

Eastern Dairies unites cooperatives and improves market

New business gets jump-start from USDA Food for Progress program

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Two years ago, 11 primary dairy cooperatives in Eastern Uganda faced challenges in marketing their members' milk; milk prices were low; demand for milk was volatile; and some buyers were unreliable in paying for deliveries. Acting independently, the cooperatives lacked the ability to mitigate the situation, resulting in insufficient household incomes for their more than 500 members, of which nearly 50 percent are women.

Recognizing its leveraging power, the Eastern Uganda Dairy Farmers and Breeders Association (EUDFBA), which represents the cooperatives, responded by forming a business arm to collect and market the milk under one name. Through assistance provided by Land O'Lakes under USDA's Food for Progress (FFP) program, the new company, Eastern Dairies, has since increased the household incomes of its farmers by more than 50 percent.



A Ugandan farmer delivers his milk to Eastern Dairies.

In October 2006, with assistance from Land O'Lakes, Eastern Dairies set up a 2,000-liter milk cooler, financed in part by a grant from FFP. During the new dairy's first year, the volume of milk collected from local smallholders and sold at the market in Mbale town quadrupled. Of the 70,000 liters of milk now produced each month by the 11 primary cooperatives, over 64,000 liters is bulked through a coordinated collection system and sold collectively through the new dairy's milk cooler located in Mbale town.

Eastern Dairies also implemented a rigorous quality assurance system. This system improved the results of a water adulteration test from an average lactometer reading of 22 to an average of 28, enabling Eastern Dairies to meet the milk quality standard set by the Uganda National Bureau of

Standards. The Dairy Development Authority has subsequently given Eastern Dairies the highest approval rating of all milk collection centers in the Mbale area.

With the modern accounting software that was installed in August 2007 and has since been supported through technical assistance from Land O'Lakes, the company has tracked its profitability. The price received by Eastern Dairies for bulked, chilled milk is 60 percent higher than what was previously received by the primary cooperatives for their milk. Nearly all of the financial benefits are passed directly to individual farmers, who now receive US\$ 0.31 per liter of milk, up from the US\$ 0.15 per liter previously received.

Eastern Dairies, which was launched two years ago with only one employee, now employs ten full-time workers. Local jobs have also been created by the input and service provider enterprises that have sprung up, including fodder production, extension services, and transport. The dairy now realizes an average monthly profit of over US\$ 3,000. To date, Eastern Dairies has reinvested profits and member contributions totaling US\$ 18,000 into the purchase of assets and an upgrade of the milk bulking center. It has also recently opened two new sales outlets, which sell over 15,000 liters of milk per month. The company looks forward to further growth as it now begins its third year of business.