

PARLIAMENT OF UGANDA



REPORT OF THE COMMITTEE ON AGRICULTURE, ANIMAL INDUSTRY AND FISHERIES ON THE DAIRY INDUSTRY (AMENDMENT) BILL, 2024

Office of the Clerk to Parliament

April, 2024

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1.0 INTRODUCTION

The Dairy Industry (Amendment) Bill, 2024 was read for the First Time on 4th April, 2024 and referred to the Committee on Agriculture, Animal Industry and Fisheries in accordance with Rule 129 (1) of the Rules of Procedure of Parliament.

The Committee scrutinised the Bill in accordance with rules 129(2), (3) and (4) of the Rules of Procedure and now begs to report.

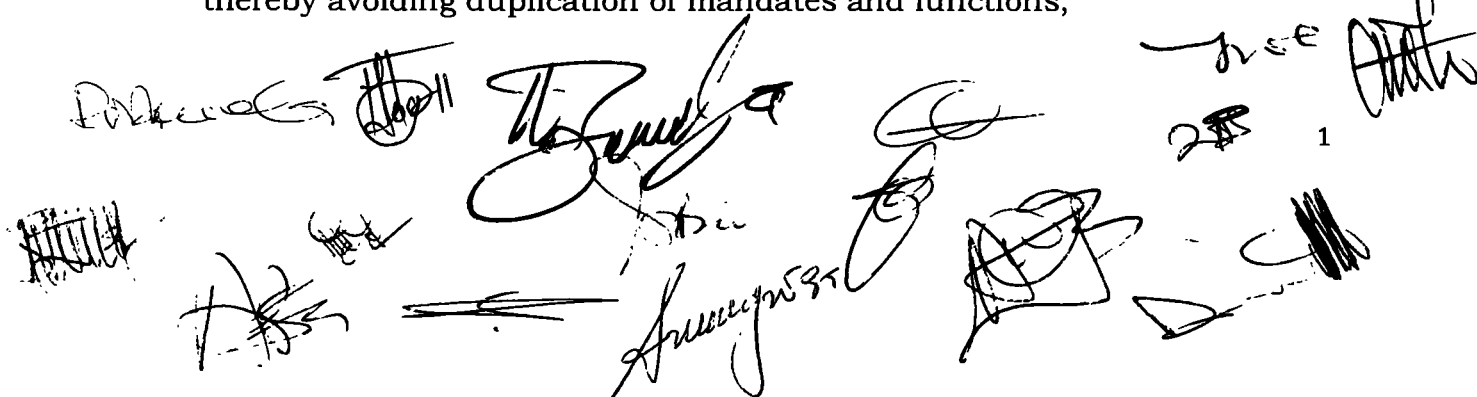
This report is being presented in compliance with Rule 130(2) which states that, "The Chairperson of the Committee to which the Bill is referred or a Member of the Committee designated by the Committee or by the Speaker shall, after the Motion for the Second Reading has been moved under sub-rule (1) and seconded, present to the House the report of the Committee on the Bill."

2.0 BACKGROUND TO THE DAIRY INDUSTRY (AMENDMENT) BILL, 2024

2.1 Background to rationalisation

On 22nd February 2021, Government under Cabinet Minute No.43 (CT 2021) adopted the policy to rationalise Government Agencies and Public Expenditure with the aim of-

- (a) merging, mainstreaming and rationalisation of agencies, commissions, authorities and public expenditure thereby, inter alia relieving the Government of the financial drain on its resources and the burden of wasteful administration and expenditure;
- (b) providing efficient and effective service delivery by clearly delineating the mandates and functions of Government agencies and departments and thereby avoiding duplication of mandates and functions;

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- (c) promoting coordinated administrative arrangements, policies and procedures for
 - (i) ensuring the efficient and successful management, financial accounting and budgetary discipline of Government agencies and departments;
 - (ii) enabling the Government to play its proper role more effectively; and
 - (iii) enforcing accountability; and
- (d) the restructuring and re-organization of agencies and departments of Government by eliminating bloated structures and functional ambiguities in Government agencies and departments.

