

Background

- Ethiopia has a large population of livestock (CSA, 2010) and studies show increasing demand for milk and milk products in the country (Staal *et al.*, 2008).
- Despite the huge and untapped potential of the dairy sector of Ethiopia, the current performance is very low.
- The poor performance of the dairy sector in the country is a result of various factors.
- Among these factors, inadequate input supply (particularly feed) and service provision (veterinary service and Artificial Insemination (AI) or breed) are the major ones

Objectives

- to assess the evolutionary development processes of dairy related input supply and service provision business entities towards a geographical hub in Ada'a milk-shed at central Ethiopia.
- to explain gradual expansion of input supply services, and
- investigate how the demand for these services fostered competitions among actors

Method

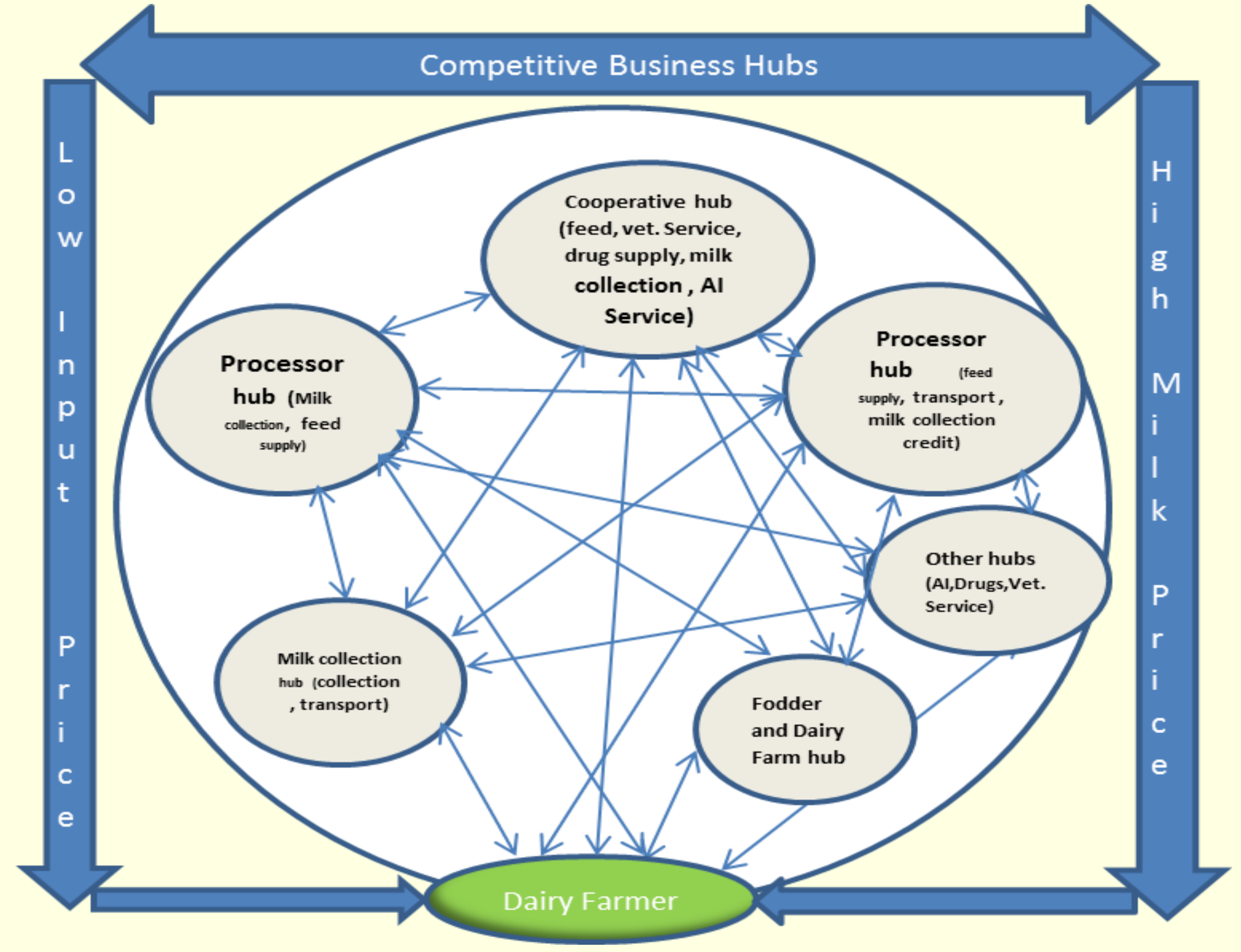
- Data generated from key informant field survey conducted in 2011 in Ada milk shed using semi-structured questionnaire
- Narration of findings made based on data generated from interviews together with use of secondary data on dairy input supply system in the study area

