

MUHORONI DAIRY HUB MANAGEMENT STRATEGY

Ensuring profits, ownership, efficiency and sustainability



OSIEPE © Practical Action

Collective Action for Transformation

2019

© 2019 OSIEPE Practical Action



This publication is copyrighted by OSIEPE © CBO. It is licensed for use under the Creative Commons Attribution-Non-Commercial-Share Alike 3.0. Unless otherwise noted, you are free to copy, duplicate, or reproduce, and distribute, display, or transmit any part of this publication or portions thereof without permission, and to make translations, adaptations, or other derivative works under the following conditions:



ATTRIBUTION. The work must be attributed, but not in any way that suggests endorsement by ILRI or the author(s).



NON-COMMERCIAL. This work may not be used for commercial purposes.



SHARE ALIKE. If this work is altered, transformed, or built upon, the resulting work must be distributed only under the same or similar license to this one.

NOTICE:

For any reuse or distribution, the license terms of this work must be made clear to others. Any of the above conditions can be waived if permission is obtained from OSIEPE © CBO. Nothing in this license impairs or restricts the author's moral rights. Fair dealing and other rights are in no way affected by the above. The parts used must not misrepresent the meaning of the publication. OSIEPE © CBO would appreciate being sent a copy of any materials in which text, photos etc. have been used.

Editing, design and layout— OSIEPE Technical Committee, Muhoroni - Kenya

Cover photo: OSIEPE Communications Team

ISBN: ##-###-###-#

Citation: OSIEPE CBO. 2019. Muhoroni dairy hub management strategy: Ensuring profits, ownership, efficiency and sustainability. OSIEPE Practical Action, Muhoroni, Kenya.

osiepepa@weebly.com

collective action for transformation
the Muhoroni hub is an investment by OSIEPE © CBO

Box 444, Muhoroni, Kenya
Phone: + 254 0722248002
Email: osiepepa@gmail.com

Satellite Office: Oseng'teti
Headquarters, Awasi – OSIEPE Innovation Hub
Agrovet Shop: Agroselect Stores, Chemelil

Content

Content..... ii

About OSIEPE 1

History of the Hub..... 2

Hub Management Approach 3

 Operating Principles of the Hub4

Governance 4

 Governance Structure4

 Role of Board5

 Service Charter.....8

Strategy for Hub Management 8

 Managing the operations of the milk bulking or chilling
 business8

 Milk testing, reception and traceability mechanisms8

 Milk market research and intelligence reports8

 Incentive-centered supplier payment systems9

The business of milk marketing..... 9

 Collection9

 Aggregation - pasteurization, packaging and value addition
 9

 Milk sales and related services e.g., market information...10

 Bundled services10

Facilitating women and youth participation in the hub13

Growth, Outlook and Sustainability 13

 Financing 14

 Business growth and further investment 14

 Coordinated Training and Capacity development15

 Strategic partnerships and collaboration.....15

 Evidence-based management 16

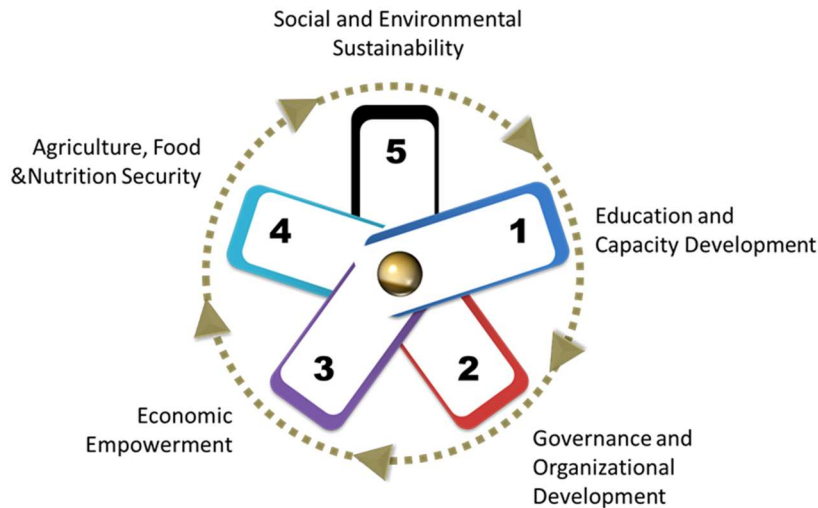
 An integrated information management system 16

Appreciating Partners19



About OSIEPE

OSIEPE PRACTICAL ACTION® is a community-based organisation located in Kisumu County, Muhoroni sub-County. OSIEPE operates in Muhoroni sub-County but has interests beyond Kisumu County. Its activities, interests, investments and community support programs are spread within and outside the sub-County. The CBO draws its 75-plus membership from within and beyond Kisumu County of Kenya. The organisation operates several products aimed at achieving the following five pillars targeting the members, the public, and the global community.



