

Afghanistan Dairy Industry



EXECUTIVE SUMMARY

Afghanistan is an agricultural country where most of its economic output comes from agricultural products. Dairy is one of the most important agricultural products that include milk, milk products, wool, meat, skin and animal fat. Livestock is a good source of income and food for the farmers and their families in the country. Afghanistan was once self-sufficient of dairy and livestock. However, the country now hugely depends on foreign imports of dairy products including cream, yoghurt, milk, and soft-cheese.

This presentation is intended to provide an overview of the dairy industry. Here, we will assess the market situation of fresh milk and dairy products industry. Livestock is the key subsector of the agriculture which helps in the development of rural areas. Particularly, dairy farming is a labor-intensive practice throughout the country that provides the highest on-farm employment and income generating opportunity.

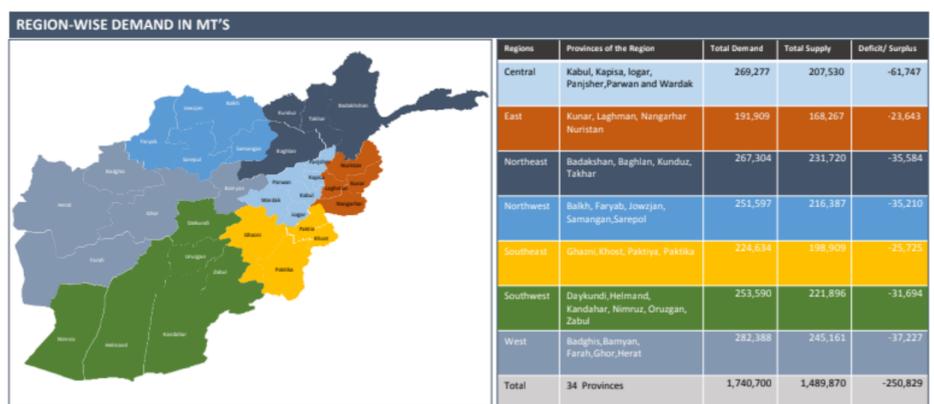
The total contribution of dairy industry to GDP was 3.1% (AFN388) in 2015-16. Moreover, the industry has generated 3.5M jobs (ADB report), while the rural women control over 85% of the cash earned from milk (FAO). There are five feed and dairy processing plants (Guzargha Kabul, Balkh, Kunduz, Herat, and Khatiz) in Afghanistan with an annual capacity of 2.3K MT for feed and 9.9K MT for dairy products. These processing plants are managed by 5 dairy unions. However, these dairy unions sell 65% of the animal feed to milk producer cooperatives members, 25% to other farmers, and 10% to national and international organizations including government institutions.

The Guzargha - Kabul dairy processing plant which is the largest has an annual capacity of 1.8K MT, Khatiz, Balkh, Kunduz, and Herat processing plants have capacity of 3.6K, 1.8K, 0.9K, and 1.8K MT respectively. The total demand for dairy production is 1.7M MT on annual basis. Meanwhile, the supply is 1.5M MT. This shows a 250K MT deficit on an annual basis. Which means, there is a potential opportunity to invest in the market.

Kuchis or nomads also contribute to the dairy industry of Afghanistan. Their contribution is in terms of milk, meat, skin and wool from sheep, goat and camel herds. According to Kuchis Directorate data, 80% of Kuchis animals are sheep while goat, cows, and camel are about 14%, 5%, and 1% respectively. Meanwhile, 40% of the above animals are producing milk.

DEMAND FOR DAIRY PRODUCTS INSIDE AFGHANISTAN IS 1.7M MT WHILE SUPPLY IS 1.5M MT

The total demand for dairy products on annual basis is 1.7M MT, where the supply is 1.5M MT. This shows that we have 250K MT deficit on an annual basis. In terms of each region, the highest deficit ratio is in central region and lowest ratio is in east region due to higher production rate.



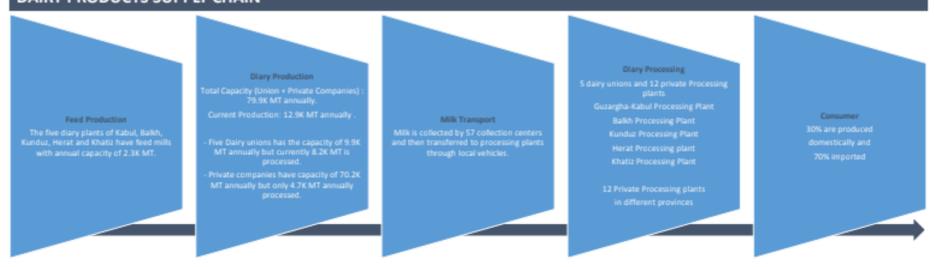
HIGHEST DEMAND FOR DAIRY PRODUCTS ARE IN KABUL, NANGARHAR, HERAT AND MAZAR-E-SHARIF

There is a huge demand for fresh milk and milk products in Afghanistan market specifically in Kabul, Nangarhar, Herat and Mazir-e-Sharif. The current total milk production in Afghanistan is not enough to meet the demand for dairy products market. A large percentage of the total demand is met by Iranian & Pakistani companies such as Nestle, Haleeb, Pegah and others, while the remaining demand is provided by domestic companies such as MIDO, Dehqan-e-Roz, etc.

CURRENT DEMAND / SUPPLY ON REGION BASIS BY MTs



DAIRY PRODUCTS SUPPLY CHAIN



Source: FAO

INVESTMENT

The great potential opportunity exists to increase production of milk through commercialization of dairy sector. Private sector and donor-funded projects are increasingly investing in the dairy farming, processing and marketing such as CARD-F and ADF. According to Afghanistan Central Business Registry, so far AFN1.4B is invested in this industry in different provinces of Afghanistan by private sector. Moreover, the FAO also established five dairy unions which are milk processing plants with combined milk processing capacity of 27 MT/day. In addition, the 5 dairy plants established by FAO have feed mills that have the capacity to produce 100 MT/day of livestock concentrate feed, and also constructed 47 offices and storage facilities and procured 49 tractors, 51 seed drills, 50 processing plants and 20 threshers. 130 seed enterprise were established with technical and financial support of FAO.

INVESTMENT PROPOSAL SUBMISSION PROCESS

Description	
Required information	<ul style="list-style-type: none"> Detailed business plan Company profile List of past projects Historical & forecasted financials
Proposals' submission Email	afgproposals@gmail.com
Contact number	
Proposal Submission Process	There are three entities through which investors can submit their business proposals including: (1) Office of Senior Economic Advisor to H.E. the President, (2) PPP office of MoF, and (3) High Economic Council. Once one of these three relevant authorities receive a business proposal, they will do their evaluation and will send their feedback to HEC. Upon HEC authorization, the proposal will be put on the agenda for approval.