

Identifying Barriers for the Development of the Dairy Supply Chain in Malawi



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Background

Fractured supply chains have been identified as a barrier to growth for the agricultural sector. In this regard, African agriculture is particularly handicapped. Hence, the purpose of this project is to address some of the key challenges through an assessment of the current and potential contribution of the dairy sector to economic growth and food security in Malawi.

Project Purpose

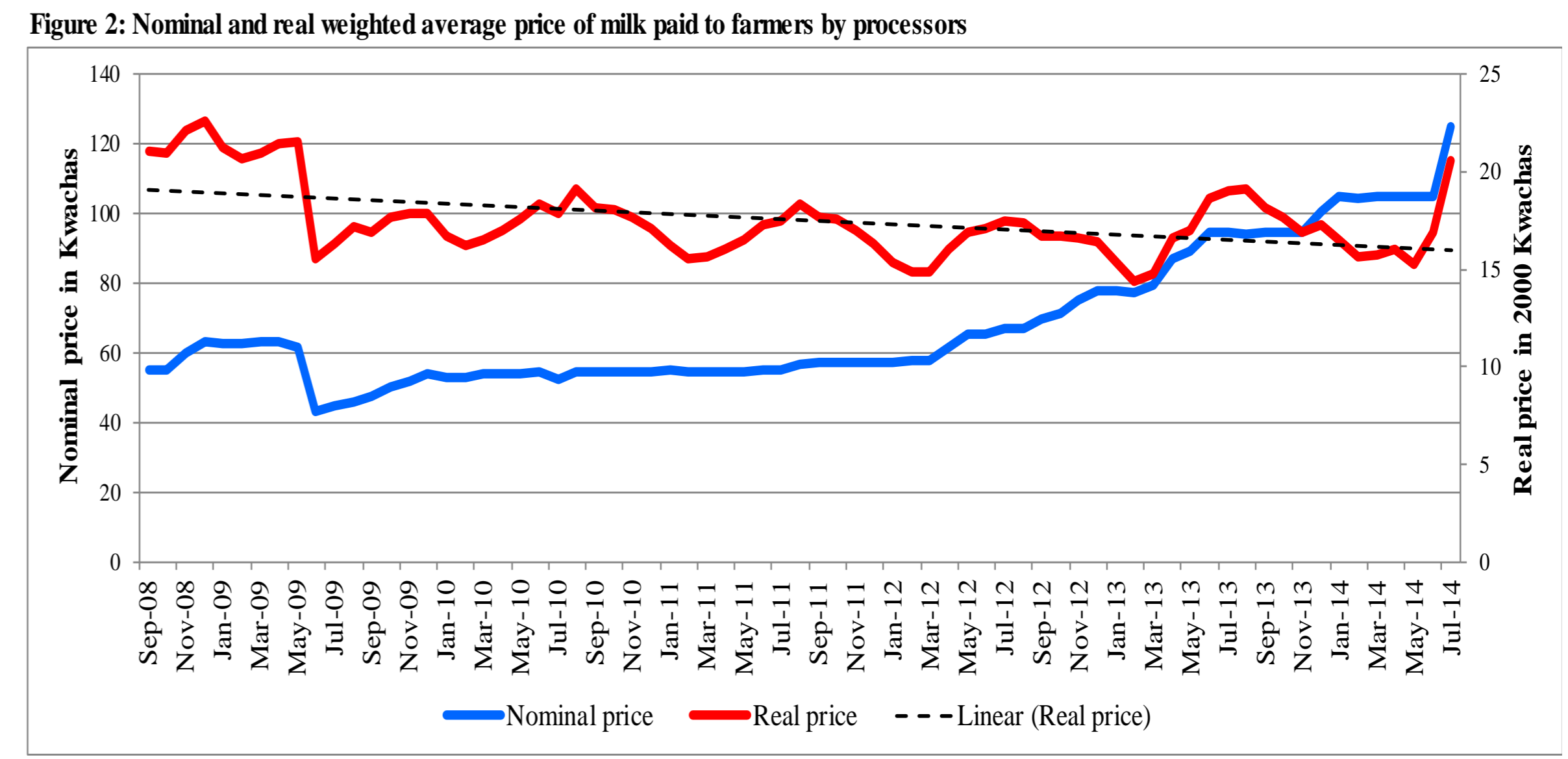
The purpose of this project is to identify the barriers faced by the dairy chain in Malawi through an assessment of its operation from producers to consumers.