Therefore, the Dairy Industry (Amendment) Bill, 2024 aims at –

- (a) mainstreaming the functions of the Dairy Development Authority into the Ministry responsible for agriculture; and
- (b) abolishing the Dairy Development Authority and transferring the functions of the Dairy Development Authority to the Ministry responsible for agriculture.

2.2 Dairy Development Authority (DDA)

The Dairy Development Authority is a semi-autonomous agency which was established by the Dairy Industry Act, 1998 and operationalised by the Dairy (Marketing and Processing of Milk and Milk Products) Regulations, 2003.

The mandate of the authority is to develop and regulate the dairy industry in Uganda through providing development and regulatory services that will ensure increased production and consumption of milk, sustainable and profitable dairy industry that will contribute to economic development and nutritional standards in Uganda.

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The authority implements its mandate through the regional model approach covering south-western, eastern, north-eastern, central, northern and mid-western regions.

DDA has its presence at some of the main dairy entry/exit border points that include Malaba, Busia, Mutukula and Entebbe International Airport with access to Uganda Revenue Authority's ASYCUDA system to clear dairy consignments.

OBJECT AND JUSTIFICATION FOR THE BILL

3.1 Object of the Bill

The policy behind the Bill is to give effect to the Government Policy for Rationalisation of Government Agencies and Public Expenditure (RAPEX) which was adopted by the Cabinet on 22nd February, 2021.

3.2 Justification for the Bill

Over the years, there has been a proliferation of agencies established by Acts of Parliament, Executive Orders and administrative arrangements. Whereas most of the agencies are necessary due to the critical nature of the functions they perform, a certain limited number of agencies were established without due consideration to the aspects of institutional harmony, functional duplications, overlaps and affordability. Also, some agencies have served the purposes for which they were established. The mandate of a few other agencies has been overtaken by events. Such agencies need to be rationalised.

Additionally, the high cost of administering the agencies has drained the national Treasury at the expense of effective service delivery. This has overstretched the capacity of the Government to sustain them. The generous salary structures of the agencies have created salary disparities between employees of the agencies and officers in the traditional civil service, leading to demotivation of employees in the mainstream public service.

DDA has been identified as one of the agencies for rationalisation based on the above grounds. The justification for rationalisation of Uganda Coffee Development Authority raises the following issues:

1. Whether there are mandate overlaps between the Dairy Development Authority and the Ministry of Agriculture, Animal Industry and Fisheries;
2. Whether Dairy Development Authority has served the purpose for which it was established;
3. Whether Dairy Development Authority's costs of administration drain the Treasury at the expense of service delivery;

4.0 METHODOLOGY

While considering the Dairy Industry (Amendment) Bill, 2024, the Committee used the following methods:

4.1 Meetings

The committee held meetings with the following entities:

- Ministry of Agriculture, Animal Industry and Fisheries (MAAIF)
- Ministry of Justice and Constitutional Affairs
- Ministry of Public Service
- Dairy Development Authority

4.2 Document Review

The Committee reviewed and referred to the following documents:

- The Constitution of the Republic of Uganda
- The Dairy Industry Act, 1998
- Uganda Bureau of Statistics Statistical Abstract, 2022

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5.0 COMMITTEE FINDINGS AND OBSERVATIONS

5.1 Whether there are mandate overlaps between the Dairy Development Authority and the Ministry of Agriculture, Animal Industry and Fisheries

According to the Dairy Industry Act, DDA is mandated to develop and regulate the dairy industry in Uganda through providing development and regulatory services that will ensure increased production and consumption of milk, sustainable and profitable dairy sector that will contribute to economic development and nutritional standards in Uganda.

Section 5 of the Dairy Industry Act mandates the Authority to register and license milk processors, traders, dairy farmers' groups and to support farmers' marketing organisations. DDA also advises and enforces milk standards established by the Uganda National Bureau of Standards (UNBS).

