



LACTIMED
Promoting Mediterranean Dairy Products

Recommendations for reinforcing favorable conditions for typical and innovative Mediterranean dairy products



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**ENPI
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CROSS-BORDER COOPERATION
IN THE MEDITERRANEAN

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Recommendations in this advocacy appeal to institutional decision makers in charge of public policies at national, regional as well as territorial levels. They drive from the capitalization of the outcomes of LACTIMED project, aiming to enhance the production and distribution of typical and innovative dairy products in the Mediterranean basin by organising local industries, supporting producers in their development projects and by creating accessibility to new markets for their products.*

The goal of this advocacy is to raise awareness concerning constraints having considerable impact on the dairy value chain and also the importance of implementing necessary actions to fully promote typical local dairy products. Recommendations made by various actors of the dairy value chains of Lactimed project's pilot territories argue for a strong and pragmatic institutional support in order to create favorable conditions for the development of this strategic value chain that, moreover, is a significant lever for enhancing an inclusive local development.

In the Mediterranean basin, dairy farming activities challenge major socio-economic issues among which may be mentioned those of improving income and livelihood of rural populations, fighting against poverty, creating jobs and enhancing rural areas (socio-cultural heritage, tourism, regional development). Yet despite efforts to boost milk production, the dairy value chain is well below its potential in many countries. Many structural constraints penalize its development and undermine farmers most of whom are in a situation of high economic vulnerability and have only few alternative activities (particularly in mountain areas). Despite diversity of production systems present in the studied countries, major common issues identified by professionals can be gathered in five major items:

- Ensuring quality livestock feed to improve productivity;
- Improving food safety by improving sanitary quality and hygiene conditions: disseminating good practices for high quality products;
- Promoting typical local products and supporting collective actions in this regard;
- Improving accessibility of dairy producers to bank financing to facilitate the professionalization and structuring of value chains;
- Supporting structuring of territorial networks.

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1. Ensuring quality livestock feed to improve productivity

High quality cattle feed supply is the major concern for dairy farmers and one of the main problems hampering productivity in the dairy sector. Three main reasons are put forward by the dairy farmers:

- Expenditures on cattle feed represent an important part of milk production costs for small dairy farmers who constitute the majority of dairy farms: between 60 and 80% of the total costs. In some cases, the level of raw milk sale price does not cover all of these costs;
- Local resources are insufficient in quantity and quality: dairy farms are dependent on imports of protein and energy raw materials (soybean meal and corn) with soaring prices. This dependence on international markets is largely explained by limited development of fodder crops (fodder deficit), production of which is characterized by low yields and high variability due to the impact of weather conditions (frequent droughts);
- Low nutritional value of fodder resources associated with very limited control of feeding techniques (rationing) among dairy farmers is also a central issue as it results in direct effects on the productivity and profitability of farms as well as on the quality of raw milk. Moreover, poor quality of locally produced fodder requires dairy farmers to incorporate excessive amounts of concentrates, which affects the balance of food intake and also a longer-term health of animals (metabolic disorders).



In order to reduce the gap between local supply and consumption of animal feed, measures must be taken to limit imports of concentrates and to improve the quality of food intake. The tracks of priority actions are as follows:

- Acting simultaneously on the extension of area reserved to fodder production and on crop productivity. To be successful, it is necessary to encourage the use of varieties that are more productive and well adapted to agro-climatic conditions. It is also necessary to enhance improved crop management techniques through reinforcement of extension systems;
- Developing complementary crops such as fodder legumes;
- Encouraging the use of by-products from food industry: promoting awareness campaign among food processors, with incentive schemes aiming at concluding sustainable supply contracts between farmers and food processors;
- Strengthening technical supervision and dairy farmers' training in terms of balanced nutrition practices (protein intake, carbohydrates, fiber, minerals, vitamins, etc.) and conservation (drying, storage), which determine the herd health and milk productivity as well as the quality of raw milk.

2. Improving food safety by improving sanitary quality and hygiene conditions: disseminating good practices for high quality products

The necessity to improve the quality, especially the sanitary quality, is indisputable face to increasing consumer demand. Identified actions intend to establish a real quality policy addressing operators and targeting an improvement in the sanitary and commercial quality of the products on the market. Quality improvement tend to ensure consumer safety by launching safe food products on the market and also by promoting local dairy products.

