



Dairy Competitiveness: Key to Rural Poverty Reduction

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USAID PISDAC Project – J.E. Austin Associates
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KEY TO RURAL POVERTY REDUCTION



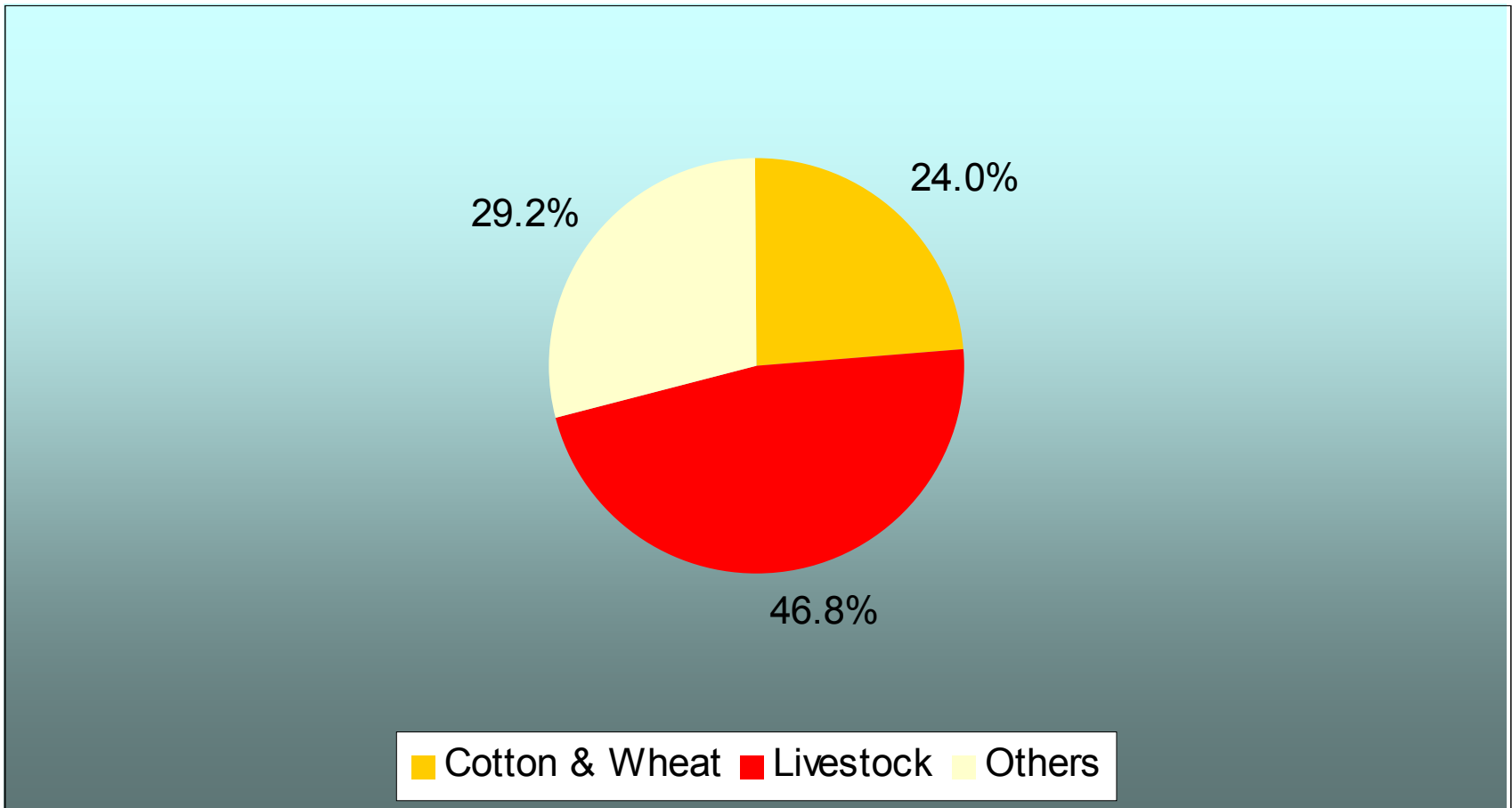
1. Importance of the Dairy Sector

- **Affects 30-35 million people***
- **Produces 32 billion liters* milk annually**
- **Represents 46.8%* of Pakistan's agricultural GDP**
- **Represents 10.9%** per Capita Daily Calories Intake**
- **Is 5th** largest milk producer in the world**
- **Represents 10.8%* of GDP**

