



Newsletter No 7

May 1, 2012

Import cost of dairy supplies cripples the dairy Industry.

In our previous Newsletter we raised our concern about the restrictive tax regime that the Government has put in place for the Dairy industry in Malawi. The withholding tax, the Value Added Tax [VAT] and import duties on Dairy supplies are putting the Industry in danger of stagnation. Billions of Kwacha in FOREX that are being spend on importing Dairy products could be saved by **stimulating the local production of Dairy products.**

Although the Minister of Finance has taken off the VAT tax at the consumer level, for which we are very grateful, Taxes on the import of Dairy supplies such as dairy equipment, veterinarian drugs, semen etc. items that have to be imported because they are not produced in Malawi, that were previously free ,are now still being taxed by MRA. This is **adding 22%** to the cost of production of one liter of milk, which makes it very difficult for our farmers to survive and for the consumers to be able to afford to buy milk that is so important in their daily diet.

These restrictive taxes will not stimulate the growth of the dairy Industry which has great potential to become an important industry to alleviate poverty and also has the possibility to become an important tool to stimulate employment in the country.

For that reason we urge the responsible Ministries to eliminate the import taxes for Dairy supplies in order to stimulate the local economy and boost local production.

MMPA's annual meeting.

On 23 February, 2012 MMPA held its Annual General Meeting and fresh election were conducted. The following people were elected into office.

President – Mr Sydney Chadzunda. Sydney Chadzunda is the Chairman of Central Region Milk Producers Association (CREMPA)

Vice President – Mr Phillimon Kapinji. Phillimon Kapinji is the Chairman of Shire Highlands Milk Producers Association (SHMPA)

Secretary - Mr Lyton Gondwe. Lyton Gondwe is the Chairman of Mpoto Dairy Farmers Association (MDFA)

Treasurer – Mrs Mirriam Tsonga. Mirriam Tsonga is the Treasurer of Central Region Milk Producers Association (CREMPA).

We sincerely hope you will give them maximum support as they endeavor to promote dairy farming as a powerful tool to alleviate poverty in Malawi. We wish them well and hope they will continue to lobby government and dairy industry for a conducive environment for dairy production in Malawi. The term of office for the above office bearers shall expire in 2015.

New sub office in Canada

With the departure of our 2 volunteers Floris and Heather in early January, the Board of Directors of MMPA gave the volunteers authorization to set up a sub office in Canada in support of the activities in Malawi. This office has now been established and is in operation.

Floris and Heather are now in daily contact with the Project manager of MMPA, Herbert Chagona, to advise him on important issues on behalf of all the members of MMPA.

AI Update.

With financial and technical support from JICA an additional **13 Farmer AI Technicians** were trained in Mikolongwe to be working in the MBG's where extra Farmer AI technicians are needed. This is the first time that MMPA has taken the initiative and candidates were selected from MBG's where help was most needed, to be able to deliver uninterrupted supply of AI services to the farmers.

We congratulate all 13 participants on graduating from this program and are now of available to our membership to provide this important service.

The new Liquid nitrogen machine that MMPA has bought, is now in the country and is being installed at the CREMPA location where the main semen supply is also located. The capacity of this machine is much larger than the three that were placed by MMPA before and will secure the uninterrupted supply of liquid nitrogen to the AI technicians in the field. Thanks goes out to Land O' Lakes and Lilongwe Dairy who were instrumental in bringing this machine to Malawi.

Due to the tax regulations of the government, MMPA had to pay an additional MK2.1 Million for importation of this machine compared to the previous machines. This has led to an increase in the price of semen for the farmers.

3 new Cross breeding groups

With the financial support from Land O' lakes, three new cross breeding groups are being established in the Central Region to help with the production of Dairy animals for new farmers.

This program has been quite successful in the past and needs the support from all stakeholders in the Dairy Industry to solve the chronic shortage of dairy cows we are still experiencing. With the prices of Pure Imported cows going higher all the time, this is a valuable alternative for the production of dairy cows for a much lower price. There are now 13 cross breeding groups active in the Central region. Part of the program is training of the group members at the Katete Practical Training Center to get them off to a good start. Thanks again to L.O.L for their support of MMPA in this important activity.

