DRAFT FOR DISCUSSION

Annual milk production Ethiopia

2025: 6.7 million tons

The Ethiopian dairy sector in 2026

Overview of milk production in Ethiopia [ii,iv,v,vi]

Parameter	2024/25 value	Remark
Total milk production	6.7M tons	4.9M tons according to IFCN (2025) Majority from smallholders
Contribution to Africa's total milk production	12%	
Consumption		
- home consumption and informal market	98.3% of milk produced	Predominantly in rural areas, traditional butter sold to urban areas
- per capita consumption	50L/year	Based on above production volume.
Milk marketed	~2-2.5M tons	30-40% of milk produced; produced by 0.3M farmers (majority urban and peri-urban);
- formal channels	0.11M tons	~5% of milk marketed, 1.7% of milk produced Pasteurized milk, yoghurt, cheese, mozzarella, etc. Increasing demand for processed products in urban areas
- informal channels	~ 2-2.4 tons	Raw milk and traditional butter, cheese, and yoghurt
- milk imports	2.4M kg (13.3M USD)	Mainly powdered milk and dairy products
- milk exports	0.04M kg (0.24M USD)	Mainly condensed milk and traditional products
No. of dairy farms	3.1M, (4), (+2.4%/yr)	(world ranking) (annual growth from 2019-24)
No. of cattle	71M	
No. of dairy cattle	15.7M	2M crossbreds and exotic breeds (Heifer, Jersey)
No. of cooperatives	487	<50% operational (>500 L/day)
No. of processors	45	Top10 process ~95% of volume

1. Milk production

Production systems

Geography - Dairy farming plays a crucial role in Ethiopia's agricultural sector and economy - livestock contributes 18.7% of the national GDP and 45% of the agricultural GDP. Milk and dairy products are being produced (1) in over 20 milksheds across Oromia, Amhara, Tigray, and Southern Regions (Figure 1, page 5), where favourable grazing, established dairy culture, and proximity to one or more urban markets allow for marketing of dairy products as source of farmer income; (2) in Addis Abeba and Dire Dawa cities; and (3) in pastoralist areas.

Farm structure - The country's diverse agroecological zones, infrastructure, and cultural practices result in a variety of dairy farming systems. Types range from pastoral and mixed crop-livestock farms in rural areas to more specialized and commercial farms in (peri-) urban areas (Table 1). The latter two are the engines of dairy supply chain development that supply the growing urban population, notably the middle class.

Table 2: Main factors affecting seasonality in milk supply and demand for dairy products

Aspect	Seasonal Trends	Factors affecting
Milk supply	**Peak:** June to Sept (long rains) and Oct-Dec (residual moisture, post-harvest crop residues)	Increased forage availability leads to higher production
	Low: January to May (dry seasons)	Grazing- and feed limitations reduce yields
Milk demand	**Peak:** Non-fasting months and dry season	Seasonality in purchasing power and cultural celebrations
	Low: Rainy season and fasting periods	Reduced cash flow and dietary restrictions

Herd – The cattle herd on specialized and commercial farms supplying to cooperatives, traders and processors primarily consists of crossbreds and some purebred exotic animals (Table 1). The composition of the herd and breed make-up is key in assessing the country's dairy production capacity and potential for development.

Seasonality – Agroecological, cultural, and market factors affect seasonality of milk supply but also of demand for dairy products, as about half of the Orthodox believers (who number ~45% of the population nationwide, much higher in some key milksheds) consume no (or less) dairy products in designated Orthodox Christian fasting periods. However, children as prime milk consumers, are not required to observe fasting. For details see Table 2.

Table 1: Milk producing farming systems, proportions and characteristics [i,ii,iii,iv,v]

Farming system	Proportion	Characteristics	Breed types, proportions
Pastoral and agro-pastoral	63% of cattle and camel milk produced, ~ 2.5M farms/ households	• Deeply rooted in pastoral cultural practices • Large herds, livestock ownership links to social status • Milk is primary source of nutrition, consumed fresh or processed into traditional dairy products • Milk yield per animal generally lower than in other systems	Local breeds (97.4%) (Borana, Arsi-Bale, Begait, Fogera)
Mixed crop-livestock		• Largest group of farms • < 5 milking cows, low milk yield per cow (1-3 L/day) • Minimal use of veterinary services and purchased feeds	
Peri-urban and urban	35% of milk produced, ~ 0.3M farms	• ¾ of produced milk marketed to local markets, traders, processors • 1-10 milking cows, 5-14 L/day yield per cow • Use of improved breeds, supplemental feeding, relatively good management practices	Crossbreeds (2.3%) and exotic breeds (0.3%) Holstein-Friesian, Jersey
Commercial	2% of milk produced <500 farms	• 15-200 milking cows, milk yield per cow ≥14 L/day • Growing segment with relatively better management of cows, use of quality feed, veterinary care, mechanization.	

