



OVERVIEW OF THE DAIRY INDUSTRY IN ESWATINI

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ESWATINI DAIRY BOARD



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1. INTRODUCTION

Agricultural production remains a key economic activity that augments economic development capital formation and structural transformation in developing countries. The Kingdom of Eswatini's agricultural scene has been shifting its methods towards a more advanced and market driven approach as it undergoes a structural transformation. As the country seeks to be more competitive against international markets, productivity growth and technical efficiency are pivotal to tackle the pressures of this market. To cope with the accelerated agricultural transformation, role-players such as farmers and processors need knowledge and skills to adopt new technology, which can enhance their technical efficiency with the changing economic environments.

The Kingdom of Eswatini, like other developing countries has been in constant pursuit of food security, job creation, self-sufficiency, investment promotion and poverty alleviation. Agriculture plays a major role in addressing these issues and driving developing countries towards self-sufficiency and poverty reduction. As the poverty and unemployment levels continue to increase, it remains essential that the country continues to support and strengthen its national, regional and local agricultural development policies and initiatives.

The country has recently developed a national strategic roadmap (2019-2022) that clearly identifies agriculture as a priority area for accelerated economic development and poverty reduction. The roadmap has a goal to grow the economy and improve the living standards of citizens and further promote gender equality and ensure environmental sustainability and development of a global partnership for development.

Government's development initiatives have been aimed at increasing the sectors' competitive edge and productivity.

Development and regulation of the local dairy industry is mandated to Eswatini Dairy Board who has developed and implemented a number of development initiatives aimed at improving the dairy sector's performance and overall contribution to the agricultural sector and the



country's economy. These initiatives were further aimed at building strong relationships with industry stakeholders thus strengthening value chain development.

1.1. ESWATINI DAIRY BOARD

Eswatini Dairy Board (EDB) is a public enterprise wholly owned by Eswatini Government. It was established in 1971 under the Dairy Act No. 28 of 1968. As provided in the Act, the Board's primary function is to develop and regulate the dairy industry. EDB complements the Government's efforts through the provision of a supportive socio-economic environment for the development of the dairy industry.

The Board's core business is to provide developmental and regulatory services to the dairy industry from a neutral position. EDB undertakes its mandate in line with Government's goals of poverty reduction, food security, job creation, investment promotion and export promotion. As part of its mandatory objective and in line with government's strategic road map, the board is expected to coordinate, harmonize and regulate the activities of all stakeholders in a cost-effective manner, and to ensure that investments and efficiency are achieved in all segments of the dairy value chain.

The Board is also a custodian to dairy statistics including its collection, analysis and dissemination to stakeholders. The overall objective is to achieve and maintain food security in dairy products. The Board also protects the interests of consumers by enforcing health and quality standards. The Board also ensures that all industry players receive various support services such as technical advice, project appraisal, advice on appropriate infrastructural developments and training.

HISTORICAL BACKGROUND OF THE DAIRY INDUSTRY IN ESWATINI

Organised dairying in the country started in the late 1930's. It was originally centered on a private dairy in Manzini buying cream from a network of depots collecting milk from smallholder indigenous 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 closed down



in 1970 and a new dairy plant was set up in Mbabane. Eswatini Dairies, a private dairy in Mbabane started marketing pasteurized milk purchased locally and from the Republic of South Africa (RSA) from the early 1970s.

In 1968 the Dairy Act no.28 of 1968 was proclaimed and soon afterwards the Eswatini Dairy Board was established in 1971 to develop and regulate the dairy industry. By the early 1970's the Board launched a project to process cream and fresh milk which were collected and delivered to the dairy plant in Mbabane. However, in 1974 Eswatini Dairies was liquidated and the Eswatini Dairy Board quickly 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 became involved in commercial operations and continued to collect milk from the farmers for processing.

