

Dairy Industry Development Strategy

(2020-2024)



Prepared by Eswatini Dairy Board (EDB)

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Introduction

“Milk for life”

There is not a shadow of a doubt that milk is filled with essential nutrients such as protein, carbohydrates, vitamins, minerals and fat. These nutrients are not only beneficial for human body but can also promote heart health. It is evident that milk has a miracle formula. Beyond these nutritional richness, milk and dairy products have quite an important role with the perspective of wealth and prosperity for any society. A sustainable dairy business in both farm and industrial level can create profitable and sustainable business spaces. While up to one billion people are living on dairy farms worldwide, there are even more from the viewpoint of all value chain of dairy sector and other dairy-related activities. In this respect, dairying plays a major role within the context of economic growth in many communities, regions and countries across the globe.

1. Historical Background of Dairy Industry

Organised dairying in Eswatini began in the late 1930's. It was originally centered on a private dairy in Manzini which bought cream for butter from a network of depots collecting milk from smallholder beef herds along the Manzini-Siteki road mainly. Progress was steady and by 1960 around 5.7 million litres of liquid milk equivalents (LME's) were being collected from some 4,300 smallholder farmers and a few larger farms. The butter factory in Manzini later closed down in 1970 due to various reasons. Towards the end of the 1960's, Swaziland Dairies, a private dairy in Mbabane started marketing pasteurized milk purchased locally and from the Republic of South Africa (RSA). Imported raw milk from RSA accounted for 75% of total milk processed by the plant and the rest was supplied mainly by local Title Deed farmers. In 1972 the company imported about 1.3 million litres of milk from the Republic of South Africa to top up about half a million litres produced locally mainly by Title Deed Farmers.

In 1968 the Dairy Act no.28 of 1968 was proclaimed and soon afterwards the Swaziland Dairy Board was established in 1971 to develop and regulate the dairy industry. By the early 1970's the Board launched a project to change cream production to milk

production which was collected and delivered to the dairy plant in Mbabane. The change was successful and the milk was of fair quality for processing purposes. However, in 1974 Swaziland Dairies was liquidated for various reasons and the Swaziland Dairy Board jumped to the rescue of the dairy industry by purchasing it so that milk producers would continue to have a market where they would sell their milk. Thus the Board incidentally became involved in commercial operations and continued to collect milk from the Lowveld in the seventies and early eighties until January 1984 when the collection was discontinued due to economic reasons.

The involvement of the Eswatini Dairy Board culminated in the establishment of a new central dairy plant at Matsapha which dominated the formal market until 1999 when the facility was leased to Parmalat Swaziland. At the time of hand over to Parmalat the plant was handling some 10.5 million litres of liquid milk equivalent per annum out of which 60% was imported mainly from the Republic of South Africa. The industry has continued to evolve over the years as milk consumption, taste and demand increased from locals and various products had to be produced from the plant in Matsapha.

Domestic production has also increased to capacity of the processing plant to date. The evolution and performance of the dairy industry is strongly shaped by the following key factors.

- Favourable endowment of natural resources for dairy production.
- On-going pursuit for innovation and technological improvement by stakeholders.
- Organised and active regulation of the dairy industry by EDB
- Access to the formal market for farmers and international markets for processors and traders.
- Stakeholder coordination by EDB and active value chain.

2. The Dairy Industry in Eswatini

Global Key fact: The global dairy sector produces approximately 800 billion litres of dairy nutrition and through 240 million jobs, including 150 million farms and smallholding directly support the livelihoods of up to 1 billion people.

Every day, billions of people around the world consume high quality protein, calcium and other key nutrients from milk and dairy products. Hundreds of millions depend on the dairy sector for their livelihoods as farmers, processors, suppliers or traders. The local dairy industry has seen positive growth from the previous years in milk production.