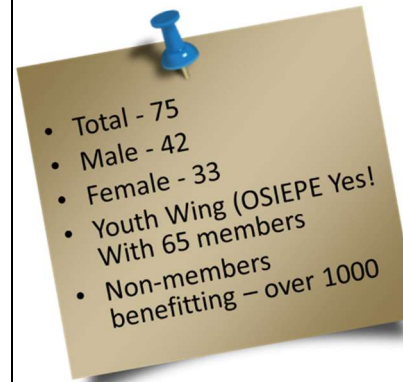
OSIEPE seeks to partner with like-minded organisations to deliver the products and services and facilitate going to scale with its unique model and lessons.



Our vision is a *vibrant organization with stable, self-reliant and empowered members able to participate, and make informed decisions for socioeconomic transformation.*



Our Mission is *to foster holistic transformation of members, their families and society through innovative and practical action for quality economic, social and environmental status.*



- Total - 75
- Male - 42
- Female - 33
- Youth Wing (OSIEPE Yes! With 65 members
- Non-members benefitting – over 1000

OSIEPE CBO began as a small self-help group in the 1990's to address school fees need of bright children from poor families. A group of friends (*osiepe*) came together and on an annual basis raised funds for this course. Over the years the group reorganised to undertake

other socio-economic activities around empowerment. In 2012, the group was officially registered as a CBO and has since grown through leaps and bounds. With its current model OSIEPE is redefining sustainable development through

focused local stewardship, organizational development and household changes. The dairy hub which has a dairy bulk milk collection centre is one of OSIEPEs investments serving members and non-members. This document explains the strategy for managing the hub.

History of the Hub

Like OSIEPE CBO, the mother organization, the hub has grown through leaps and bounds with careful planning, strategic setting, selective partnerships and design of sustainability plan.

- 2012**
 - OSIEPE Practical Action® CBO gets officially registered and begins organizational capacity development
- 2013**
 - OSIEPE builds internal members capacity for various value chains including dairy and fodder
- 2015**
 - OSIEPE visits Bomet County to benchmark with other farmers organizations and milk chilling plants
 - OSIEPE develops strategic plan and business plan for dairy development
 - OSIEPE begins internal training of members for dairy readiness (attitude, knowledge and skills on value chain concept, animal health, housing, calf rearing, clean milk production, feeding and fodder development, marketing and farm management)

- 2015**
 - OSIEPE partners with Heifer International and conducts a series management, value chain and skills enhancement trainings – Peer Farmer Trainers (PFT) trained and facilitated to support fodder and dairy programmes
 - Partnership with the International Livestock Research Institute’s Accelerated Value Chain (AVCD) project funded by USAID under Feed the Future program
 - Training on dairy development and breeding
 - Construction of crushes across the sub-county for animal handling including AI, spraying and other animal management operations
- 2016**
 - OSIEPE hosts a field day alongside the launch of OSIEPE hub initiative and in the process initiating strategic partnerships in dairy value chain
 - OSIEPE intensifies training on dairy readiness and mobilization of other partnerships and local community mind-set change towards commercial dairy and fodder development
 - ILRI – AVCD continues with partners and focus shifts to fodder value chain with focus of introduction of brachiaria grass – seeds and seedlings planted for distribution/sale to members and non-members
 - OSIEPE dairy business plan receives a boost as land formerly acquired by group ear-marked for construction of chilling plant
 - ILRI-AVCD partnerships continue with promoting accelerated through fixed-time artificial insemination (FTAI)¹.

¹ FTAI technology involves synchronizing the reproductive cycles of clusters of animals through hormone therapy followed by mass artificial insemination

2017

- Fodder commercialization efforts expanded
- Calves borne out of the FTAI began arriving and program expanded
- OSIEPE begins construction of the Bulk Milk Collection Centre (BMCC) with support from USAID FtF program through AVCD
- Other dairy development initiatives enhanced (farmer mobilization, training, market development, Dairy Interest Group Capacity building and organization to form main milk supply centres, organization of private AI service providers, youth sensitization and support to participate in fodder and dairy value chain and design of hub management and extension service models
- Introduction of other partners and county government

