



**Netherlands East Africa
Dairy Partnership**

Quality Based Milk Payment System – Experiences from a Ugandan pilot

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TIDE: The Inclusive Dairy Enterprise

Poverty reduction through improved dairy farm incomes, household nutrition and employment opportunities, reaching 20,000 farmers.

Funding: € 13 million

Netherlands
Embassy: € 9 million
Other donors: € 1.5 million
Farmers: € 2.5 million

Components:

- 1. Productivity:** > 1,500 farmers trained
5,000 farmers adopting CSA practices
- 2. Quality:** QBMPS pilot (3 processors)
- 3. Value chain:** support to DDA, UCCCU
and working with processors/coops
- 4. School milk:** 200,000 children benefit

A 4-year project:
2015 – 2019,
covering Southwest Uganda
(Mbarara)



The context

From extensive grazing to
paddocks and supplementary
feeding

2 rainy seasons (1,000 mm/yr) with
ambient temperatures

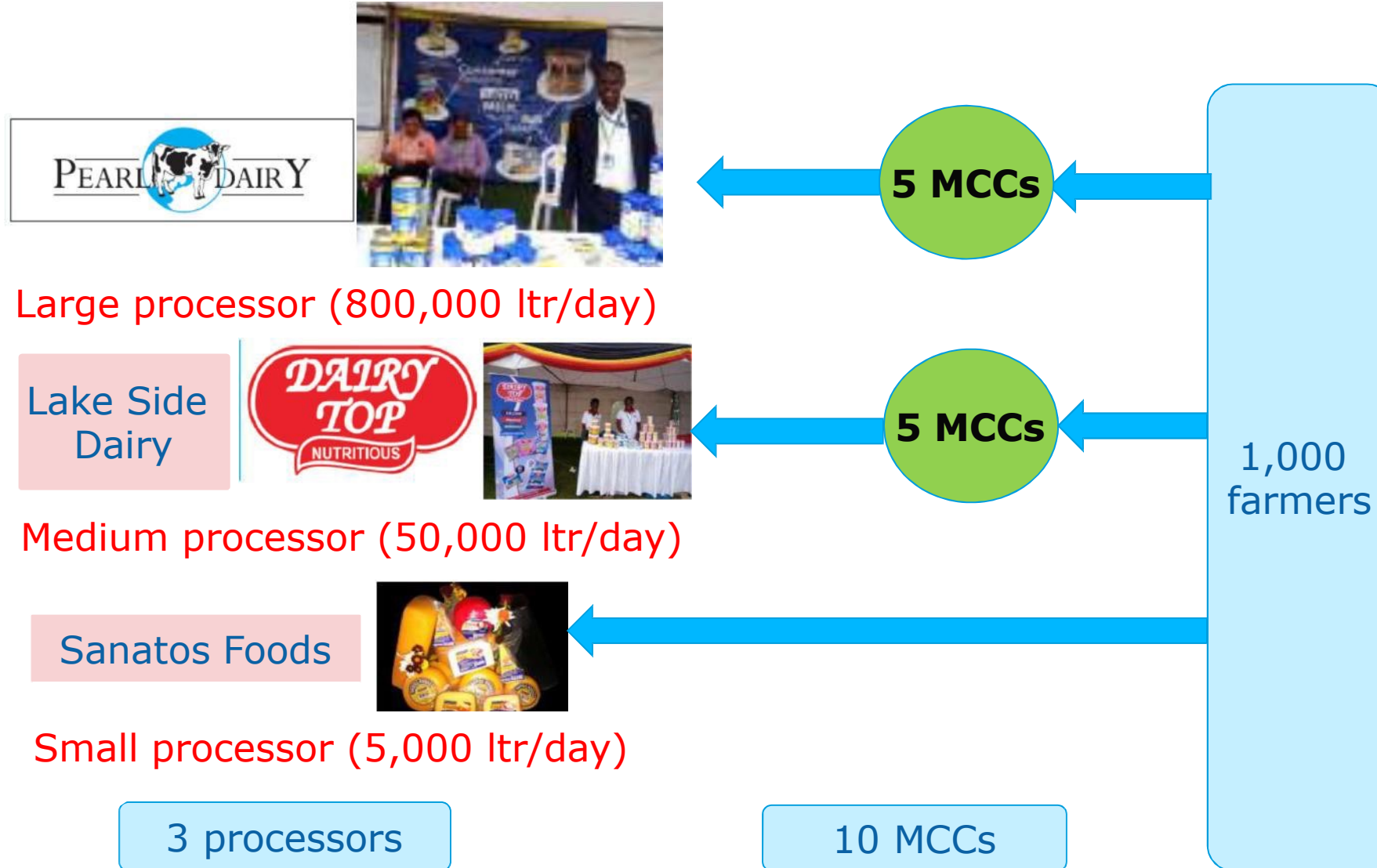
Rapid changes: 300 million litre of
milk exported in 2018 (USD 150 m)

Production growth 10 – 15 % per
year

The SNV approach (TIDE)

