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Report of International Consultant on Dairy Industries

Braz dos Santos Neves

'Cândido Tostes' Dairy Institute

Juiz de Fora - MG - Brazil

**Organized by United Nations Industrial Development
Organization**

**Symposium on the Development of Partnership
Programmes in the Dairy Industry : from Research to
Industrial Operation**

Period: 01/22/96 to 02/03/96

Local: Juiz de Fora - MG (Brazil).

Abidjan (Ivory Coast).

2

1 - Background

The United Nations Industrial Development Organization (UNIDO) has conducted two symposium on the development of partnership programmes in the dairy industry : from research to industrial operation on innovative institutional partnerships and South hemisphere coöperation.

The aim of this programme is the development of the dairy industry in Africa and to formulate constitutive means to a major input for relieving malnutrition and providing basic elements for a better diet and, therefore, contributing to the well-being of the population in general. Seven countries were invited to the 'Cândido Tostes' Institute in Brazil for a first meeting. This Institute was chosen because of its integrated system of research, training and the industrial operations in the dairy field.

The first meeting took place in the 'Cândido Tostes' Dairy Institute located in the city of Juiz de Fora, Minas Gerais, Brazil, in the period of 14th to 19th of July, 1995. During those days the local staff and professors promoted the transfer of their integrated knowledges to the selected African countries to provide background information for the development of their countries's dairy industries.

It consisted of the organization of several lectures covering the experience of the 'Cândido Tostes' Dairy Institute and the participants attendance to the Brazilian Dairy National Congress, aiming to access the Brazilian industry potentials and its state of art in this specific sector.

Each participant of the African countries made a preliminary identification of the requirements for organizing a Center similar to the 'Cândido Tostes' Dairy Institute or for installing a dairy plant in their country.

When they came back to their home countries they prepared a report with special emphasis on the programme agreed upon regarding the follow-up activities.

2 - Objectives of the Dairy Consultant

1 - To accompany the UNIDO staff and the participants of the Symposium on the Development of Partnership Programmes in the Dairy Industry to Abidjan;

2 - To assist the participants in the presentation of their requests to the African Development Bank (ADB) and to the "Banque Ouest Africaine de Développement (BOAD);

3 - To support the requests and to provide the Bank, if necessary, with the experience of the Institute on technical inputs such as required time between availability of resources and the starting up of the operation ; provide data regarding structure of equipment and machines, raw materials required, labour and working capital requirements.

3 - Report of the Symposium on the Development of Partnership Programmes in the Dairy Industry : from Research to Industrial Operation

Abidjan, Ivory Coast

29-30 January 1996

Welcome to the representative to UNIDO - Antônio Pinto-Rodrigues. He presented the programme of work and the list of participants.

Programme

Monday 29 January 1996

09:30 - 12:30 - Presentation of the projects

15:00 - 18:00 - Presentation of the projects

Tuesday 30 January 1996

09:30 - 12:30 - Remarks of ADB and BOAD

15:00 - 18:00 - Conclusion

List of participants

Angola Mr. Antonio de Lemos
Brazil Mr. Braz dos Santos Neves
Mr. Antônio Fernandes de Carvalho
Cameroon Mr. Eneme Andrew Ngome
Ivory Coast Mr. Traore Sy Bruno
Guinée-Conakry Ms Aïssatou Bobo Diallo
Ethiopia Ms Hadera Gebru
Niger Mr. Tahirou Djibrine
Tanzania Mr. Hubert Mushamba Rwehumbiza
Zimbabwe Mr. Kizito Bernard Hakutangwi

Ministère de l'Industrie et du Commerce, Ivory Coast

Mr. Komenan Mougo

Mr. Koko Kouakou

Banque Ouest Africaine de Développement

Mr. Babacar Faye

African Development Bank (Private Sector Development Unit)