Farmers queuing to deliver milk at Chisomo MBG following a delayed collection by the processor. This highlights difficulties MBGs face concerning storage capacity and the logistics of processor collection and farmer deliveries. Milk churns and plastic pails are used as carrying vessels normally carried on foot or bicycle. Photo: S Thomson

2. Infrastructure constraints at the milk bulking group level - There are problems with break down of generators and also electricity black-outs, leading to spoiled milk. Nearly half the MBGs do not have a backup generator / energy source. Cost of energy is a continuously cited problem. There can also be delays in processor uplift meaning those milk bulking groups with limited excess storage capacity can be faced with spoiling of milk or being unable to accept additional deliveries from farmers.

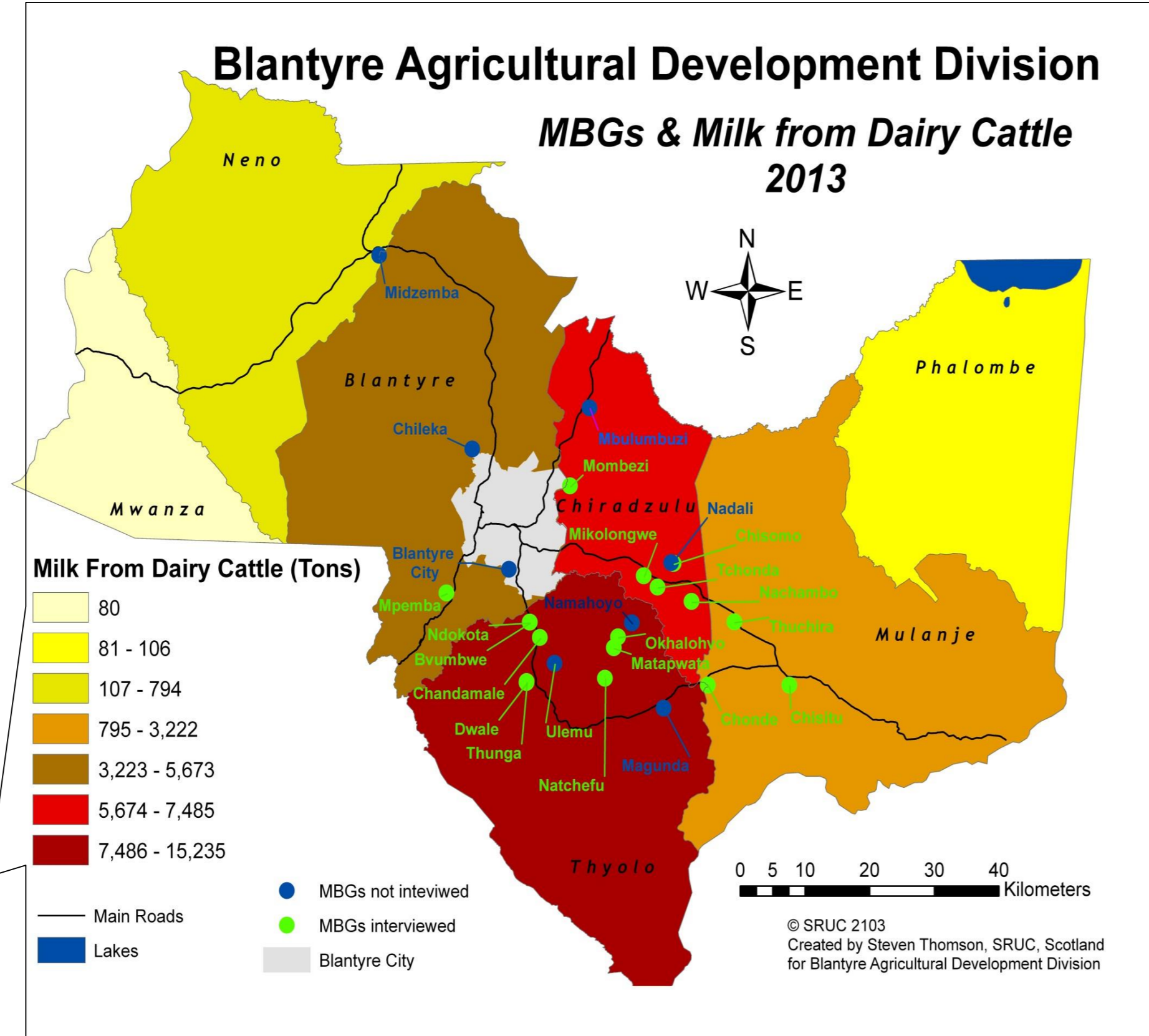
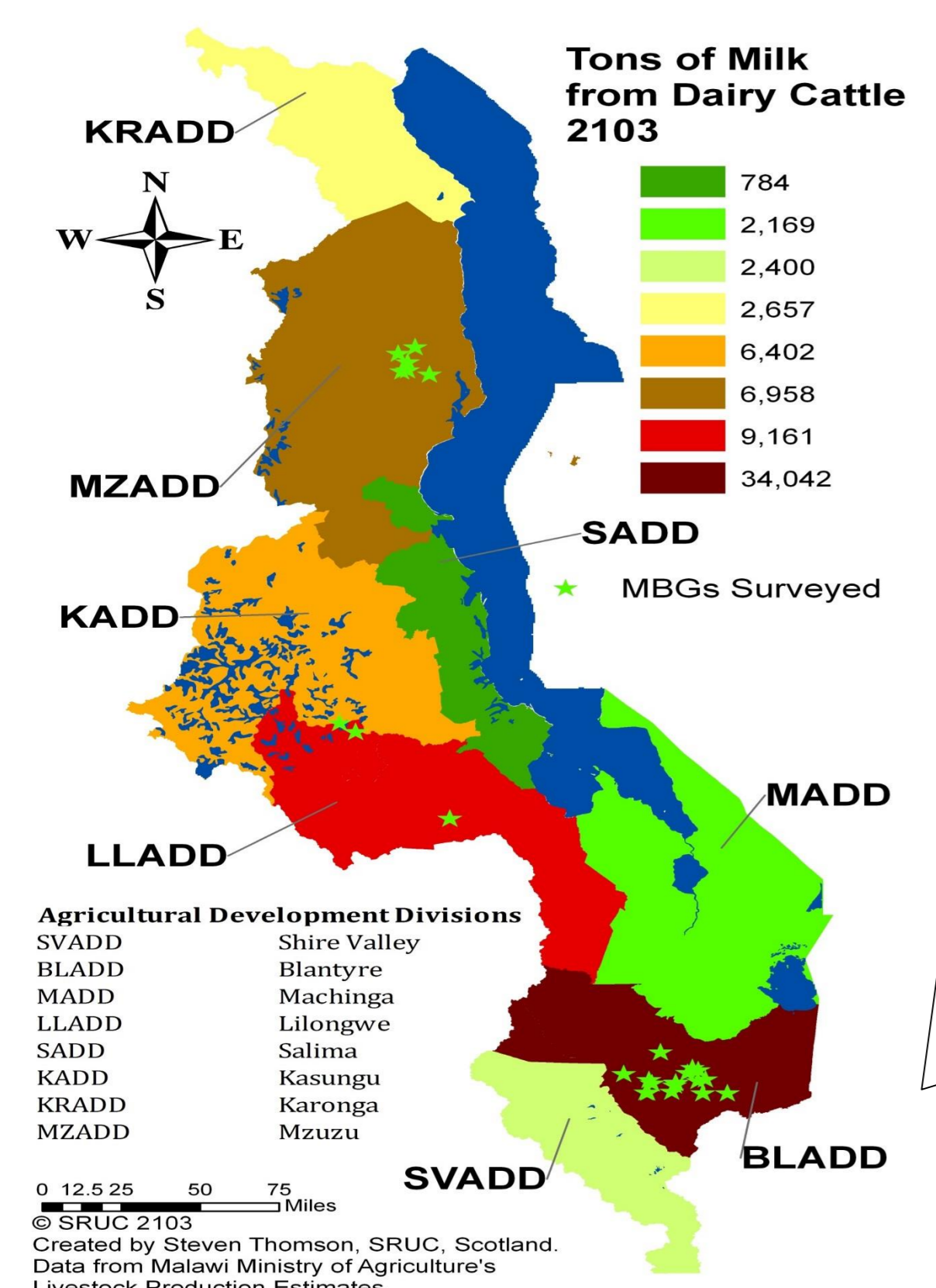
3. Prices paid to farmers - The price of milk in Malawi is set by processors and it is characterised by the sporadic adjustment of prices (nominal price expressed in Kwachas/litre). In a country with an annual inflation of above 20% this sort of adjustment implies that any increment in the actual price is actually eroded by inflation reducing its purchasing power.



