The current value chain of the dairy sector in Mozambique is constrained, the enabling infrastructure is also poorly developed.

There is a clear demand for dairy products in Mozambique, as the imports for milk and milk products from surrounding countries is high and local production and processing is limited.

A small amount of dairy consumption is based on local production. This creates an interesting opportunity for the development and investment in the dairy value chain. The investment in a Milk Collection Center (MCC) to support the value chain is one of these interesting opportunities.

Do you need more information? No problem. The extended business plan for the milk collection centre and other business opportunities in aquaculture, potato, dairy, poultry, fish feed factory, tilapia cage farming and cold chains can be requested from the Zambezi Valley Development Agency (ZVDA). These have been prepared by Wageningen University & Research/CDI, the Netherlands.

For more information do not hesitate to contact the Zambezi Valley Development Agency:

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**OPPORTUNITIES**

- This business plan is to construct an MCC with a capacity to hold up to 2,000 liters of raw milk. A local facility will allow milk producers to bring their raw milk to this facility that is situated at a reasonable distance from the farm.

- The current options for small-scale milk farmers to sell their raw milk is limited to a privately owned dairy plant in Chimoio or a cooperative in Beira. A new collection center will provide local farmers with easier access to the required cooling facilities and guarantees them off take of their product. This will allow them to expand their production.

- A dairy processing plant will collect the chilled raw milk every other day or as needed, thus contributing to a functional value chain that encourages farmers to expand and invest to increase production.

**INVESTMENT COSTS**

- An initial investment of US$ 125,000 will be needed to build the MCC (US$ 95,800 capex) and required working capital of (US$ 29,200) for the first year.

- The collection of raw milk will have a production capacity of 20% in the first year up to 80% in year 4. **Average annual profits are estimated at US$ 22,000 over a 10 year period**

- It is assumed that the project will be 100% equity financed, thus providing an IRR of 8% over 10 years and a **PBP of 7.16 years**.

The other financing options involve either using a 50% grant or a 25% grant and 25% debt. These options have an IRR of 29% and 17% and a PBP of 4.42 and 5.71 respectively.

- Furthermore, there are opportunities to offer further services to milk farmers that will strengthen the value chain and support a local market. These services include providing hay, concentrates, utensils, medicines, etc. It is also important to note that customers in Mozambique give preference to locally produced milk.

**RISKS**

- An important risk for this investment opportunity is the acquisition of land in Mozambique as it can, at times, be a lengthy and bureaucratic process. However, the Zambezi Valley Development Agency (ZVDA) can play an important facilitating role for potential investors to ensure a smooth start-up phase.

- A second issue is the poor power supply, which would severely affect the processing of dairy. Therefore, this investment has considered investing in a large generator to counteract this possibility.

- Another risk to the value chain as a whole is the potential outbreak of various cattle related diseases that will influence the quality and supply of raw milk. Training and capacity building for the small-scale farmers will be an essential element in the chain.