The Committee notes that the DDA has fulfilled the above mandate by carrying out the following activities:

- Registration of dairy businesses and issuance of registration certificates.
- Inspection (routine, impromptu and follow-ups) of milk-handling premises like equipment, milk tankers, processing lines, cleaning facilities and related dairy containers.
- Sampling and analysis of milk and milk products for chemical and micro-biological analysis for adulterants and contaminants in accordance with international standards. DDA also carries out sensory evaluation of milk and milk products. DDA has set up a national analytical laboratory at Lugogo in Kampala. The agency has on spot milk testing mobile laboratory vans.
- Rehabilitation of milk cold chain infrastructure. Milk collection centres in Katakwi, Soroti, Kaberamaido, Serere, Kitgum, Gulu, Kakooge and Kyegegwa have been rehabilitated.

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- Value addition training and skilling at the Entebbe Dairy Training School.
- Establishment of milk and milk products traceability system. The system starts from the milk collection and bulking centres through the value chain to the processing lines and eventually to the final product.
- Market access through promotion of domestic milk consumption and market access to regional and international markets.

The Committee notes that while DDA has restored the dairy sector which had collapsed following the dissolution of Dairy Corporation, MAAIF has at the same time maintained a dairy division over the years. However, the Committee has not been able to establish performance of the division under the ministry.

5.2 Whether the Dairy Development Authority has served the purpose for which it was established

Increased production and market potential for the dairy sector

The Committee notes that at the inception of DDA, the dairy industry had collapsed. The cold chain infrastructure had collapsed. By 1986, milk collection was 3,043,000 litres annually. With the interventions of DDA since 2000, milk production has increased from 2.7 billion litres in 2019 to 3.9 billion litres by 2023. The milk collection centres have increased from about 15 in 1986 to 547 in 2023. Milk processing companies have increased from just one (Dairy Corporation Limited) with a processing capacity of 60,000 litres per day in 1986 to 160 processing companies today with a processing capacity of 3.9 million litres per day.

The country has 87 high-volume milk producing districts in the Cattle Corridor which have cattle keeping as a source of livelihood. The dairy industry provides employment to about 12 million people, majorly in rural areas. The dairy value chain is driven by smallholder farmers, input and service providers, milk collectors, milk bulkers, transporters, traders and processors, among others. In addition, the dairy industry provides food and income for more than 40% of the population of the country.

Under DDA, dairy exports have more than tripled from UGX 287.4 billion to UGX 976.4 billion from 2019-2023. Uganda is now poised to enter the Algerian market estimated at USD 500 million annually negotiated by His Excellency, the President of the Republic of Uganda. The export markets require that exporting countries should be routinely inspected by competent and autonomous regulatory authorities to ensure safety and quality of the dairy products. This requires efficient milk production, regulation and maintenance of strict quality standards that this rationalization risks jeopardizing.

The table below shows the trend of milk production in the country from 2018 to 2023.

Table 1: Milk production trends 2018-2023

Year	Milk production in litres (billion)
2018	2.51
2019	2.52
2020	2.60
2021	2.81
2022	3.21
2023	3.85

Source: DDA

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Table 2: Installed capacity of milk processing factories

YEAR	NUMBER OF FACTORIES	INSTALLED CAPACITY (MILLION LITRES)
2019	120	2.7
2020	135	2.8
2021	116	3.1
2022	146	3.4
2023	160	3.9

Source: DDA

Table 3: Value of dairy exports from 2019 to 2023

YEAR	VALUE IN BILLIONS
2019	287.40
2020	196.50
2021	358.60
2022	398.10
2023	976.40

Source: DDA

International accreditation

The National Dairy Analytical Laboratory under DDA is in the final stages of attaining full accreditation, having been awarded recognition certification under ISO 17025 which certifies all dairy exports test results for the export market. The accreditation facilitates trade in dairy products and reduces the cost of doing business to make the country's dairy products competitive.

