoid the complications of formal sector trading. It will lead to a decline in the agricultural sector, and therefore a reduction in the tax base. We urge the government to urgently analyse the implications of the budget on the cost of production, the discrimination against smallholders and regional competitiveness in food production and hence national food security.

The union is taking measures to discuss the issues with government in line with our earlier

submissions in favour of zero rating all agricultural production in the interests of supporting the rural economy, enhancing production, improving regional competitiveness and reducing cost of living. Zero-rated products are sold without VAT added to their sale price, and VAT charged on the inputs used to grow them can be reclaimed.

The ZNFU was taken aback that despite all the talk on irrigation, nothing was mentioned in the budget. While we keep on highlighting the fact that the country is well endowed with resources of reducing poverty through realising its agricultural potential, there is no pragmatic effort being made to ensure that our irrigation capacity is increased. As far as the union is concerned, the 2006 National Budget was the chance and we are disappointed that a national irrigation fund was not proposed as expected.

Max Mbnji from SeedCo said the measures would badly affect the group of farmers that were the engine of the sector growth. The Livestock Development Trust also felt the measures would encourage massive movements of cattle and increase risks of disease outbreak and yet the budget provided paltry amounts for disease control. **DMA**



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# The “White Revolution” Hits Africa

by John Anglin, chairperson, Esada

*At the final plenary session of the 34th Indian Dairy Industry Conference during November 2005, the Indian Dairy Association (IDA) and the Eastern and Southern African Dairy Association (Esada) signed an historic memorandum of understanding and thus gave birth to a platform of mutual co-operation and dialogue.*

India, as a nation and sub-continent, shares many historic, cultural and social similarities with Africa. Not too long ago, Indian dairying was very inefficient and there was a net importation of dairy products. During the 70's, there was a pointed effort to revitalise the industry. The “White Revolution” transformed the Indian dairy industry in such a way that, today India is the world's top milk producer. It annually produces 90 million tons of milk, with a growth rate of 3%. Currently, Indian dairy expertise is so developed, that the industry is entirely self-sufficient – from the simplest milk can to mega-milk plants. Additionally, all equipment, ingredients and supplies are produced in India.

Indian dairy technology can fit practically any need in Africa at reasonable costs and with appropriate technology. This memorandum opens a world of opportunity for African-Indian co-operation. Esada members can embrace the creation of this new platform and tap into this vast world of expertise and resources through partnerships, business-to-business arrangements and even bilateral support for national dairy policy development. The possibilities are far-reaching.

One outstanding characteristic of the Indian Dairy Association (IDA) is that it is all embracing. Farmers, processors, and even the government regulators, are all members of the IDA. Therefore, the industry has a single unifying vision and a strong sense of cohesion, making it an attractive model that many African countries could do well to emulate.

Another benefit of the IDA has been its focus on successfully achieving self-sufficiency in dairy science and technology. The level of expertise and the number of training facilities are great, making India an ideal partner for building our region/Esada's training capacity that presently leaves much to be desired.

Animesh Banerjee, the current IDA president, candidly stated, “Indian dairy greatly benefited from the collective effort and support of a number of industrialised countries at the start of its ‘revolution’ in the form of aid through the WFP, EEC, World Bank, etc. Now it is timely for India to return this generosity by supporting development in milk-deficient countries elsewhere in the world.”

Would it not be timely now for Esada members to whole-heartedly embrace this goodwill and vast resource in their efforts to bring about their own “White Revolution”?

**Contact the Esada Secretariat at [info@dairy-africa.com](mailto:info@dairy-africa.com) for more details. DMA**



# Viability of dairy plants in India

by Kailash Ashar

*India has joined hands with leading African countries to promote and develop the dairy industry by encouraging technology transfer and trade between the two sides. An agreement has been signed between the Indian Dairy Association (IDA) and the Eastern and South African Dairy Association (Esada) in Bangalore to facilitate technology transfer, consultancy and marketing support.*

Esada represents dairy sectors in the Common Market of Eastern and Southern Africa (Comesa) region and comprises Kenya, Uganda, Tanzania, Zambia, Malawi, Rwanda and Mauritius.

The agreement will go a long way in fostering the growth of Indian export and entrepreneurship in the African dairy industry, said Animesh Banerjee, president of the IDA. The Indian dairy industry has developed plants, machineries and ancillary items that cost half the international price. Esada will provide the IDA linkage to its member clientele and support its efforts targeted at increased trade with Africa.

*At the time of the so-called Indian "liberalisation" there was a scramble among the private sector to set up dairy projects. One got the impression that dairying was a very simple, easy activity. There was a spurt in companies coming out with public issues. These companies installed huge capacities, some in foreign collaboration.*

In a span of one year there were more than 40 companies listed on the stock market. Today, after years of liberalisation, we see a very dismal picture. More than 95% of the companies that came out with public issues, are already shut down or are facing closure.

Today one feels that the corporate sector never really understood the requisites of dairying. What they failed to understand is that it is easy to get the best of technology, but not the best of raw material, in other words, milk. In the ultimate analysis, the huge processing capacities installed by the companies proved to be their downfall. They could just not procure sufficient quantities of milk to service their installed capacities.

Today it is realised that the dairy projects must stand on their own and reduce their dependence on outside sources of finance. Several dairy plants



are operating at sub-optimal viability levels, quite a few of them are also making losses. The money market conditions are getting tighter. The dairy industry has reached a stage where the dairy plants can no longer afford to defer the decisions that they need to take to ensure their long-term survival and growth. If serious action is not taken to consolidate the position, opportunities may be missed.