Mr. Ibrahima Seydi

United Nations Industrial Development Organization

Mr. Antonio Pinto-Rodrigues

Ms Poscale Crapouse

Winrock International

Ms Claudia Karnaga

The complete list, with address of participants is placed in annex 1

Before the presentation of several technical cooperation projects tailor-made to the needs of the participating countries, to the African Development Bank (ADB) and to the “Banque Ouest Africaine de Développement” (BOAD), the meeting was achieved by the UNIDO’s representative who remembered the first symposium in Brazil in the ‘Cândido Tostes’ Dairy Institute, the most important centre for the development of research, technical and educational training as well as industrial operations in Latin America. He presented the two Banks (ADB and BOAD) and the participants of : Angola, Cameroon, Ivory Coast, Ethiopia, Guinea, Niger, Tanzania, Zimbabwe and Brazil introduced themselves.

Each promoter presented his projects to the Bank representatives :

Ivory Coast

This country chose one private industry the group SODIRO, represented by Traore Sy Bruno.

He started his presentation by the two ways of SODIRO : production and distribution. This group was born in 1980 and has today 200 employees. It is placed on the north-east of Ivory Coast in the biggest milk production region of the country (85000 cows).

The aim of a installation of a 3.000 liters/day plant is:

- * Increase the nutritional status of the population at large ;
- * Making available milk and milk products at aboarding prices ;
- * save money because 94% of milk in Ivory Coast is imported
- * cut down rural exodus

The milk will be collected 30-40 km around Odienne, where an infrastructure was placed with the cross of two different races of dairy cow : one native “Damas” and one European “Abondance”. The cattle obtained with this cross have an improve of productivity for 10 liters of milk a day.

The estimated cost of the project is U\$ 950.000, for the production of assorted kinds of cheese, milk sweets, pasteurized milk and butter.

Cameroon

Represented by Mr. Ememe Andrew Ngome the Cameroonz identified two projects in Brazil :

1 - “Transfer Know-how for integrated programme of research, training and industrial production in the dairy industry by optimizing the existing infrastructure.” The objectives of the project was amongst others a linkage between existing structures/institutions on the research training and production of dairy products. This would have an impact on the optimization of economics of existing operation by bringing in new technology and making available of additional products which have a greater chance of selling well and therefore help to generate income for both the institution and the producer community (population).

2 - “Partnership with the private sector in the Dairy Industry”. The objectives are :

To assist local producers in increasing the value of their products by providing the raw materials for the production of Milk Derivatives in line with the successful experience of Institute Cândido Tostes of Brazil.

To provide the local markets with very much similar cheeses which are imported into the country thus limiting the draining of foreign exchange.

The representative explained that Cameroon has a low capacity of milk production and this production is placed in the North, and it needs to be commercialized in the South of the country. Nowadays it is impossible because there isn't an infrastructure to create some industries in the North (lack electricity, ...) and to transport the milk to the South (lack roads).

They have a dairy industry with 10.000 liters a day in the North. For this industry the first project can be fulfilled.

The projects were changed by another. One project about the production of packing was presented.

Guinée-Conakry

Represented by Mme Aissatou Bobo Diallo who presented one project of a dairy plant, in the middle Guinée, for 3.000 to 5.000 litters of cow milk a day.

The aims presented for this project were :

- * Supply the nutritional needs of population ;
- * Increase the milk production with genetic improvement ;
- * Cut down the milk import (today about U\$ 8.000.000)
- * Increase employment

The estimated coast of the project is U\$1.274.400 for the production of several dairy products : pasteurized milk, sweet milk, cheeses, fermented milk and butter.

Niger

The Niger is one of traditional African countries for the milk production, but the milk consummation is 15 liters for year for person. Mr.

Tahirou Djibrine (representative of Niger) is the owner of the unique private dairy plant of this country - NIGER-LAIT. His plant, with 400 liters/day produces fermented milk like yoghurt and "lait caillé".

The project of this country, about \$ 1.690.000, is : "Partnership programme for the private dairy sector by increasing the production capacity of the NIGER-LAIT for the dairy technological diffusion". Nowadays the industrial dairy transformation, in Niger, is about 0,41% of the dairy products. With this project NIGER-LAIT will be made : pasteurized milk, milk sweet paste, butter, yoghurt, cheeses and fermented milk.