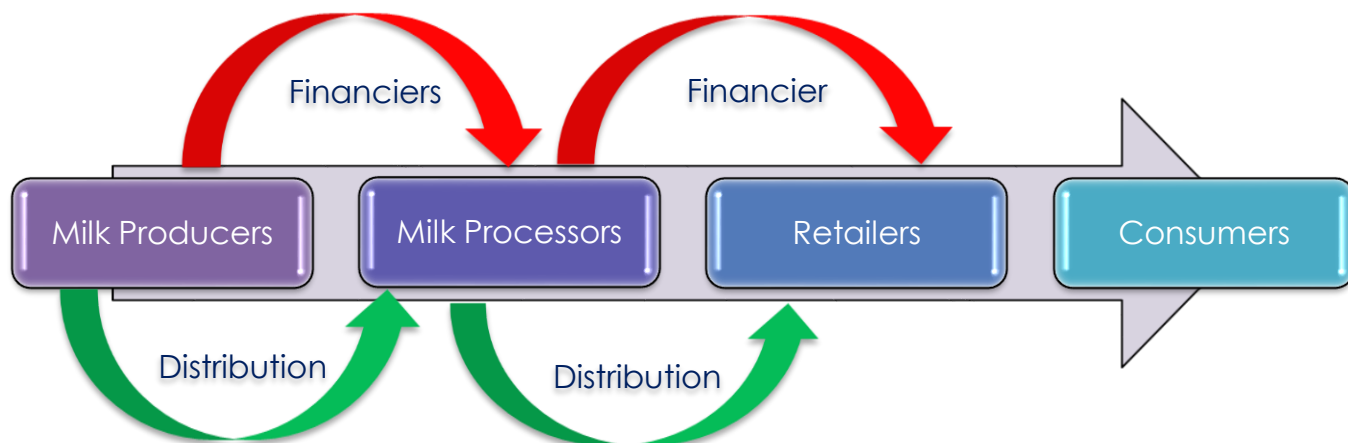
The involvement of the Eswatini Dairy Board culminated in the establishment of a new central dairy plant at Matsapha which dominated the formal market until 1999 when the facility was leased to Parmalat Eswatini. At the time of hand over to Parmalat the plant was handling some 10.5 million litres of liquid milk equivalent per annum.

INDUSTRY SITUATIONAL OVERVIEW

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. The country 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. Despite the high consumption per capita, the country remains a net importer of dairy products with approximately over 80% of local consumed dairy products imported mainly from the Republic of South Africa (RSA). The products with a huge local demand are UHT milk, Yoghurt, cheese, Emasi (sour milk), fresh milk, dairy juices and baby formula.