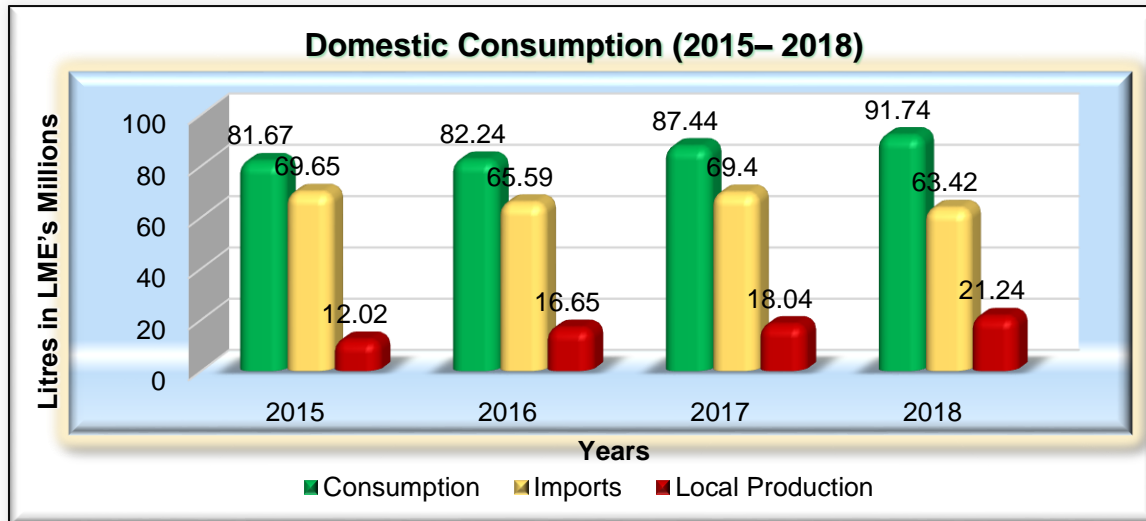
The key strengths of dairy industry in Eswatini include its farming system, small, medium and large-scale processing and high levels of investment in dairy development, which have increased the efficiency while maintaining the quality of dairy production, as well as creative marketing strategies.

Dairy industry makes a large and growing contribution to the economy in Eswatini. The local dairy industry is lucrative in nature presenting a number of investment opportunities for both domestic and foreign investment. Eswatini is among the African countries with a high consumption per capita of dairy products (~90Lt/Capita/Annum) which present enormous investment opportunities in the locally dairy industry. The country also has a comparative advantage in agriculture with good climatic conditions and access to both regional and international export markets. The local dairy industry is lucrative in nature presenting a number of investment opportunities for both domestic and foreign investment.

2.1 Production, manufacturing and trade

Consumption of dairy products is currently estimated to be 91.56 million litres (LME's) as of 2018, about 82.3 % percent of the dairy products consumed in the country come through imports and the remainder is produced locally. Domestic production continues to fall short of the rising demand for dairy products in the country, however domestic production increasing over the last 5 years and is currently at 21.24 million litres in 2018 compared to 18.04 million litres in 2017 and 10.64 million litres in 2014. Dairy imports decreased from 65.59 million litres in 2017 to 63.42 million litres in 2018. The 2018 monetary value of all dairy products consumed in the country is approximately 630 million Emalangeni compared to 550 million in 2017.

Figure 1: Domestic Consumption (2015 – 2018)



The most imported dairy and dairy related products included; Ultra Heat Treatment (UHT) milk, margarine, emasi and yoghurts. The decrease in milk imports is due to the increase in local manufacturing of products from processors such as emasi. The country exports yoghurt and dairy juice to countries such as Mozambique and Botswana with the potential of exporting to the continent and beyond.

2.2 Key Players in the industry

The dairy industry consists of a number of industry role-players that include farmers, financiers, processors, distributors, traders, retailers, and consumers. In addition, there are also importers and transistors of dairy products. Therefore, it is of paramount importance that the industry strategy must be implemented at all levels, ranging from farm system upgrades to adjustments in government regulations.

2.2.1 The role of Government

The Eswatini Government shares an interest of achieving food security, poverty alleviation, investment promotion and import substitution. The dairy industry is considered a key sector in achieving these achievements and thus government provides a supportive socio-economic environment for development of the dairy industry.

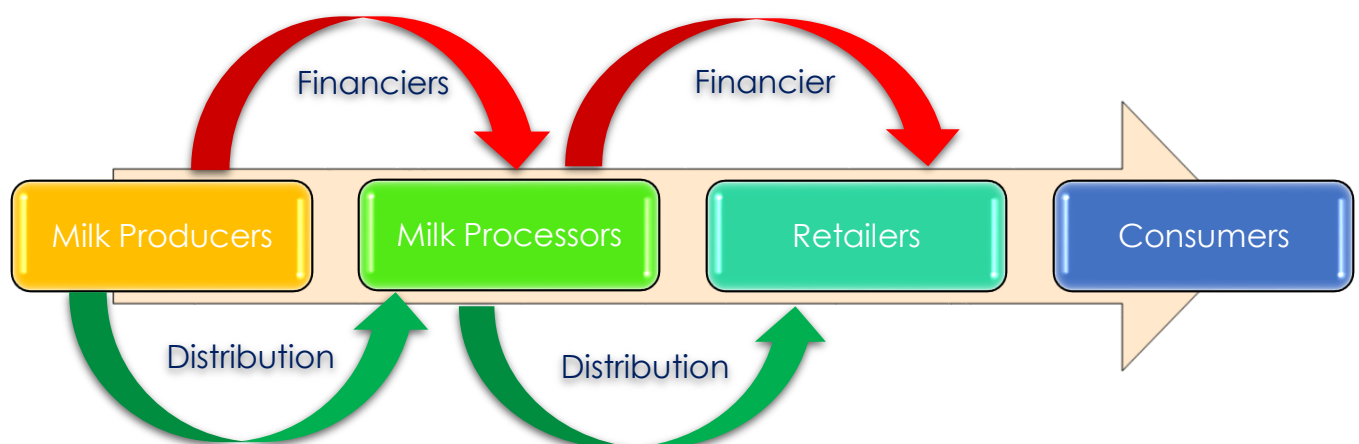
The government through the Dairy Act No. 28 of 1968 established of the Eswatini Dairy Board with the interest of safeguarding the industry through organized regulation and

