The importance of informal dairy markets and their role in employment generation: Examples from sub-Saharan Africa and South Asia

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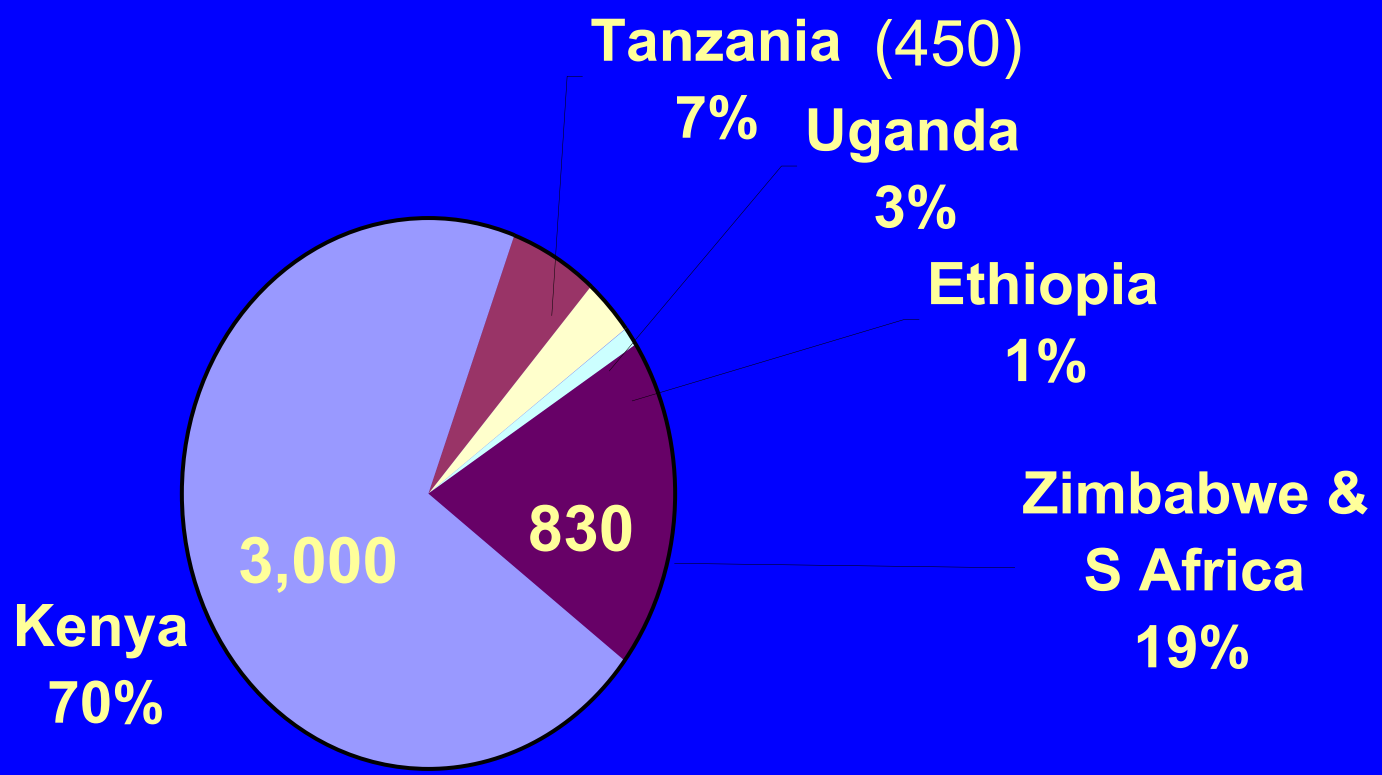
Presentation covers

- Acknowledged benefits of dairying
- Relative importance of dairying regionally
- Who is involved
- Why informal markets thrive
- Current trends
- Employment generation (FAO/ILRI Study)
- Future trends and challenges

Acknowledged benefits of dairying in developing countries

- Good returns compared to most traditional agricultural commodities
- Income generation for poor producers and market intermediaries through participation in processing and marketing
- Food security, good nutrition, poverty reduction and environmental protection

Dairy cattle population in eastern and southern Africa ('000)



Small scale production and collection systems dominate, except in Zimbabwe and S. Africa