Figure 1: The Eswatini Dairy Value Chain

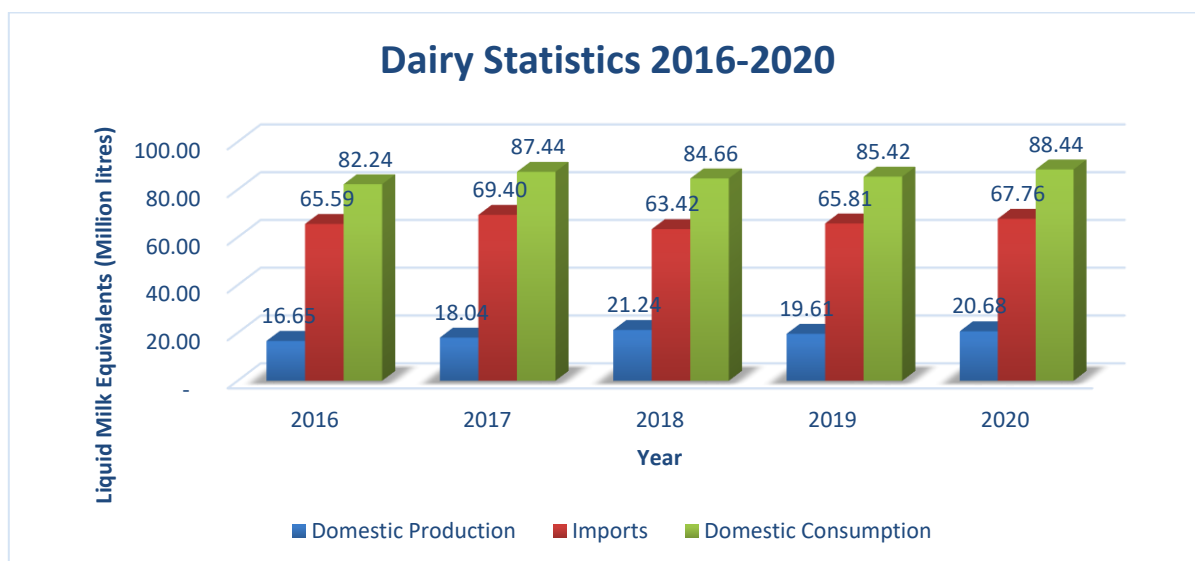


The dairy industry in Eswatini consists of a number of industry role-players which includes farmers (smallholder, medium and large-scale dairy farmers), processors, distributors, retailers, and consumers. In addition, there are also importers, exporters and transistors of dairy products.

3.1 MANUFACTURING AND TRADE

Consumption of dairy products is currently estimated to be 88.44 million litres (LME's) as of 2020, about 76.6 % 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 20.68 million litres in 2020 which represents 23.4% of total consumption. The dairy imports recorded in 2020 stood at 67.76 million litres (Liquid Milk Equivalents) compared to 65.81 million litres in 2019.

Figure 2: Consumption of milk in Eswatini (In Liquid Milk Equivalents – (LME))



The graph above shows the discrepancy between the supply and demand of milk in the country due to the ever increasing consumption of milk and milk products. The board's strategic initiatives are therefore tailored towards closing this gap and increasing the production capacity of milk within the country.

Table 1: Value of Eswatini Dairy Imports (2016 – 2020)

Year	Import Qty Kg/L (Mil)	Import Value (E) (Mil)
2016	65.59	328.83
2017	69.40	364.21
2018	63.42	455.84
2019	65.81	486.52
2020	67.76	499.10

The value of imported dairy products increased again in the year 2020 (E 499.10m) by over 2.5% compared to 2019 (E 486.52m). The increase in value is attributed to import price increase and shifting consumption pattern of dairy products towards high value products like



cheese, yoghurt, dairy juices etc. this is also indicative of the lucrative nature of the local dairy market that is yet to be exploited by investors coming into the industry.

Dairy Imports Statistics -2020

Dairy Imports 2020			
PRODUCTS	Quantity (Kg/L)	Conversion Factor	LMEs
Baby Formula	500,346.18	7.6	3,802,630.97
Butter	21,985.22	6.6	145,102.45
Buttermilk	258.00	1.9	490.20
Buttermilk Powder	25,000.00	7.6	190,000.00
Cheese	599,231.67	4.4	2,636,619.35
Condensed Milk	5,661.70	1.9	10,757.23
Cream	62,808.46	8	502,467.68
Creamers	613,358.33	2	1,226,716.66
Custard	447,080.69	2.1	938,869.45
Caramel	6.00	2	12.00
Dairy Juices	-	0	-
Dairy Blends	8,950.00	7.6	68,020.00
Emasi (Sour Milk)	2,925,676.96	1	2,925,676.96
Flavoured milk	48,889.00	1.7	83,111.30
Fresh milk	159,710.67	1	159,710.67
Full cream milk powder (F)	98,447.18	7.6	748,198.57
Full Cream Milk Powder (P)	15,000.00	7.6	114,000.00
Goats Milk UHT	-	0	-
Goats Milk Powder	-		-
Honey (Natural)	50,288.40		-
Honey (Artificial)	6,280.00		-
Ice Cream	619,019.59	1.7	1,052,333.30
Milk Substitutes	27,864.38	2.1	58,515.20
Margarine	1,709,121.44	1	1,709,121.44
Raw Milk	-	1	-
Pasturised Milk (Bulk)	899,000.00	1	899,000.00



