East Africa Dairy Development Project
Hub model
by

Dr. Allan Bisagaya
EADD II Production Coordinator

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Background

- Donors originally used a supply driven strategy to solve constraints in the market.
- Supply driven strategy was found to make beneficiaries worse-off and was creating a dependency syndrome.
- Supply driven strategy limited in; impact, sustainability, outreach and scope.
- Donor committee agreed to shift from supply driven to market development approach dubbed BDS.
- BDS (Business development services) refers to the wide range of services used by entrepreneurs to help them operate efficiently and grow their businesses.
- Business Development embraces the fields of business, commerce and organizational theory
- Business development is the creation of long-term value for an organization from customers; markets and relationships.
EADD Service delivery package

Dairy Hub model is built on 4 Pillars:
1) Organizing farmers & strengthening farmer organizations.
2) Linking farmers to improved affordable production technologies; AI, proper animal feeding, Animal health care.
3) Linking farmers to markets; Invest in a farmer managed Chilling Plant, Bulk marketing, support farmer groups to negotiate and sign milk supply contract with buyers.
4) Building the capacity of service providers and stimulating Business Development Services in the Dairy Producer Organizations.

...Milk for Health and Wealth...
How farmers pay for services through the business hub (check off system)
There are key success factors for ensuring that the benefits of a hub structure are achieved, most important being the scale of farmer participation.

### Benefits of Hub Structure

**Improved marketing power for farmers**
- Increase in selling price
- Access to developed markets

**Stabilized demand**
- Reduces waste (in wet season/evening milk)

**Access to a centralized market**
- Service providers can access a large segment of the market

**Improved productivity**
- Facilitates the credit provision to farmers which is a key enabler for providing services

### Key Factors for Success

- Mobilising enough farmers to ensure sufficient supply at collection centre
- Identifying potential markets to ensure competitive pricing

- Identifying and setting up an agreement with a market (e.g. processor) that has the capacity to buy the collected milk (regardless of time of year)
- Ensuring access to the collection centre to farmers at all times of day and year

- Ensuring accurate record keeping at CP or Coop to facilitate credit provision
- Mobilising enough farmers to join the Coop so that it can properly market the region to service providers

...Milk for Health and Wealth...
OTHER SUCCESS FACTORS FOR THE HUB MODEL

- Clearly separate the functions and roles of farmers (shareholders), the management committee or board and the business managers and staff at the hub.
- Public Private Partnerships facilitating the strong Management structure at PO
- EADD supported capacity building of Board of directors/Business managers in management and of Service Providers to offer quality services at competitive prices
- Continued engagement of Business Development Service Providers by Producer Organizations to ensure continued provision of efficient delivery of services at a fee.
Financing options/mechanisms
For the Hub Model

I. Check off for farmers using milk as collateral
II. Micro Finance Institutions/Banks-Loan facility for coolers, livestock and transport solutions & capacity building including micro-insurance
III. Pharmaceuticals-Credit facility to PO owned Agro Vets and Extension workers
IV. Local Government-Infrastructural investment (Roads, Coolers +Accessories, forage choppers)
V. Service & Input suppliers-Access & timely provision
VI. Milk quality services incentifying Producers based on premium pricing of milk
Examples of success

- POs establish milk supply relationships/contracts with major processors & milk traders

Over 80 M Liters (2009-June 2013)

$25 M (2009-June 2013)

Over 37% PO farmers active in aggregating milk

Total volume of milk of aggregated (2013 is up to June)
Example: Spillover impacts; Case of Kinyogoga site, Nakaseke District.

Table 3: Types of business in Kinyogoga

<table>
<thead>
<tr>
<th>Types of business in Kinyogoga</th>
<th># of businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restaurants (2)</td>
<td>2</td>
</tr>
<tr>
<td>Mobile Money</td>
<td>1</td>
</tr>
<tr>
<td>Motorcycle Garage</td>
<td>1</td>
</tr>
<tr>
<td>Clinic</td>
<td>1</td>
</tr>
<tr>
<td>Refreshment joint</td>
<td>1</td>
</tr>
<tr>
<td>Salon</td>
<td>1</td>
</tr>
<tr>
<td>Dry Cleaner</td>
<td>1</td>
</tr>
<tr>
<td>Butcher</td>
<td>1</td>
</tr>
<tr>
<td>Guesthouse with a bar</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10</strong></td>
</tr>
</tbody>
</table>

COMMENTS / QUESTIONS