Source: Own elaboration based on Shire Highlands Milk Producers Association (SHMPA) data.

Methodology

Fieldwork was carried out in two stages: first, a survey to 450 producers over the country was carried out in April 2013; the second stage, carried out during June-July 2013 comprised surveys to milk bulking groups, processors, visits to retailers and interviews to consumers.



Milk buyer & farmer agreeing milk volume at Chitsanzo MBG.



Milk buyer assessing milk quality at Lumbadzi MBG. Photos: S Thomson and A Barnes

4. Low milk quality standards - The lack of enforcement as regards quality creates opportunities for profiting by lowering the standards. This happens, for instance, in the form of new MBGs opened by traders seeing business opportunities. The new entrants are less stringent on quality so farmers shift to them because they accept more water for the same price. Processors always agree to take the milk even if they have an existing MBG next door for fear that if they do not one of their competitors will.

5. High margins for mass consumption milk in supermarkets - The majority of processed milk is purchased by consumer from supermarkets and small shops. An analysis carried out last year carried out in Lilongwe and Blantyre found that although processors recommended retail margins between 12 to 22 per cent, actually the highest retailers' margins were found for the 250 ml. bags of pasteurised and ultra-pasteurised milk. This is important for food security since these products are targeted at low income consumers.

Findings

Five key issues identified so far on the analysis:

1. Efficiency heterogeneity in dairy production and lack of cows constraining the pass on programme - Producers have different levels of efficiency in the production of milk and several reasons have been identified for this (e.g. feed quality and quantity). In addition, lack of cows was voiced as an issue that restricted farmers' membership into the pass-on programme (an efficient way to expand of number of well-qualified dairy producers). The programme is restricted by the speed at which heifer calves are born from new members' cows. In-calf heifers are often (but not exclusively) passed to female members of the household, with many milk bulking groups targeting households in poverty.

Project: 'Assessing the Contribution of the Dairy Sector to Economic Growth and Food Security in Malawi'
Start-up date: June 2012
Project beneficiaries: The dairy sector in Malawi
Services provided: Analysis of the dairy supply chain in Malawi
Location: The project is a research project; it is multidisciplinary and builds on the existing academic link between SRUC, Bunda College of Agriculture in Malawi and the African Institute of Corporate Citizenship (AICC), Malawi office.

Acknowledgements

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