

School Milk Conference 2005

Delegates from across Eastern and Southern Africa, the United Kingdom, Israel, China, Sweden, Australia and the Philippine Islands reported on their individual school milk programmes during the inaugural Eastern and Southern Africa School Milk Conference.

The country reports and presentations succeeded in providing a global perspective on school milk. Additionally, it gave delegates the opportunity to share their successes and failures, as well as to gather practical infor-

mation on how to improve their local school milk programmes. Social events during the conference gave participants an opportunity to network and build relationships in a less formal environment.



Delegates enjoy a moment of free time in between discussion sessions



Delegates from across the dairy spectrum listen to one of the insightful presentations on school milk



John Thornes, Cool milk @ Schools: UK, Mary Mugenyi, Minister of State and Animal Industry: Uganda, Dr Nathan Twinamasiko, executive director: Dairy Development Agency: Uganda listen as Dr Michael Griffin from the FAO addresses delegates during one of the moderated discussions



Dr Nathan Twinamasiko, executive director: Dairy Development Board and Dr Michael Griffin, Food and Agricultural Organisation (FAO), share a light moment during the School Milk Conference gala dinner



NR Mwambo, principal livestock officer, Ministry of Water and Livestock Development: Tanzania, addresses delegates on the current status of school milk programmes in Tanzania



Dr Philip Cheron, technical services manager, Kenya Dairy Board



Moses Musikanga, senior planning officer and co-ordinator of school health and nutrition, Ministry of Education: Zambia



Dr Tegegne Azage presents a country report on Ethiopia



Yesmesrach Assefa, World Food Programme: Ethiopia, Nathaniël Mwambo, Ministry of Water and Livestock Development: Tanzania, Ismael Elfagir the Sudan



Dr Florence Kasiye, dairy development manager, Dairy Development Authority: Uganda



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A brand-new dairy magazine to herald African dairy revival

by Karien Slabbert

Albert Loubser, AgriConnect manager, presents a copy of the Dairy Mail Africa to Yoweri Museveni, Ugandan president

Uganda is renowned for its “complete cow”. Now African dairy countries can boast with their own complete dairy magazine, Dairy Mail Africa. This brand-new AgriConnect magazine that targets 18 African dairy countries, was officially launched on 29 September during the first Eastern and Southern African School Milk Conference in Kampala, Uganda.

During this landmark event Albert Loubser, AgriConnect manager, presented the first copy of the magazine to John Anglin, Esada chairperson. Anglin made a toast to the *Dairy Mail Africa*'s longevity and prosperity. “We represent a truly African association,” Anglin commented. An edition of the magazine was also presented to Ugandan president, Yoweri Museveni, who officially opened the conference.

The *Dairy Mail Africa* was well-received by all conference participants. According to Michael Griffins from the FAO, *Dairy Mail Africa* has an important role to play in “publicising issues” that affect the African dairy industry. John Thornes from the Cool Milk @ School initiative in the United Kingdom, believes that the media can “spread the word of good practice” in the dairy industry.

According to Loubser, the magazine is recording the dairy industry as it happens. Furthermore, *Dairy Mail Africa* is a vehicle for technology transfer, which will take the [dairy] industry a notch higher. “We need to talk in a mutual dairy language,” commented Loubser. This truly African dairy magazine aims to provide a forum for all roleplayers to discuss significant issues that affect the African dairy industry. The magazine also provides the perfect avenue for opening up new areas of expertise. *DMA*



John Anglin, Esada chairperson: Uganda, introduces Dairy Mail Africa to conference participants at the recent School Milk Conference in Kampala, Uganda. With him is Sandress Nyirenda, sales and marketing manager Parmalat: Zambia, Elisha Mbogora, BOD Tanzania and Albert Loubser, AgriConnect manager

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School milk becomes food basket of Kabale

by Karien Slabbert

It is hard to imagine that not so long ago 65% of the children in the Kabale district in Uganda were underdeveloped because of poor nutrition. In spite of vast water sources and rich, fertile soil, Kabale was one of the poorest districts in Uganda. Remijo Katarakanbi, a local dairy farmer, took it upon himself to expand dairy production in his district by initiating his own school milk programme. When Katarakanbi started with the programme, Kabale town only produced 800 litre of milk per day. "Now we are selling 7 000 litre per day."



Remijo Katarakanbi used his own initiative to start a school milk project in the Kabale district, Uganda.

Although the Kabale district is suitable for intensive dairy farming, the people of Kabale are not milk drinking people. "Kabale district has an estimated 15 000 dairy cows that provide 13-14 million litres of milk. Despite low prices, the demand was very low." Katarakanbi realised that a milk drinking culture

would not only improve nutritional intake and avert poverty, it would also be an excellent way to improve the region's dairy industry.