2018

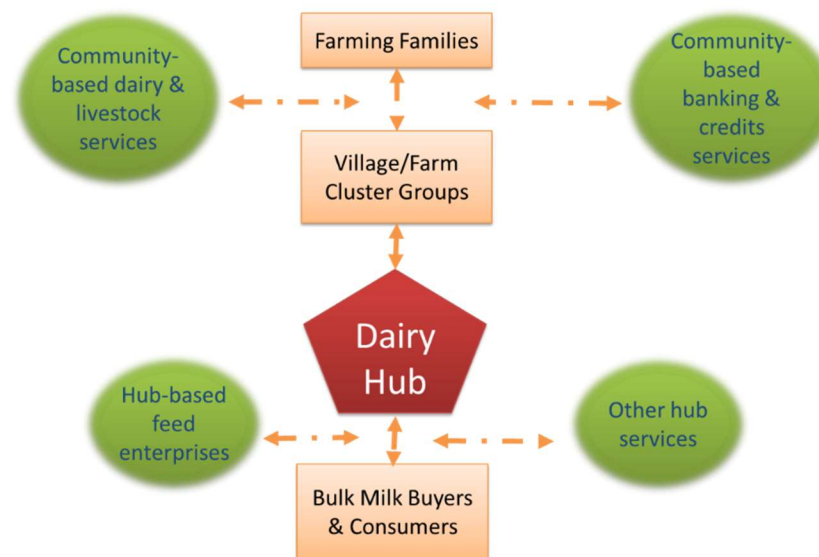
- Further farmer mobilization
- Sensitization of farmers on services from the hub
- Registration of farmers
- Baseline survey to ascertain milk production and dairy/fodder levels and needs
- Design of milk collection and sales system
- Commissioning of the BMCC

Hub Management Approach

The hub will be managed² through a consultative structure allowing inclusion and decision making by relevant partners and stakeholders.

² This hub management strategy has been adopted with local customization from Mutinda, G., Baltenweck, I. and Omondi, I. 2015. Setting up sustainable dairy business hubs: A resource book for facilitators.

The Muhoroni dairy Hub is designed to be managed with consultation and partnership with fair interest groups in Kisumu County which are cooperatives, self-help associations, individual investors and other producer organizations. They will be involved variously in regulating not only relations between stakeholders and business partners but will also be incorporated in essential function and decisions.



ILRI Manual 21. Nairobi, Kenya: International Livestock Research Institute (ILRI).

The hub will be run as a business-oriented, member-based organizations, born of a shared problem - economic and/or social empowerment - that community members deem they can ameliorate by working jointly in a collective action spirit. The overarching goal of the hub is to enhance milk production and market access services to farmers.

The dairy hub management will be implemented, based on the unique features of the County and farmers. The operations will encompass:

- Pre-bulking
- Bulking
- Chilling
- Milk sales

Operating Principles of the Hub

- 1 Upholding corporate governance practice to ensure viability and robustness and results focus (both social and financial) as well as protection of assets and appropriate utilization of hub resources and.
- 2 Management with clarity of direction and purpose, roles and responsibilities, thereby effectively utilizing the skills of the stakeholders and management team.
- 3 Collective decision making and staying on top of the business to build trust, confidence, engagement and satisfaction by stakeholders
- 4 Practicing effective governance culture by holding effective meetings, involving all stakeholders, making

the right decisions and maintaining a learning orientation

- 5 Holding stakeholders accountable under a mutual accountability framework and practice by taking responsibility for achieving predetermined purpose of the business
- 6 Effective compliance with internal control systems and county as well as Kenya government and global laws, regulations and standards
- 7 Effectively managing risks by proactively planning and addressing current and future risks in dairy hub business
- 8 Maintaining an integrated farmer-centered business with appropriately updated bundled services in input, capacity, technology, credit, information and market access.

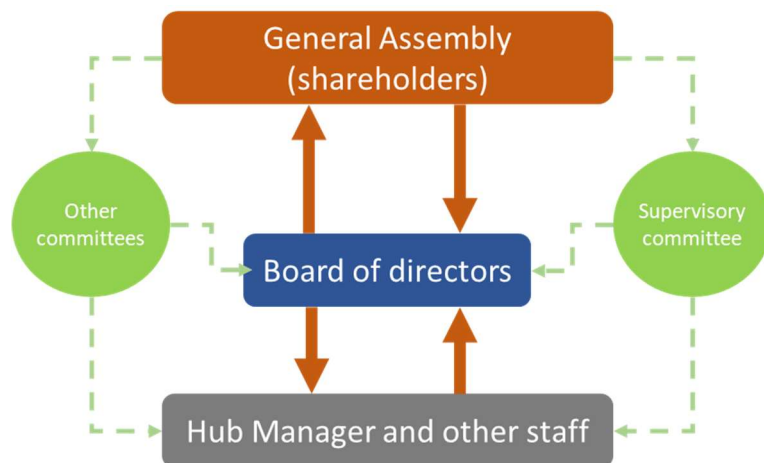
Governance

Governance Structure

The hub will be governed in terms of shared controls, rights, responsibilities and obligations. The key organs of the hub include members/shareholders board and staff/management. The governance structure has been developed to be effective in facilitating decision making and implementation. The overall objective is to ensure decision-making and implementation processes are done in a manner that is transparent, effective and efficient, participatory, accountable; observant of the regulating laws and OSIEPE's constitution, policies and guidelines and equitable and responsive to farmers, members and shareholder's needs. In the pursuit of good practices in governance, the fundamental principles of corporate governance are upheld.

