

# How policy reforms can revitalise dairy sector



Members of a women's dairy cooperative in Tanzania. The cost of doing business for milk processors in the country is significantly huge compared to competing nations. PHOTO | THE CITIZEN CORRESPONDENT

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BusinessWeek Reporter

**Dar es Salaam.** Tanzania's dairy sector is significantly small for a country with the second highest livestock population in Africa, and risks total demise unless urgent policy reforms are undertaken to guide its growth.

In the current set up, the potential of the sector has not been realised for years with the country depending on imports from Kenya, Zambia, Zimbabwe, South Africa and others, to complement meager processed milk at home.

The cost of doing business for milk processors in Tanzania is significantly huge compared to competing nations such that locally processed milk costs around the same price as imported products.

The cost is made worse by some laws, policies and regulations that end up making it dif-

ficult for milk processors to do their business smoothly.

Tanzania Milk Processors Association (TAMPA) is convinced that reforming the rules guiding the industry is vital if the country is to effectively realise the huge potential presented by the sector.

Available statistics indicate that the decline in the capacity of the dairy sector is costing the country dearly. The government loses an estimated Sh13 billion in income taxes annually and more than 9,600 Tanzanians lose jobs each year in the sector. If at least half of the 1.65 billion litres of milk produced in the country annually would be processed, the sector can create about 76,577 jobs. The cost of compliance in the country would be over Sh20.4 billion annually.

This is according to a TAMPA report titled "Improving Competitiveness of the Dairy sector

through Rationalization of the Regulatory Framework."

According to the report, Tanzania's estimated annual compliance is about Sh800 million, which is very low and not economically viable.

For Tanzania to be able to process even half of the 1.65 billion litres produced annually, there are about eight policy issues, that need to be addressed.

TAMPA Executive Director Edmund Malick in an interview said that the government should address roadblocks that have been pushing the sector downhill.

The report notes that the capacity of Tanzania Dairy Board (TDB) to effectively execute its statutory function -regulatory and supportive was wanting.

"This has to be addressed through increased budget, right staffing and training," said

Malick.

According to Malick the safety management controls imposed by the government need to be shifted to preventive management throughout the food supply chain.

During rainy seasons farmers produce a lot of milk and some of it end up going to wasteful consumption due to lack of processing plants.

For his part, the Tanga Fresh General Manager Michael Karata said that lack of formal ways to collect milk from farmers was a big problem affecting milk production.

"There are no formal ways of collecting the milk, you find that where there is high milk production there is not a single formal collection centre," said Mr Karata.

"Provision of necessary infrastructure will motivate private companies to invest in milk processing plants," he said.

## MORE INFO: CHALLENGES & SOLUTIONS

### Some issues making it hard to do business

\*Multiple licences/permits: - single licence from TDB for premise, a permit for each product) from Tanzania Bureau of Standard (TBS), apart from Business Registration and Licensing Authority (BRELA), Occupational Health and Safety Authority (OSHA) and other requirements.

\*Uncoordinated premises inspections, five sessions are used and they fall under different laws, namely- Tanzania Food, Drugs and Cosmetics Act, 2003, Section 5 (2) (f); The Standards Act, 2009, Section 4 (2) (b); The Dairy Industry Act, 2004 Section 10 (r), (s); Occupational Health and Safety Act, 2003, Sections 24 (1) - (4) and 64 (3).

\*Cumbersome, uncoordinated products testing, which are stipulated in various laws:- Tanzania Food, Drugs and Cosmetics Act, 2003, Section 5 (2) (f); The Standards Act, 2009, Section 4 (2) (b); The Dairy Industry Act, 2004 Section 10 (r), (s); Occupational Health and Safety Act, 2003, Sections 24 (1)-(4) and 64 (3).

### What must be done to enhance competitiveness of the dairy sector?

There are several regulatory issues affecting competitiveness of the dairy sector that require urgent harmonization:

- 1.Introduction of coordinated inspections of premises. This should focus on coordinating regulations such as those enforced by Tanzania Food and Drugs Authority (TFDA), TBS, TDB, OSHA.
- 2.Introduction of unified testing of products: authorities TFDA, TBS and TDB should introduce unified testing, to save time and money.
- 3.Reduction of multiple licenses and permits: At the moment a processing milk processing business producing about six different products is required to have more than 15 licenses/permits for the premises (including vehicles) and products, most of which have to be renewed annually.
- 4.Introduction of detailed description of the legal rationale for inspections and clear procedures for prescribing and conducting them.
- 5.Reform the legal framework to provide a clear division of responsibilities and coordination between inspecting authorities.
- 6.Introduce accountability or transparency mechanisms for state controlling bodies to balance their legal control measures in the sector. Stringent and pervasive obligations for businesses in absence of accountability and transparency, is a recipe for corruption.

### Factsheet: What's in the numbers

- 680,000 dairy cattle with the capacity to produce 1.65 billion litres annually.
- The dairy sub-sector contributes 30 per cent of the livestock GDP.
- 80 per cent decline in formal milk processing over the last 15 years.
- About 76, 577 jobs and income tax amounting Sh103billion are lost per annum due to failure to process at least 50 per cent of the milk produced in the country.
- Estimated cost of compliance in the startup phase is Sh12million with a capacity of 6000 litres per day.
- Recurrent compliance cost: Sh48million Overall, the dairy sector is:
  - Regulated by 15 regulators
  - Protected in 25 Acts
  - Governed by 25 regulations

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