Tanzania and Ethiopia

Following the period of *politic restructuration of the country*, because of the lack of infrastructure, these countries changed their projects and decided for only a technical assistance request.

They ask basically three points :

- 1 - Training of farmers
- 2 - Training in dairy technologies in small plants
- 3 - Developing the cow genetic for increase the milk production

Angola

With the objective to rehabilitate the former largest milk producing area in Angola, for normalizing the supply of milk in the region and to prepare it for a future privatization of the installation in line with present government policy the Angola representative Mr. Lemos presented his project.

The project is the same identified in Brazil (coast \$ 1.793.000), but it is open in 49% for foreigner capital and needs 51% of national capital.

Zimbabwe

The Zimbabwe representative, Mr Kisito Bernard Hakutangwi did not take part on the first phase of the activities conducted in Juiz de Fora (Brazil). He presented two documents: Dairy Development Programme Zimbabwe-Development Plan 1995-2000 and Programme Strategy Document Phase II 1996 - 2001, where the strategies for the dairy developmente are defined whose special references are placed on small production and transformation dairy units. Mr. Kisito will formulate a project aiming the introduction of small dairy processing units directed to small-holder farmers. To achieve his objective he asked the cöoperation from the 'Cândido Tostes' Dairy Institute in the following aspects: installation of small dairy processing units and training of human resorces. The financial support for this programme will be requested to the African Development Bank and to the African Development Fund.

AFRICAN DEVELOPMENT BANK (ADB) & BANQUE OUEST AFRICAINE DE DÉVELOPPMENT (BOAD)

The representative of ADB in charge of the financial operations of the private sector, Mr. Ibrahima Seydi, as well as the representative of BOAD, Mr. Babacar Faye, were kind enough to share with the participants the different mechanisms existing in the Banks for such type of projects as well as specific remarks, suggestions and follow-up needs regarding each proposal previously submitted to the Bank's consideration.

It is worth to mention, even in a summarized way, some of the major remarks made by the Bank's representatives :

Due to the growing scarcity of resources for development assistance on one side and increasing role of the private sector as a clear cut instrument of

development in African countries, it is more and more important to formulate projects which are self-sustained and profit-oriented ;

Mention was made of the excellent quality of the projects presented at the meeting as well as of the degree of preparation shown by different promoters in their presentation.

In the case of Niger and Ivory Coast, the representative of the ADB mentioned his interest to visit those projects within the coming week, so immediate action could be undertaken as their promoters and the projects were meeting entirely the criteria of the Bank regarding Private Sector Assistance.

In the case of Angola, and if a 51% of the capital could be taken over by a private sector group, the Bank itself would even be interested in participating as a shareholder up to 25% of the capital.

In the case of Guinée-Conakry and after an expansion of the market study, it was suggested that the private sector involved in this project should be someone related with the actual import of more than 95% of the needs of the country, as far as their dairy industry products are concerned. The Bank was informed by the representative of Guinée-Conakry, that after her departure from Brazil, and before coming to Abdijan, contacts were developed with private sector representatives in Guinée-Conakry, exactly within the profile mentioned by the Bank Representative. The private sector potential interested partners in this venture, were anxious to know more about the Bank facilities for this types of programmes.

In the case of Tanzania and Ethiopia, both representatives have changed their projects since their stay in Brazil, transforming their requests in rather technical assistance programmes or strategic studies for the sector instead of concrete projects in the line of other countries. To this effect the Bank also reacted to these proposals, and suggestions were made how to tap possible existing resources in the Bank of provided by the Bank to the countries concerned.