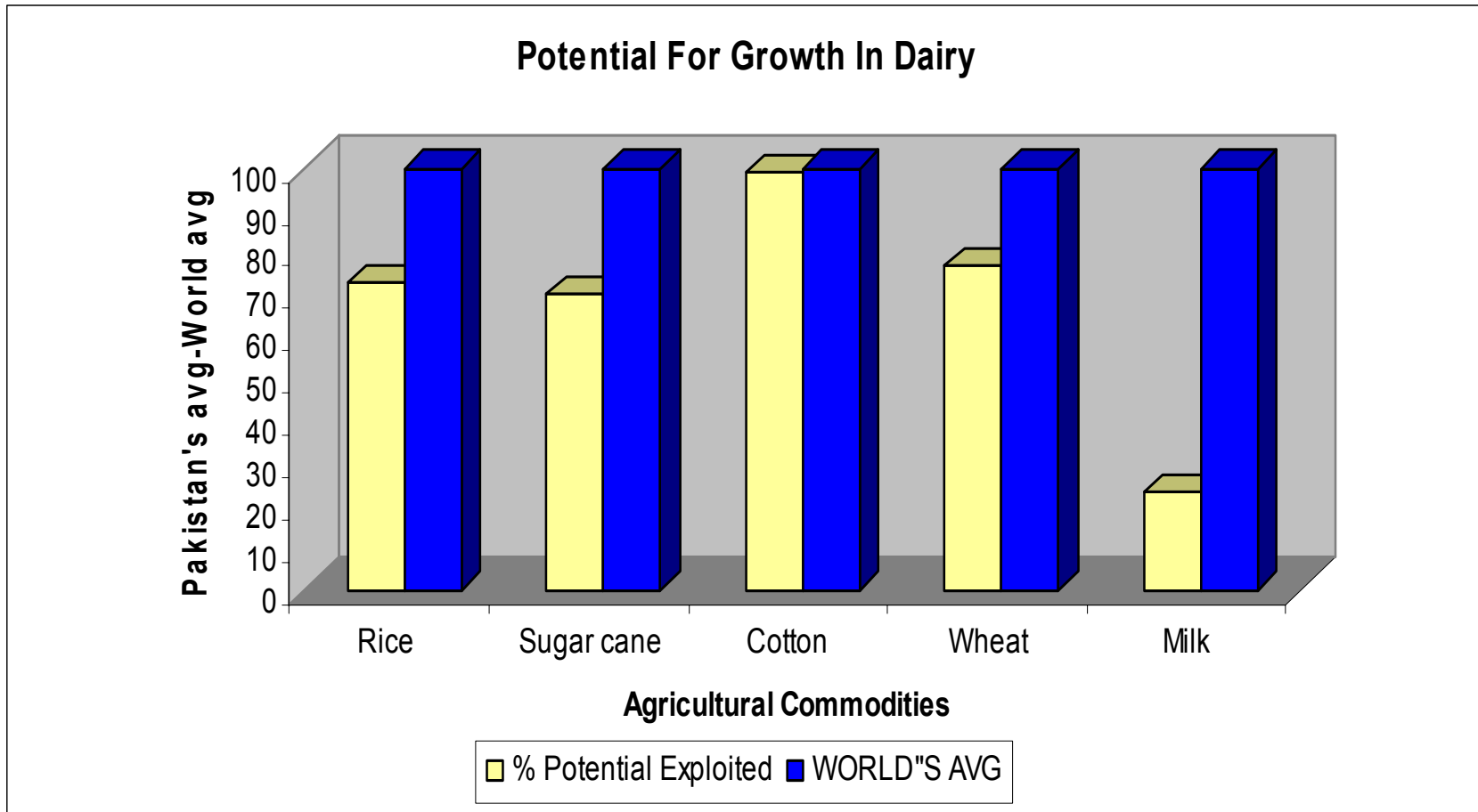
*Data Source-Economic Survey Of Pakistan 2004-2005

