



A view into the dairy market hubs approach

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What is a dairy market hub and how is it formed?

A dairy market hub or dairy business hub is a collective, farmer-owned/managed milk bulking and/or chilling business from which farmers may gain access to other services they need for their dairy enterprises.

It consists of an economically active producer organization and a set of business relationships and linkages with other public and private agribusiness partners that provide dairy-related inputs, milk market outlets and other services such as extension, farmer advisory and financing. The producer organization coordinates the activities. Input and service providers have found it profitable to offer their services through the hubs because of the economies of scale the hub generates.

The hub serves as a connection point for all agents in a dairy value chain and is designed to increase dairy income for poor dairy farmers through various interventions that improve farm productivity and market access along the value chain.

The dairy hub business approach

The dairy hub approach has been supported in Kenya, Rwanda, Uganda and Tanzania through the East Africa Dairy Development (EADD) project. The EADD hubs project was initiated in early 2008 with financial support from the Bill and Melinda Gates Foundation. Through the project, ILRI partnered with Heifer International and other organizations to pilot the new dairy development model in East Africa.

The establishment of dairy hubs has facilitated the emergence or strengthening of a network of input and service providers and access to credit facilities and mechanisms.

When fully functioning, the dairy hub is a dynamic cluster of services and engagement and consultations are integral parts that are critical for success.

Requirements for a successful hub

- Capacity, willingness and commitment of farmers to self-organize and take collective action.
- Availability of surplus milk at household level after household nutritional and calf-rearing requirements are met.
- Market conditions, in particular the price of milk as influenced by supply and demand. Areas with high marketable surplus and limited demand are ideal.
- Policy tools such as prices (whether controlled or market regulated) and existing quality standards.
- Vital public sector support services such as animal health, extension/advisory services and competitive markets where farmers can sell.
- Start up support by skilled NGOs or donors.

How the dairy hubs approach works

At the core of a dairy hub is a producer organization.

Here are the key steps to facilitating establishment of producer organizations: -

Step 1. Understanding the community

Step 2. Identifying potential leaders

Step 3. Mobilizing community leadership and brokering cooperation from other agencies

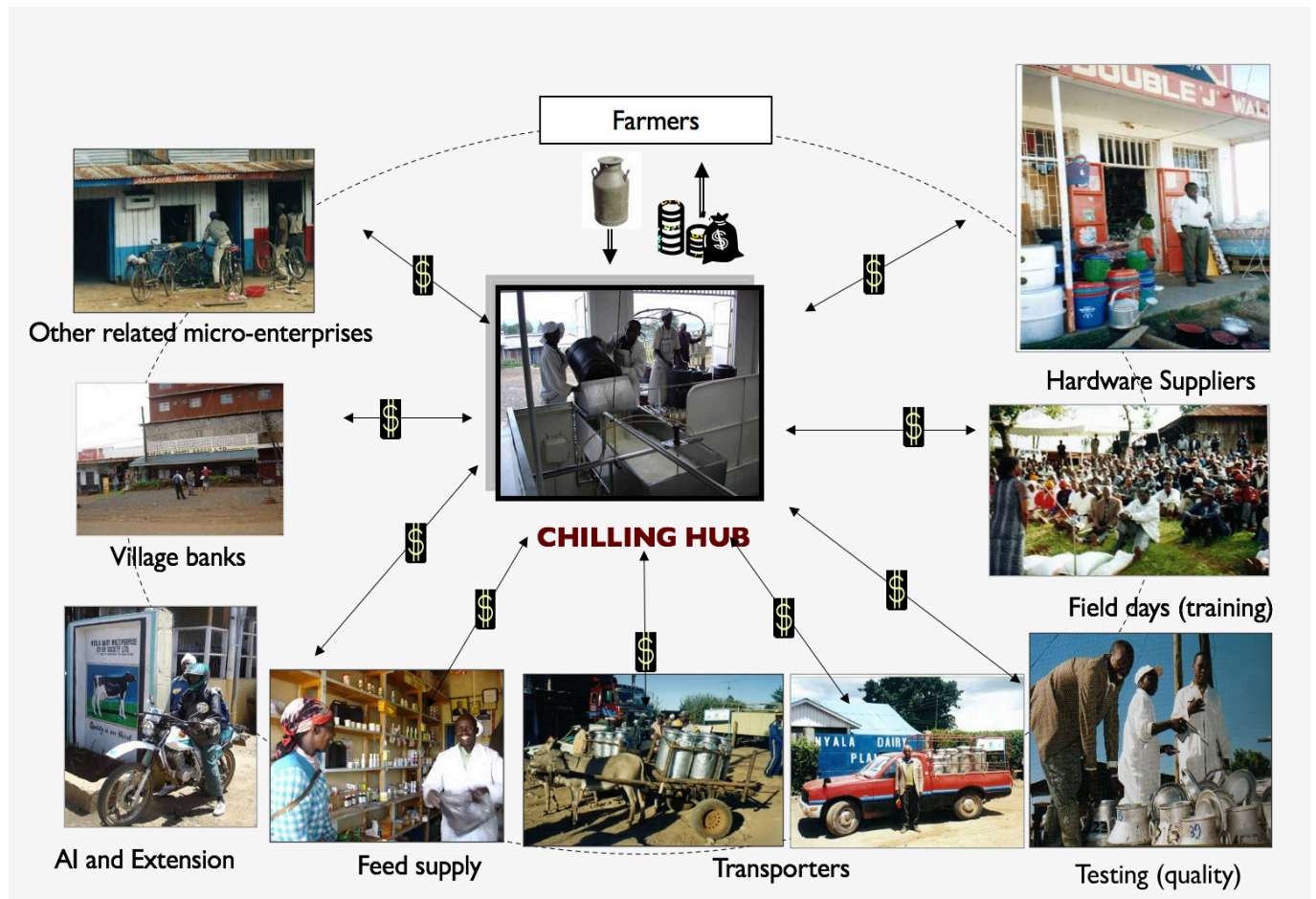
Step 4. Community and farmer mobilization meetings

