

Ensuring secured milk market to smallholder dairy farmers

Sector: Dairy
Intervention: Improved Product Diversity



<p>Background</p>	<p>Kamadhenu Dairy Development Cooperative (KDDC) is a dairy processor located in Tarahara of Sunsari district in eastern Nepal. Kamadhenu is a cooperative dairy processor that has been collecting milk from its member cooperatives for the past 14 years. Currently, it has 48 supplier cooperatives in 6 districts of eastern Nepal: Morang, Sunsari, Dhankuta, Terathun, Illam and Jhapa. It collects almost 14,000 liters of milk every day from its 48 supplier cooperatives with an average of 150 members each - who are mostly small-scale dairy farmers.</p>
<p>Constraints</p>	<p>Kamadhenu, like most other dairy processors of Nepal, focused only on processing and packaging milk with narrow range of products, irrespective of opportunities in the market. As a result, it incurred net losses during the winter season when the demand for such conventional milk products is low. This has resulted in low profitability of the overall business.</p> <p>Limited product diversity is one of the major constraints in the dairy processing sector having a direct bearing on the dairy farmers for their secured access to milk market. Most processors focus exclusively in fluid milk business which comprises almost 90% of their business. Lack of adequate market information, poor linkage with larger players, lack of planning for processing technologies, and inappropriate marketing practice is constraining the processors, including Kamadhenu, from venturing into new products such as Paneer, sweets, milk formulations and cheese varieties, which could not only ensure profit to processors during the lean season but also ensure market access to smallholder dairy farmers all year round.</p>
<p>Intervention</p>	<p>In order to catalyze the product diversification in the dairy industry, Samarth partnered with Kamadhenu Dairy Development Cooperative (KDDC) in February 2014.</p> <p>Samarth had commissioned a market study on the 'demand and supply situation of major dairy products in selected urban areas of Nepal' which was shared with Kamadhenu in order to bring them up to speed on market information on product and market diversification. Samarth also facilitated Kamadhenu to hire Dairy Development Consultancy (DDC) - a consulting firm specializing in dairy business related services- to conduct a feasibility study.</p> <p>As a result of the intervention, Kamadhenu not only refined its business strategy but also decided to invest around NRs.300 million in the processing facilities to diversify into milk derivative as per the market demand. To fulfill the raw milk</p>

	<p>requirement for the product diversification, it plans to increase its milk collection volume by at least 15% per year. It has expanded its outsourced processing facilities to the hilly region of eastern Nepal to tap the product diversification opportunity suited for the climatic condition such as cheese, chhurpy, khuwa. As a result it, has expanded its milk collection activities in the remote eastern hills of Bhojpur and Terathum; and rural areas of Udaypur where farmers never had access to a formal milk market. Before partnering with Samarth, Kamadhenu had 28 cooperative suppliers. Since February 2014, It has added 20 new cooperatives as its milk suppliers.</p>
<p>Preliminary Impact on the farmers</p>	<p>One of the new collection centers, which opened after Samarth's intervention, is in Jhapa district in eastern Nepal. In August 2014, Kamadhenu partnered with this cooperative for the collection of additional milk. There are around 150 farmers in this cooperative, who are mostly poor and own 3 or less number of cattle.</p> <p>After partnering with Kamadhenu, milk collection in this cooperative has been systematic. Kamadhenu provided a loan to the cooperative to buy a milk analyzer worth Rs. 142,000 at 6% interest - which is much below the rate provided by formal financial institutes - to be deducted from the monthly sales of milk in three years' time. The analyzer gives an accurate information on the amount of fat and SNF (solid not fat content) in their milk and in comparatively less time than the centrifuge system used earlier. While earlier they would get Rs. 40 to Rs.42 per liter for their milk, now they can get up to Rs. 56 per liter of milk.</p> <p>Kamadhenu brings manufactured feed to the farmers from Damak while coming to collect milk. This has reduced the farmer's travel cost to Damak - a market 10 km away from the village and therefore reduced the price they have to pay for feed by Rs. 50 per sack.</p> <p>Farmers of this cooperative have also become the default beneficiaries of Kamadhenu's services to its member suppliers like regular savings, low cost credit facilities, livestock insurance, animal vaccination, livestock management knowledge and services etc.</p>
<p>Next steps</p>	<p>Samarth will closely monitor Kamadhenu's progress and the impact it makes on the smallholder dairy farmers, especially in the remotely located and inaccessible areas. The inputs and learning generated as a result of Samarth's intervention will be made available to the wider industry players through a dissemination workshop and also through consultants like DDC. This will ensure smallholder dairy farmers' access to markets, irrespective of seasonal demand fluctuation for the milk products. Moreover, practice of product diversification will also help the dairy farmers in inaccessible areas to access secured formal markets.</p>



Figure 1 Farmers bringing milk to the collection center