A Hub Approach

- A business hub could be defined broadly either as a single business entity supplying inputs and providing services or
- The existence of several business entities supplying inputs and/or providing services in a specific geographic area serving the beneficiaries in need. These different entities within the geographical hub could be private, cooperative, or public owned. They may or may not be coordinated with each other in running their business.

Survey Findings

Figure 1: Ada'a Milk Shed Geographical Hub Model



Source: based on survey 2011

Table 1. Evolution of input supply and service provision in Ada'a milk-shed by supplier/provider type (private, cooperative, public)

Inputs/services	Year				
	1996	2000	2004	2008	2011
Milk Collection and Marketing	Private	Private	Private	Private	Private
	Cooperative	Cooperative	Cooperative	Cooperative	Cooperative
Concentrated feed supply	Private	Private/Coop.	Private/Coop.	Private/Coop.	Private/Coop.
Feed processing	Private	Private	Private	Private/Coop.	Private/Coop.
Hay/roughage/ wheat bran supply	Private/Public	Private/Public	Private/Public	Private	Private
Veterinary Service	Public	Public	Public	Public/Private	Public/Private
Milk processing			Private	Coop/Private	Coop/Private
Drug stores	Private	Private	Private	Private	Private
Artificial Insemination (AI)	Public	Public	Public	Public/Coop/ Private	Public/Coop./ Private

Source: Survey 2011

Table 2: The gradual shift from public to private service dairy service delivery

Location (town or PA)	Public Sector (District OoARD)					Private AI Technician		Ada'a Dairy Cooperative	Farmer AI Technician
	2006	2007	2008	2009	2010	2009	2010	2010	2010
Bishoftu town	452	555	449	44	5	512	454	NA	10
GendeGorba	2	3	16	17	0	53	61	30	15
Godino	0	0	3	11	0	3	5	0	30
Kurkura	17	25	88	8	5	31	51	30	0
Ude/Denkaka	25	23	17	0	4	16	17	8	0
Wajitu	3	5	12	8	3	3	8	0	0
Yatu	12	21	11	0	0	32	59	0	0
Total	511	632	596	88	17	650	685	68	55

