

Introducing Ergo-go

An **affordable** and **fortified** yoghurt made specifically for children and lactating women within low and middle-income families in Ethiopia

An introduction to a positive business case that supports the following United Nation's Sustainable Development Goals:



Confederation of Danish Industry

Karl Pedersen og Hustrus Industrifond
Administreret af DI



Arla Foods Ingredients
Discovering the wonders of whey 

Funded by Danida

MINISTRY OF FOREIGN AFFAIRS OF DENMARK
DANIDA INTERNATIONAL DEVELOPMENT COOPERATION





Partnership Background

Ethiopia is experiencing a growing demand for dairy products, which can make a major contribution to the intake of essential nutrients in the population. However, as a developing country, a large part of the residents do not have access to dairy products, primarily due to both limited financial resources and availability.

To respond to the challenge of malnutrition in Ethiopia, an international partner consortium was established in 2017 comprising of Ethiopian dairy partners, Global Alliance for Improved Nutrition (GAIN), Danish Church Aid (DCA), Arla Food

Ingredients (AFI), Confederation of Danish Industry (DI) and Addis Ababa Chamber of Commerce and Sectoral Associations (AACCSA).

This project aims to serve as inspiration for other commercial, for-profit, partnerships related to affordable nutrition, and deliver on the following United Nation's Sustainable Development Goals in Ethiopia: "End Hunger" (SDG 2), "Economic Growth & Decent Jobs" (SDG 8), "Responsible Consumption and Production" (SDG 12), and "Partnerships for Goals" (SDG 17).

Malnutrition and poor dietary intake in Ethiopia

Despite having one of the highest dairy cattle populations in the region, the consumption of milk in Ethiopia is only 19 kilos/year per person, which is one of the lowest consumption levels in sub-Saharan Africa (average 30.2 kilos/year), and far below the WHO recommendation of 175 kilos/year. Ethiopia is facing the challenge of 38% of children aged 6-59 months being stunted and 57% being anemic. Only 7% of Ethiopian children aged 6-23 months meet the minimum acceptable dietary recommendations.

Even in suburban areas, stunting is still as high as 25%, and the prevalence of anemia is 49%. Women and children are particularly vulnerable.

Lack of availability

The lack of access to affordable and processed dairy products among low-income segments in Ethiopia is largely due to the fact that only 5% of farm milk reaches the formal market via professional dairy factories. The majority of milk produced is thus consumed by the farmers and

Source: World Health Organization

their families, sold as raw milk, or lost. Milk loss is mainly due to inefficiencies within the dairy value chain in Ethiopia.

20-35% of the milk produced gets spoiled due to the lack of cold chain management, and a poor infrastructure for milk collection. Consequently, the price of raw milk is very high, making dairy products relatively expensive for consumers. In addition, the fluctuating supply and quality of milk poses a significant challenge for dairy producers.



Ethiopia is facing the **challenge of**

38%

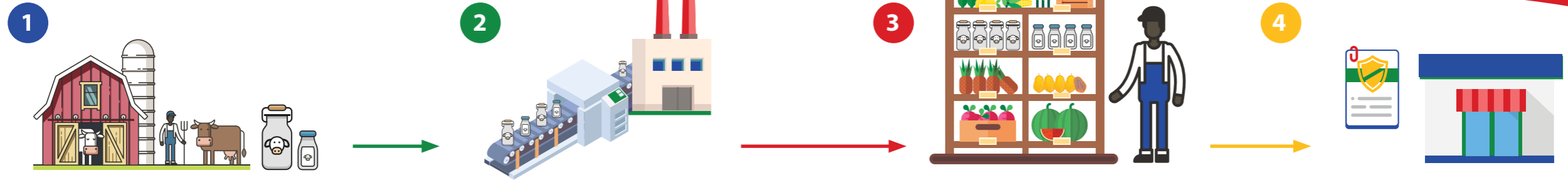
of children aged 6-59 months being **stunted**

&

57%

of children aged 6-59 months being **anemic**

Partnership Overview



Working with the whole **local dairy value chain** to develop a profitable product to support the fight against malnutrition in Ethiopia

Improving upstream production

- By training 400 “champion farmers” in best practice methods for high yield and quality milk outcomes to increase the availability of safe raw milk.
- Establishing 4 new milk collection centres to strengthen the dairy infrastructure.

Improving midstream processing

- Product innovation to increase supply of nutritious, value-adding and affordable products.
- Implementing quality assurance control and best practices at local processors and hereby engaging local stakeholders.

