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The Dairy Sector in East Africa and the Indian Ocean

The dairy sector plays a strategic role in East Africa and the Indian Ocean (EAIO), contributing to food security, rural incomes and agro-industrial diversification. Supported by large livestock populations and rapidly growing urban demand, the region has significant yet largely untapped potential : productivity remains low in most countries, milk collection and processing are still limited, and informal channels continue to dominate trade. Kenya stands out for its already well-structured dairy sector, Uganda for its export-oriented industry, and Rwanda for the rapid growth driven by proactive public policies. In the Indian Ocean, Madagascar has considerable scope for further dairy development, while Mauritius remains structurally dependent on imports. Modernising the entire value chain (production to collection and processing) therefore represents the region's main challenge and offers significant opportunities for French companies.

Significant dairy potential, but unevenly developed

The EAIO region has considerable dairy potential, although the extent to which it is harnessed varies significantly from one country to another. Kenya, Uganda and Tanzania are the region's main dairy producers, with annual output of approximately 5.5bn, 5.4bn and 4bn liters respectively. Kenya has the most structured dairy sector, supported by a large improved dairy herd, a dense network of cooperatives and a well-developed processing industry. Uganda stands out for its rapidly growing production, relatively low costs and export-oriented industry. Tanzania is also a major producer, but its dairy value chain remains relatively underdeveloped. Rwanda is following a particularly dynamic trajectory : milk production has increased more than eightfold since 2005, driven by proactive policies to improve livestock genetics and support farmers.

Other countries have substantial resources but less structured dairy sectors, while low productivity remains a common challenge across the region. Ethiopia has Africa's largest livestock population, but local breeds remain relatively unproductive. Somalia and Sudan also have significant milk production, largely based on pastoral and traditional farming systems. In the Indian Ocean, Madagascar has substantial yet underexploited potential, while Mauritius remains structurally dependent on imports. In most countries, production is based on small family farms. Common constraints include insufficient animal feed, limited uptake of improved breeds, and restricted access to veterinary services, financing and water. Climate change is exacerbating these challenges and increasing the seasonality of milk production.

Collection and processing remain the main bottlenecks amid growing demand

The predominance of informal marketing channels and inadequate milk collection are the main obstacles to the development of the processing industry. The share of milk marketed outside formal channels reaches 97.6% in Tanzania, 70-80% in Kenya, and more than 90% in Burundi and Rwanda. While informal channels provide farmers with rapid and often more profitable market outlets, they limit traceability and sanitary controls. The shortage of milk collection centers, cooling equipment and cold-chain infrastructure also constrains the supply of milk to processors, resulting in significant underutilization of existing capacity. In Tanzania, only 287,000 liters are processed each day despite installed capacity exceeding 1M liters per day. In Uganda, 38% of total milk production is processed.

These challenges come at a time when population growth and urbanisation are driving increasing demand for milk and processed dairy products. Consumption levels vary considerably across the region : approximately 110 liters per capita per year in Kenya, 70 liters in Tanzania and 62–64 liters in Uganda, compared with 19 liters in Ethiopia and just 5-7 liters in Madagascar. The growth of urban middle classes is also contributing to more diversified consumption patterns. Yoghurts, UHT milk, cheeses and other higher-value-added products therefore represent important growth opportunities for processors. This trend further increases the need to strengthen milk collection and processing and to formalise dairy value chains.

Modernisation policies are creating opportunities for French companies

In response to these constraints, governments are accelerating the modernisation of their dairy sectors in order to increase productivity, improve milk collection and expand local processing. Tanzania has launched a nearly USD 200M Dairy Development Programme 2025–2035, which notably provides for the import of 17,200 improved dairy cows, the construction of 150 milk collection centres, and investments in pasture development and water infrastructure. The programme's first phase notably benefits from a EUR 30M sovereign loan from the French Development Agency (AFD). Kenya aims to increase its milk production to 12bn liters while further formalising the market. Ethiopia plans to quadruple its production by 2031. Madagascar is planning USD 128M in investments to modernise its dairy sector, particularly through genetic improvement of livestock, the development of fodder crops, and stronger infrastructure and veterinary services. In Rwanda, public programmes are increasingly focusing on milk collection, sanitary quality and processing. These policies reflect a common shift across the region : the challenge is no longer simply to increase production, but also to generate greater value from it.

This modernisation is creating business opportunities in areas where French companies already have a track record in the region. Needs span animal genetics, feed and animal health, livestock and milking equipment, cold-chain infrastructure, industrial processing and quality control. In Kenya, Danone is a shareholder in Brookside Dairy, while IMV Technologies is active in animal genetics. IMV Technologies is also present in Rwanda, where a FASEP-funded veterinary ultrasound project offers opportunities for scaling up. In Madagascar, Andros holds a stake in Socolait, while Coopex, Virbac and Ceva are also active in the sector. In Mauritius, France enjoys a favourable commercial position, particularly in cheeses and higher-value-added dairy products. These existing footholds provide a strong basis for expanding the French presence across the regional dairy value chain.