Skim Milk UHT	8,100.00	1	8,100.00
Skim milk powder (F)	5,132.00	7.6	39,003.20
Skim Milk Powder (P)	31,866.00	7.6	242,181.60
Soya Milk	12,419.50	1	12,419.50
UHT Milk	14,527,616.22	1	14,527,616.22
Whey powder (F)	-	7.6	-
Whey powder (P)	183,588.60	7.6	1,395,273.36
Yoghurt	4,631,511.64	7.4	34,273,186.14
Total			

Table 2: Locally Produced vs Imported Dairy Products Quantities

Locally produced vs Imported Dairy Products Quantities				
YEAR	2019		2020	
	Local	Imports	Local	Imports
Emasi (sour milk)	6,938,153	2,162,857	7,978,875	2,925,676.96
Fresh milk	236,852	353,571	265,275	159,710
Fresh cream	5,412	93,032	5,844	62,808
Yoghurt	1,822,983	2,395,873	2,114,660	4,631,511
Dairy juice	1,050,270	-	1,207,810	-

The local dairy market still has a lot of potential which needs to be exploited, as the table above demonstrates Emasi (sour milk) one of the main products produced locally. Emasi are



also imported in high quantity which demonstrates the availability of a market that is yet to be exploited.

Table 2: Value of Locally Produced Dairy Products (2019 – 2020)

Product Name	Quantity (kg/L)/Emalangenani			
	Year 2019	Value Millions (E)	Year 2020	Value millions (E)
Dairy Juice	1,050,270	14,693,277	1,207,810	16,897,261
Emasi	6,938,153	69,312,214	7,978,875	78,591,918
Fresh Cream	5,412	248,952	5,844	268,824
Fresh Milk	236,852	2,723,798	265,275	3,101,064
Yoghurt	1,822,983	25,503,532	2,114,660	30,662,570

Table 3: Average 1Litre UHT retail prices from the year (2020)

Year	Product W	Product X	Product Y	Product Z	Average
2020	~11.99	~13.99	~16.99	~14.99	~14.24

The average price of 1Litre UHT milk is at E14.24 at local retailers.

Table 4: Average 2Litre emasi (sour milk) retail prices for the year 2020 in (2L)

Year	Product V	Product W	Product X	Product Y	Product Z	Average
2020	~21.99	~21.99	~25.99	~32.99	~32.99	~27.19



3.1 Dairy Development Services

To improve and develop dairy farming within the industry, the board provides dairy development services to farmers, these include extension services, farmer support initiatives, farmer training and advisory services, resource assessment for starting dairy farmers, forage production and conservation, pasture establishment and management, facilitate in the procurement of dairy cattle for farmers, artificial insemination (A.I), formation of farmer groups; coordination of activities for farmer groups, milk collection centres and management of communal milk collection centers.

3.2 MILK PRODUCTION

Milk production, geographically is mainly concentrated around high and medium rainfall areas (Manzini and Hhohho) whereas minimal to moderate production takes place in low rainfall areas such as Shiselweni and Lubombo. A number of producers are small scale operators and the average number of animals kept per farmer ranged between four and five (Refer to table below). Given the Kingdom of Eswatini's climatic and agro-ecological characteristics, the most preferred and suitable dairy cattle breeds are the Jersey, Holstein Friesland, the cross breed (Jersey and Holstein cross) and indigenous breeds. Small-scale dairy farmers produce an average of 10 - 12 liters of milk per cow day whereas medium and large-scale famers produce an average of 12 - 18 liters per cow per day. The country has recently embarked on dairy goats' production and milking.