**Data Source-IFCN Report 2002

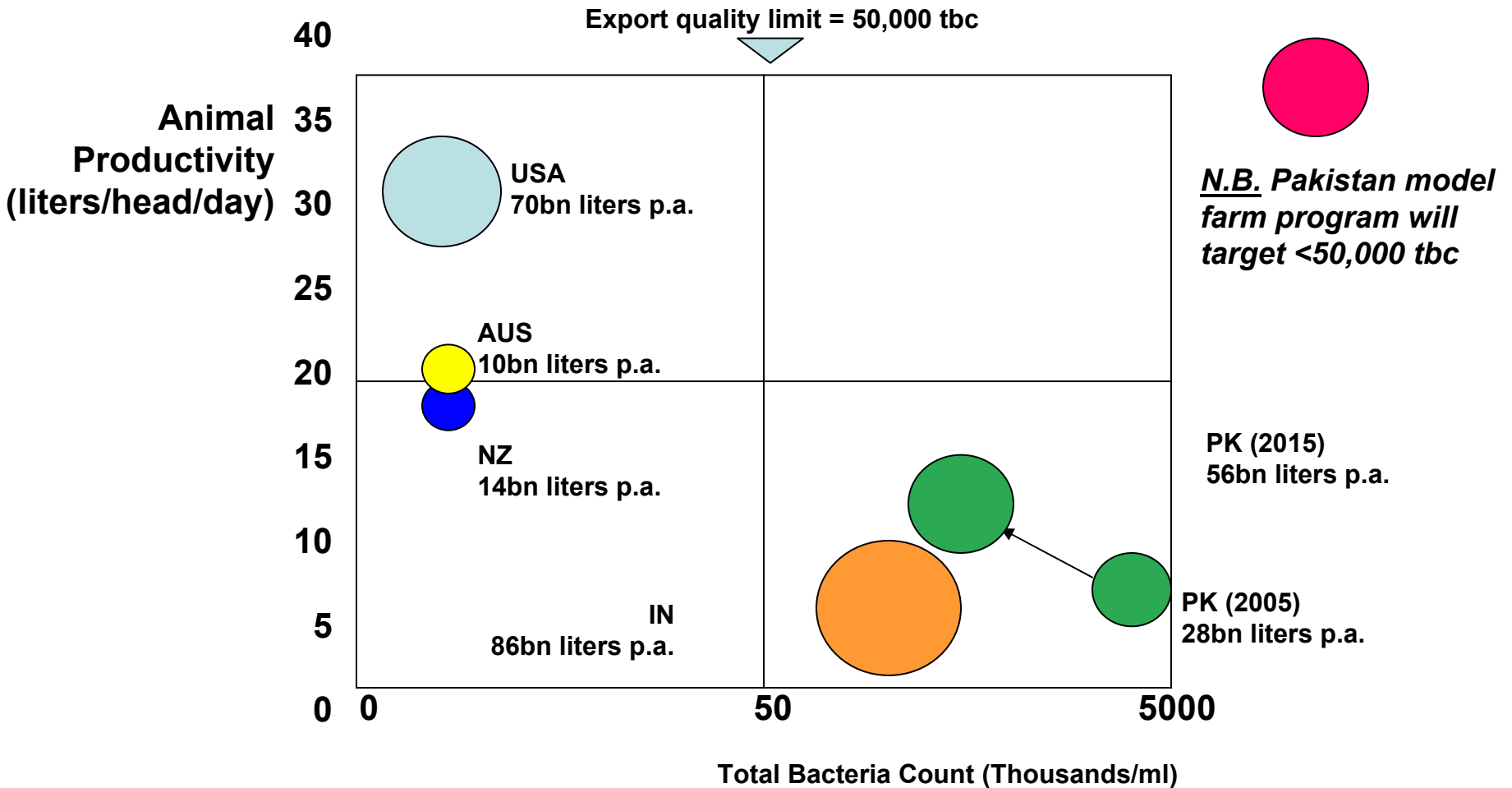
Contributions towards Agricultural GDP



Importance of the Dairy Sector



Results of Sector Improvement



Source: FAO, USDA, Dairy Australia, AgResearch NZL, Agri Census

Vision

- Dairy Industry's vision is to position itself as one of the 5 most competitive dairy industries in the world over the next 10-15 years