Within the different sources of funds which might be available for the different types of situations/requests referred above, three main possibilities were mentioned. All the countries with exception of Zimbabwe could have access to both African Development Bank for the Private Sector which lending is now around LIBOR plus 3% (more or less 10%) and the funds existing at the African Development Fund (ADF) which practically have no costs involved since they are provided as grants. The third instrument which can be eventually available for the preparation of additional studies of the projects concerned and/or for those sectoral studies related to the specific cases of Tanzania and Ethiopia, are related to the sectoral funds provided by the Bank to the countries concerned out of which resources could still be available resulting of the non-spending of the same funds in the past. The utilization of these funds for this type of studies depends on the indication of the respective counterpart authorities of the Bank in the countries concerned.

In addition to the above, specific indication of the timing required for the implementation of these projects was provided by the Bank ; it was also referred that in the case of equipment financing, three different proforma invoices were required, even if at the promoter would still decide on the Brazilian offer, taking into account the origin of this specific programme of cooperation.

After the exchange of views between the main actors, mainly the participants and the Bank representatives, Mr. Pinto-Rodrigues asked the Bank representatives what could be, in their opinion, the role of UNIDO, in the subsequent phases of the programme. The immediate response was that they were surprised with the degree of quality of the proposals and they would appreciate if UNIDO could repeat this exercise and provide the Bank with further proposals from other countries in Africa, some of which were immediately mentioned such as Senegal, Guinée-Bissau, Mali, etc...

The UNIDO representative took in the opportunity, distributed to all the participants some information regarding UNIDO's activities in general and an extensive presentation on UNIDO's activities on transfer of technology and investment, including the successful and worldwide acceptance of CONFAR and PROPSPIN, the utilization by their Investment Promotion Offices, including the fact that in certain countries, local financial institutions accepted CONFAR as the tool for the correct analysis of the investment proposal. The translation in so many different languages of the Manual of Feasibility Studies as well as sale of hundreds and thousands of copies of the same, is an evident fact of UNIDO's experience on one side in this field, as well as on the other side as an honest and neutral broker regarding the different interests in presence.

'CÂNDIDO TOSTES' DAIRY INSTITUTE - ILCT

The ILCT representatives, Mr. Braz dos Santos Neves and Mr. Antônio Fernandes de Carvalho participated in the discussions on the presented projects and helped to clarify the doubts on the various subjects.

It was stressed the interest on participation of the ILCT's African dairy industry development programme, including the installation phase of dairy units. The ILCT representatives place themselves promptly to give any additional information that might be necessary for further detailing the projects established during the last Juiz de Fora Symposium.

It was made evidently clear that the ILCT has the capacity to attend the technology transfer demands, based on the previous experience with well succeeded and tested systems in Brazil; and these were identified by the representatives as the most viable for their home countries.

4 - Main follow-up activities and mechanisms of coördination

1 - It is expected that the countries concerned will react to the specific suggestions made during the meeting in a maximum period of three months.

2 - A full set of updated documents should formally be sent to both Banks.

3 - In view of the potentials existing in Zimbabwe its representative requested to be included in the next exercise of the same nature and have the possibility of visiting the Brazilian facilities.

4 - The UDC office in Abidjan should be the focal point for receiving all the updated projects for further transmission to ADB and BOAD. All the UNIDO offices related to the origin of the participants would be contacted by Headquarters to inform them immediately of the outcome of the meeting, so they can, in cooperation with the participants, identify possible sources of financing in their countries of coverage and in accordance to the description mentioned above.

5 - In spite of the fact that this presentation to ADB, viewing their ongoing restructuring process was made on an informal basis, the ADB representative requested a possibility of being invited to the next visit to Brazil, due to the particularities of this specific programme and the results shown so far.

6 - The technical adviser of the Minister of Industry and Commerce of Ivory Coast, present at the meeting, should continue to be informed on the outcome of the follow-up phases. As mentioned by him, this initiative of UNIDO, with a very pragmatic and practical approach, should be followed by formal discussions with the Bank, in order to optimize clearly the expertise of both institutions and therefore optimize the resources on one side on the identification, formulation and bringing up to bankable stage the projects of the sector, and the financing of the same on the other side.

