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Issue 6

Sameer Agriculture & Livestock Ltd.: milk and data in Uganda

The Sameer Agriculture & Livestock Ltd. (SALL) – a joint venture company established by the Sameer Group of Kenya in conjunction with RJ Corp. of India – took over of the former government parastatal Uganda Dairy Corporation in August 2006.

Out of 39 large, medium and small dairy processing plants in Uganda, SALL is today the largest. It employs 515 staff, it has the capacity to handle about 550,000 litres of milk per day, it has an annual turnover of over US\$ 30 million, and a market share of over 70 percent for pasteurized milk. SALL is the only milk processor based in Kampala, but for Gouda Gold cheese factory, with majority of other processing plants located in either the Western or Central milk sheds.

Fresh Dairy Products

SALL is manufacturer of 'Fresh Dairy' range of dairy products. These include:

- Fresh pasteurized milk packaged in 1000ml litre, 500ml and 250ml sachets. The milk is available as whole milk (3.4% fat), full cream (fat-rich) and slim-milk (99.5% fat-free).
- Ultra-Heat-Treatment (UHT) milk, produced in 1000ml, 500ml, 250ml Tetra Brick aseptic packs and available in four flavours: plain, vanilla, strawberry and chocolate. UHT milk is also available in 500ml Tetra Fino aseptic low cost carton pouches along with 200 ml Tera Cone Aseptic packs. UHT low-fat and slim milk are available in 500ml & 1 litre aseptic packs.
- Yoghurt, in cups of 500ml, 250 ml, 150ml and 100ml as well as in sachets of 400ml in plain, vanilla, mango, butterscotch, banana and strawberry flavours.

- Butter salt and unsalted, packaged in 500g and 250g hygienic foil as well as in 5kg cartons.
- Ghee, packaged in 1000ml and 500ml tin containers and 20 litre tins.
- Instant Powder milk, available in 400g and 900g packs.

Fresh pasteurized milk represents the major business for SALL, with about 45 to 50 percent of the milk processed daily used to produce pasteurized milk. About 30 to 40 percent of the processed milk goes into UHT milk, and the rest into the other dairy products.

Buying milk, selling dairy products

SALL is a buyer of milk and a seller of dairy products. It largely buys from district cooperatives in Western and Central Uganda, which have established about 135 milk collection centres equipped with coolers and generators as well as testing kits provided by SALL.

Over 20,000 farmers (either specialized dairy or mixed farmers), which have been trained in hygienic practices for milk handling, bring their milk to the collection centres, where milk is cooled down to 40 degrees Fahrenheit (4.4 degrees Celsius). The milk is transported to the so-called Bulking Centres, managed by the Cooperatives, where it is chilled a second time. SALL insulated tankers then take the milk to the processing plant in Kampala.

'Fresh Dairy' products target lower middle to high-income consumers, with recommended retail prices averaging UgSh 1,500 to 1,600 (US\$ 0.6 to 0.7) per litre of pasteurized milk in March 2011.

Milk is directly distributed to some retailers, including hypermarkets, supermarkets, specialized shops, *dukas* and kiosks, as well as hotels, schools and other institutions. Distributors play a key role in distributing dairy products across Kampala as well as across

upcountry Uganda, where 18 of them operate. Overall, as of March 2011, SALL supplies dairy products to over 3,300 retailers in Kampala through direct distribution. Indirectly, thousands of retailers also sell SALL products, which they buy from wholesale channels located in Kampala and upcountry markets. In addition, dairy products are exported to about ten countries, including COMESA and Middle East countries; ghee is exported to India.



Overcoming Constraints

Milk production in Uganda is insufficient to satisfy existing demand (the country is a net importer of milk) and SALL finds difficulties in getting sufficient and timely supply of milk (which leaves over 80 percent of its processing capacity unused).

To address this major constraint, SAAL is adopting a two-pronged approach. On the supply side, the company has been supporting farmer cooperatives and, most recently, it has been sponsoring a farmer awareness programme - which includes training of farmers by Indian and local veterinarians as well as distribution of medicines and other inputs at wholesale prices to producers; it has been initiating operations to set up its own dairy farm; it plans to work with the government and other stakeholders to encourage farmers to adopt modern farming methods such as improved stocking and cattle breeds.

On the demand side, it has been trying to 'create' its own market: it has made efforts to reduce retail prices through introducing the 'Tetrafino', a 30 percent cheaper packaging material; it has set up contracts with about 24 schools, to which it sells milk in 250ml sachets on a daily basis; it has initiated the Fresh Dairy Branded Kiosk Self Employment Scheme, a franchising for distributing and selling the company's milk products in Kampala and Entebbe (over 100 kiosks have been established so far); it has been collaborating with the Dairy

Development Authority (DDA) to increase the awareness among the population of the importance of consuming 'safe' milk sold through the formal market, which currently accounts only for between 10 to 20 percent of all milk sold in the country.

Data Need, if any

SALL has its own sources of information as, like all active companies, gets direct and indirect information on market status and trends through its business partners and through observing daily price trends.

However, with the aim of expanding its operation and satisfy the unmet and growing demand for milk in Uganda, SALL would appreciate updated information on districts with relevant surplus production of milk as well as on potential trends of milk production in the country. Some of this information is available, but in most cases is either presented in formats which are of little use to SALL (e.g. only regional data are available or data are summarized in maps with no detail numbers attached) and based on data which are more than five year old, in a country where, according to the Uganda Bureau of Statistics, annual GDP growth averaged 7.6 percent in 2000-2009 and where, in the last two years, the livestock sector grew by about 14 percent.

For further information please visit:

www.freshdairy-creambell.com

www.africalivestock.data.org

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