2. Current Situation

Strengths

- Large Population and high per capita consumption of dairy products
- A high ratio of agricultural land to agricultural population
- Large aggregate supply and breed potential

Weaknesses

- Price sensitive consumers
- Significant cost variations in milk production across size and types of farms
- Poor quality of milk coupled with low productivity and poor animal healthcare
- Unregulated chain of middlemen
- Poor infrastructure and underdeveloped cold chain

Opportunities

- Increase consumption with emphasis on nutritional value, quality & price
- Exploit potential through better feed and improved breeding techniques
- Develop extension services model
- Incentives to subsistence farmer to invest in productivity

Threats

- Farmer cooperation around collection and central milking is expensive and difficult to manage
- Lack of breed management at macro level
- Unregulated imports of dairy products
- Vested interests in perpetuating the dependence on imports of dairy products

II. Current Situation

- Entire Value Chain Participating**
- Diagnostics Applied**
- Strategy Developed**
- Strategic Actions Being Implemented**
- Policy Reforms Being Acted On**
- Investments Being Mobilized**

3. Impacts: Investment

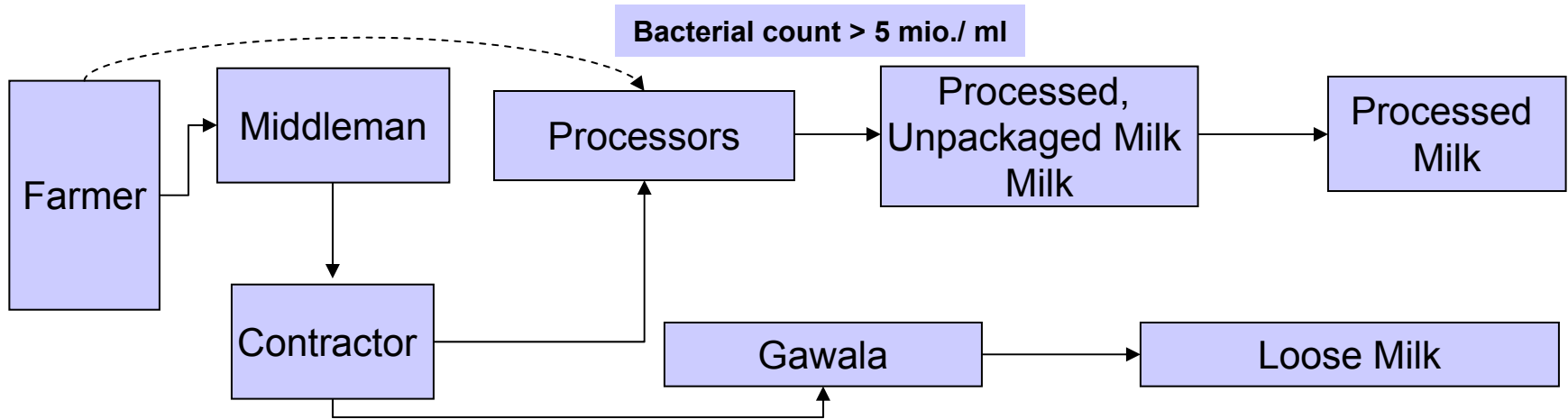
Total Investment in Upgrade of Value Chain (Rs. Million)	2005	2010	2015
Total Processing Investment	11,500	25,000	32,200
Total Procurement Investment	1,500	8,369	20,861
Total Investment	13,000	33,369	53,061