Often the dairy projects experience pressure for spending money to meet expenditure targets. It is essential that careful consideration is given to each investment decision. Capital investments are irreversible and the consequences of the mistake in this regard take a very long time to correct.

While it is understandable that the dairy sector is a 'development' sector for certain interest

groups such as the government and the cooperatives, this cannot be construed as an entitlement to utilise resources in a sub-optimal manner.

### Sub-optimal economic performance

The chief reasons for the sub-optimal economic performance of dairy projects are related to procurement, process, market, finance and miscellaneous factors.

### Procurement factors

This is one of the most important factors that affect the viability of a dairy project. Without procurement of milk, it would be impossible for a dairy to sustain itself. Even dairies with their own dairy animals, have to rely heavily on procurement. It helps to augment and supplement the milk quantity produced by the dairies having their own dairy farms. Dairy farming is in itself a highly capital and labour intensive activity.

Management and economics of dairy farming require a continuous monitoring in terms of milk yield, feeding of animals, breeding of animals, animal health, calf rearing and the quality of milk. This makes it imperative for any dairy project to have a minimum level of procurement. This will help to generate cash margins to meet daily requirements. It has been found that procurement could help to reduce the cost of production of milk to an extent.

Procurement of milk is not an easy activity, considering that in India the number of animals per farmer is small, say 2-3 animals per farmer or even less. Thus it becomes more difficult to coordinate and get a healthy collection of milk in terms of quantity and quality. Procurement of milk will depend a lot on the extent of investment in terms of installed capacity, product mix of the dairy, whether liquid milk plant only or both liquid milk and milk products and the market requirements.

There are a number of procurement related factors that a dairy plant must consider, namely:

- ▶ Proper producer prices
- ▶ Payment to producers
- ▶ Contact with the producers
- ▶ Subsidised technical inputs to the producers
- ▶ Quality of milk received
- ▶ Transport costs.

## Processing factors

Having taken care of the procurement of milk in terms of quantity and quality, the next important factor is the processing factor. For viability, a dairy must ensure a healthy utilisation of the installed capacity. Thus capacity of a plant has to be carefully planned that would not be too high or low, at the same time keeping provision for future expansions. Also the type of processing will depend on the quantity of milk to be processed and the product to be made. In deciding the type of processing, other factors such as the quality of milk, utilities required, cost savings and the maintenance of the quality of end products will have to be considered. There are a number of processing-related factors, such as deciding on plant capacities, utilisation of capacity and processing inefficiencies.

## Market factors

One cannot undermine the importance of marketing. The best products can be lost due to poor market understanding. There are many market-related factors that have an impact on the viability of a dairy plant. In the development or planning stage of a dairy plant, it is essential to ascertain the market demand and supply of milk and milk products and the future potential. This will help to decide a number of things such as nature of dairy plant, processing capacity, production schedules, pricing of products, competitors, etc. Therefore, based on the market requirements, the viability of dairy projects can vary. It is essential to have a planned marketing budget to prevent unnecessary expenditures. Some of the more important market related factors are:

- ▶ Poor understanding of the markets
- ▶ Inadequate priority to marketing function
- ▶ Faulty pricing policy
- ▶ Unnecessary marketing expenditures
- ▶ Product mix of a dairy plant
- ▶ Irregular supplies of products.

## Financing factors

Source and control of finance along with the application of financing requires a great deal of scrutiny and planning of a project. Irrespective of the size of the dairy, financing have to be well-regulated to avoid breakdowns at any stage of the project. It becomes essential to ensure adequate budgeting and cash flow management. While planning a dairy project, one must have a timeframe for completion

of the project. This can be best achieved by phasing out the implementation of the project. This will help to prevent undue delays, and also give timely signals if anything goes wrong. The various finance related factors are:

- ▶ Cost escalation
- ▶ Improper accounting systems
- ▶ Poor cash flow management
- ▶ Diversion of project funds
- ▶ Improper budgeting
- ▶ Unnecessary expenditure.

## Miscellaneous factors

Apart from the above-mentioned reasons, there are some miscellaneous factors that affect a dairy project, namely:

- ▶ The nature of the company – family holding, partnerships, private limited, limited
- ▶ Improper project planning
- ▶ Undue project delays
- ▶ Desire to acquire unnecessary assets
- ▶ Lack of management perspectives or professionalism
- ▶ Excessive manpower
- ▶ Poor human resource management
- ▶ No definite policies
- ▶ Poor understanding of the nature of dairy industry and its requirements.

## A recommended list of performance indicators to be monitored

Some of the performance indicators that have a bearing on the viability of a dairy plant need to be monitored continuously. They are:

- ▶ Transport cost per litre
- ▶ Procurement growth percentage
- ▶ Procurement as a percentage of target
- ▶ Growth percentage in liquid milk sales
- ▶ Percentage of milk from members
- ▶ Processing cost per litre
- ▶ Fat loss percentage
- ▶ SNF loss
- ▶ Overall cost per litre of milk procured
- ▶ Expenses per litre
- ▶ Number of days producer payments outstanding
- ▶ Number of days finished goods inventory
- ▶ Number of days debtors outstanding
- ▶ Number of days creditors outstanding
- ▶ Total advances as a percentage of sales
- ▶ Contribution per currency (shilling, rupee, etc) of sales. **DMA**