Increasing downstream consumption

Target: 10,000 servings sold per day at end of project by:

- Increasing acceptability of milk-based products to consumer segment.
- Overcoming accessibility constraints using more efficient distribution channels.

Enabling market development

Work to improve an enabling business environment and resolve challenges along the dairy value chain by:

- Partaking in dialogue with key policy makers to decrease trade barriers for growth and development of the dairy value chain.
- Engaging with local stakeholders and the public on advantages of dairy consumption.



The Ethiopian Dairy Market

In Ethiopia there are approximately 11 million dairy cattle, but with a very low productivity. The low productivity is caused by poor veterinary services, poor feed quality, as well as the cattle breed type.

Cooperatives

Over the past 20 years, dairy cooperatives have been established with the ambition of improving the marketing within the dairy sector. The cooperatives collect fresh milk every day via collection centres and perform quality control of the milk through set standards of fat content and density. In regard to human resources, the cooperatives also train members to increase productivity.

Dairy producers

By current estimates, there are more than 50 active dairy producers in the country, and most of the companies operate in the vicinity of the capital, Addis Ababa. Out of those, 18 are considered significant producers. The majority of producers

do not target low-income groups, and up until recently, they have focused on milk with only very little yoghurt production.

In spite of this, Ethiopia has a long-standing tradition of consuming multiple kinds of yoghurt from raw milk. Traditionally, yoghurt is called “ergo.”

Today's dairy landscape

Until recently, only plain yoghurt was produced in the country. But now different kinds of packed and sealed flavoured yoghurts from a variety of producers can be found on the shelves of food markets in Addis Ababa.

4%

of total dairy production
**is processed and
marketed** through the
formal market channel

Sales & Distribution

For the project, two suburbs in Addis Ababa were selected as test sites for Ergo-go: Kirkos and Lideta.

The selection was based on population density, with Kirkos and Lideta (combined population of 500,000) being among the four most dense suburbs in Addis Ababa.

There are no supermarkets easily accessible in these two areas. Instead, the high number of kiosks indicates that a majority of low and middle-income residents live there, as kiosks are the preferred grocery outlet among these resident groups.

Based on the findings from the pilot tests, local dairy producers can expand to other parts of the capital in the future.

Pricing and packaging

In building the business case for Ergo-go, an 80 ml packaging volume was developed to arrive at a competitive and affordable price point for the target customer group (i.e. low-income families).

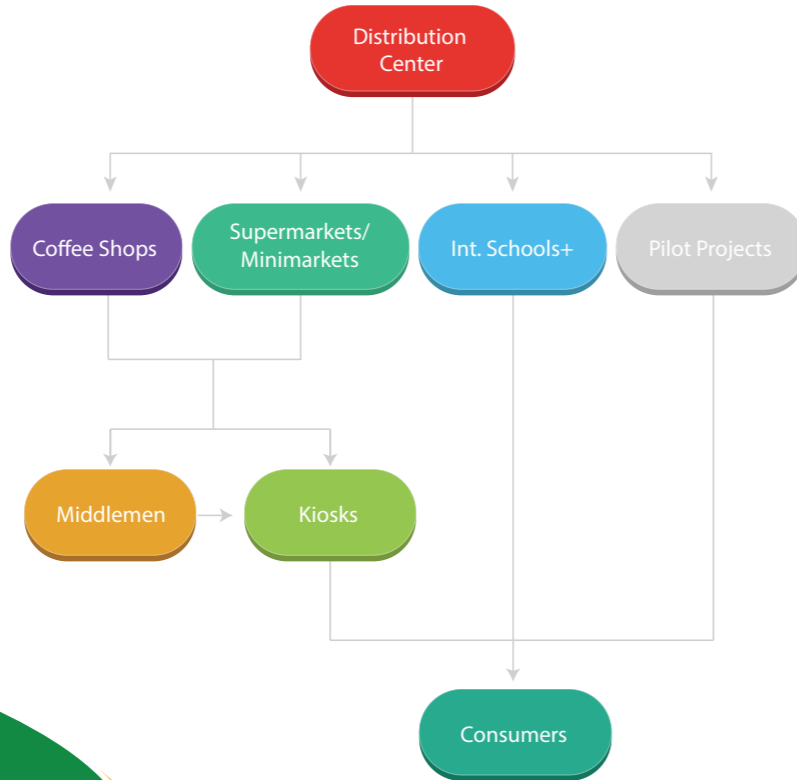




Minimarkets and kiosks are among the key **distribution channels** for reaching low and middle-income families