3. Impacts: Rural Farmers

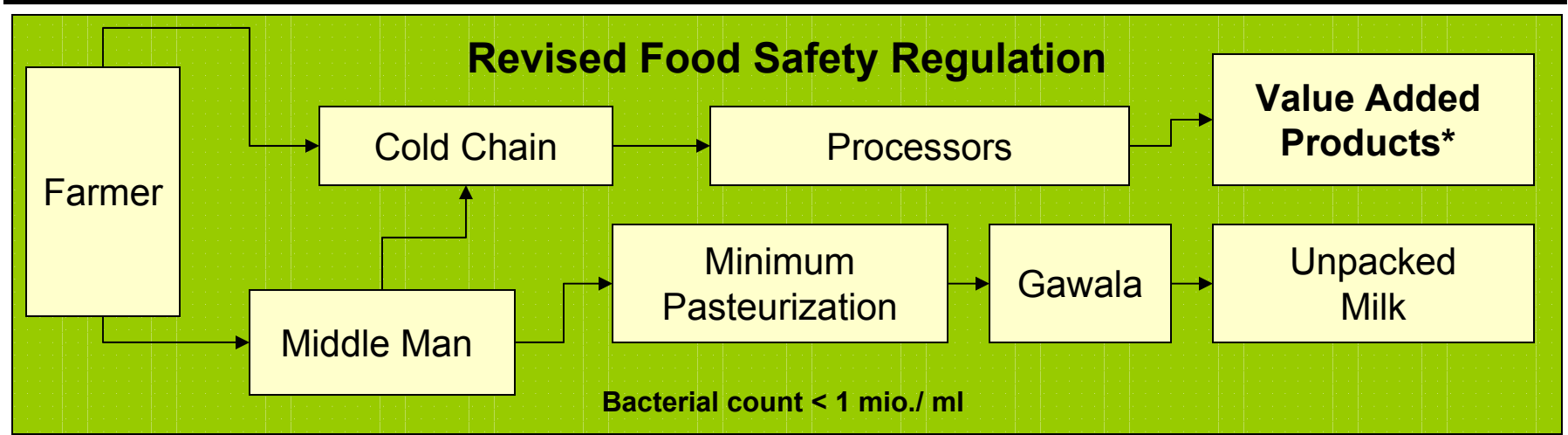
Value Chain	Now	2015	Growth
Model Procurement – Farmers	275,000	3,012,929	1100%
Model Procurement – Collection Staff	4,125	56,492	1400%
Model Farms	0	38,000	
Transportation	921	12,617	1400%
Processing	3,500	24,300	700%
Allied Industries	2,400	16,200	700%
Total Employment	285,946	3,160,538	1100%

III. Impacts: Value Chain Now and Tomorrow

EXISTING



FUTURE



* Processed milk, Ice Cream, Cheeses, Yogurt/Yogurt drinks etc.

4. Progress to Date

- Elimination of custom duty on all dairy related equipment (including small scale chillers)
- Reduction of custom duty on packaging material
- Financing for small farmers arranged
- Processors committed to expand facilities, procure from small farmers and assist in credit recovery
- National Rural Support Program committed to providing small farmer credit



THANK YOU

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Backup Slides

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Strategic Plan

Productivity Enhancement Initiatives

- Establish Model Farms to promote profitable dairy farming by implementing best farm practices
- Expand supply pockets to increase the supply of milk & create new income earning opportunities
- Facilitate investment in Farm Cooling Tanks (FCTs) to improve the quality of milk
- Explore the possibility of replicating GCMMF model in Pakistan through strategic partnership with NRSP

Impact on Small Farmers

- Access to quality collection & chilling infrastructure
 - Higher, year round income
 - Low cost productivity enhancement services
 - Ability to sell evening milk through support of industry with better price.

	Yield	Animals	Price / Liter (Rs.)	Income per Year	%age growth
Now (without chiller)	3.25	2	10	23,400	
Now (with chiller)	6.50	2	12	56,160	140%
2008 (with chiller)	7.50	2	12	64,800	177%
2015 (with chiller)	12.50	2	12	108,000	365%

Impact of Model Farms

2005-2008

No. of Farms	150	60	45	45
Farm Size (No. of Animals)	10	25	50	100+

300 Farms, 11250 Animals, 45,000 liters / day with average yield of 6 liters / day

2015

No. of Farms	10,000	1,000	100	100
Farm Size (No. of Animals)	10	25	50	100+

Total 11200 farms in 10 years, average yield 13 liters / day, providing 1.5 million liters per day (6.5%) of total industry milk supply. This high quality milk can be tied in with value added production e.g. cheese etc

