

Emergence of new inputs and direct-to-SHFs distribution channels: animal feed supply through value chain arrangements





# 1. Pioneer partnership

This replicable practice is based on the lesson taken from one of the 2SCALE phase I partnership in Ethiopia. The partnership between Family Milk and Alema Koudijs and 2SCALE was aimed at improving the productivity of the smallholder dairy farmers in North Shewa Zone of Oromia National regional state. In general, the dairy farmers productivity in Ethiopia and those farmers in Degem and Kuyu districts are constrained by limited access to quality and affordable dairy feed coupled with absence of a profitable market for raw milk. This has limited the incentives for smallholder dairy farmers to invest in their dairy business. Due to varying in demands for milk and milk products owing to over 200 fasting days/year by majority of the population in Ethiopia (i.e Orthodox Christians) who do not consume animal products during fasting season. In addition, the limited processing capacity at either the household or cooperative level given the perishability nature of milk and absence of cold storage facility have paused market risks to dairy farmers.

So, the partnership championed by Family Milk, one of the dairy processors in Addis Ababa, was implemented from 2015 to 2017 with the main objective of enhancing milk productivity through availing quality dairy feed on credit and embedding the extension service thereby linking the smallholder dairy farmers to a guaranteed market for raw milk. This was further aimed at enabling smallholder dairy farmers to produce quality and enough quantity to supply raw milk to family milk and earn a steady flow of income.



Milk yields have increased by 3-7 litres per day per cow

## 2. Replicable practice

With the facilitation of 2SCALE, Family Milk and Alema Kodiets Factory (AKF), the animal feed processor, have agreed to develop a business model that could benefit all the involved parties. On one hand Family milk gets better quality and quantity of milk from the smallholder dairy farmers. On the other hand, AKF expands its market share in dairy feed and the smallholder dairy farmers get better quantity and quality raw milk and guaranteed market through the embedded extension services thereby secure sustainable income and reduced market risks.

In line with this, the partnership had introduced the supply of dairy feed of varying quality optimally formulated based on the breed of the cow based on value chain arrangement whereby the milk processor gets feed from the feed processor on credit and advance the feed to smallholder dairy farmers on credit and deduct the cost of the feed from the final milk payment to smallholder dairy farmers and pay it back to AKF.

The replication of this model requires building trust and relationship between all the involved private partners. To start with the credit supply of dairy feed from AKF and distribution to smallholder farmers requires strong trust. On top of that, it requires investment to embedded service in the animal feed distribution and milk collection. includes training milk quality management, animal feeding and health management and demonstrations on the proper feeding through concentrate and forage.

This practice is addressing constraints in terms of:

<p>Access to nutritious food</p>	<ul style="list-style-type: none"> <li>• <b>Affordability:</b> Family milk through the increased milk sourcing has introduced new product (250ml) mainly targeting at elementary school students. This has increased the usability of the product by making it affordable to the one-time disposable expenditure level of low-income families.</li> </ul>
<p>Inclusion</p>	<ul style="list-style-type: none"> <li>• <b>Ownership:</b> The smallholder dairy farmers demand for the concentrate feed has increased from very small quantities at the start of the partnership to a full lorry. In fact, they were provided a discount price at the start and after proving that investments in concentrate feed worthy. They have paid full price. The smallholder dairy farmers, Family Milk and Alema Koudijs Factory (AKF) were jointly are working on the business model.</li> <li>• <b>Voice:</b> In the partnership the smallholder's dairy farmers including the women and youth are participating in the partnership governance meetings and are echoing their concerns in the feed distribution, timing of payment and prices of milk and feed. Moreover, trainings that were targeted at women like milk hygiene, milk handling and back yard forage management were arranged considering the time when women are free from household chores.</li> <li>• <b>Risks:</b> Smallholder dairy Farmer's fear on the fluctuating market demands for milk due to seasonality and doubt on investment in concentrate feed which is usually seen as 'expensive' without due consideration of the returns that it reaps if combined with proper extension support has reduced. Moreover, the investment by Family Milk on factory capacity and its plan to install a Ultra Heat Treatment (UHT) plant has significantly boosted their confidence.</li> </ul>

# 3. Preconditions for replication

## **Technological practice**

All stakeholders agreed that the Dairy Feed Advance Model (DFA) model does just what it was intended to do and what is needed in the context: Provide high quality feed at a reasonable price in a context where availability and price/quality ratio of feed often is inadequate. It enables farmers to increase herd productivity and dairy income.

## **Business case**

In this dairy feed advance (DFA) model there is a clear business case for Family milk, AKF and the involved smallholder dairy farmers alike. Therefore, to be effective in the replication of this model the parties should see the opportunities. In this case, the smallholder dairy farmers got dairy feed advance. On top of that, they have a guaranteed market that could absorb the additional milk produced if it meets the quality criterion of Family milk.

Family milk itself is ready to absorb the additional milk produced by smallholder dairy farmers and in parallel it is investing on the factory expansion and UHT plant that elongates the shelf life of its pasteurized milk. This move by Family milk is due to the recognition of expanding market opportunity in the local market due to high population growth.

AKF also recognized the need to develop its dairy feed distribution and is capturing and expanding its share of the market. So, the partnership had a very good commercial or business foundation from the very beginning. Hence, it is the key ingredient for its success.

## **Awareness and demand**

All the involved companies were aware of the model at the start of the intervention. This is mainly because of the prior discussion during the partnership brokering phase. So, clarifying roles and responsibilities during this time has helped to level and manage expectations. However, At the start smallholder dairy farmers were not at easy investing in quality and standard concentrate feed because of their prior perception that consider using quality concentrate feed as unworthy to invest in Therefore , creating awareness and sharing risks in the form of promo prices has slowly induced them to try the dairy concentrate feed and the gradual lifting of the promo price have not affected thair demand once convinced through demonstrations, trainings and record keepings.

## 4. Results Achieved

This model has benefited dairy farmers and the partners involved in the partnership in several ways among others:

- Higher milk yields, better quality,
- Strengthened capacity through training and extension services.
- Milk yields have increased by 3-7 litres/day/cow.
- Average butter or fat content has increased from 2.7% to 3.2% in 6 months.
- The quantity of milk supplied by smallholder farmers has increased by 40%.
- Family Milk has guaranteed to purchase all the raw milk from farmers who use concentrate feed. On average, the company receives 10,000 litres/day from 1,495 farmers.

## Want to know more?

If you want to know more about this practice, please reach out to Kebrom Abrha, [kabrha@2scale.org](mailto:kabrha@2scale.org) Partnership Facilitator or Tekalgn Ayano [tayano@2scale.org](mailto:tayano@2scale.org) ABC formation coordinator and Country Team Leader for 2SCALE Ethiopia.

- Furthermore, you can also see more on the case through the following link on Youtube resource <https://youtu.be/INXu6NRTbY4?t=51>

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