Systems of marketing are heavily influenced by traditional consumption habits

- Mostly low-cost liquid or soured milk in East Africa
- Butter and soft cheeses common in Ethiopia, W. Africa
- Fermented and sweetened products common in S. Asia

Importance of informal dairy product traders

- They link producers and consumers in a cost effective way
- Farmers get higher prices
- Sell dairy products at lower prices to consumers
- Earnings/day by informal traders are higher (2-5 times the average labour costs or minimum wage in Kenya)

Current trends in dairy marketing

- Who is involved? Farmer groups, mobile/itinerant traders, assemblers, wholesalers, milk-bars, shops/kiosks, processors (traditional and “modern”)
- Value adding in terms of price can be as high as 80% of consumer price where milk is processed compared to 20 -50% if not processed
- Dominance of informal markets due to consumer reluctance to pay for “value-adding”

Current trends in dairy marketing (cont'd)
% of domestically produced milk sold informally

		Informal %	Coops %
SSA	Kenya	88	
	Tanzania	98	4
	Uganda	90	
S. Asia	India	83	6
	Sri Lanka	40	7
M. East	Syria	90	

Sources: ILRI Collaborative Research & FAO E-Conference

Employment generation in dairy marketing

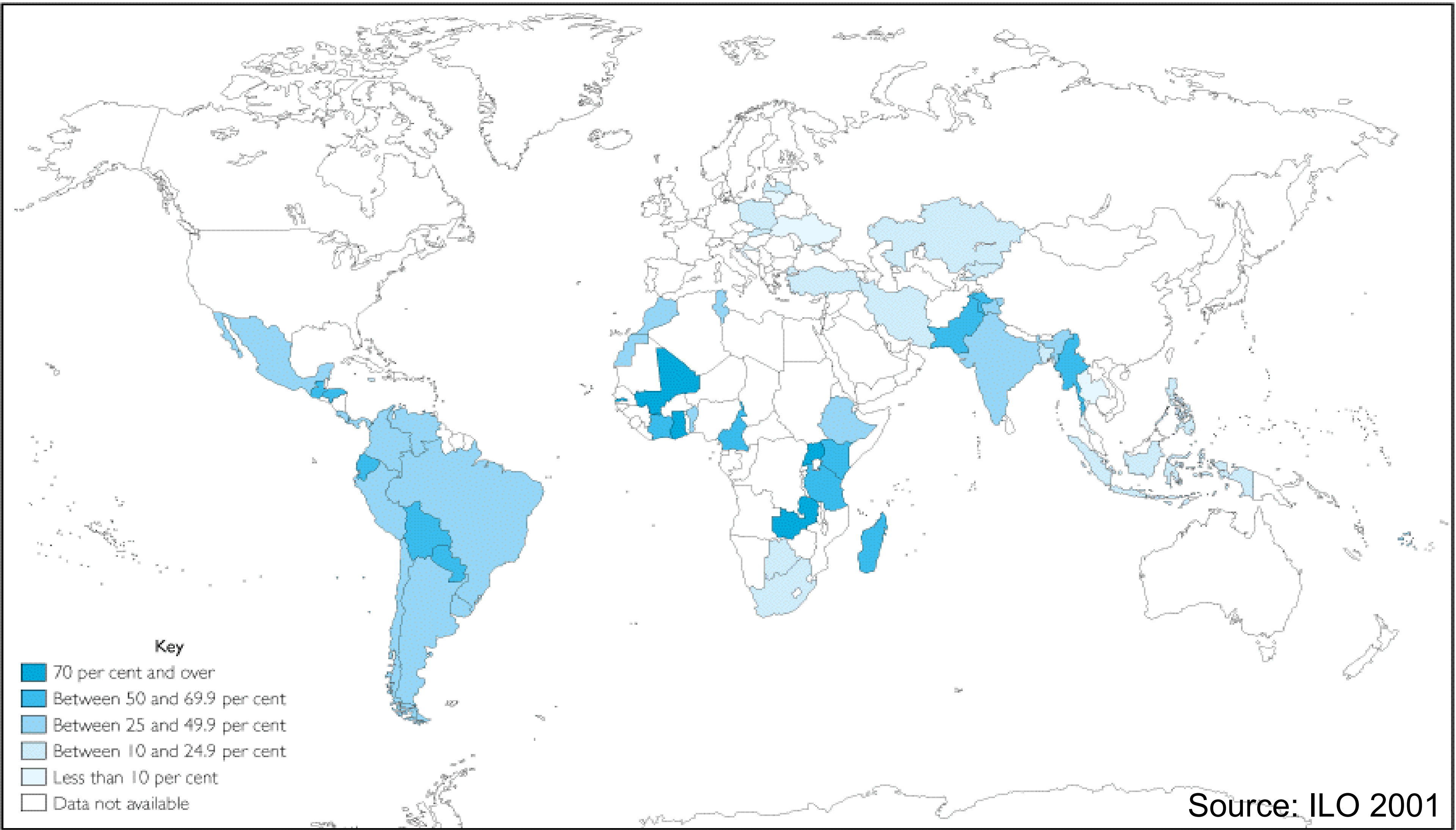
Informal sector employment is important for poverty reduction programmes in dev. countries