The main quality criteria of the milk collected concern bacteriological quality as well as the composition of raw milk in fat and protein content. These hygienic and physico-chemical parameters are generally unsatisfactory especially in the Southern and Eastern Mediterranean countries and have immediate effects on the quality of processed products. Reasons identified throughout the dairy value chain are numerous: fragmented supply structure, inadequate cattle feeding, hygienic conditions that should be improved, rudimentary collecting and storage conditions, low use of packaging (raw milk sold in bulk), fraudulent practices, and informal distribution channels with many intermediaries.

The quality control requires involvement of all operators and links in the chain (production, collection, processing, distribution, etc.) because milk is microbiologically a sensitive product (contamination risks). Face to the challenge of public health, the involvement of government is paramount. Implementation of quality policy at the very starting point of upstream activities of the dairy value chain in terms of farming practices, milking and raw milk collecting is therefore a priority. Indeed, the dissemination of good practices is an essential condition for the development of the dairy value chain:

- Encouraging adoption of good practices concerning hygiene issues (animal and human hygiene, equipment maintenance) and animal health in dairy farms: implementing outreach programs and regular veterinarian visits on farms, especially on those located in remote areas. Presence of veterinary services in the field is essential because beyond the control actions, these support structures that are also instructive could be an effective mean of awareness raising and an efficient dissemination tool of appropriate techniques to dairy farmers (e.g. through demonstrations). Small dairy farmers at the edge of dairy value chains with a low instruction levels are priority targets;
- Encouraging implementation of quality management tools: creation of specification charts including traceability measures for the origin of the raw milk, adoption of health and international sanitary quality standards of self-control devices;
- Supporting financially investments in packaging activities, logistics and cold chain starting at farm gate: beyond the sanitary quality aspects, alteration of non-chilled products sold in bulk conducts to significant losses throughout the value chains, reinforcing the economic vulnerability of producers;
- Founding microbiological analysis laboratories close to dairy farms and practicing affordable fees in order to encourage milk producers and processors to make regular checks;
- Facilitating access to consulting services across the territory, while putting in place mechanisms of information, support and training of professionals. The objective is to help small dairy farmers to improve their knowledge and acquire new skills in the field of quality and sanitary risks;
- Spurring concentration of supply by grouping dairy producers and processors (clustering activities) in order to strengthen the coordination among all players in the supply chain and facilitate the quality control;
- Implementing incentive schemes within milk collecting centers in order to enhance their role of mentoring and support for small dairy farmers.



3. Promoting typical local products and supporting collective actions in this regard

The outlook for growth in demand for dairy products as a result of population dynamics and growing consumer interest in traditional products are promising prospects that call for large-scale promotion policies.

The challenge of improving the quality of local dairy products should not be limited to sanitary quality. Development of distinctive features of these products (organoleptic, nutritional, region of origin, traditional know-how) is also a priority area. Typical characteristics of these products occupy a very important position in the dairy value chain and contribute to the value creation. These assets have a real value added creation potential which requires:



- Conducting an inventory study of typical local products that could be subject to certification of distinctive quality and origin;
- Developing national standards and regulations that take into account distinctive characteristics of the products;
- Encouraging initiatives to implement collective quality labels and/or certifications within professional organisations (Economic Interest Grouping, professional trade-unions), through a “quality” policy. These approaches have a structuring effect on value chain’s players across the territory;
- Establishing control mechanisms for the respect of the specifications charts by the whole industry;
- Funding promotional activities with active participation of dairy value chain’s main players. Besides targeting specifically large consumer groups, promotion should be made appealing specialized marketing channels addressing hotels, eating places and catering companies in order to diversify markets, and to develop new ones, thus benefiting from the growth of the particular urban demand. Promoting typical local products is also a way to help producers to access to gainful markets (improving income and livelihood of the producers) and to resist against competition from imported products.

4. Improving accessibility of dairy producers to bank financing to facilitate the professionalization and structuring of value chains



Development of the dairy value chain is still hampered by the lack of financial resources and credit funding. Much of the production is carried out by small unorganized farmers who often are excluded from private bank financing. Private banks, exposed to risks of repayment defaults, do not provide suitable financial resources to small producers who cannot show any guarantee or contribution in exchange for required credits. Lack of funding increases the economic vulnerability of dairy farms and greatly hinders the modernization of the means of production and promotion of products (input supply, equipment, marketing).