Step 5. Nominating interim boards

Step 6. Developing an organizational structure for producer organizations

Step 7. Developing an interim action plan and farmer mobilization

Figure 1. The dairy hub concept



To set up a vibrant dairy hub successfully, the producer organizations need to formulate strategic and operational plans and develop good management and governance practices before embarking on establishing and managing the businesses that support farmers to access inputs and services.

Benefits of a dairy hub

- Hubs provide a critical mass of producers' access to products and inputs, thus attracting other market actors.
- They unlock potential of rural economies by attracting investment.
- They offer one stop collection of quality milk for processors.
- Hubs offer assurance of markets and ease of access to services and input for farmers.
- They are more sustainable compared to government and donor support.
- They provide opportunities to share knowledge on dairy related technologies and innovations.

Lessons learnt

1. The hubs model is not a "one size fits all" model. The design and successes are determined by factors such as location, value chain actor composition, management and access to finances, among others.
2. Governance/good leadership is a key driver for sustainability. This is essential for supporting effective value chain actors' linkages that promote income generation.
3. Integrate hub advancement and exit strategies earlier on in projects. It is important to identify and build on the components that promote self-sustainability, including capacity building. Setting and monitoring key dairy hub performance metrics should incorporate sustainability strategies, continuous improvement process and graduation/exit strategy (independent from NGO or donor support).
4. Increased engagement with private sector is key. The private sector provides essential services to value chains. Forging healthy partnerships with them is essential.
5. Hubs need to invest in enhancing value propositions to farmers. This can be drawn from existing business relationships and include favourable milk pricing, access to inputs and incentives to suppliers among others.

6. Adaptation of hub approaches should be nutrition sensitive. It is important to consider whether milk will be available after families' nutritional and calf-rearing requirements are met.
7. Inclusion of women and youth should be a deliberate process. Women and youth participate in various activities along the value chain that contribute significantly to success of dairy hubs.
8. Research and development agencies should promote the hubs approach as a facilitator not an implementer.

- Access to inputs, credit services and markets, in addition to timely and convenient payments, are key value additions to actor engagement.
- Establishing a dairy hub is expensive and labour intensive; but it is rewarding if well thought out and established at the right place and environment with the right people and resources.

Impact of dairy hubs

- The dairy hub model has paved the way for many poor farmers to profitably engage in the livestock value chain.
- Results from studies in Kenya and Uganda reveal that linking farmers to processors produces positive impact on household income.

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