He envisaged the potential of expanding the household income in the region by providing a market for milk. "I decided we must start a culture of drinking milk so that I can help feed malnourished children. The best way to do this was to start with the youngest children. "When you have succeeded there, you will have created a permanent market."

Katarakanbi put his plan in action by involving the schools in the region. "There are a total of 13 084 pupils in 23 primary schools in the municipality. I planned to supply each pupil with half a litre of milk per day. This would create a need for an extra 3 500 l of milk a day". He provided the children with milk free of charge on the first day. "On the second day, I went back and gave the schools a discount of

50 shillings/litre. In this way, I got the schools interested, and the children started drinking milk at a reduced price."

Katarakanbi decided to go a step further, and put his ideas on paper. "In 2001, I attended a meeting of the farmers' association in South Western Uganda and told them about our success in Kabale."

Representatives from Land O' Lakes present at the meeting were so impressed by his initiative that Land O' Lakes later offered to help the Kabale farmers to set up management committees that specialise in mobilisation, production and procurement in local government. "We also involved local farmers and school management committees."

The project was launched to stimulate further production from farmers in the Kabale district once a steady market and a good price have been established. With more production and better returns trickling down to farmers and the rest of the community, the project would contribute to poverty eradication.

The success of the project, says Katarakanbi, lies in the fact that it is a process-driven, locally initiated programme rather than a "blueprint package". Most importantly, the community is encouraged to take part in the planning process to assure ownership and strengthen sustainability.

Owing to Katarakanbi's initial vision of a milk drinking culture, as well as his continuous dedication, the Kabale district is currently at the forefront of school milk initiatives in Uganda. *DMA*

Establishing a dairy presence in Africa

The Standard Bank All Africa Dairy Expo, organised by the Milk Producers' Organisation in South Africa took place during September in Pretoria, South Africa. One of the several workshops held during the Expo focussed on establishing a dairy presence in Africa.

During the workshop key aspects on crossing the borders that divide the African dairy industry were placed under the spotlight. Moses Nyabila, dairy trade specialist from Rates gave an insightful presentation on the opportunities of a free market system.

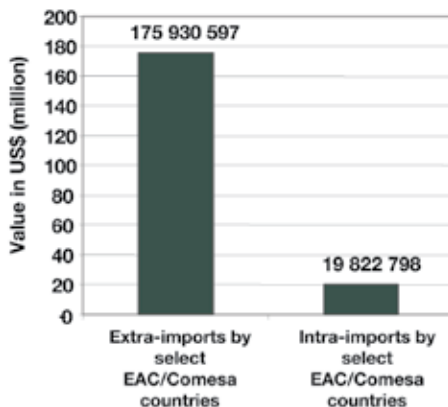
Free markets work

Milton Friedman, Nobel Prize winning economist and a fierce supporter of free markets said, "The most important single central fact about a free market is that no exchange takes place unless both parties benefit". Before planning to cross borders, one must first answer the question "Why?" In order to sustain a product's life cycle, one must move from mature to young markets. One should never lose sight of the favourable environment abroad, such as less expensive production.

Current situation in the EAC

There is abundant room for growth within the Eastern African Community's dairy trade industry. Some 95% of regional trade in dairy products are generated from outside Comesa (*Figure 1*). In most countries within the region, processing capacity utilisation is less than 40%. In some parts of Comesa the availability of dairy products is as low as 20%. An overriding factor is that many farmers lack a market for their produce in the "flash season". Another problematic aspect is that producers currently outweigh consumers. The huge income disparities are also reason for concern. One should therefore look at possibilities to develop and expand the current market, such as creating a milk drinking culture in the region.

FIGURE 1: Open to the world, closed for Africans: the extra- and intra-imports in the EAC/Comesa region from 1997-2003



The current market situation

The fragmented rural and peri-urban market lends itself to a long distribution chain and numerous informal market players. Large supermarkets are progressively taking over cities, and stifling small-scale producers and processors' markets. Processor consolidation is also currently on the rise within the region. Because of the current market situation, raw milk vending is on the rise, and micro-processing is taking root.

The challenges

One of the most profound problems currently facing the region, is a dysfunctional market that is unresponsive to demand and supply stimuli. Protective national policies and practices, as well as bad infrastructure hinder product flow. Additionally, the fragmented and seasonal supplies of milk, along with small national markets are hindering large investment opportunities. The farm-to-shelf value chain presents a whole new range of obstacles. On dairy farms, stocks yield less than their genetic potential.