Strategic Plan

Work Force Development Initiatives

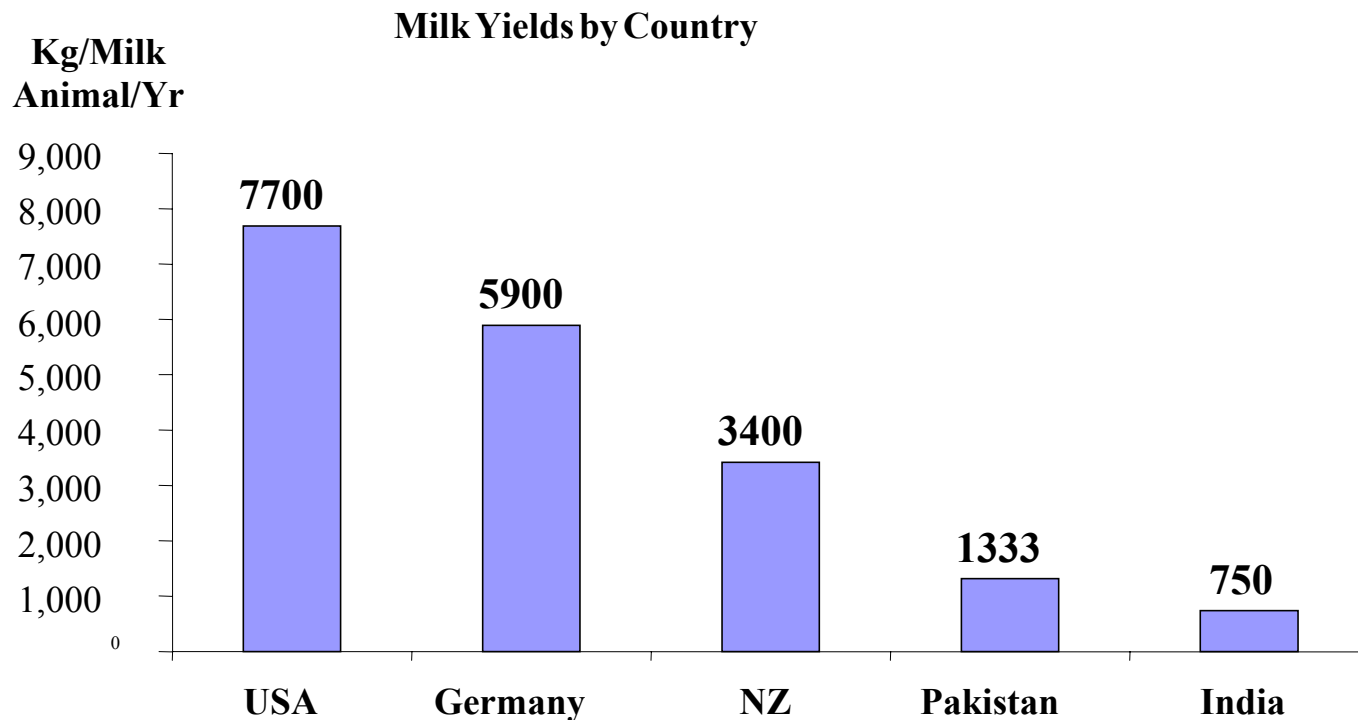
- Conduct training need assessment survey
- Provide practical training to farmers in best farming practices
- Raise capacity of existing Research & Development Institutions to promote innovation & demand driven workforce development
- Facilitation in establishment of Centre of Excellence in Dairy Technology

Strategic Plan

Policy Initiatives

- Improve & enforce existing food safety standards
- Introduce Minimum Pasteurization -Sialkot Model City
- Undertake studies on tariff/non tariff barriers, zero rating proposal and cost benefit analysis
- Introduce SWOG Quality Seal to institute voluntary regulation of milk purchase by dairy processors, gawalas and others selling dairy products based on collectively agreed upon Quality standards to be submitted to Industry & GOP

Potential For Increased Productivity



Source: IFCN, 2003.