The Committee concludes that rationalization of DDA will affect the regulatory gains already achieved and may adversely affect the markets both secured and prospective. Mainstreaming DDA into MAAIF will jeopardize the on-going processes of recognition and accreditation that are critical for market access. Rationalization will negatively affect the planned infrastructure development for the milk value chain.

5.3 Whether Dairy Development Authority's costs of administration drain the Treasury at the expense of service delivery

Wage Bill of DDA

Dairy Development Authority (DDA) has an approved staff establishment of 140 positions but 91 positions are filled. All the staff are on contract. Sixty-three percent (63%) of DDA staff are scientists, earning less than the approved Government science scale. The CFI provides that only 10 staff (11%) will be laid off though it is not clear whether the remaining 81 staff (89%) will be moved with the agency functions to MAAIF. The CFI puts the total cost in terminal benefits for the laid off staff at UGX 0.53 billion.

The CFI has estimated net savings amounting UGX 11.02 billion in FY2024/25 and UGX 11.5 billion in the subsequent financial years, as a result of the rationalisation. Compared to the projected budget for FY2024/25 which stands at UGX 18.16 billion, UGX 6.61 billion will be required to facilitate the functions of DDA under the MAAIF.

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The table below shows the distribution of dairy exports by destination countries in FY2022/2023.

Table 2- Distribution of dairy exports by destination countries in FY2022/2023

S/NO	COUNTRY	VALUE IN UGX	PRODUCTS
1	Kenya	810,569,256,183	Butter, Cheese, Ghee, UHT, yoghurt, milk powder
2	United States	57,602,853,009	Casein
3	Egypt	34,947,357,966	Butter, ghee
4	South Sudan	26,479,497,077	Butterm cheese, UHT, yoghurt, milk powder, whey, yoghurt
5	Tanzania	13,062,966,110	Butter, milk powder, UHT, ghee
6	Oman	6,907,970,998	Butter, ghee
7	India	5,279,368,230	Casein, whey
8	Democratic Republic of Congo	4,547,937,364	UHT, milk powder, butter, yoghurt
9	Ethiopia	4,530,444,272	Milk powder, casein
10	Malawi	4,093,181,730	Milk powder
11	Rwanda	4,081,017,583	Butter, ghee, UHT, milk powder, yoghurt
12	Japan	1,322,371,309	Butter, ghee1
13	South Africa	1,218,498,264	Butter
14	Sudan	1,097,345,866	Butter, ghee
15	Mali	276,397,700	Milk powder
16	Burundi	219,744,937	Cheese, milk powder, UHT, butter
17	Madagascar	117,141,009	Milk powder

18	Somalia	8,317,353	Yoghurt
19	Turkey	1,858,205	Butter
20	Netherlands	175,571	Butter, ghee
	TOTAL	976,363,700,736	

Source: Presentation by DDA

The Committee notes that with the intervention of DDA, the dairy industry was able to access international markets as a result of quality assurance and certified dairy products.

5.4 Privatisation of the dairy industry

The Committee noted that when Government divested Dairy Corporation, the private sector was given full responsibility to collect, transport, market and process milk. This requires robust, efficient and effective regulatory framework which has been created on the premise of the Dairy Industry Act, 1998 which is being implemented by DDA.

The dairy industry has attracted many investors, both local and foreign who receive timely responses to the challenges they may be experiencing.

The Committee observed that rationalization of DDA would comprise quality assurance and safety. The private sector is largely profit-oriented and puts less attention to consumer protection (quality and safety) without a specialised agency, the quality of dairy products will be comprised.

The Committee further observed that over the years, the country has witnessed rejection of other food exports directly under the Ministry. However, due to the hands-on interventions by DDA that built a robust regulatory framework, this country has never experienced rejections of the dairy products on the international market this is attributed to the hard work and commitment by DDA.