MMPA's long term goal is to establish 45 more Cross breeding groups, starting with 10 local MZ cows and a pure bull[or AI] and 2 breeding farms to increase the numbers of Dairy cows in the country

Solar lights

A new shipment of Solar chargers for lights and cell phones has arrived at MMPA and is now ready to be supplied for sale at the Regional Offices and MBG's. This important activity for the well-being of the farmers and to increase communication with AI technicians, input suppliers and Vet officers has resulted in the sale of 1,500 units so far. Solar chargers and other solar applications available in the future should be strongly supported by the government in the increasing difficulty to supply electricity to the population, especially in the rural areas.

However under the present Tax regime from the government, MMPA had to pay MK1.1 Million more to MRA for importation of these chargers than we paid for our previous shipment. This has led to a dramatic increase in the price of the chargers to our membership, which is very unfortunate! A zero tax and duty on these items is needed to stimulate the development of Solar applications in Malawi.

ESADA

Land O Lakes paid for a trip for the Project Manager of MMPA to go and attend ESADA Conference in Nairobi, Kenya. Thanks again to Land O Lakes for their support.

ESADA stands for Eastern and Southern African Dairy Association. It is a regional dairy association of dairy stakeholders across the dairy value chain. It was founded in 2004 with the overall mission of increasing trade in African dairy products. ESADA assists members in the promotion and marketing of their dairy products within the region and across the globe, as well as serve as a source of market information and capacity building for various stakeholders in the dairy industry.

Membership

ESADA is primarily an umbrella association of the region's national dairy association. Currently ESADA represents Kenya, Malawi, Rwanda, Tanzania, Uganda, Zambia, Mauritius, Zimbabwe, Sudan and South Africa. Associate membership is open to internationally, regionally and nationally based organisations directly or indirectly operating in the dairy industry. These include but not limited to service providers, packaging companies, banks and other financial institutions, distributors, NGOs and other public companies, transporters, government agencies.

Presentation Paper

MMPA presented a paper in which the challenges and opportunities of the dairy industry in Malawi were highlighted. The following are some of the challenges dairy industry is facing in Malawi.

One of the main restrictions in the growing dairy interest is the availability of cows for dairy production. The number of milk producing cows in the country stands at 10,000 followed by another 10,000 at a non-producing age, between 0-2 years.

Most active MBG's have between 40 – 200 milk producing cows. The average production is about 8 liters per cow regardless if they are crossbreds or pure Holstein Friesian or Jersey.

Intervention: MMPA has set up 13 cross breeding groups. The groups start out with 10 local cows and a pure Holstein or Jersey Bull.

The attempt by government to supply farmers with genetic superior semen and production of liquid nitrogen for storage of the semen has not yielded any results since the breakdown of their liquid nitrogen machine three years ago.

Intervention: MMPA has procured three small liquid nitrogen machines which have been put in the three regional offices and one big machine centrally positioned to provide a big supply of liquid nitrogen and back up the small machines. More than 5500 cows have been bred with superior genetic semen imported from the United States since the start of our program 11 months ago

Feeding

One of the main reasons for the low production is the current feeding practices of the farmers.

Often the area of land available for cattle feed is nonexistent or very small and is generally used to grow maize to feed the family. Others use the land to produce cash crops such as ground nuts or tobacco and neglect the need of a milk producing dairy animal. In general most of the feed that is available for the cow are crop residues and some grass during the rainy season.

The protein requirements of a dairy cow are in the range of 17 – 20 % plus the required minerals and vitamins. The crop residues are on average not much more than 4-6% protein. So there is a great imbalance between the need of the cow and what is actually being fed, leading to low production and poor condition of the dairy cow. These conditions also cause a dramatic increase of the calving interval [the period of time between calving's] through much lower fertility of an underfed cow. A normal calving interval for a dairy cow is 365 days but in many cases this has increased to 500 or 600 days resulting in a great loss of production and thus income for the farmer.

