



New Vision for Agriculture

Framing the WEF NVA Partnership Colombia Dairy Program Discussion Paper

Introduction

The WEF NVA supported partnership for Colombia has targeted the dairy sector as one of the priority commodities. IDH, the Sustainable Trade Initiative, will act as local WEF NVA secretariat and is consolidating the stakeholder views on the next steps in this sector.

The World Economic Forum initiative for the New Vision for Agriculture (WEF NVA) started in 2016 on invitation of the government of Colombia and with active support from the Ministry of Agriculture the convening of stakeholders with the aim to establish a public private platform and value chain working groups a.o. in dairy to identify, align and scale sustainable practices in support of the agricultural development of Colombia in a new post-conflict reality.

Currently WEF NVA has a focus on promoting new and running promising pilot projects that demonstrate opportunities for sustainable practices. Example of these running pilots are the projects of Nestlé, Alquería and Alpina.

Next to organizing this technical assistance it is also essential to work on the *systemic bottlenecks* for a global competitive and sustainable development of dairy, relevant for the specific regulatory and export challenges in Colombia.

International support for the post-conflict agenda of Colombia has triggered various projects that either relate to providing technical assistance to strengthen the income position of smallholders or to avoid deforestation, water unbalance and loss of biodiversity.

Public policy aims to establish interlinkages with regions that are also important for the post-conflict rural development and deforestation. This makes the right enabling policy environment even more relevant for private sector engagement in sustainable development.

Scoping insights

In December 2017 scoping visits by IDH to Colombia took place to prepare for the NVA secretariat role. The conclusions were very congruent:

Policy and national framework

1. The strategic frame on dairy policies can be improved aiming at supporting sustainable development and export and international competitiveness of the dairy sector. The combination of low international competitiveness and more international free trade agreements is likely to have a negative impact on a healthy economic dairy sector. To summarize: the Colombian dairy sector is currently not able to compete in the international market with factors such as: deficient sector regulations, fragmentation, and lack of infrastructure. As a consequence of this, the dairy exports are virtually zero now, with even the historic export option (Venezuela) ended;
2. A possible “unmanaged” expansion of dairy production in post-conflict areas might raise concerns. Such a situation together with the current over-production and lack of infrastructure in the dairy sector is not likely to be a viable economic option for this sector in Colombia. In addition to that, the proximity of post-conflict areas to forests face a significant risk of (informal) deforestation and thus for the sustainability reputation of the entire dairy sector;

Competitiveness

3. A significant part of the (100% domestic) dairy market (over 50% is mentioned) is perceived as “informal” due to deficient regulations;
4. Lack of rural infrastructure (roads, cold storage) results in high waste of production;

Governance, producer representation and sector organizations

5. Adequate representation of the thousands of producers in the public-private dialogue on the dairy sector is challenging with a fragmented producer representation.
6. The limited maturity of farmer associations and related competitive and conservative attitude of farmers restrain the investment in joined infrastructure

Sustainability and impact on forest

7. The Dairy sector faces multiple sustainability challenges: climate change and lack of weather data leading to unpredictable grasslands and hence milk production; low farmer income (low prices, low productivity, low quality/sanitation, high waste); deforestation;
8. Although dairy farming is mentioned in relation to the post-conflict rural development priorities and is (together with palm oil) a key sector to avoid deforestation, there is not a clear and articulated “dairy sector plan or strategy” from either from the National Government or implementing government agencies;

Multistakeholder commitments

9. The leading companies in the sector (representing roughly 20% of the market: like Alpina, Alquería, Colanta, Nestlé) show strong commitment to a sustainable development of their sector and have started

already different (fragmented) technical assistance initiatives focused on strengthening farmer associations, productivity, intensification, land restoration, soil erosion;

10. Key Colombian stakeholders in the dairy sector include DNP (National Planning Department), Universidad de los Andes, Fedesarrollo and Banco de la República.

11. To avoid deforestation the Tropical Forest Alliance (TFA) has successfully received commitment from leading companies in dairy (a.o. Alquería) to support a no-deforestation approach

Proposal (first outline)

The scoping insights lead to two parallel clusters of activities:

- I. Select, improve and scale the most promising technical assistance projects:
 - a. Align objectives of the dairy technical assistance objectives for pilot projects (include a.o. adaptation, productivity, deforestation, cold storage);
 - b. Identify and do a quick scan evaluation of the current technical assistance projects against these objectives and adapt/ select into a short list the most promising ones;
 - c. Identify and align with relevant research partners and funding programs;
 - d. *“Model” by co-development of fundable projects* the business case for viable scaling of prototypes and identify key producer skills for success (e. farmer association, financial literacy and bankability and, management);
- II. Organise the dialogue for a dairy sector vision for Colombia.

Create a small group of senior representatives of private sector and (regional/ national) government, supported by an expert group to identify the critical bottlenecks and translate this in pre-requisites for a sustainable development of the dairy sector e.g.:

- a. Export focus and global competitive position of Colombia (analysis with support from government e.g. ProColombia and companies);
- b. Conducive policies for sustainable development (e.g. post conflict considerations, investment support, export support, regulations against deforestation);
- c. Identify priority regions with high potential, sufficient infrastructure, technical competences, local government support and public relevance;