Off-farm informal sector is growing fast e.g., >10% in Kenya where it accounts for approx. 70% of employment

Employment generation is a major focus in Kenya currently.

In dairy sub-sector, **official** current Kenya government’s Economic Recovery Programme focuses on employment generation through informal milk marketing

Share of employment in informal sector as % of total employment for selected countries



Source: ILO 2001

Case studies on nature and quantity of employment in small-scale dairy marketing & processing: Results of FAO/ILRI Study

Country:	Predominant product	Unemployment
Kenya:	Mainly liquid milk	50%
Ghana:	Local cheese	20%
Bangladesh:	Sweets, hot milk, curd	-

Source: FAO & ILRI Study, 2001; ILOStats

Types of small scale traders involved in case studies

Kenya:	Mobile traders, milk-bar/kiosk, processors
Ghana:	Assemblers, retailer, small processor
Bangladesh:	Gowalas, brokers (*Aratdars*), small processors

Milk traders in Kenya

Mobile milk trader

Milk-bar

No. of jobs per 100 litres milk handled daily by small-scale traders in Kenya

	No. of direct full-time jobs	No. indirect jobs	Total
Mobile traders	1.7	0.3	2.0
Milk bar	1.1	0.3	1.4
Small processor	0.2	0.1	0.3

- **Indirect jobs mainly based on amount spent on labour on equipment repairs/maintenance**

Source: FAO & ILRI Study, 2001; SDP data

Av. employment by gender for various small-scale trader types in Kenya

	Male employees	Female employees
Mobile traders (n=69)	1.2	0.4
Milk bar (n=133)	1.0	0.9
Milk kiosks (n=97)	0.8	0.8
Small processor (n=4)	12.8	3.5

Source: FAO & ILRI Study, 2001; SDP data

Fermented and sweetened milk sales in Bangladesh

Curd and milk sweets on sale

No. of jobs per 100 litres milk handled daily by small-scale traders in Bangladesh