During the flash season, the over saturation of available markets and low prices cause the dairy industry to suffer. From a processing perspective, there is a lack of raw materials during

TABLE 1: Processing capacity utilisation in the region

	Installed capacity (million litres/day)	Utilised capacity (million litres/day)	Excess capacity (million litres/day)	% of utilised capacity
Kenya	2	0,5	1,5	30
Uganda [1]	0,33	0,12	0,21	35
Tanzania	0,51	0,15	0,36	29
Ethiopia[2]	0,13	0,02	0,11	25
Malawi	0,126	0,035	0,09	28
Zambia	0,347	0,113	0,234	33
Mauritius	0,05	0,049	0,001	95
Rwanda	0,023	0,01	0,13	50
Total	3,523	1,01	2,5	

[1] Capacity caters for pasteurised and UHT milk only

[2] Utilised capacity quoted is for one firm – data on capacity utilisation not available on the second firm.

the dry season and less than 30% of capacity is utilised. *Table 1* illustrates the 70% idle processing capacity – compared to the utilisation in the region. Sales and marketing sectors experience stock-outs during the dry season. Uncompetitive prices and low stocks also cause a drop in intra-regional trade. The shocking reality is that demand outstripped supply by one billion litres from 1997-2003.

Opportunities

Even though the aforementioned information might paint a rather bleak picture, it is not all doom and gloom. The total milk production in the region has steadily grown from 10-12 million litres from 1997-2003. The gradual opening of markets through tariff reductions and the elimination of NBT's is reason for hope. Among the opportunities within the African dairy industry is the emergence of transnational players, collaborative branding, direct investment and direct export. The under-utilised processing and distribution capacities also have positive implications for collective African dairy development.

Steps for going abroad:

Assessment of target market

One of the most crucial steps when planning to go abroad is a proper assessment of the target market. This naturally includes determining market

potential, identifying potential partners, as well as determining a possible entry strategy. Gather enough information on market conditions in order to gain a holistic picture. It is crucial to understand the market before going ahead. Selecting the right partners is also key to the success of the venture.

Developing a marketing mix

When "crossing the borders" and entering foreign markets one should clearly develop an implementable marketing mix. Promotions can be a very useful tool in the marketing mix. Develop advertising, marketing and merchandising strategies best suited to the product. Ensure that the product has stable packaging and remember the shelf-stable rule. Wobbly, unsteady products are extremely unappealing. Do research on different packaging quantities, for example, more 250 ml packaging compared to 1-litre packaging. It is of cardinal importance that the product is correctly priced. Basic products should be sold at pocket-friendly prices, whereas fancy products can be sold at a higher price.

Without sufficient distribution points, the above strategies are useless. Therefore, ensure that there are sufficient distribution places, for example in-country depots and indirect distribution. Always make use of existing infrastructure: bicycles work wonders and, kiosks and small dukas are efficient distribution mechanisms. *DMA*



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World dairy situation in perspective

by Philippe Jachnik

As a tradition, the International Dairy Federation's (IDF) World Dairy Summit (WDS) includes a presentation on the year's world dairy situation, as compiled by the ZMP. The 2005 edition was presented on 20 September in Vancouver, as the opening event of the Dairy Policies and Economics Conference. Taking place within the framework of the Standing Committee on Dairy Policies and Economics' activities, the presentation provided an insightful perspective on current world dairy trends.

The worldwide milk production for 2004 was estimated at 619 million tons (519 million consisting of cows' milk). In 2005, production is estimated at 626 million metric tons (527 million metric tons cows' milk). After levelling at a 1,1% growth margin in 2004, production increase has resumed its curve of the past ten years at 1,5% per year. During the last ten years, the most regular and appreciable increases have occurred in India, the USA and Oceania.

On the other hand, with a production of 30 million tons in 2005 compared to 40 million tons in 1995, Russia has undergone an uninterrupted decline. With a 23% increase in 2003 and a production of nearly 23 million tons, China showed the most growth in 2004. From 1995 to 2004, Chinese production skyrocketed from 6 million tons to 23 million tons. Argentine also experienced 15% growth and now produces 9,2 million tons. The ten new European Union (EU) member states also showed a strong rise in the percentage of milk used for processing (73% in 2004, compared to 64% in 1995). It is still less than 50% in Russia, the Ukraine and India.

Figure 1 shows the 2005 top 20 dairy turn-overs worldwide. There is little change (except Parmalat's drop from the 8th to the 15th place).