- **Transparency** (openness and disclosure of information);
- **Integrity** (straightforward dealing),
- **Accountability** (taking responsibility for one's actions) and
- **Fairness** to all suppliers, buyers, service providers, personnel and partners

The hub governance is democratic and is implemented by three main organs: members, board of directors and management. The supreme organ of governance is the members. All members, acting in the general assembly democratically make the main decisions and policies. The members elect the board of directors, who supervise the operations of hub and the board is fully accountable to the members. The board hires a manager and other staff, who perform the day-to-day activities of the hub.



Role of Members

Obligations and responsibilities of members

- Attend meetings, participate actively in the proceedings of the meeting, contributing ideas and voting when required, and offering self for electable positions
- Participate in the activities and services of the hub
- Pay shares and all contributions as resolved in the by-laws and also as a result of a unanimous decision by the general assembly
- Bulk and market the surplus milk produced through the hub
- Repay loans and other credit services offered diligently
- Patronize the products and services the hub offers

Duties of members at general meetings

- Elect board members as due
- Approve work plans, budgets and set targets
- Approve or amend policies on major issues
- Appoint an auditor or auditors
- Consider the reports of the board for the previous year
- Decide on the purchase and disposal of fixed assets
- Approve credits i.e. the maximum liability of the hub
- Approve new members and terminate membership of some members

Role of Board

The responsibility of providing strategic direction and of ensuring that planning takes place rests with the board of directors.

Responsibilities of the board of directors and the manager

Board of directors

- Sets hub goals (vision, mission, objectives) and strategic plans
- Appoints qualified manager
- Delegates day-to-day management authority to manager
- Ensures compliance with the laws
- Monitors and reports on performance (financial and operations)
- Formulates and reviews policies
- Ensures auditing of operations is done
- Ensures general meetings are convened and managed effectively

The hub manager

Acts as in charge of day-to-day management of operations

- Hires other staff members in collaboration with the board and as per human resource procedures
- Develops operational plans (ensuring they are aligned with the strategic plan) for board approval
- Prepares and submits operational and financial reports to board
- Advises the board on financial, strategic and operational matters
- Leads in development of business plans for hub business units
- Ensures positive public relations, networks and partnerships

4 Pillars		7 Governance Practices		The Governance Framework could record:	
I Determining Purpose	1. Acting with a purpose in mind	<i>Aligning every governance decision and action with the predetermined purpose of the business</i>	<ul style="list-style-type: none"> • The purpose or vision or mission • Business values • Business plan, strategic plans • Annual governance work plan • Succession plan (where applicable) 		
	2. Holding effective governance meetings	<i>Sustaining a pattern for holding effective governance meetings</i>	<ul style="list-style-type: none"> • Governance meeting agendas • Annual governance meeting calendar • Minute keeping • How we run effective & time-efficient meetings • Expectations of directors between meetings 		
	3. Working with other people	<i>Thoughtful challenging and non-personal debating in order to get consensus without groupthink</i>	<ul style="list-style-type: none"> • The values that describe how the board behaves • Description of board roles & responsibilities • Strengths map, and possible future talent requirements • Board member succession policy • Consensus-gaining policy 		
II Effective Governance Culture	4. Making right decisions	<i>Exercising discernment through prudent stewardship; creativity; and, a stable but not static system of policies and parameters</i>	<ul style="list-style-type: none"> • How to create policies and parameters within which decisions are made • Financial decision-making & treasury policy • Capital expenditure policy • Investment policy • Borrowing policy • Dividend policy • Interests Register • Family decision-making policy (where applicable) • Prudent decision-making checklist • Process for getting board approval • Delegations of authorities table 		
	5. Maintaining a learning orientation	<i>Assimilating new learning into current governance practices, bringing robustness to governance, and new life-giving decision-making skills to bear on challenges and opportunities</i>	<ul style="list-style-type: none"> • Learning policy - how the Plan-Do-Review cycle is used • Board performance review policy • Policy on how we review past decisions • Recording learnings that build and demonstrate progress in governance 		
	6. Knowing what's going on and what to do about it	<i>Taking responsibility for achieving the predetermined purpose of the business by understanding what's actually going on, and holding those responsible to account appropriately</i>	<ul style="list-style-type: none"> • Reporting policy/including reporting calendar • KPIs policy • Financial forecasts & budget creation policy • Recorded critical success factors 		
IV Effective Compliance	7. Managing risks effectively	<i>Proactively minimising the likelihood and severity of future events that could negatively affect the business, bringing grounded confidence</i>	<ul style="list-style-type: none"> • Risk identification, prioritisation, & management policy • Ethics policy • Folder for the living • Sustainability policy 		

Seven Governance Practices, Business Torque Systems Ltd

In our practice of good governance, we will eradicate excessive red-tape and uphold good practices by accompanying policies elucidated in this document with practice and learning for improvement.