Distribution Channels

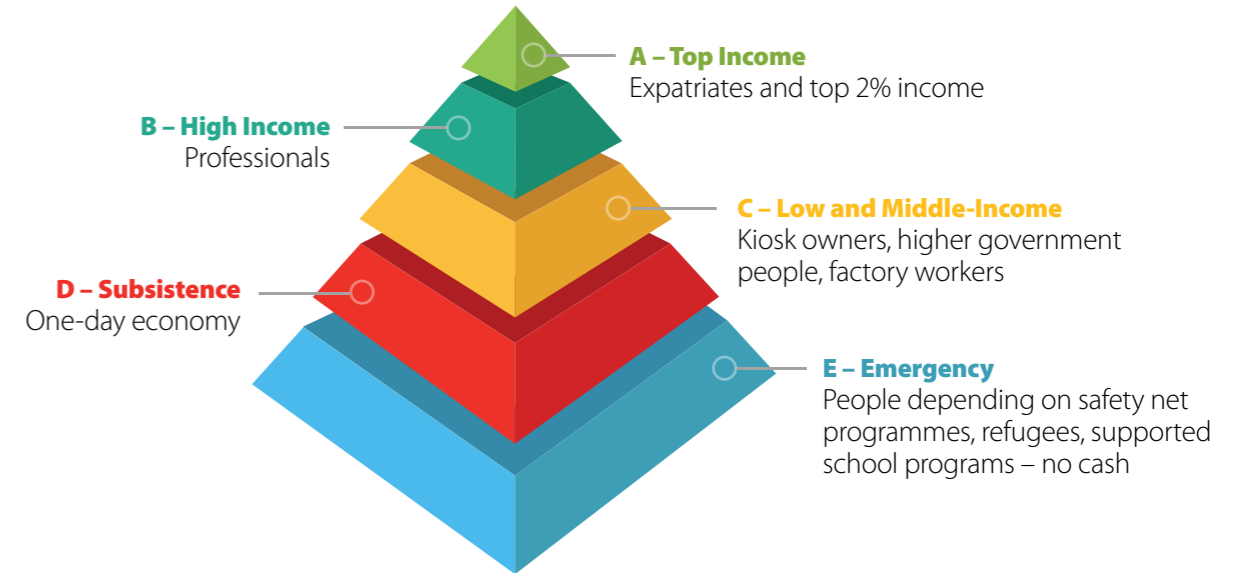
As illustrated here, the project partners identified six distribution channels for reaching the target consumer groups.



Ergo-go sale prices are **competitive with other less nutritious snacks**

Low & Middle-Income Consumers

The target group for Ergo-go is middle-income (USD 8-23/day) and low-income (USD 3-8/day) consumers, equivalent to group C in the income pyramid illustrated below.



Surveys have shown that Ethiopian consumers spend about 50% of their income on food and beverages. Characteristics for the low and middle-income target groups include a relatively strong purchasing power as the pricing of consumer goods is relatively low.



Marketing and Branding

As a new yoghurt product on the market targeting low and middle-income residents, it was important for the project to carry out educational campaigns about healthy nutrition.

Marketing Objective

Yoghurt as an easy, tasty, and fortified option for their kids daily/weekly diet.



Promotional Target

Mothers of young children (3-7 years old), including pregnant women and lactating mothers, in the urban middle-to-upper level of low-income, who have a choice about what to feed their children.



Consumption Target

Primary audience is children, 3-7 years old, pregnant women, and lactating mothers. The secondary audience is family, adolescents, school children, friends and community.

Intended Outcome

Make fortified yoghurt the desirable and aspirational choice for active and strong kids.



Feeling

"I never thought yoghurt could be such a great addition to my kid's diet! A great taste, with different flavours my kids love! Plus, it is fortified with the best micronutrients for their growth and strength."



Fluency

Make yoghurt fun! An easy snack with a great taste and flavour that kids love! Adding fortification with micronutrients as a value-add for growth and strength.

Market ambitions

Looking at the success model for Ergo-go launch in the Ethiopian dairy market, we aspire to scale up the business concept. Ethiopian dairy processors have plans to take Ergo-go to other suburbs in Addis Ababa.

However, the overall market potential is much higher. We intend to implement similar projects in other parts of Ethiopia and other African countries with local partners to further support the UN Sustainable Development Goals. Especially advancing "End Hunger" (SDG 2), "Create Economic Growth and Decent Jobs" (SDG 8), "Responsible Production and Consumption" (SDG 12), and "Partnerships for Goals" (SDG 17), and to develop new innovative and profitable solutions and products based on the Ergo-go concept.





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Read more about GAIN Nordic Partnership at:

<https://www.gainhealth.org/partnerships/gain-nordic-partnership>