technical advancement. The Board's primary function is to develop and regulate the dairy industry. The Board, in line with her mandate to develop and regulate the local dairy industry, directed efforts on the sustainable dairy development and creating an enabling environment for the establishment, development and expansion of dairy and dairy related businesses.

2.2.2 Processing Companies

Parmalat (Lactalis) is currently the largest processor in the industry, and produces five products sold locally and regionally, these include Dairy Juice, Emasi, Yoghurt, Fresh Milk and Cream. Parmalat's milk is produced and sourced from local farmers and imports shortfalls from South Africa. There are other small and medium processing companies such as Masundwvini dairy, that are involved in the industry and also source milk from local farmers with a possibility of importing shortfalls as they expand their processing and marketing potential. A new processing plant is constructed by the EDB to upscale import substitution, increase product lines processed in the country, international trade and restructuring of the dairy industry.

Figure 1: The Eswatini Dairy Value Chain



4.0 Legislative Development

Finalization of the amended dairy regulations will play a pivotal role in the development and modernization of the dairy industry in the country. The regulations will further enhance evolution of the industry structure and facilitate growth.

5.0 Development/ dynamics

The dairy industry performance has been relatively well in the past few decades; however, this has not been without various challenges. The industry has had to employ various strategies to mitigate these challenges for it to continue its development and thus has key success factors involved in this regard. Various strategies have also been proposed and developed with the aim to further advance the industry into one of the leading industries in the Continent.

5.1 Key Success Factors

A number of key success factors have been identified for the development of the dairy industry. The success factors are as follows;

- Continuing technological advancement throughout the whole value chain
- Successful development of an internationally appealing investment environment.
- Political support in quest for investments in the industry.
- Political support in international markets.
- The evolution of industry structure to facilitate growth
- Farmer Stakeholders' engagement in the development of industry policy, strategy, structure and operation.
- Effective extension and information transfer among stakeholders.
- Development of economies of scale throughout the whole value chain.
- EDB to play an active role in advising and guiding the dairy industry stakeholders and facilitate in the gathering and dissemination of information
- Effective utilisation of internet services such as websites, e-mails and other means for rapid information dissemination

- Effective development and utilisation of milk collection centres
- National and Regional promotion of small, medium and large dairy processing plants
- Effective education and training of dairy industry workers and shareholders
- Harmonization of all dairy import, transit and export permits for ease and efficiency in the permits system (create a one stop shop for dairy permits)
- Harmonization of all dairy and dairy related legislations and policies
- Major Disease-free status of national herd.

6.0 Current and Future Challenges to Eswatini Dairy Industry

In its development, the industry has faced various challenges and barriers in which they affected finance, production, processing, trade, industry regulation and the overall growth of the industry. These include

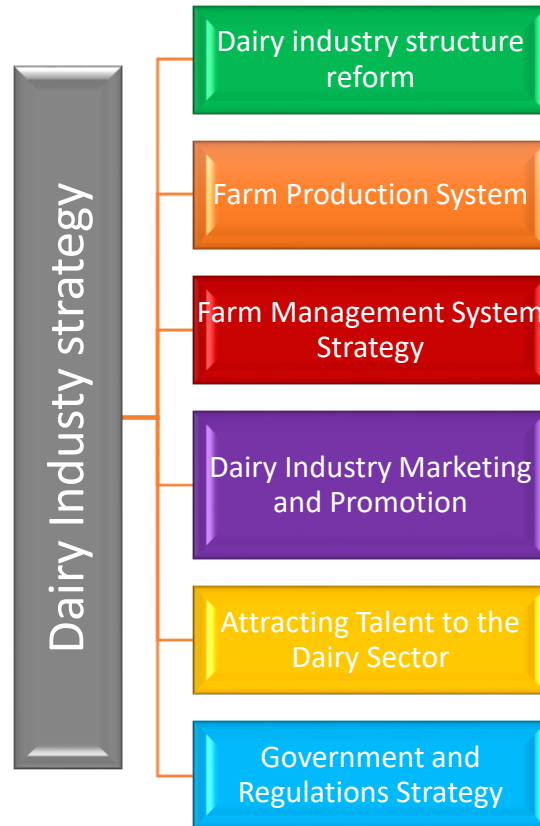
- Drought Challenges
- High Milk Production Costs
- Poor communication from Government to stakeholders
- Conflicting mandates of regulatory agencies
- Lack of transparency and operational guidelines from the Department of Veterinary Services
- Delays in the finalization of amended dairy regulations
- Lack of a dairy development and trade promotion policy
- Minimal protection of the local industry from imports
- Lack of dairy quarantine centres
- Poor animal health services
- Reliance on imports for raw materials in the whole value chain
- Few dairy products processed in the country compared to imports