Service Charter

- Set clear and explicit standard of services that farmers and other clients reasonably expect
- Provide our suppliers, buyers and other clients with adequate information about our services in a straight forward and open manner
- Communicate clearly and effectively
- Handle clients (farmers, buyers, staff, partners) with dignity, courtesy and respect
- Uphold ethics, transparency and accountability
- Place the common good of farmer, the customer and the general public above self-interest
- Uphold the principles of natural justice at all times
- Utilize resources prudently to attain best value for clients and general public
- Devise a monitoring and evaluation system to keep track of our performance in our service delivery
- Always taking corrective action on errors and deficiencies that may occur.

Strategy for Hub Management

Managing the operations of the milk bulking or chilling business

To better manage and sustain the hub business relationship with a producers and buyers including bulk buyer of milk will be built. In this regard the following will be secured:

Milk testing, reception and traceability mechanisms

Milk will be constantly tested for quality control, which is essential to maintain a good market outlet. The dairy hub has set its own milk quality requirements for the milk it receives, which are higher than those the milk buyers require and those set by Kenya dairy board and other national and global regulation. We value quality as it is key to successful operations and all efforts will be made to ensure that the quality standards are enforced at all times. We shall also entrench traceability mechanisms within our milk collection, bulking and testing systems.

Milk market research and intelligence reports

The BMCC manager, working with the extension unit, will regularly generate a report analysing the milk market, trends among the milk suppliers and competitors' activities. The report will be instrumental in informing judgements and decisions the board and management must make regarding the bulking or chilling business, such as milk pricing, collection routes, need for satellite coolers, transporter network, incentives to suppliers and overall value proposition to the market and farmers.

Incentive-centered supplier payment systems

We have made plans to address critical procedures such as the frequency of paying suppliers for milk delivered to the dairy hub while cognizant of the realities the farmers face as much as possible. A system has been designed based on the suppliers' needs, negotiations potential buyers including big processors and consumers such as schools, hospitals, supermarkets and hotels on modalities for efficient and friendly payment and cash flow position of the business.

The existing OSIEPE CBO savings and credit program will be integrated as much as possible in the bundled service scheme. Alternative credit sources will be sought including linking farmers with existing programs. We will appropriately exploit a variety of flexible financial services, such as cash advances or check-off system. This will help address challenges of side-selling and ensure the loyalty program is mutually beneficial.

The business of milk marketing

Collection

The business of milk marketing: The business of milk marketing involves organized collection, aggregation and chilling and finally sales. Each of these processes has to be managed efficiently for farmers to earn returns that can keep them in the business of milk production and for the hub to earn profits that can pay investors dividends for their investments.

Collection – The hub will organize the entire milk catchment area into blocks/clusters of farmers in the same geographic location that can be served by a single route. Each cluster will have a leadership structure responsible for mobilizing quantity and ensuring quality of collected milk. To this end each collection centre will be equipped with milk testing equipment. Each block will have a collection centres located along the route where farmers deliver their milk every morning and evening at a stipulated time. The timing should be such that the milk gets to the hub early enough before competing supplies from outside the catchment area arrives. Each route will be served by a transporter collecting milk and the transport service will be outsourced to youths who will be encouraged to become members and shareholders of the hub (service provider category of membership). Payment for transport will be on per litre basis with those delivering more receiving higher payment. The hub management will on a regular review and determine appropriate charges.

Aggregation - pasteurization, packaging and value addition

The hub is positioning itself as a leading milk wholesale and retail centre delivering safe and quality milk and dairy products. To this end, all milk collected from the collection centres will be delivered to the BMCC facility in Muhoroni and pasteurized before being sold

to retail outlets and other traders. Moreover, the hub projects to vertically integrate into packaging and value addition, especially as milk supplies grow.

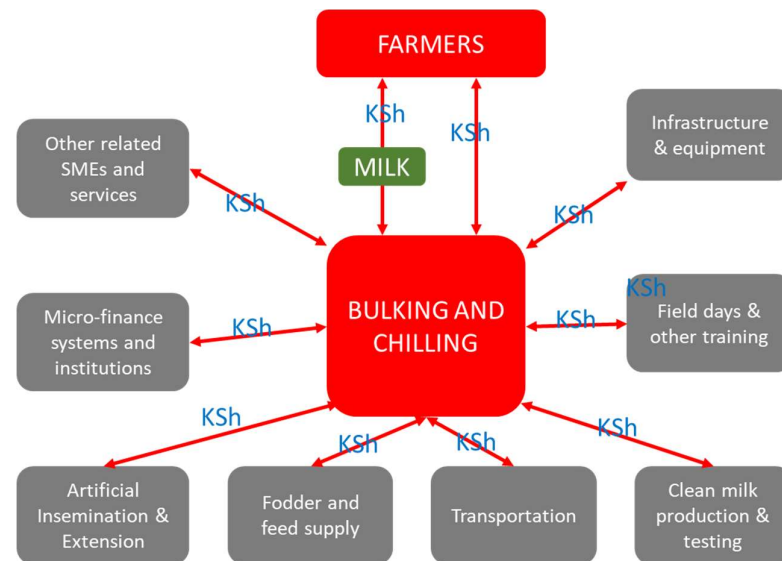
Milk sales and related services e.g., market information