DDA staff work 24 hours to ensure that the final consumer enjoys safe and quality dairy products. This will be impossible when DDA is mainstreamed.

5.5 Agency Model for the dairy industry

The Committee noted that the world over, the dairy sub-sector is regulated by autonomous entities as illustrated in the table below:

S/NO	COUNTRY	REGULATORY BODY
1	Kenya	Kenya Dairy Board
2	Tanzania	Tanzania Dairy Board
3	Israel	Israel Dairy Board
4	India	India-National Dairy Development Board
5	Bangladesh	Bangladesh Dairy Board
6	Malaysia	Malaysia-National Dairy Board
7	New Zealand	New Zealand Dairy Board
8	Nepal	Nepal-National Dairy Development Board
9	USA	USA-National Dairy Council
10	Syria	Syria Dairy Board

Source: Presentation by DDA

The Committee notes that among the countries listed above, Kenya, Tanzania, Malaysia, Nepal, India, USA and Bangladesh are buyers of milk and milk products from Uganda based on the fact that there is a specific regulatory body to ensure compliance of dairy standards and regulations along the value chain, including milk production, collection, transportation, marketing, processing and milk consumption advocacy, among others.

6.0 CONCLUSION

In conclusion, the Committee opines that export of milk and milk products requires observance of safety and quality standards and regulations along the dairy value chain. It's also important to note milk is a perishable product and its mainly driven by smallholder farmers, input and service providers, milk collectors, milk bulkers, transporters, traders and processors, among others.

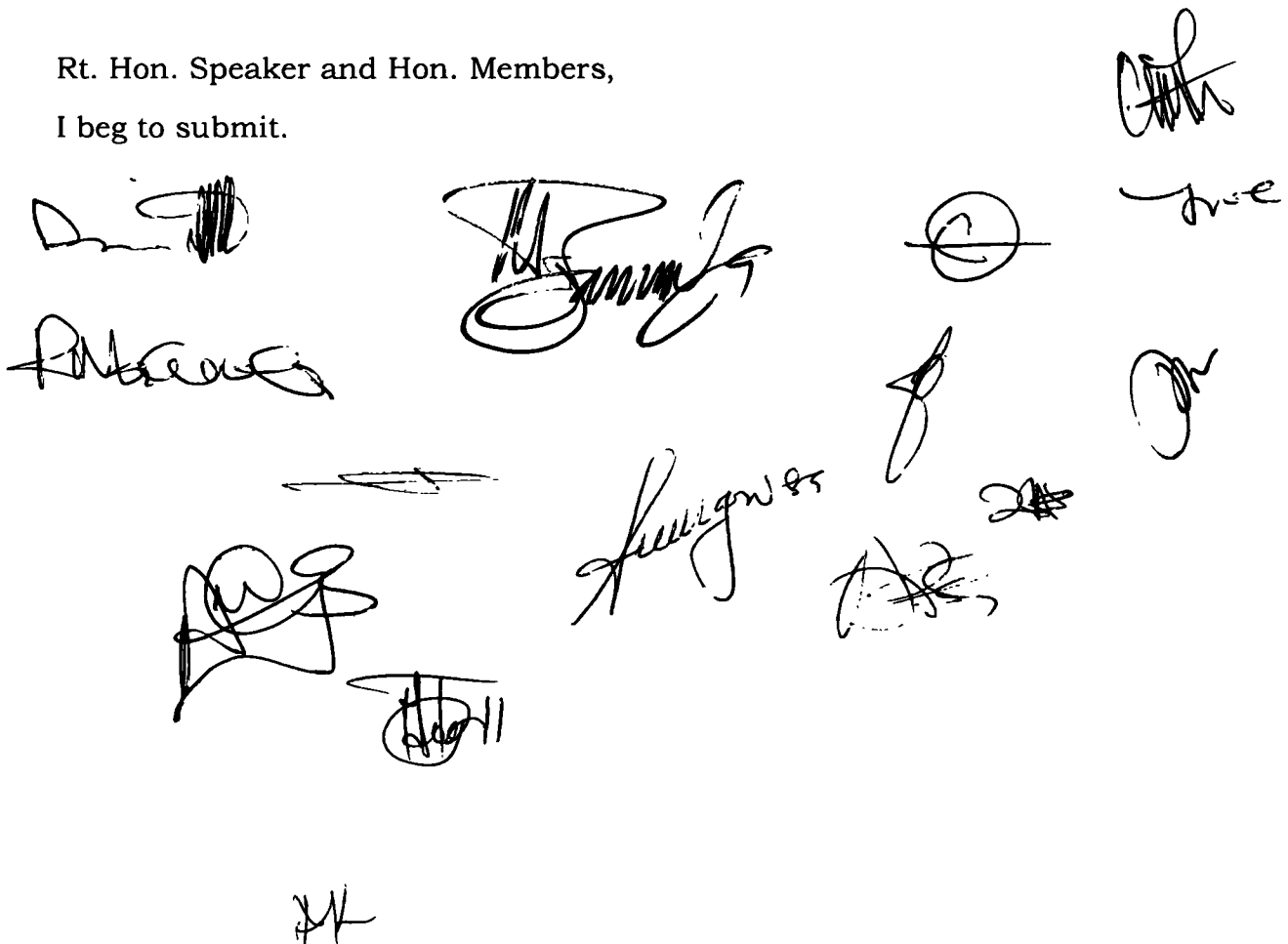
DDA carries out activities which are geared towards achieving middle income status as envisioned in Vision 2024 where dairy was prioritized as a strategic commodity to realise the country's agro-industrialisation programme.