7.0 Dairy Industry Strategies

A number of strategies that aim to improve the dairy industry through effective and relevant production and management systems, human resource development, dairy

marketing and promotion and relevant government regulations are presented. These strategies are briefly summarized as the following:

Figure 3: Dairy Industry Development Strategies



i. Dairy industry structure reform

The dairy industry structure reform involves the introduction of new and influential players in the industry that can bring about effective economic change and industry dynamics. This strategy involves the establishment of large dairy farms which can boost production volumes and quality and further attract investments into manufacturing and processing within the industry. Large volumes of milk production is central to evolving the industry into import substitution and export promotion. The establishment of other small, medium and large processing plants is also key in changing the dynamics of the industry.

ii. Farm Production System

Our dairy industry is focusing on investing in increasing adoption of existing beneficial dairy technologies and developing new techniques to increase productivity and

production from forage, potential feed conversion efficiency, cow functionality and resource use efficiency.

The industry is also focusing on conducting farm research to analyse and address farm challenges involved in farm health, management and farm profitability. The implementation of business and production targeted extension services is also key in enterprise development. Effective dairying is achieved through creating industry networks and building capability in all parts of the industry.

Finally, effective communication needs to be in place between government and dairy farms and other stakeholders in the value chain in order to test the effectiveness of government policy initiatives.

iii. Farm Management Systems Strategy

Ensuring that farm managers have the business skills to identify their goals and implement their plans could enhance dairy farm management. Farm managers' capabilities could be improved through appropriate education, research, on-farm training, establishing high-quality information sources and ensuring that dairy businesses have access to improved methods and tools that could support farm management. To ensure capacity building, develop a graduate trainee program in collaboration with dairy farms and processors and furthermore collaborate with youth agencies and Tinkhundla Centres in empowering young people in dairy entrepreneurship skills.

iv. Dairy industry marketing and promotion

This strategy is mainly focused on increasing the range of products manufactured locally which may include UHT, cheese, ice cream, butter, powdered milk and others. This can be done through attracting investments and promoting dairy processing in the industry and provide a business model that is focused on trade issues and the needs of the two ends of the value chain – the consumer and the farmer.

Other strategies include the formation of stakeholder task team which will be focused on promoting dairy throughout the broader community to develop good will and awareness about the benefits of dairy.

Creating a dairy promotion forum to facilitate Dairy seminars and presentation of dairy research papers to stakeholders.

Promote campaigns throughout the value chain that will create awareness about the benefits of dairy. These may include the following;

- Annual Dairy Month,
- Dairy farmer of the year,
- Artificial inseminator of the year
- Milk collection centre of the year
- Dairy farmer's group of the year
- Dairy processor of the year,
- Annual dairy shows,
- Annual dairy products testing festivals,
- Dairy product of the year
- Buy Local Dairy Products Campaign.

Creation of dairy disaster management committee to advice on trade, production and processing issues, and rapidly disseminate information to relevant stakeholders.

v. **Attracting Talents in the Dairy Sector**

The industry will promote dairy careers to school-leavers, tertiary students and early career change individuals through ensuring that people in the industry are fully informed of career and business opportunities in dairy, and know how to access these opportunities. Also, it is important to promote the schools' dairy projects and school feeding programs to ensure pupils learn about dairy and its benefits while at school.

On-farm innovations are encouraged to improve the work environment. In addition, dairy people's careers could be developed through ensuring that high-quality training services, leadership programmes and mentoring or coaching programmes are in place.

vi. **Governments and Regulations Strategies**

In terms of regulations, relevant government departments and agencies should ensure that all plans and policies relating to land use, resource availability, animal health issues, trade and quality control, economic and social principles are developed to create an enabling environment for the industry rather than to frustrate plans and operations.

Benchmarks and targets for increasing resource efficiency and guiding good practice by stakeholders should be established.

This goal seeks to ensure our dairy industry is progressive across all segments of the supply chain, this includes harmonization of all dairy imports and export permits (one-stop shop) for ease and efficiency in the permits system.

This goal also focuses on smooth operations and engagement with stakeholders for the industry to thrive.

It is important that the above is achieved through involving, working and negotiating with dairy stakeholders to develop regulations that would maximize the effectiveness of the industry performance rather than hinder such practices.