



## Key economic performance indicator

The East Africa Dairy Development (EADD) project is a regional industry development program and implemented by a consortium of partners. It is currently being piloted in 18 sites in Kenya, 8 in Rwanda and 27 in Uganda. The overall goal of the project is to transform the lives of 179,000 families, or about 1 million people, by doubling household dairy income in 10 years through integrated interventions in dairy production, market access and knowledge application.

This brief highlights key results of a baseline survey of the economic performance analysis of dairy farms in project sites in Kenya, Rwanda and Uganda. The focus is on production and marketing aspects to establish a benchmark against which future economic performances of the project beneficiaries will be assessed during the project monitoring, review and final impact evaluations. Details are available in the baseline survey report No. 5.

### Baseline survey methodology

**Why:** To assess the baseline situation of dairy farmers and their communities at the start of the project, and to identify key constraints dairy farmers and market agents face and opportunities for overcoming them through targeted project interventions.

**When:** Phase 1: September to November 2008. Phase 2: July to August 2009.

**Where:** Three survey sites in Rwanda and five each in Kenya and Uganda; two control sites in Kenya and one each in Rwanda and Uganda

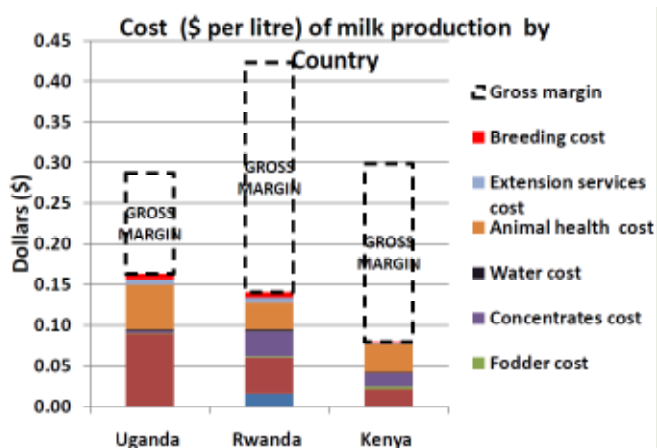
**What:** Community, household and market agent surveys

**How:** 75 households and 20 market agents sampled per site. Focus group discussions for the community survey; structured questionnaire for the household and market agent surveys.

### Economic performance analysis

Descriptive analysis of gross margin (total revenue minus total variable costs) and cost of production per litre of milk revealed variation at farm, hub and country levels. Kabarore and Mbare hubs in Rwanda recorded the two highest gross margins (USD 2180 and USD 1658, respectively) while Bwisanga in Rwanda and Mukono in Uganda recorded the two lowest (negative USD 660 and negative USD 303, respectively). In Kenya, all hubs recorded positive gross margins, with a range of USD 216 to USD 668.

Cost of milk production per litre varied widely between hubs in Uganda, ranging from USD 0.15 in Masaka to USD 0.51 in Mukono. This variation was greater in Rwanda, with the cost of producing a litre of milk in Bwisanga (USD 0.72) almost five times that in Mbare (USD 0.15). In Kenya, the variation in the cost of milk production was relatively lower than in the other two countries, ranging from USD 0.12 in Kaptumo to USD 0.23 in Soy.



Gross margin was calculated as total revenue (revenue from sale of milk, cattle and manure, and milk consumed) minus total variable costs (costs of animal housing, hired labour, fodder, concentrates, water, animal health services, extension services and breeding).

Overall, gross margins are the highest in Rwanda and lowest in Uganda. Labour constitutes the largest cost of production in Uganda and Rwanda, while animal health cost takes the largest share in Kenya, suggesting opportunities where interventions could decrease overall costs and therefore increase profitability.

## Conclusion

Recognizing the variation in economic performance of dairy farms in different hubs across all three countries, country- and site-specific interventions are adopted to enhance profitability. In most cases, farmers make positive profits. This can further be enhanced by improving economies of scale in marketing (through collective action), facilitating access to services and appropriate technologies, improving infrastructure and creating an overall enabling policy and institutional environment for all participants in the sector.

*A. Gelan, B. Muriithi and I. Baltenweck*

Disclaimer: This material was funded by and is the absolute property of the East Africa Dairy Development (EADD) Project. The designations employed and the presentation of material in this information product do not imply the expression of any opinion whatsoever on the part of the EADD Project. The mention of specific organizations or their services, whether or not these have been patented, does not imply that these have been endorsed or recommended by EADD in preference to others of a similar nature that are not mentioned.

For more information, contact Ayele Gelan (a.gelan@cgiar.org) or visit the EADD project website at <http://eadairy.wordpress.com>

ILRI works with partners worldwide to help poor people keep their farm animals alive and productive, increase and sustain their livestock and farm productivity, and find profitable markets for their animal products. ILRI's headquarters are in Nairobi, Kenya; we have a principal campus in Addis Ababa, Ethiopia, and 14 offices in other regions of Africa and Asia. ILRI is part of the Consultative Group on International Agricultural Research ([www.cgiar.org](http://www.cgiar.org)), which works to reduce hunger, poverty and environmental degradation in developing countries by generating and sharing relevant agricultural knowledge, technologies and policies.

International Livestock Research Institute

P O Box 30709, Nairobi 00100, Kenya  
Phone + 254 20 422 3000, Email [ILRI-Kenya@cgiar.org](mailto:ILRI-Kenya@cgiar.org)

P O Box 5689, Addis Ababa, Ethiopia  
Phone + 251 11 617 2000, Email [ILRI-Ethiopia@cgiar.org](mailto:ILRI-Ethiopia@cgiar.org)

[www.ilri.org](http://www.ilri.org)

ILRI is supported by the Consultative Group on International Agricultural Research (CGIAR)