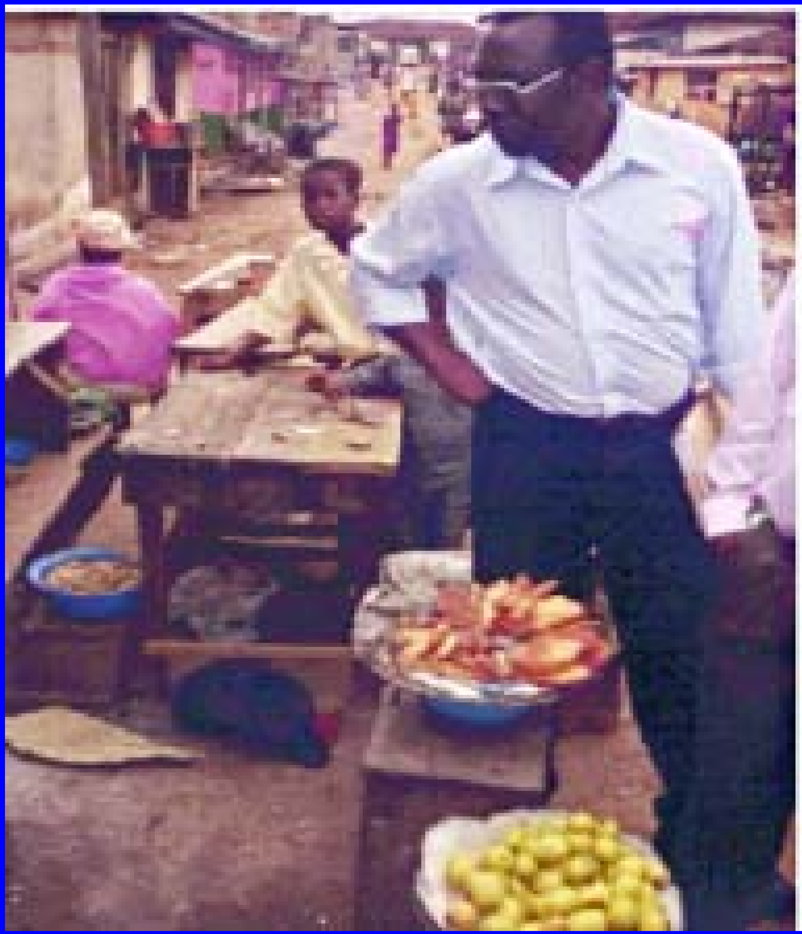
	No. of direct full-time jobs	No. indirect jobs	Total
Gowala (they also milk!)	**1.5**	**2.9**	**3.4**
Broker (*Aratdar*)	**0.02**	**0**	**0.02**
Small processor	**5.6**	**4.4**	**10.0**

- **Most *Gowalas* are mainly family inheritors of business**
- ***Aratdars* are individual businesss brokers**
- **Most indirect jobs in processing mainly in transport and porter services**

Source: FAO & ILRI Study, 2001

Soft Cheese '*Wagashie*' in Kumasi, Ghana

Wagashie



Milk snacks

No. of jobs per 100 litres milk handled daily by small-scale traders in Ghana