In most cases, the financial resources necessary for the activity (input purchases, equipment, etc.) are insufficient. Consequently, producers are obliged to make use of intermediary agents (milk collectors) for their cash needs. This fact reinforces their dependency on intermediary agents and weakens their bargaining power face to these operators.

Measures that could be implemented to overcome this constraint are:

- Establishing partnerships between the State and commercial banks in order to develop financial tools adapted to the economic situation of small producers (eligibility, guarantees, duration of funding);
- Establishing a public financial support system that targets on small producers for short-term loans (for better input purchases) as well as for medium term/long term loads (purchasing equipment and building construction) in order to improve production conditions;
- Encouraging producers to organize themselves in professional grouping in order to become eligible for collective financing and to facilitate access to low cost means of production (collective buying of inputs, equipment pooling, etc.).



5. Supporting structuring of territorial networks

In order to ensure the development of the dairy value chain, value chains structuring supported by strong horizontal and vertical coordination between all stakeholders is essential.

Construction of an organisation in network -for example a cluster-type network- at the territorial level could facilitate the implementation of practical solutions to common problems. A cluster is an agglomeration of value chain's players that are geographically close and make a network of interrelations. Linking of local businesses and their coordination as a business network are generally considered to be beneficial: in particular they allow pooling of resources and skills and strengthening of innovation capabilities. In this sense, producers and processors of the dairy value chain have high expectations concerning a strong support of the public authorities to conduct awareness campaigns on the benefits of networking and to support the structuring of clusters.

A successful process of foundation and consolidation of a cluster is based on a number of key-factors:

- The decision to found a cluster containing all the players of the value chain (suppliers and producers of inputs, farmers, processors, distributors), chambers of commerce, research organizations (public and private) and public support services (training, coaching, extension, veterinarians) must come from private players;
- It is essential for all stakeholders to identify areas of common interests, to establish clear goals and to define the implementation tools;
- Development of a common strategy for a concerted approach which fits in lasting relationships based on mutual trust between members
- Involvement of a large number of dairy value chain's players.



The field studies conducted with dairy value chains' players, within the framework of the LACTIMED project, have highlighted essential areas of common interest:

- **Improvement of sanitary quality: coaching and technical assistance to dairy farmers;**
- **Training and capacity building activities at all levels of the dairy value chain ;**
- **Reduction of the share of animal feed in the total production costs while improving its quality;**
- **Innovation of processing techniques and the development of new dairy products ;**
- **Protection and enhancement of traditional local know-how;**
- **Structuring of distribution channels.**

These priorities, related to the recommendations in this guidance document, testify the importance of the implementation of operational actions to overcome the strong constraints limiting the development of local dairy value chain. A pragmatic government involvement must accompany structuring of these local value chains. The objective is to strengthen competitiveness and innovative capacity of the dairy value chains' stakeholders by establishing coordination, control and financial mechanisms for the recovery of the territorial assets for production and marketing of typical local products with high value added premises.



LACTIMED aims to foster the production and distribution of typical and innovative dairy products in the Mediterranean by organising local value chains, supporting producers in their development projects and creating new markets for their products. From November 2012 to May 2015, ANIMA and its 11 partners will organise a hundred operations targeting the various stakeholders of the dairy chains of 5 pilot territories in Egypt, Lebanon, Tunisia, Italy, Greece. The project has a total budget of EUR 4.8 million, funded 90% by the ENPI CBC MED programme and 10% by the partners or other co-financing sources.

The 2007-2013 ENPI CBC Mediterranean Sea Basin Programme is a multilateral Cross-Border Cooperation initiative funded by the European Neighbourhood and Partnership Instrument (ENPI). The Programme objective is to promote the sustainable and harmonious cooperation process at the Mediterranean Basin level by dealing with the common challenges and enhancing its endogenous potential. It finances cooperation projects as a contribution to the economic, social, environmental and cultural development of the Mediterranean region. The following 14 countries participate in the Programme: Cyprus, Egypt, France, Greece, Israel, Italy, Jordan, Lebanon, Malta, Palestinian Authority, Portugal, Spain, Syria, Tunisia. The Joint Managing Authority (JMA) is the Autonomous Region of Sardinia (Italy). Official Programme languages are Arabic, English and French. (www.enpicbcm.com)

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