Table 5: Local Dairy Farmer Population (Year 2016 – 2020)

Local dairy population (Number of Farmers)					
Classification	YEAR				
	2016	2017	2018	2019	2020
Small scale farmers (1-10 animals)	644	712	682	685	679
Medium scale farmers (11-50 animals)	72	61	58	52	47
Large scale farmers (51 and above)	11	9	9	10	10



Total	727	782	749	747	736
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A bulk of the exotic cattle in the country are imported from neighbouring countries as Eswatini has limited capacity to carry out intensive dairy cattle breeding locally. The board actively promotes investment in all the categories of the farmers.

Table 6: Dairy Cattle Population in Eswatini

Year	2016	2017	2018	2019	2020
Number of Dairy Cows	6276	6321	6685	5477	5543

Table 7. Dairy Cows Population in Eswatini 2020

Number of Cows	2020	%	Production (Litres)	Total Value of Cows in (E)
Small scale Farmers	1 857	33.51%	5 798 871	~ 30,640,500
Medium scale Farmers	1 440	25.97%	5 877 486	~ 23,760,000
Large Scale Farmers	2 250	40.60%	9 011 731	~ 37,125,000
Total	5 543	100.00%	20 688 089	91, 525,500

The total herd of dairy cows in the country was 5543 which had an estimated value of E 91,525,500.00 which is only inclusive of lactating herd, dry herd and dairy heifers. The large-scale farmers produce the highest volume of milk in the year, which was mostly sold to the



local processors and investment in large scale dairy farms is promoted for self-sufficiency, import substitution, technology and skills transfer, economic growth and development

Table 8: Value of the Scales of Dairy Production in the country

Classification	2020	Estimated Value of Establishing Farm (E)	Average Recurrent Costs (Yr.)	Total Value of Industry (E)
Small scale farmers(1-10 cows)	679	245,205	106,289	238, 664,426
Medium scale farmers (11-50 cows)	47	1 ,378,203	720,312	98, 630,205
Large scale farmers (51-above cows)	10	3, 759,263	829,528	45, 887,910
Total	736			383,182,541

3.3 DAIRY MARKETING AND DISTRIBUTION

The dairy marketing and distribution network in Eswatini classifies into two key markets which include the formal and informal markets. The formal marketing channel in Eswatini is characterised by large, medium to smaller processing plants and units. The dairy manufacturers in the formal market produce five milk products which are sold locally and exported, these include fresh milk, dairy juice, yoghurt, cream and Emasi (sour milk). Milk is sourced from local farmers and imports shortfalls from the neighbouring country.

The dairy industry is comprised of the formal and informal market. Over the last 10 years the formal market price per litre has ranged between E 4.75 to E5.80 being the highest, the prices are relatively competitive compared to the neighbouring countries. However, the informal market is not always reliable and most farmers incur losses as a result of perishability.



Given the fact that milk is a high perishable product, it is therefore imperative that the local farmers be capacitated on milk collection centres and value addition skills. A majority of local small holder farmers sell their milk through informal market channels. This indicates that there is a huge investment opportunity for milk collection centres and value addition in the industry. Amongst other potential products with a huge local demand are UHT milk, cheese, milk powders, baby formula and many more.

Table 9: Producer Price in formal and informal markets (2016 – 2020)

Year	A.v Formal Market Price (E/L)	Av. Price Informal (E/L)
2016	5.00	9.50
2017	5.15	10.00
2018	5.00	11.00
2019	5.35	11.00
2020	5.35	11.50

a) Dairy Products on Transit

Dairy products from the Republic of South Africa pass through the country on transit to Mozambique. This shows that there is a potential for the country to produce dairy products and sell to our neighbours. The products include full cream milk powder, whey powder, and UHT milk.

Table 12: Production Potential Projections (2018 -2022)

	2021	2022	2023	2024	2025
Projected Domestic Consumption	88.15	91.18	93.58	97.28	102.47
Projected Domestic Production	21.65	27.98	33.54	40.25	48.30
Projected Imports	66.5	63.2	60.04	57.03	54.17
Projected Milking Herd	7,464	8,957	10,748	12,897	15,476



Projected Opportunities	Job	1,866	2,239	2,686	3,223	3,867
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With a robust investment in the dairy sector the projected figures particularly projected import figures may decline with a significant increase in projected domestic production and job opportunities.