	No. of direct full-time jobs	No. indirect jobs	Total
Retailer	10.0	0	10.0
Assembler	2.0	1.4	3.4
Small '*Wagashie*' processor	1.7	2.1	3.8

- Retailers handle small quantities per unit which they sell at high value, but no indirect jobs
- Predominant labour is family, especially in processing
- Indirect jobs for retailer and assemblers include taxi drivers, bicycle repairers, firewood collectors, coagulant sellers, basket weavers, calabash carvers

Source: FAO & ILRI Study, 2001

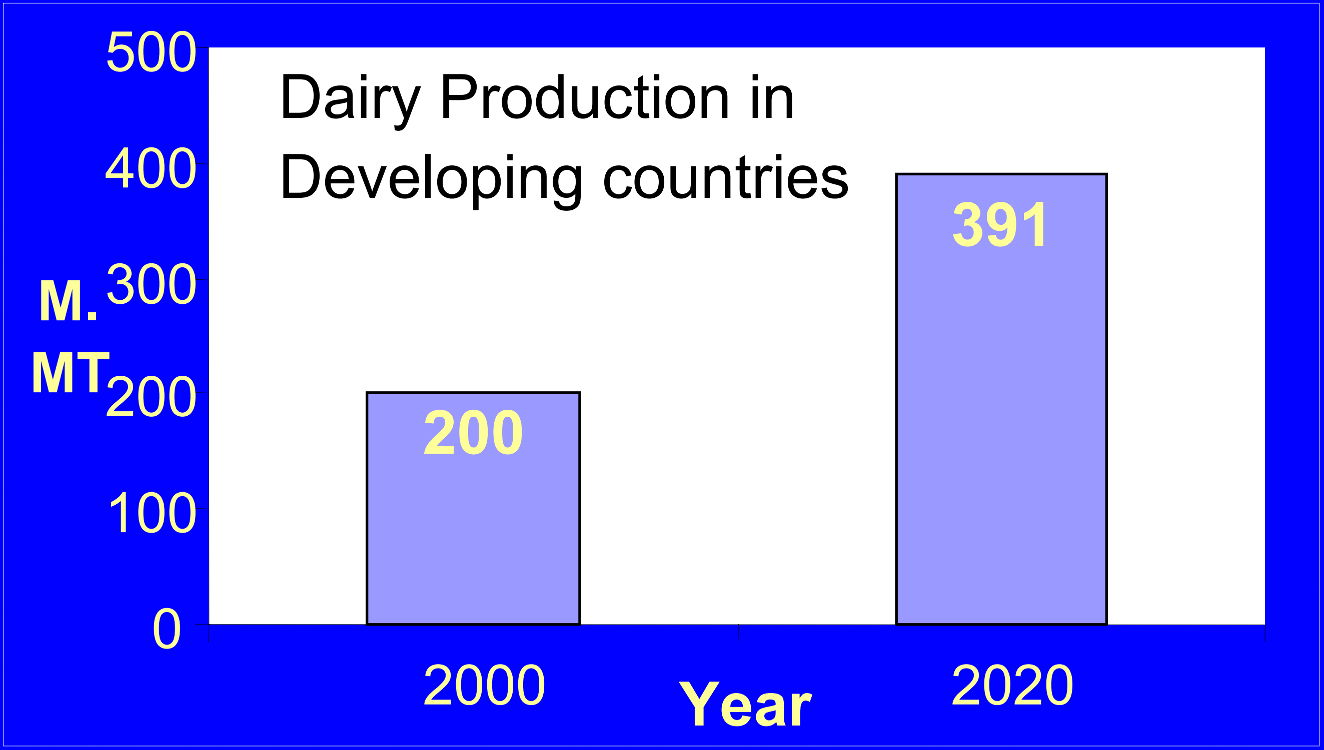
Summary of No. of jobs per 100 litres milk handled daily by dominant cadres of traders