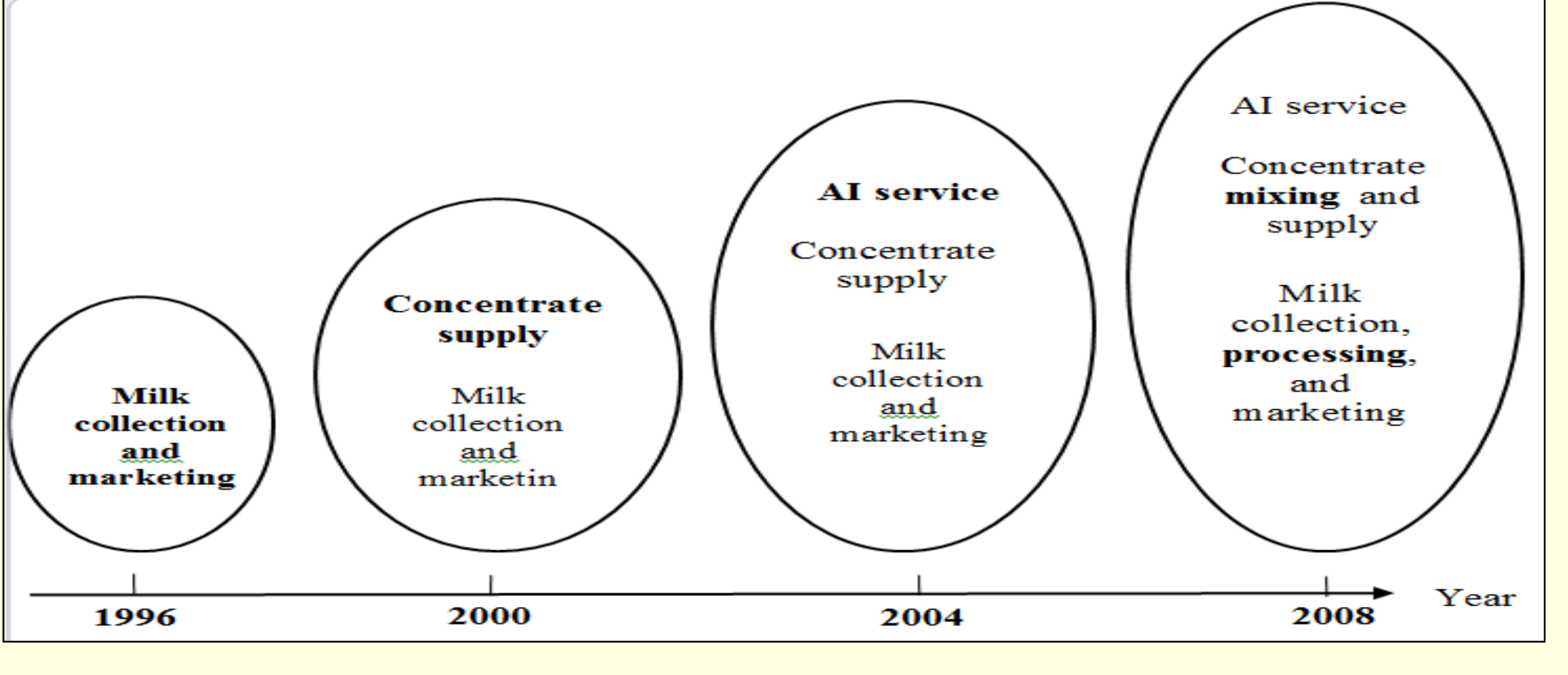
Source: Alemayehu *et al.* (2010), unpublished document.

Table 3. Years production, inputs supply and services provision started by different entities

No.	Entities/Organizations	Year of establishment	Milk production	Milk collection	Milk processing	Feed mixing production	Feed supply	Veterinary service	AI service
1	Genesis Farms	2001	2001	2004	2002	2006	2008		2007
2	Holland Dairy Farm PLC	2008		2008					
3	Yadene Ayana Integrated Farm (BORA Milk)	2008		2008	2008		2011		
4	Lema Limat PLC (LEMA Milk)	2003	2003 - 06	2003					
5	Sebeta Agro-industry (MAMA Milk)			2006			2008		
6	Alema Koudijis feed PLC (Alema)	2011				2011			
7	Ada'a Dairy Cooperative	1997		1997	2006	2004	2004	2005-2006	2003

Source: Survey 2011

Figure 2: Evolution of input supply and services provision at the Ada'a Dairy Cooperative (Services introduced are highlighted in bold) Note: The Cooperative also provided animal health service during 2005-2006.



Source: Survey 2011

Lessons

- The gradually developed strong linkage of milk supply from Ada'a milk-shed to the huge and untapped demand for dairy products in Addis Ababa market contributed to the expansion of dairy production and derived demand for inputs and services in the milk-shed.
- Through this evolutionary development process in the milk-shed, some business entities have developed into input supplying and service providing hubs.
- Moreover, the whole dairy related input suppliers and service providers in the milk-shed contributed towards the development of geographical hub in the area leading to lower input prices and higher milk prices for dairy farmers as a result of improved efficiency.

Challenges

- Though heterogeneity in a cooperative may help in hindering problems such as covariate risks that could affect members with the same features, diversity of interest and scale of operation could cause conflict of interest between the long-term vision of growth and the short-term benefits.
- Some of the business entities in a geographical hub are competing among each other, there could be a room to facilitate platforms where producers, input suppliers, service providers and other dairy related stakeholders meet and discuss on long-term strategic issues that could enhance the overall production and benefits to all participants in the sector, because competition may also result in low quality inputs and outputs.