Milk sales and related services e.g., market information: The hub will pursue 3 (three) strategies in milk sales –

- Sale of milk through own established or outsourced milk retail outlets fully equipped with milk dispensers (ATMs) located in strategic locations in the county, including the market centres along the highway to Kisumu. The hub management will regularly meet to identify such locations and youth and women groups, including OSIEPE YES! will be encouraged to seize the milk retail business opportunities.
- Sale of milk to private milk traders for onward sales to consumers
- Sale of milk to special bulk consumers under special contracts. These will include bulk sales to health facilities, schools and, hotels and restaurants among others. The hub management will be charged with the responsibility of identifying and managing such contracts through an aggressive marketing strategy.

Bundled services

The integrated approach to hub services and management will have a host of opportunities to both suppliers and buyers.



The hub will be managed efficiently and profitably to generate returns that can pay for the hub operations and more importantly generate large returns on investment both for investors and for financing further growth of the hub business. To this end, the hub will invest in related business lines that complement or leverage on the core business of milk marketing. The hub will operate a check-off system that enables bundling of these dairy services

Input supply

Input supply: The hub invest in an agro-dealer shop to be located at the BMCC site to ensure reliable access to inputs farmers supplying milk the hub. This investment be financed by share capital generated from members of the hub, including corporate members like OSIEPE CBO that has already invested in a similar outlet in Chemelil – *Chemelil Agroselect Stores*. This is a separated business line from the BMCC but is seamlessly linked to the hub activities.



will
by
to
will

Farmers supplying milk to the hub will benefit from a check-off arrangement that enables access inputs on credit, the cost of which is to be deducted from milk proceeds at the time of milk payment. Besides ensuring easy access to inputs for members, the input supply business will generate profits that will go to shareholders in form of dividends. In the long run the input delivery will be linked with the milk collection structures to minimize transaction costs of procuring inputs by farmers. Under this arrangement, orders from each collection center will be bulked and delivered by the same motorbike collecting milk. The collection center leader will be equipped with an order book (manual or electronic) for

consolidating orders and the bulked orders will be sent to the agro-dealer shop alongside the milk supply.

Among other inputs the hub will invest heavily in fodder and feed business. Through a contract farming scheme, the hub will contract farmers interested in commercial fodder production and provide all necessary support for the contacted farmers produce desires quantity and quality of fodder. Part of this support will involve the hub investing in fodder conservation equipment and facility. For instance, the hub will invest in fodder harvesting equipment that will be used to offer harvesting services to farmers at a fee. The hub will also invest in a hay barn for storage of hay and purchase hay from contracted farmers for onward marketing. Part of the hay will be available at the input store for access to farmers without year-round availability of fodder. These investments will be financed by share capital from members (individual and corporate). Alongside fodder investment, the hub will also seek to invest in their own feed mixing facilities where then mix their own concentrates and therefore cut cost of compounded feeds to farmers. OSIEPE plans to install smart platform for provision of the Agroveter-based services in collaboration with the private service providers and youth to be contracted under the hub-business.

AI services and related breeding support



For long term growth in milk supply, the hub will invest in a breed improvement scheme aimed at enhancing the quality of dairy breeds and hence milk productivity at farm level. The hub will therefore partner with genetic delivery companies to establish an IA business center linked to the BMCC (possibly hosted at the agro-dealer shop described above). The center will be fully equipped with semen and

liquid nitrogen (LN) storage facility for easy access of Ai supplies by AI providers. The hub will then enter into contract arrangement with AI service providers to serve members and charge service fees. The catchment area will be organized into zones to determine appropriate charges for AI services with services offered to members on a check-off arrangement. Non-members of the hub will pay directly for services and will most likely pay higher rates than members. The AI and input supply services will be offered as loyalty programs aimed at attracting more milk supply to the hub.

OSIEPE is a key participant in the new Kisumu County Dairy Breeding blueprint. As the leading farmers organization/CBO OSIEPE will drive partnership with AI service providers to operationalize the blueprint. Escalation of modern AI technologies such as FTAI and “rent-a womb” as well as livestock multiplication

businesses are encouraged. Suppliers will have the benefit of access to such services and related breeding information and technology. OSIEPE plans to operate a farmer-centric AI system with modern equipment and contract AI service providers paid through a levy system but regulated by County Government and smart incentive schemes

Extension

The hub seeks to ensure high milk productivity by members and therefore increased supply of milk to the hub. Towards this goal, the hub will invest in an extension scheme that enhances farmer capacity and knowledge on appropriate animal husbandry practices and therefore improve their milk productivity. The hub will adopt a Dairy Farmer Assistant (DFA) model that integrate extension services with farm management. The DFA model employs a qualified animal health/production personnel and puts them in charge of a cluster of farmers (50) to regularly advise farmers and therefore help manage their dairy enterprise. The DFA visits each farm every week to advise on appropriate practices and set goals for growth of the respective dairy farms. Each farmer pays a small fee that goes towards remuneration of the DFA, who acts as a joint farm manager for a set of farmers who may not have been able to employ their own managers. The hub will organize farmers into clusters and employ several DFAs to offer such extension and farm management services. The hub management will determine the size of clusters under each DFA and the appropriate amount to be paid by each

farmer. These payments can also be checked off from milk proceeds.