	No. of direct full-time jobs	No. indirect jobs	Main milk product
Kenya mobile traders	1.7	0.3	Liquid
Bangladesh sweet makers	5.6	4.4	Trad. sweets
Ghana milk/snack retailer	10.0	0	snacks/ cheese

- More than 5 times the no. employed in formal sector

How will the 'Dairy Revolution' affect informal dairy markets?

Growing demand for milk and dairy products in developing countries due to more, richer people esp. in urban areas



Production to double: share from 36% to 52%

Delgado et al.

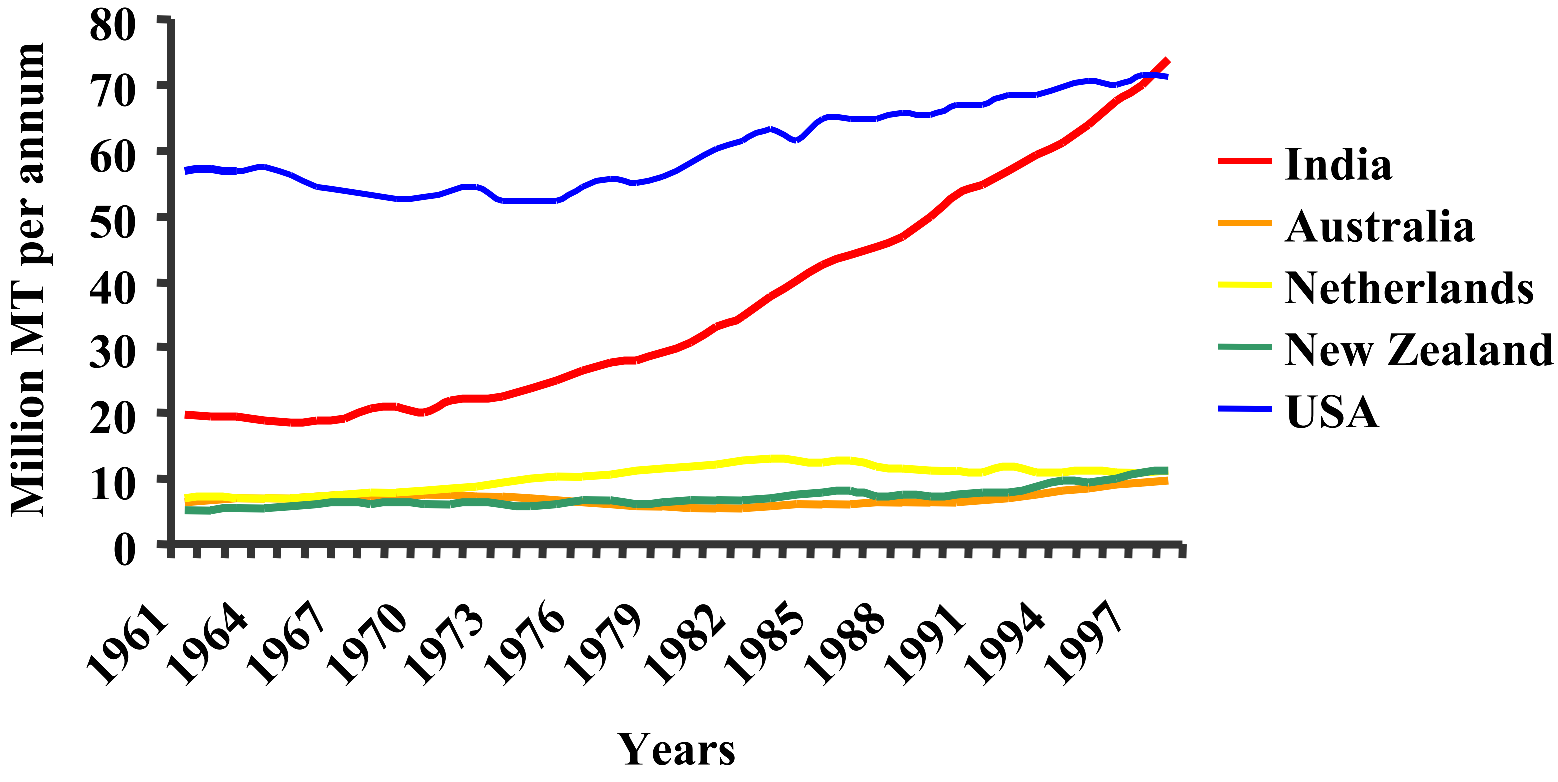
Future trends in the 'Dairy Revolution'

