

Maziwa Zaidi (More Milk) in Tanzania

Cost of milk production in EADD Tanzanian dairy hubs

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Key messages

- Information on cost structure, revenue streams and profitability of smallholder dairy farmers is important for farmers, development agents, policy makers and even private actors in the dairy value chains to: 1) evaluate performance and consequently the sustainability of dairy enterprises and industry in general; and 2) target interventions, policies and strategic actions

Objectives and approach

- Motivated by inadequate information regarding costs of milk production and profitability of smallholder dairy enterprise in the project sites, EADD Phase II conducted a Cost of Production (CoP) study in its project sites in the Southern Highlands of Tanzania.
- A total sample of 217 cattle keeping households (irrespective of the breed and scale of production) were surveyed in 2015. Data was collected using structured questionnaires.
- Partial budget analysis was used to estimate profits for farms in each hub.

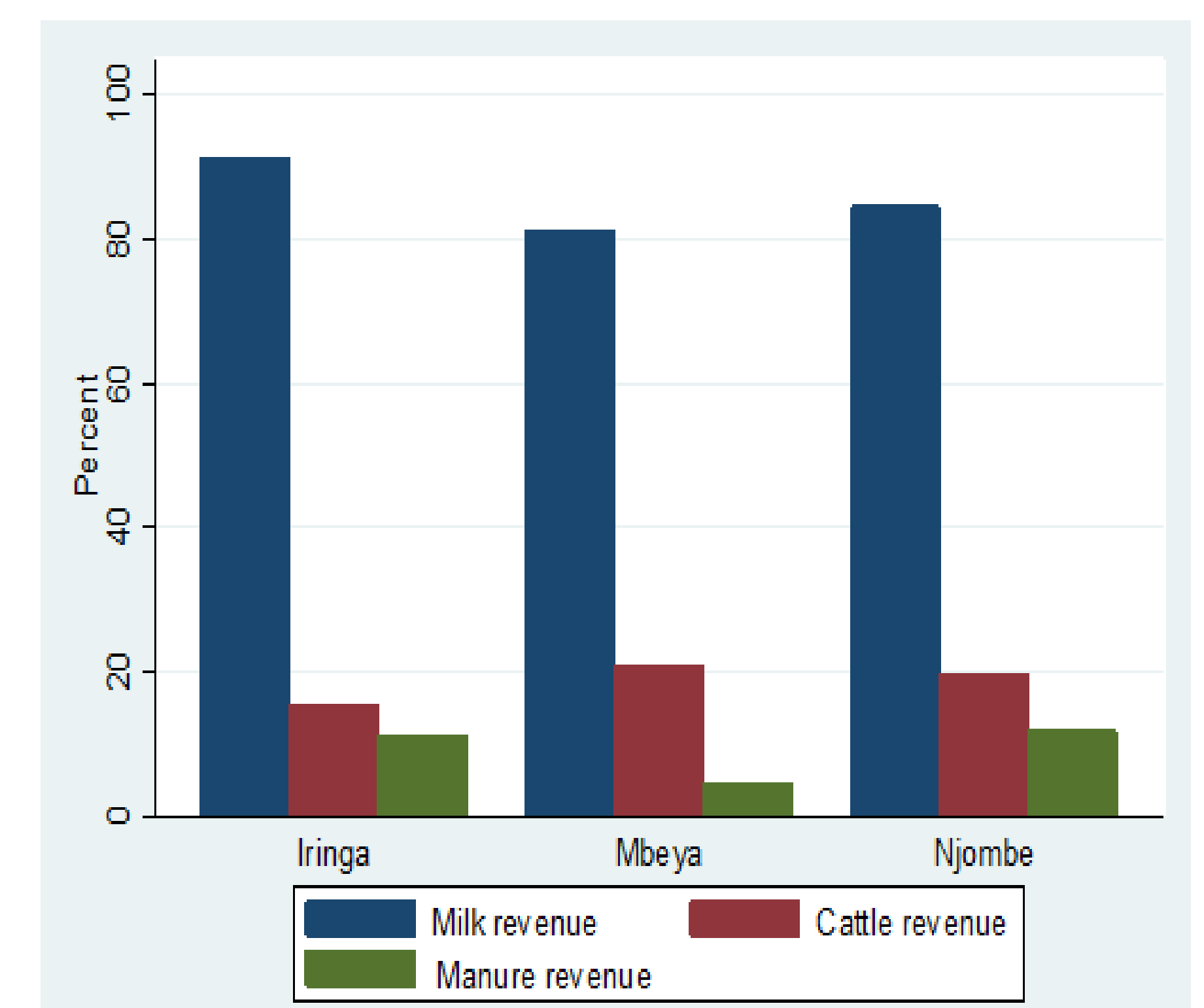
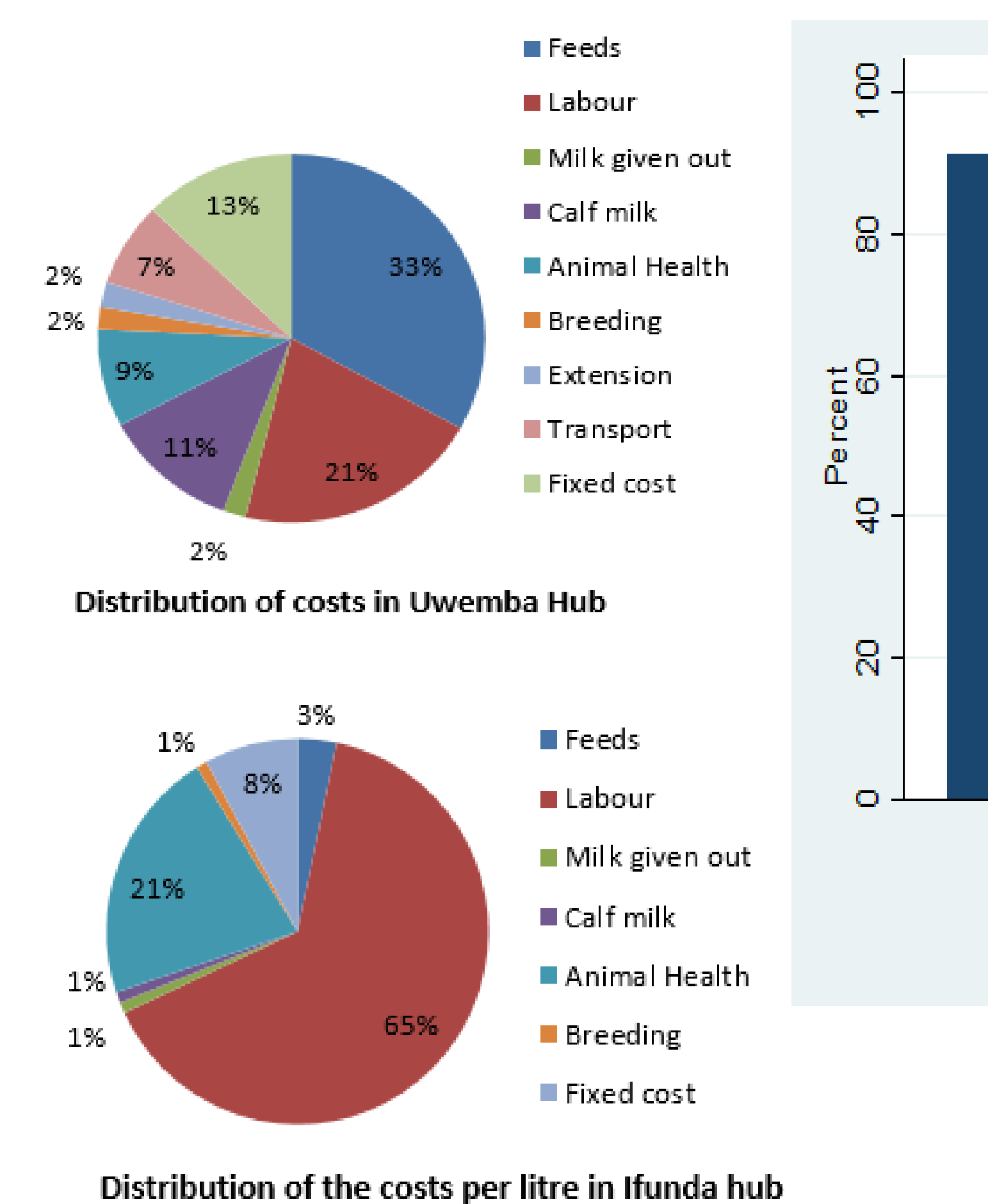
Key results

- On average, most farmers derived profits from dairying
 - However, this is only true when cattle sales are considered, consequently underscoring the importance of cattle sales in the dairy business
- Farmers in the extensive production system incurred significantly higher CoP than their intensive counterparts
 - Hired labour, purchased feeds and animal health costs were the major drivers of CoP in both production systems
- Milk spoilage contributed to revenue loss in five hubs
- Farmers in extensive production system were operating below the break-even volume

Opportunities to invest and scale

- Support farmers in the extensive production system to increase production since they are not breaking even
- Promote mechanisms or strategies to enhance milk quality and hence reduce spoilage
- Support farmers in terms of capacity building to increase labour productivity
- Adopt policies and strategic actions to enhance feed quality and capacity building on feeding to lower the cost of feeds as well and increase productivity
- Adopt policies and strategic actions to reduce disease burden

The East Africa Dairy Development (EADD) Phase II is a five-year project designed to improve the livelihoods of 136,000 smallholder dairy farmers in East Africa by 2018 by improving dairy production and increasing farmers incomes through integrated interventions along the dairy value chain that are centered around "dairy hubs".



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