- QBMPS is private sector driven; working within national policy and using partnership approach
- DDA: policy guidance, training of farmers and cooperatives, chair of Steering Committee, (interim) calibration of equipment, 'arbitration'
- Bles Dairies (The Friesian): technical lead – feasibility and design, monitoring, backstopping
- TIDE: process facilitation, funding
- UCCCU: problem solving
- Wageningen UR: evaluation

QBMPS: Step 1 – buy-in from actors (2016)



QBMPS: Step 2 – setting the parameters (2016)

- Key criteria: **composition**

Fat (3.8%) and Solids non-Fat (8.5%)

- Disqualifications:

Freshness (Alcohol test: 80% + Resazurin test: 4, 5, and 6)

Adulteration (density = 1.028-1.032)

- No other tests yet (**safety**)

Three categories:

- Category A: **bonus of 10 %**

- Category B: no bonus

- Category C: rejection (or penalty)

QBMPS: Step 3 – zero-setting (2017)



Pure cow milk



Farmer's milk



↓ Trader's milk



AMRIT kits

Milk truck



AMRIT kits

MCC milk



ODMDC: Step 4 – Testing (first half 2018)

Step 1 – Farmers produce and deliver milk to the MCCs	Transport
Step 2 – Milk is tested at the MCC	Testing with Milk Analyzer and shared with farmer
Step 3 – Bulk Test, when milk leaves MCC	Test with Milk Analyzer recorded on a Delivery Note
Step 4 – A Bulk Test at the factory gate	Test with Milk Analyser recorded on a Goods Received Note
Step 5 – Verification	Goods Received Note and Delivery Note compared
Step 6 – Bi-weekly reports	Reports on deliveries and receipts shared between the processors and the MCCs.
Step 7 – Payments made as per agreement	Bi-weekly

QBMPS: Step 5 – pilot (2nd half 2018)

Date	Quantity	fat	SNF	Resazurin	Alcohol (%)	Density	Added water
1-Apr-18	5097	3.80%	8.55%	5	75	1.028	0.00%
2-Apr-18	5712	3.70%	8.40%	5	80	1.027	1.18%
3-Apr-18	5673	3.70%	8.40%	5	75	1.027	1.18%
4-Apr-18	5647	3.60%	8.26%	5	75	1.027	2.82%
5-Apr-18	5535	3.70%	8.53%	5	75	1.028	0.00%
6-Apr-18	5941	3.70%	8.40%	5	75	1.027	1.18%
7-Apr-18	5939	3.70%	8.28%	5	75	1.027	2.59%
8-Apr-18	5881	3.60%	8.26%	5	75	1.027	2.82%
9-Apr-18	6128	3.70%	8.53%	5	75	1.028	0.00%
10-Apr-18	6118	3.80%	8.55%	5	80	1.028	0.00%
11-Apr-18	6165	3.70%	8.40%	5	75	1.027	1.18%
12-Apr-18	6220	3.80%	8.55%	5	75	1.028	0.00%
13-Apr-18	5958	3.90%	8.57%	5	80	1.028	0.00%
14-Apr-18	Not received						
15-Apr-18	5466	3.60%	8.55%	4	75	1.028	0.00%
15-Apr-18	486	3.80%	8.55%	3	70	1.028	0.00%
15-Apr-18	6322	3.70%	8.53%	5	75	1.028	0.00%

QBMPS: results to date

MCC / DFCS	Begin bonus	Current status (31.7)	Payment (UGX)	Approx. sales (l/day)
MCC 1	May 1st	Paid 8 x Failed: 7 x	47 million	4,000 ltr
MCC 2	May 1st	Paid 11 x Failed: 4 x	68 million	4,500 ltr
MCC 3	June 1st	Paid 7 x; Failed 7 x	87 million	11,000 ltr
MCC 4	June 1st	Paid 2 x	1.5 million	2,500 ltr
MCC 5	July 1st	Passed 1 x; Failed 1 x		
MCC 6	July 15th	Failed 1 x		
MCC 7	August 1st			
MCC 8	May 15 th	Paid: 11 x Failed: 4 x	81 million	3,000 ltr
MCC 9	Not yet	85 % supply not met		

USD 77,000 to 350 farmers

Lessons from the pilot

- QBMPS is an intensive process, requiring awareness and training
- It touches on national regulation, milk procurement policies by processors and VC relations
- Concrete incentives (10 % bonus) seem to be important

Questions:

- Who to pay? Farmer vs MCC
- What are key influencers for composition/quality?

Key results:

- Rather than side-selling, when milk is rejected, farmers want to know what they can do to acquire the bonus
- QBMPS contributes to sector transformation

Uganda on the way to
being the largest dairy
exporter in Africa

Conclusions from Review (Dec 2018)

■ Pilot has been successful:

- Milk quality has improved over time
- Stakeholders are generally satisfied with the pilot
- Collaboration between stakeholders was efficient and appreciated
- DDA position was strengthened by succeeding in co-leading the pilot with SNV and conducting the ring testing
- SNV support along the project was very much appreciated by the stakeholders