Intervention: Plans have been made for the creation of Fodder Banks at the location of the MBG's Collection Centers. When farmers deliver milk their milk to the MBG, they can take an amount of silage back with them to feed the cows. An average dairy cow consumes about 20 KG's of silage per day. The nutritional value of the silage will boost production by 50%.

Farmer Training

MMPA has a signed MOU with a private dairy farm (Katete Dairy Farm) for Practical training of 100 Dairy farmers per year on a 2 week training including room and board at the Hostel made

available for the students at the farm. The Center has been in operation since May 2010 and more than 300 farmers have completed the training.

The aim of the training is to give them “hands on” experience, which will help them in making dairy farming a valuable option for poverty reduction. It has been proven that dairy farming is a good way for Malawians to lift themselves and their families from subsistence farming to an income generating activity.

Dairy farming is an ever changing business with new information and techniques being developed constantly. In the past, many dairy projects have been set up in Malawi with minimal success. One of the reasons for this is that farmers have been trained in classrooms with very little practical training provided.

Lobbying

MMPA introduced this newsletter which has been a platform for intensive lobbying with industry and government on milk prices resulting in a 30% import levy to protect local production versus import and increase in price of milk paid to the farmers from MK 65 to 68.75 [In MDFA from MK 50 – 65]

-Lobbied Government for abolishment of 16.5% VAT on milk at consumer level.[instituted in March 2012].

Cross breeding versus importing

Although the import of pure Holstein and Jersey cows has increased milk production in Malawi, the cost of this has risen dramatically over the last couple of years, making the price of a cow unobtainable for small holder farmers. As a more affordable and efficient way to provide dairy animals to farmers MMPA has developed a system of Cross Breeding Groups where a community is supplied with 10 Local [Malawi Zebu] cows and one pure Holstein or Jersey bull to produce cross bred dairy cows for pass-on to farmers. So far 13 of these groups have been set up. The first group set up under this activity has now 42 dairy animals and will now grow at faster pace every year as the first female born of these crossbreds will be passed on to a new farmer. Malawi has about 500,000 local cows that can be used for this activity. An added advantage is that the resistance against local pests and diseases is also passed on to the offspring making them more adaptable. The first cross [50%] has the ability of producing 12-15 liters/day, the 75% cross can go up over 20 liters day.

Supporting Farmers.

MMPA is a strong believer in powerful farmer organizations. In order for a farmer to be willing to join the organization, services need to be provided that benefit and support the farmers.

MMPA has become more and more a service provider. This has resulted in a membership increase from 3000 in 2004 to 16000 members to date.

New US AID program.

A new US AID funded program has been awarded for 5 Districts in Malawi. Although the details are still being worked out, it will have a Dairy development component in it. We will update you on this as soon as we know more about what this will mean, for you the farmers, and as the details will become clear. In the meantime we are excited to hear that our Industry has not been forgotten by major Donors like US AID.

Land policy

The ownership of property [land ,houses, equipment or livestock] is important to access loans from Banks in order to set up or expand your business. In Malawi and many other countries in Africa land ownership is very low because of Customary Land policies, resulting in the reluctance of Banks to supply loans. And if they do Interest rates are extremely high and repayment terms are very short, making it impossible for specially livestock farmers to use commercial credit. In most countries in the world, Banks are using property as collateral [the value of your holdings] to determine how much they can loan you and over what time it has to be paid back. In developed countries, land and houses are usually taken as collateral for loans to be paid back over periods of 15 to 20 years. [land prices are very seldom going down over long periods of time and are less prone to inflation]

The Government of Malawi has talked about changing this for a long time, but very little has been accomplished.

MMPA would urge the Government of Malawi to take serious action on land policies which is badly needed to boost the economy of the country in general, but specially for agricultural development.

We at MMPA hope all our farmers have put in serious efforts to harvest and store feed for their cows to feed during the dry season. It will give you more income and a healthier cow!