Facilitating women and youth participation in the hub

OSIEPE as a CBO is aware that hub development is never neutral with respect to genders and age groups. The governance strategy pays attention to how participation in hub activities and services exposes different actors to different opportunities and risks, particularly women and youth. In our broad strategy and business plan for both dairy and fodder we have carefully thought through how to increase of both women and the youth under the OSIEPE Women Empowerment Solution (*OSIEPE-WES*) and OSIEPE Youth Empowerment Solutions (*OSIEPE YES!*) initiatives. The hub is conscious of the benefits of women participation.

- Improved and sustained quality
- Increased productivity
- Strengthened number and loyalty of suppliers
- Improved brand and image
- Reducing management and coordination costs
- Improved leadership of dairy interest groups and overall hub governance

To increase women's participation in the dairy hub, a gender aware approach is in place to ensure equitable participation of women

and men and that prioritized strategies and interventions are implemented and monitored evaluation of the hub performance incorporates benefits to all—men, women and youth.

The hub will develop strategies to provide opportunities for young people to find income and employment, and to develop employable skills and careers. We will engage both unskilled and skilled youth in the dairy business hub. This will open up avenues for synergies and present prospects of integrating training, education and youth-targeted strategies and activities in the wider development context of the evolving hub. We are seeking partnerships with local and international universities and vocational training institutes.

The hub is keen on how:

- Young people can become dynamic entrepreneurs in the hub;
- They find jobs in the hub; and
- They will be engaged to provide innovative solutions and new ideas?

Growth, Outlook and Sustainability

The growth and sustainability strategy of the hub has been carefully thought through. This will involve financing, business expansion scheme, investment and strategic capacity enhancement as well as evidence-based management.

Financing

Financing is a critical part of the hub sustainability plan as we open our doors and plan to expand our portfolio of business and services offered to members. OSIEPE, the main shareholder has provided the land where the BMCC sits and in which the plant, related equipment, utilities and initial capital to start up and manage operations. Finances are required for:

- Expenses in setting up, such as start-up for milk collection, bulking, chilling and marketing activities such as:
- Business and office premises for addressing administrative and member affairs.
- Equipment such as milk storage tanks, coolers, milk reception equipment, and office equipment.
- Cash to make advance payments to members for milk supplied but not yet paid for by the buyers.
- Agrovet store to facilitate farmer access to inputs
- Farmer training and access to advisory services.
- Access to credit to make productivity-enhancing on-farm investments.

Aware that the chilling plant is capital intensive even with farmer ownership, the following strategies/options are in place to mobilize finances.

- Share capital and equity mobilization from the membership
- Membership or entrance fee
- Loans primarily from OSIEPE Economic Empowerment Solutions – microcredit facility to members of the CBO and non-members at differentiated terms

- Formal lending from banks, other lenders or linking members to financiers to support credit-accrediting programs
- Accumulated revenue and surplus from milk sales and levies on hub services
- Grants from a host of development partners and local investors/philanthropists

Business growth and further investment

- Consultative decision making and following hub policies and investment protocols
- Relying on projections based on solid intelligence of the sector
- Modernization in technology including smart IT-based governance, hub operations and marketing
- Staying on course to being an agribusiness leader by addressing the following:
 - How to attain or improve access to markets
 - How to secure reliable milk supplies
 - How to adjust to megatrends and manage uncertainty and risks
 - Where to focus on dairy and related value chains
 - How to build organization and operational capabilities to support new strategies
 - How to diversify or specialize along commodities and activities
 - How to finance new business lines
- Navigating the dynamic and uncertain sector fret with climate change vulgarities, organization reputational resist, elite and political captures and other socio-economic changes both locally and globally

Coordinated Training and Capacity development

OSIEPE, borrowing from its success with institutional capacity for its CBO wing, will promote and advocate for institutional strengthening for hub technical operations, management, financial management prudence and internal control as well as culture of result orientation and learning. OSIEPE and its partners will coordinate capacity developing as well as training and extension services in order to:

- Ensure that more effective communication strategies are implemented, that relay reliable information to farmers and ensure feedback.
- Ensure that extension messages and training address farmers' needs, are based on an understanding of local context and relate to farmers' concerns.
- Provide effective and sustainable mechanisms for motivating adoption and monitoring.
- Provide a platform for coordination of other complementary advisory and training programs/services offered by other public and private players.