When looking at worldwide production in 2004, butter production increased by 0,2% (4,2

million tons), cheese by 0,3% (16 million tons) and full-cream powder by 2,3% (3,5 million tons). SMP showed a 10% decline (2,8 million tons). Concerning international trade, where the EU is considered a single entity and single market, the ten new member states of course changed the deal. For 2003/2004 there is an estimated 1% decrease in butter production, while cheese production increased by 5% and SMP by 6%. In 2004, the EU accounted for 35% of world trade (as compared to 32% in 2003) and Oceania 39% (as compared to 43% in 2003).

The ten new European Union (EU) member states also showed a strong rise in the percentage of milk used for processing

It was agreed that discussions should be held on consumption statistics, which are increasingly problematic to set up. Even, for example, at the level of each EU member state, the ZMP estimates that, by adding up the figures provided individually by each of the 25 member states, the consumption of dairy products in the EU is 5-10% higher than the figure obtained! Worldwide consumption is reported to be on a definite upward trend – particularly in developing countries outside the OECD-zone. However, from experience we know that growth does not exclude cycles – even in China as some experts already report.

In the EU, when prices decreased last year, it did not line up completely with the intervention price. However, according to ZMP, they could catch up more quickly than last year. Additionally, according to those experts, producer milk prices in Europe are going to continue on a downward trend. Asia, as well as Latin America to a moderate extent, will become growing importers.



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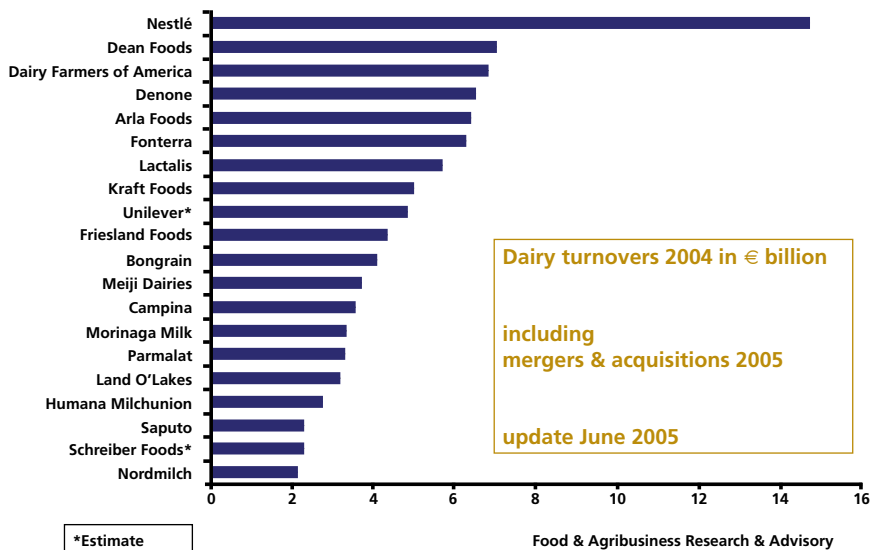
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FIGURE 1: Top 20 dairy companies

Top 20 dairy companies



In addition to the WDS presentation, complementary presentations were also given on:

- ▶ Preserved milk products and ingredients
- ▶ Processed cheese – using raw materials
- ▶ The world market for cheese from 1995-2004 (6th edition) The main features of the study were:

- In 2004, the 10 main cheese producing countries were (in descending order) the USA, Germany, France, Italy, the Netherlands, Egypt, Poland, Russia, the United Kingdom, and Australia. However, if one compares production to the number of inhabitants, the top three countries are New Zealand, Denmark and the Netherlands. The EU produced 8,5 million tons in 2004 (47% of the worldwide production), with the USA producing 4,5 million tons.
- On the world stage, hard and semi-hard cheeses dominated the market, with more than 7 million tons (a 19% increase between 1995 and 2004). Fresh cheese production amounted to nearly 5 million tons – a significant 29% increase. Soft, ripened

cheese showed a 17% increase, with more than one million tons. Processed cheese remained stable at about one million tons.

- Cheese, as ingredients and food service, is reported to account for more than 70% of the cheese market in the USA, between 50% and 70% in Canada and Italy, and between 25% and 50% in Western Europe and Latin America.
- Since 1995, international trade in cheese has increased by about 37% and is currently 1,3 million tons (excluding intra-EU trade). During this period, Australia and New Zealand individually more than doubled their market share and together accounted for 37% of the total in 2004, as compared to 43% for the EU.
- From 1995-2004, on an international level, cheese production absorbed most of the rise in world milk production.

The above information can be obtained from Oscar Chavez at the IDF secretariat in Brussels at +322 706 8647 or e-mail ochavez@fil-idf.org. *DMA*



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