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# MELKAM ENDALE DAIRY FARM AND MILK PROCESSING

Sululta, Ethiopia

Melkam Endale Dairy Farm and Milk Processing built its business by investing in relationships with smallholder dairy farmers. A dramatic decline in demand for milk and dairy products at the outset of the pandemic put those relationships—and the business—at risk. A Visa Foundation grant and technical assistance helped the company adapt to the situation and once again grow alongside its suppliers.



## About the Coalition for Farmer-Allied Intermediaries

In response to COVID-19's impact on vulnerable food systems, a group of pioneering organizations working with 600+ African food companies joined together to launch the Coalition for Farmer-Allied Intermediaries (CFAI). Its mission is to catalyze a movement around vital small- and medium-sized agro-food businesses in order to transform and build more resilient African food systems. In 2021, Visa Foundation provided resiliency grants and enabled provision of technical assistance to eight Sub-Saharan food processing companies to help them navigate the continuing COVID-19 crisis, adapt to shifting market demands, and return to inclusive growth. TechnoServe and Partners in Food Solutions provided technical assistance to these firms through the Alliance for Inclusive and Nutritious Food Processing program, which is funded by USAID's Feed the Future initiative.

## AT-A-GLANCE

SECTOR	DAIRY (MILK, BUTTER, CHEESE, AND YOGURT)
Challenges from COVID-19	Sharp fall in demand for milk and dairy products, limited working capital, and difficulty keeping employees on salary
CFAI support	Visa Foundation grant of \$50,000 to fund milk procurement, employee salaries, and safety adaptations
Key results	92% increase in production, 83,000 liters of raw milk purchases from 343 smallholder farmers, improved on-time payment to suppliers

## ABOUT MELKAM ENDALE DAIRY FARM AND MILK PROCESSING

Melkam Endale Dairy Farm and Milk Processing (MEDFMP) began as a dairy farm on 2.7 hectares outside Addis Ababa. When founder Melkam Endale decided to turn the business into a commercial dairy processor in 2017, it became clear that MEDFMP would need to find additional sources of raw milk, beyond what the farm could produce.

Since then, the company has worked with hundreds of smallholder dairy farmers to source milk. To build the loyalty of smallholder suppliers, MEDFMP has invested in providing farmers a suite of services to boost their livelihoods, offering agricultural training on techniques to improve the volume and quality of milk produced, as well as low-priced forage and veterinary drugs. The firm also signs contracts with the farmers, providing greater stability to them.

MEDFMP manufactures pasteurized milk, butter, cheese, and yogurt. It sells most of its products in Addis Ababa, and bottom-of-the-pyramid (BoP) consumers are an important segment for the company. In the last quarter before the COVID-19 pandemic, MEDFMP had \$167,000 in sales.

## CHALLENGES FROM COVID-19

The COVID-19 pandemic was challenging for Ethiopia's dairy producers, including MEDFMP. During the initial stages of the pandemic, there was a widespread public belief—fed by erroneous media reports—that consuming animal products like milk, cheese, butter, and yogurt increased the risk of contracting COVID-19. As a result, the firm's sales plummeted.

Without its usual sales revenue, MEDFMP struggled with cash flow. It had signed contracts with farmers, so it continued to take deliveries of raw milk, even as its output and sales fell. However, it started to fall behind on payments to farmers, straining the long-term relationships it had built. The firm also struggled to maintain its payroll and had to terminate the work contracts of some of its employees.

Even as sales started to rebound from their nadir at the beginning of the pandemic, MEDFMP faced challenges due to its limited cash on hand.

## RESPONDING WITH CFAI

Through CFAI, MEDFMP received a Visa Foundation grant of \$50,000 to support procurement, payroll, and making the workplace pandemic-safe. The injection of working capital was coupled with technical assistance focused on digital accounting, COVID-safe manufacturing processes, and developing a market strategy adapted to the changing circumstances.

## RESULTS AND IMPACT

As a result of the financial support, MEDFMP was able to increase the volume of raw milk it purchased by 92% and grow the number of farmers in its supply chain from 300 to 343 (of whom 120 are women). The firm was also able to improve its rate of on-time payment to farmers from 60% to 80%, helping to rebuild trust with suppliers and attract new ones.

The grant also helped to pay the salaries of 80 employees, negating the need for staff layoffs, allowed the company to add eight additional full-time workers, and paid for investments in PPE and other material to keep the workforce safe.

The technical assistance allowed the company to keep better records of its finances and operations and also to forge linkages to new markets.

As a result of these changes, MEDFMP's revenues grew to more than \$1.1 million during the grant period, with its annual sales revenues for 2021 outpacing those of pre-pandemic 2019.



## VISION FOR THE FUTURE

Looking ahead, MEDFMP plans to invest in the production of long-lasting, shelf-stable milk. This will allow it to maintain its sales even during periods—such as fasting times in the Ethiopian Orthodox calendar—when its sales typically decline.