Strategic partnerships and collaboration

Strategic alliances that we seek may take many forms, including the sharing of information and resources, partnerships, collaborations, consolidations, mergers, share-holding, joint investments, grants, joint convening's/hosting of events, and technical assistance, guarantee and legal support among others. Strategic partnership scheme is aimed at help us to strengthen our capacity and capacity of our stakeholders. We will pursue

partnerships with both public and private sector entities to fill in gaps in services to our farmers and other clients.

The main guiding principles to our strategic partnership include:

- Seeking partnership as a means to help achieve goals, improve effectiveness and organizational efficiency, ensure effective use of resources, and further strengthen community connections and scaling up of impacts and our model
- Decisions regarding alliances must be consistent with our strategic goals of an organization; the impact on the dairy hub brand and image OSIEPE and the hub and other related investments
- On a regular basis, the board of directors will conduct an assessment to identify organizations providing similar services and to assess our relationship to/with them.
- We will foster relationships with similar organizations and governments, regional and national institutions, networks or associations to support mission advancement.
- The board will consider joint venture, share floating, consolidations and/or mergers when this action(s) will preserve or promote best interest of the constituents, community, dairy sector, service area or our mission.
- In case we have local chapters, branches, outlets, affiliates, or franchises we shall have written policies, operating procedures, letters of agreement, memoranda of understanding or any such legal documents to safeguard our mutual interests
- Any alliances/partnerships must be preceded by careful legal advice to determine any indemnities and obligations therein including implications on intellectual property rights, profits, taxa and public good
- Effective communication systems will be established with partners for visibility and mutual understanding among and across partners

- We will strategically seek opportunities to participate in a spectrum of alliance activities, as resources and capacity allow, from coordination and collaboration to multi-sector collective impact initiatives, which align data, practices and communication to address sustainable development and business challenges.
- In our partnerships we will value and practice inclusion, diversity and equity and therefore seek input from people and organizations with various perspectives
- We will pursue fiscal sponsorship under appropriate circumstances on behalf of stakeholders where the partnering entity will 1) fit with our mission and business scope of the sponsoring organization; 2) be consistent with our long-term goals; 3) complement or enhance the mission and goals of our other partners; and 4) allow both organizations to reach farmers and markets currently not served or underserved.
- We are open to alliances within and outside the dairy value chain as long as we clarify expectations, roles and capacity within the partnership/alliance; ensures we retain our ability to uphold our values, mission and brand in the partnership; and create a process for conflict management and it serves wider community course under our corporate social responsibility set up
- When considering or engaging in strategic alliances/partnerships, we aim to remain candid with partners, funders about the true opportunity costs of collaborative efforts and openly discuss the potential for mutual benefits and funding around those costs.

Evidence-based management

As a unique investment, we are aware of the need for robust analysis and assessment of progress and outcomes vis-à-vis our costs. Monitoring, learning and evaluation (MLE) is an integral part of the hub management and sustainability strategies. Within the MLE system the hub will provide tools for informing hub

stakeholders, governors, staff and partners about the outcomes and cost-effectiveness of the business.

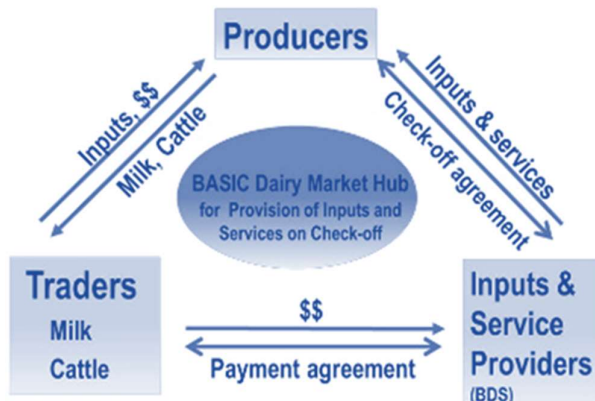
This is planned to ensure compliance, learning, prudent decision making, satisfaction with services and partnerships and also demonstrate effectiveness of activities including any benefits like market spill-overs. The hub will have an elaborate and convincing evaluation component to trigger up-scaling and replication in other OSIEPE business, communities and sectors.

The MLE system will be designed to test, and demystify assumptions about the nature of dairy hub as a transformation pathway in the County and beyond. In this regard, the hub system will accommodate tools and methods for measuring the effects of the dairy business hub on smallholder farmers and other local value-chain actors. Impact evaluation methodologies will show the value of the dairy hub interventions and highly inform top management decision-making regarding future similar efforts by farmer groups, government and development partners.

An integrated information management system

In order to manage the bulking or chilling business and auxiliary businesses effectively, the hub is embracing a simple and robust information management system, which is intended to grow into a fully automated computer-based platform. The system is intended to interlink the different operations of the hub to the business: for example, membership with participation in milk supply, share contribution, patronage of a check-off system, training, as well as

to analyze the overall business performance of the hub. It will be driven by appropriate digital and mobile technologies.





Appreciating Partners

The journey towards the establishment of the hub and related initiatives has been possible with support from our key partners.