Therefore, Rationalising DDA will erode the above achievements and lead to loss of livelihoods for the people.

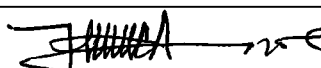

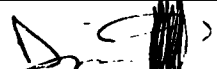
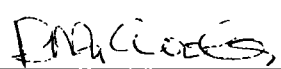
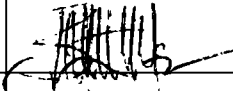
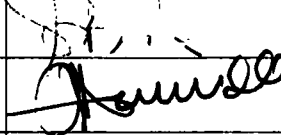
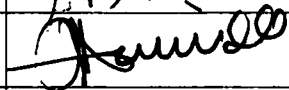

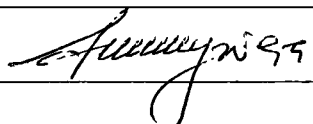
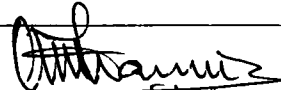

Owing to the fact that the justification for rationalisation of Government agencies does not apply to DDA, the Committee recommends that The Dairy Industry (Amendment) Bill, 2024 is not passed by this House.

Rt. Hon. Speaker and Hon. Members,

I beg to submit.



COMMITTEE ON AGRICULTURE, ANIMAL INDUSTRY & FISHERIES
ENDORSEMENT OF THE REPORT ON THE DAIRY INDUSTRY
(AMENDMENT) BILL, 2024

NO	NAME	SIGNATURE
1	Hon. Okori-Moe Janet Grace	
2	Hon. Auma Linda Agnes	
3	Hon. Driwaru Jennifer	
4	Hon. Magoola Racheal	
5	Hon. Christine Akello	
6	Hon. Mbayo Esther	
7	Hon. Biraaro Ganshanga Ephraim	
8	Hon. Migadde Robert Ndugwa	
9	Hon. Anywar Ricky Richard	
10	Hon. Muhumuza David	
11	Hon. Okullo Abuka Anthony	
12	Hon. Kasaija Stephen Kagwera	
13	Hon. Acen Dorcus	
14	Hon. Alyek Judith	
15	Hon. Esenu Anthony Alden	
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20	Hon. Lematia John	
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34	Hon. Maj. Gen. Sam Kavuma	

