

Maziwa Zaidi (More Milk) in Tanzania

The potential of Dairy Market Hubs to improve smallholder farmers' income in Tanzania

Irene Bayiyana¹; Aloyce Hepelwa¹; Elizaphan J.O. Rao² and Kenneth Mdadila¹

¹University of Dar es Salaam; ²International Livestock Research Institute

Key messages

- Dairy in Tanzania is characterized by low growth in productivity – 4.4% per annum, due to animal health, reproductive challenges, and limited access to quality and affordable inputs and services.
- Establishing dairy business hubs (DBHs) addresses this by upgrading the value chain – clustering dairy services around a milk buyer under contractual agreements. This ensures efficient access to inputs, services and milk markets.
- Possible effects include increased use of inputs and technologies, improved dairy and household income and reduced poverty.

Objectives and approach

A study was carried out to analyze the effects of DBHs on household income. It used primary data collected from 461 smallholder dairy farmers in Tanga and Morogoro. It applied quasi experimental methods combining propensity score matching and difference-in-difference (DiD) to estimate treatment effects.

Key results

- Participation in DMHs increased dairy income by at least 7.94 percentage point on average, for the period 2014 to 2016.

Dairy Income (Dependent variable)	Coefficient	Standard errors
Participation	1.36***	0.50
Milk sales	1.15***	0.21
Milk Price	1.51**	0.21
Improved breeds	-0.04	0.68
Cows owned	1.68***	0.24
% change in dairy income		
Treated farmers		1.83
Control farmers		-6.11
Average treatment effect		7.94

- Milk sales, milk prices and herd size also had positive influence on dairy income
- Participation encouraged by group membership and through provision of inputs and services.

Opportunities to invest and scale

- Support livestock producer groups across high potential dairy areas to move towards forming DBHs – identifying actors and facilitating business linkages with these actors.
- Use 'loyalty programs' such as inputs and service provision and payment for the same via check-off that attract household participation in hubs.
- Explore mechanisms to establish DBHs in the marginalized extensive areas (e.g., DBHs around milk traders) with limited collective action; scale up experiences of milk traders-based approaches to hub establishment.
- Public-private sector investment in getting milk producers and value chain actors together to engage with processors. Thus, the need to strengthen public-private sector co-operation so that the private sector can have a conducive environment for investment.

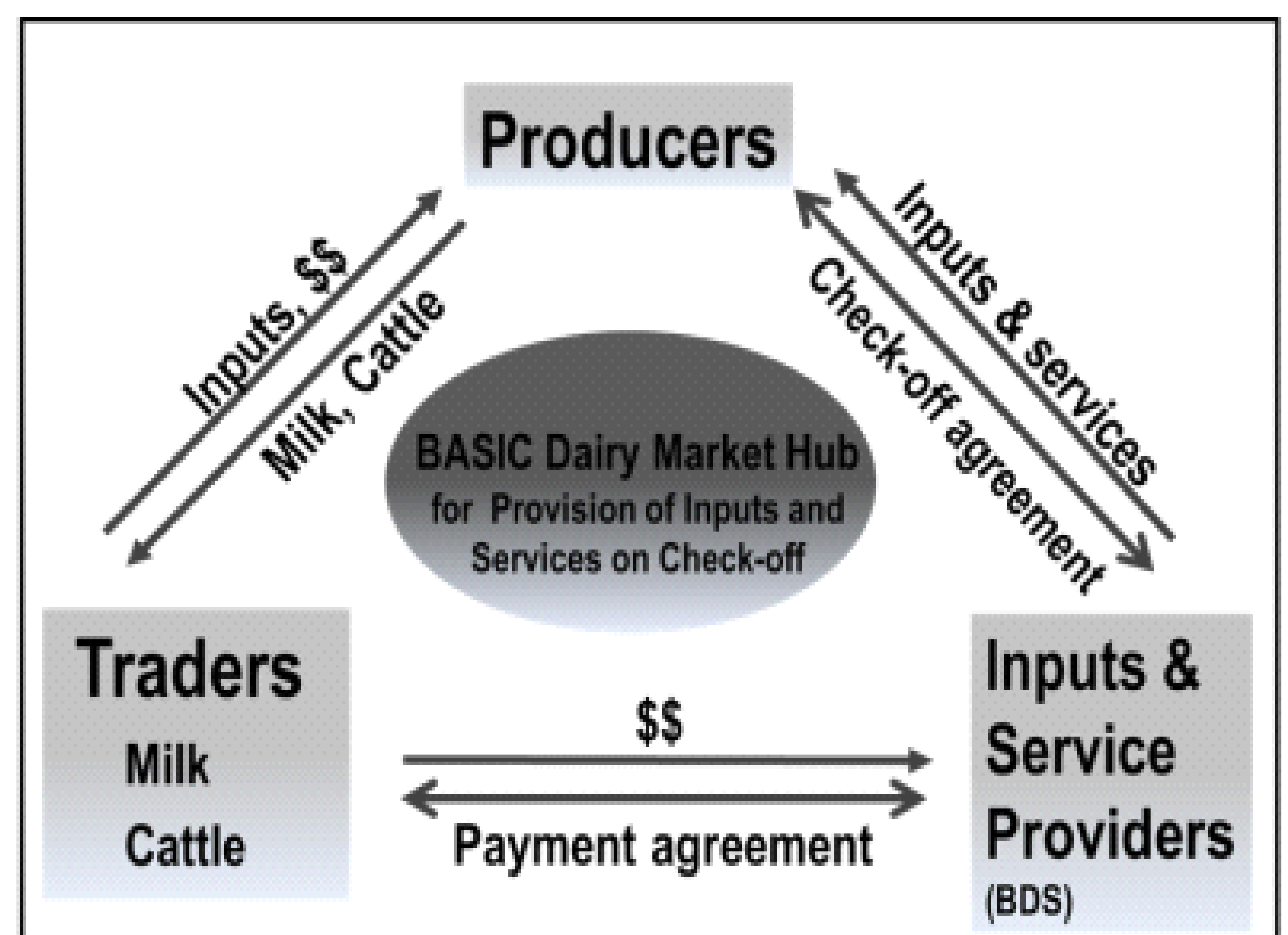


Figure 1: Illustration of a Dairy Market Hub to provide inputs and services on credit without collective bulking and marketing



RESEARCH PROGRAM ON Livestock