Table 13: The total industry value in 2020 is calculated in the table below:

Industry Specifics	Value in million (E)
Dairy imports ~ 67Million(M)L in LME	499.10
Local Production ~20Million(M) in LME	175.78
Dairy Farm Establishments~ 736 Farmers	383.18
Dairy Processing ~Local products	247.92
Total	1, 305.98

The dairy industry in the country when calculated thus, is worth over E1 billion emalangenzi (\$ 865m), this is inclusive of the values of imports, local milk produced, dairy farm establishments, and value of dairy products processed on the country.

3.4 INDIGENOUS CATTLE MILK COLLECTION CENTRES

In an endeavor to stimulate local milk production and dairy farming at grass root level, the Board has continued to support the Indigenous dairying initiative to encourage farmers to venture into dairy farming as an enterprise. Milk cooling tanks belonging to EDB are distributed to community milk collection centres after complying with milk collection centres' requirements as stipulated by the board. Farmers milk their indigenous herd and take the milk to the collection centre for sale. The milk is then stored and sold in bulk to the dairy processors or processed to mainly Emasi (sour milk) and sold to the neighbouring community. It is envisaged that this initiative will stimulate more milk production from the local indigenous and crossbred cows as farmers start reaping the benefits in the form of increased income from milk sales.



DAIRY INDUSTRY REGULATIONS

To ensure that the industry grows and remains sustainable, the Board has been constantly working with industry stakeholders in the development of the dairy industry regulations. The industry strives to be amongst the best global dairy industry through providing an enabling environment for all industry stakeholders to ensure continuous growth in the local industry. The aim of this initiative is to clearly articulate the industry best code of practices in an endeavour to protect all industry stakeholders and ensure future sustainability of the industry.

OPPORTUNITIES WITHIN THE DAIRY SECTOR AND VALUE CHAIN

The dairy sector in Eswatini presents a number of opportunities for farmers and investors to exploit in the dairy sector. As the industry continues to grow exponentially, various investment opportunities in all the stages of the value chain are exposed and yet to be exploited. Some of the key investment opportunities are detailed below:

- **Large Scale Dairy Farming** – Raw milk demand by local processors is way above the current supply by the local dairy farmers. This presents a significant market opportunity to venture into large scale farming as the milk market is guaranteed. There are various farms suitable for large scale dairying in the country which are available for lease or procurement.
- **Dairy Machinery, Materials and Equipment** – the country faces a significant lack of dairy farming and processing equipment as most are sourced from other countries at high prices. The country is yet to manufacture its own equipment and materials thus this opportunity is available for investing as the industry continues to grow.
- **Dairy Processing** – As the country continues to import large quantities of milk and milk products from neighbouring countries, it remains evident that the country is still unable to produce enough dairy products for itself. This therefore gives evidence to the opportunity to venture into milk processing in the country to tap into this lucrative market.



Other opportunities are available in feed manufacture, which include hay making and dairy feed manufacturing.

The industry boasts various investment opportunities and encourages investment into the industry.

INVESTMENT INTO THE ESWATINI DAIRY INDUSTRY.

The board continues on her strides to create an enabling and conducive environment for investors looking to venture in any stage of the dairy industry. The board fully supports and encourages both local and international investments into the industry as it strives for accelerated self-sufficiency, imports substitution, export promotion and to be competitive within the region. Investors are advised to follow the listed guidelines when investing in the industry:

- Produce a detailed business case on the type of business within the dairy industry that they may be interested in venturing.
- The business case should detail clear viability analysis.
- Foreign investors are further encouraged to where possible, partner with local dairy stakeholders involved in the line of business to ease market penetration and business establishment procedures, protocols and costs.