	Per Capita	Kg LME		% Ann. Growth
Region	1983	1997	Est. 2020	'97 to '20
Developed	195	194	203	0.4
Developing	35	43	61	2.7
- L. America	93	112	127	1.8
- S Asia	**46**	**62**	**78 (104)**	**3.0 (3.2)**
- S S Africa	**32**	**30**	**37**	**3.3**
- S E Asia	10	12	18	2.9
- China	3	8	16	3.5

- **Increased prod. is expected to occur in same areas of incr. demand.**
- **% imported to dev. countries will fall**

Source Delgado et al., 2001

Example of the ‘revolution’ in India



Source: India NDDB and FAOStats

Key questions about future trends

- How long will current dairy market structures continue to dominate?
- What changes in market supply chains will likely occur?
- What other driving forces are likely to be important and where? (besides population growth, urbanisation and increase in incomes).

Consumer preferences will play a major role: example of trends in Kenya

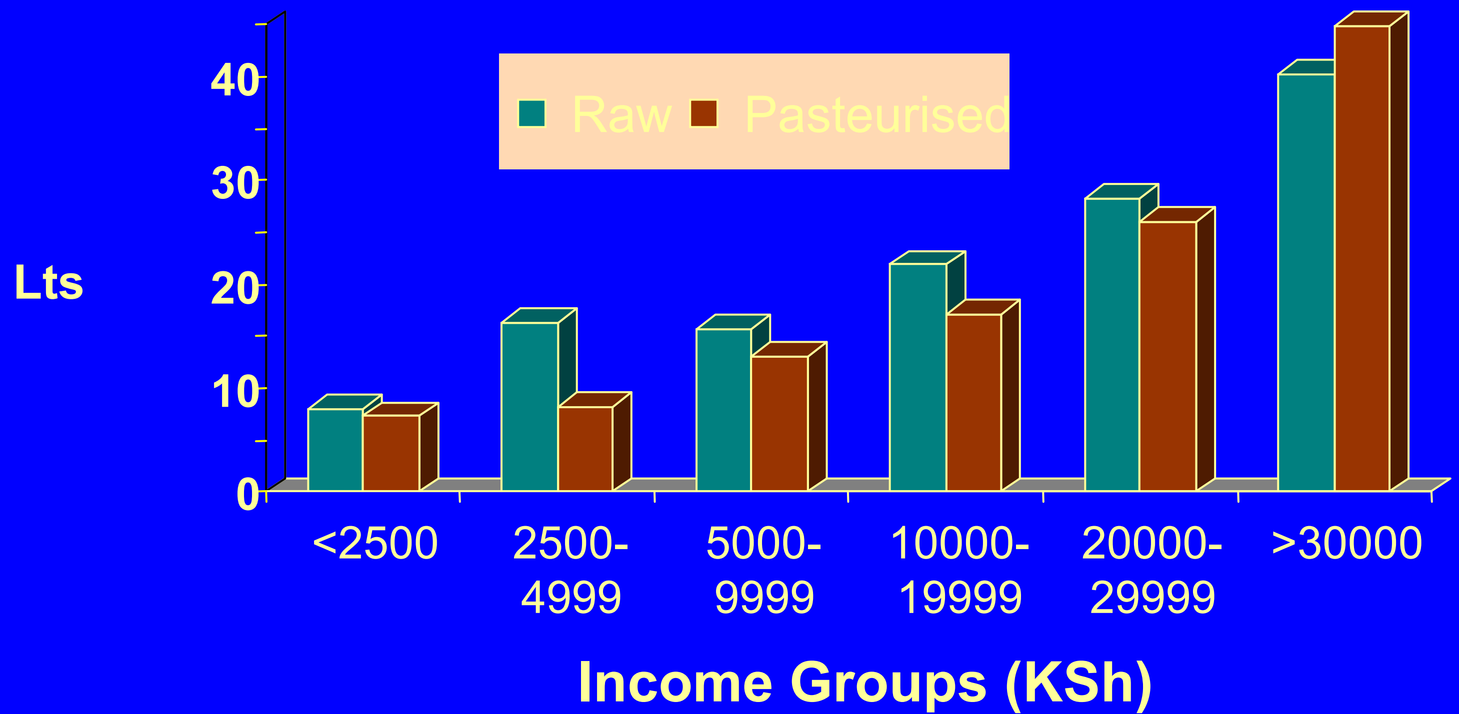
- High demand for liquid milk to continue because its mainly used as ingredient in tea
- No significant growth in qty of pasteurised milk for over 10 yrs, and future growth is expected to be slow
- Opportunity for processors in inability of informal markets to satisfy mega-cities

Raw milk mainly preferred due to its low price (Milk prices in 1999)

Area	Mean Price (KSh/Litre) Raw milk	Pasteurised milk
Nairobi	31.5	40.0
Nakuru urban	25.3	41.0
Nakuru rural	18.4	41.0