7 - It was requested that the Brazilian mission in Vienna be fully briefed on the outcome of the meeting ; they can inform their colleagues in the respective countries of origin of the projects, so full coordination and share of information can be achieved. Moreover, the assistant to the Brazilian governor to ADB was very pleased about this initiative and promised to support the approval of the financing of the projects, when submitted formally to the board of ADB.

List of Participants

Mr. NEVES Braz dos Santos
Instituto de Laticínios Cândido Tostes
Rua Tenente de Freitas, 116
36.045-560 Juiz de Fora - MG - Brazil
Fone : (55) 32 224 3116
Fax : (55) 32 224 3113

Mr. de CARVALHO Antônio Fernandes
Instituto de Laticínios Cândido Tostes
Rua Tenente de Freitas, 116
36.045-560 Juiz de Fora - MG - Brazil
Fone : (55) 32 224 3116
Fax : (55) 32 224 3113

Mr. ENEME Andrew Ngome
South West Development Authority
S.O.W.E. DA BUEA
South West Province
Republic of Cameroon
Fone/Fax : (00237) 32 22 06

Mme. DJEDJI Catherine
Consultant at Winrock International
01 B.P. 5215 Abidjan 01
Fone : 44 52 44 / 44 94 14
Fax : 44 94 11

Mme. DIALLO Aïssatou Bobo
Ministère du Commerce de l'Industrie
et des PME DNDI
Konakry - Guinée
Fone : 224 443450

Mr. LEMOS Antonio
Instituto de Desenvolvimento
Industrial de Angola
Ministério da Indústria
Rua senguira Lukoki nº27 - 8 andar
Luanda - Angola
Fone : 338492

Dr. RWEHUMBIZA Hubert Mushamba
Tanzania Dairy Farming Ltd
P.O. Box 1823
DAR - ES - SALAAM
Tanzania
Fone : (051) 31661 or 30056

Mr. TRAORE Sy Bruno
Recherche/Développement
Groupe Multi-Produits
SODIRO
Fone : 25 16 15 or 80 00 44
Fax : 25 34 43 or 80 04 12

MR. KIZITO Bernard Hakutangwi
Dairy Development Programme
Agricultural and Rural Development Authority
P. O. Box CY 1420 Causseway
Harare - Zimbabwe
Fone : 700095 / 705841
Fax : 705847

Mr. DJIBRINE Tahirou
Société NIGER/LAIT
B.P. 13324
Niamey - Niger
Fone : 227 752532

Mme. GEBRU Hadera
Ministry of Agriculture
P.O. Box 7066
Addis Ababa - Ethiopie
Fone : 15 55 40

Mr. SEYDI Ibrahima
Chargé d'Investissement Principal
PSDU
Représentant de la BAD
01 B.P. 1387 / B.P. V 316
Abidjan - Côte d'Ivoire
Fone : 225 204678
Fax : 225 204964

Mr. FAYE Babacar
Représentant de la BOAD en Côte d'Ivoire
01 B.P. V 224 Abidjan 01
Fone : 225 218080
Fax : 225 21 8000
Fax : 225 20 49 64

Mr. PINTO-RODRIGUES Antonio
SIDO/ICC
UNIDI
Wien - Austria
Fax : 431 21131 68 05

Melle CRAPOUSE Pascale
JPO/UNIDI
01 B.P. 1747 Abidjan 01
Côte d'Ivoire
Fone : 225 222806
Fax : 225 222807

Mr. Hamidou DIALLO
Consultant BAD
564 SICAP BAOBAB
Dakar - Senegal
Fone : 221 229201
Fax : 221 223404

Mr. MORY Y Sylla
Ambassade du Brésil
01 B.P. 3820 Abidjan 01
Côte d'Ivoire
Fone : 225 214756 or 222341
Fax : 225 226401

Mme. KARNGA Claudia
Winrock International
01 B.P. 3564 Abidjan 01
Côte d'Ivoire
Fone : 225 442082

Mme. TOURE Mariame
CEPICI, Centre de Promotion des
Investissements en Côte d'Ivoire
B.P.V 152 Abidjan
Côte d'Ivoire
Fone : 225 214070