

**Improved Market Access and Smallholder Dairy Farmer Participation
for Sustainable Dairy Development
APHCA/CFC/FAO project CFC/FIGMDP/16FT**

**Asia-Pacific Smallholder Dairy Strategy Workshop
Chiang Mai, Thailand, 25-29 February 2008**

Developing Dairy Institutions

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Dairy institution – *definition*: an established dairy organization or body. In the context of this region, this varies from milk producer groups, co-operatives to dairy boards and industry associations.

The focus of FAO work in the region is on promoting and supporting sustainable dairy development for the multiple benefits which accrue to farm families, rural community empowerment and increased incomes for farm families. This includes building and improving dairy institutions through the provision of truly independent policy, strategy and technical advice and assistance. Over the last 5 years – this has included activities in Afghanistan, Bangladesh, Indonesia, Myanmar, Mongolia, Nepal, Pakistan, Thailand, The Philippines and Vietnam. Over the last 50 years, this also included larger interventions such as in India under the Operation Flood programme and many more.

FAO has a unique position through our involvement in dairy development initiatives and regional analysis of trends, issues, constraints and opportunities which would favour the inclusion of small and medium scale milk producers.

Challenges identified at the national level include:

- purchasing power
- producer organizations
- legal frameworks
- product standards
- level of risk
- production – costs, feeding, breeding, organization
- collection – time and temperature
- processing and marketing

A complete value chain approach is therefore needed in order for dairy development to be effective.

Challenges at regional level include:

- trade standards
- free trade agreements
- subsidies and tariffs
- trade blocks

Current issues

Asia is the highest demand growth area for milk and dairy products worldwide. Since the international milk price has grown to an all time high in 2007, this has substantially changed the interest and investment being made in dairying in the Asia Pacific region and beyond. However with growing pressures and prices for land and fodder/feed resources, and increasing interest in biofuels etc, there is now increased competition for land resources. In addition many more Asian countries have joined not only WTO but also other regional trade groups such as ASEAN and other Free Trade Agreements which may or may not be of benefit to the dairy sector. One of the knock on effects of this is the growth of industry joint ventures in the region to facilitate smooth uninterrupted market access for international players.

Role of institutions

- promoting dairy development, policy, advocacy, and strategies
- facilitating organization of milk producers, legal framework and trade
- promoting milk consumption for improved nutrition

Traditional local dairy institutions have tended to be focus on milk producers groups, associations or cooperatives at various levels. While these pose their own challenges in the stepwise and progressive development of grassroots local institutions and capacity, there are many examples of top heavy institutions which, while being highly representative, can also be excessive in terms of cost to the dairy sector. A recent development is the growth of dairy industry groups (mainly private sector), perhaps directly in collaboration with government. This focuses on facilitation and consultation in view of the shared interest in dairy development. Many variations in between these two can also be noted in the region. It is also interesting to note that India, the largest dairy producing nation in the region, is now considering the path of privatisation of milk co-operatives as companies, while possibly maintaining a social function.

Experiences with institutions

NDDDB India, was born of Operation Flood. Essentially milk powder and butter oil was donated free of charge, recombined and sold on the local market with returns being invested in national dairy development. Since modest beginnings in the early 1970's India is now the largest liquid milk producer in the world (cow and buffalo milk) with almost 100 million MT produced in 2007. The success of this huge monetization programme was due to targeted and effective investment, management and organization.

There is also a huge diversity in terms of volume and experience in the region, e.g., in The Philippines, the National Dairy Authority, has a fledgling but steadily growing dairy sector. Other examples include Pakistan, which has a Livestock and Dairy Development Board (MoA) and also Dairy Pakistan which takes up a new role in the private sector. Mongolia, recently had a national dairy sector revitalization programme, a new dairy act in 2006, made possible through high gov'n priority being accorded to dairy development, investments and promoting public-private partnerships.

In China, dairy development is reported to be private led with large government and donor support to reduce dependence on expensive milk and dairy product imports. In recent years there have been extensive cow imports. There have been mixed experiences with varied production, collection and processing systems, significant problems reported in milk quality, milk price and farmers returns on milk production.

Key lessons learned include:

- the need for market orientation, global, regional and national
- examples of failures in dairy institutions, due to lack of consistent policy, poor governance, lack of relevant regulation and transparency
- need for stakeholder consultation and involvement in dairy strategy development
- government role in creating a facilitating investment and interest including tailored national institutions

Resources needed

- investment funding - infrastructure and institutions
- Seed funding is often needed in the early setup of dairy institutions and then also in the recurring funding – institutions/service providers. Ideally this level of funding should however be time bound.

One approach which FAO promotes is the stepwise **Market-Oriented Dairy Enterprise (MODE)** approach. Three basic steps can be considered for milk producer groups:

- **Step 1:** Groups are set up and operational, with progressive and increasing collective activity
- **Step 2:** A low level of activities are recorded with limited returns. Following a period of time and with their expanded perspectives and understanding of market opportunities and acceptance of a low risk level of activity, the group may decide to build up their capacity to expand.
- **Step 3:** A market oriented approach is adopted and a successful enterprise put in place. groups become organised as an enterprise entity or group, expand and consolidate their activities and should also be able to show that they have regular dairy based activities generating a profit which provides regular incomes to their members.

Conclusions

- dairy institutions can have a key role to play
- tailoring to national policy framework and field reality is required
- good organizational structure and governance is essential
- national strategies to take account of informal markets – food security
- public-private partnerships opportunities will grow and should be exploited
- annual enterprise auditing is critical
- knowledge sharing needed at multiple levels

Strategic planning for dairy development.

To be successful the three below factors can be used as a guide for improving smallholder market access.

- To be market based;
- economically viable;
- and environmentally sustainable.