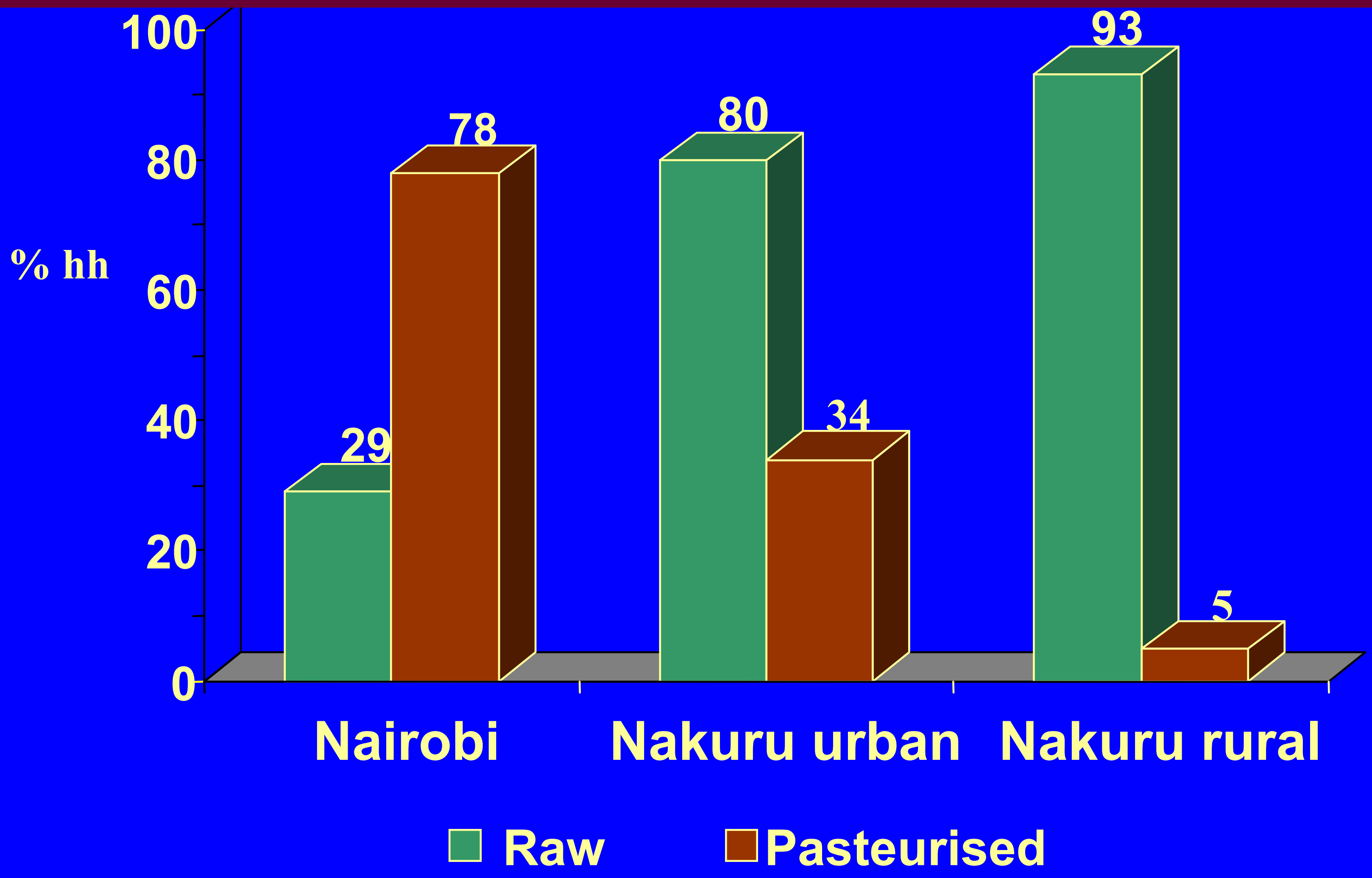
- Lower prices for raw milk in rural areas and as distance from Nairobi increases

Quantity of pasteurised and raw milk purchased in Nairobi, by income groups



- Higher quantities consumed as income increases
- Price is not the only determinant of raw milk consumption. Tastes and preferences also count

Percent of households buying raw and pasteurised milk in Kenya



Consumer preferences will play a major role: example of trends in India

- Significant market share for processed products
- “5-fold increase in processing in last 30 years”

Summary of future trends

- Trends in marketing will be region specific with consumer preferences playing a major role
- Traditional small/informal milk and dairy product markets will continue to dominate in the foreseeable future
- Increasing demand in growing urban areas will outstrip ability of raw milk markets to supply
- An increasing number of intermediaries to process milk will be needed

Immediate challenges therefore

- How to help informal traders to meet the challenge of supplying more and higher quality dairy products
- How to help the traders derive more benefits for themselves
- How to increase social and economic benefits to the consumers and producers they serve

Example of gains from intervention: SDP//FAO/KDB/LoL Pilot in Kenya

Testing of training of hawkers and use of metal containers; % milk samples 'not acceptable' according to KEBS standards

SITE	BEFORE TRAINING				AFTER TRAINING			
	Plastic		Aluminium		Plastic		Aluminium	
	CC	TPC	CC	TPC	CC	TPC	CC	TPC
Nakuru	43	97	26	61	50	0	4	42
Thika	10	33	0	8	12	6	0	0
Murang'a	22	0	20	0	13	13	10	0

Key: CC= Coliform counts; TPC= Total plate counts

- Based on the pilot, draft training guidelines being discussed and revised
- Once finalized, a challenge for KDB would be to consider incorporating the guidelines in a national programme for certification to contribute to NARC's objectives

Thank you

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