2. Milk marketing

Milk produced and marketed – Of the 6,7 billion litres of milk produced nationwide, 98,3% is either consumed within household and village or marketed locally as raw milk and traditional products (with traditional butter being traded across regions). Of the milk marketed, the volumes channelled to processing plants (growing fast but still limited) currently is estimated at 5% of milk marketed, 1.7% of milk produced.

Cost of production varies widely between farming systems. While some inputs and services are heavily subsidized by public agencies and development projects (notably forage seed, fertilizer, semen, veterinary and AI services), inputs such as feed and technology suffer from immature markets with significant constraints in volumes, market prices, and quality. Issues with access to capital and land for feed production exacerbate costs, while skill gaps reduce productivity. As a result, reliable CoP values are scarce and difficult to extrapolate.

Pricing - Farmgate prices range from 55 to 150 ETB/L of milk (0.35-0.90 USD, the latter for direct sales by urban farmers), depending on region, location, and season. Demand for a variety of dairy products is rising, driven by urbanization and a growing middle class with changing dietary preferences. For lower income urban and rural consumers, low incomes and traditional diets perpetuate low dairy product intake, especially during periods with high prices. Overall, these trends favour a gradual shift from traditional to modern dairy farming practices at market-connected farms.

Milk processing and trade - The market structure of the dairy industry is predominantly characterized by a robust network of dairy cooperatives, each playing a vital role in the overall supply chain. Of the 487 dairy cooperatives throughout the country, over half is either dysfunctional or collecting less than 500 L/day. It is estimated that on average just over 300,000 L/day of milk is being processed in processing plants. Even while 45 of them are legally registered, many of them operate on a very limited scale, with the top10 companies processing 90-95% of the volume. Detailed data on the **top10 dairy cooperatives** and on the **top10 dairy processing companies** is included in Table 3. The front page offers more data on milk volumes in the sector.

Key products - products marketed through the formal channel include pasteurized milk, table butter, cheese, yoghurt, plain and fruit-flavoured yoghurt, bottled products, and cheese. UHT processing lines are not yet in use.

Quality and food safety - The quality of milk can be inconsistent, influenced by factors such as production, handling, and storage practices. As a result, food safety is a significant issue in the sector, due to adulteration and contamination risks from poor hygiene practices during milking, transportation, processing, and distribution. Various regional governments have started to stop trade of water-adulterated milk, led by Oromia Region's initiative.

Table 3: Average daily volumes in 2025, handled by top10 cooperatives and by top10 processors[vi]

Coop	Region	Collected (L/day)	Processor	Region	Capacity (L/day)	Processed (L/day)	% of daily volume
1	Oromia	20,967	1	Addis A.	200,000	64,000	22%
2	Oromia	18,092	2	Oromia	150,000	60,000	21%
3	Oromia	16,598	3	Addis A.	70,000	30,000	10%
4	Oromia	14,228	4	Oromia	60,000	30,000	10%
5	Oromia	10,722	5	Oromia	60,000	30,000	10%
6	Oromia	11,564	6	Amhara	80,000	21,800	7%
7	Amhara	10,078	7	Oromia	30,000	15,500	5%
8	Amhara	10,009	8	Oromia	30,000	15,000	5%
9	Amhara	5,813	9	Addis A.	30,000	10,000	3%
10	Amhara	5,644	10	Amhara	40,000	7,600	3%
Total		**123,715**			**750,000**	**283,900**	**96%**

N.B. all top10 cooperatives and top10 processors are located in Addis Ababa, Oromia region, or Amhara region

3. Business climate, enabling environment

National value chain actor organizations
Key stakeholders in the dairy value chain include dairy cooperatives, processing industry, input and service providers, traders, distributors and retailers, farmers, and consumers. Organizations in the sector (dairy or livestock) include industry associations, such as the Ethiopian Animal Feed Industry Association, and professional associations, such as the Ethiopian Veterinary Association and the Ethiopian Society for Animal Production. Despite several attempts, a functioning Dairy Board is still not up and running. Recent initiatives include the Ethiopia Dairy Sector Association and the Ethiopian Dairy Innovation and Development Platform.

Key public organizations relevant for the sector:

Government organization	Role and responsibility
Ministry of Agriculture	works on accelerating agricultural production and productivity at all levels
Ministry of Trade and Regional Integration	responsible for sustained development and competitiveness in trade
Ethiopian Investment Commission	issues investment permits and commercial registrations, and trade names
Agricultural Transformation Institute *(former ATA)*	resolves systemic bottlenecks to transform agricultural sector
Ethiopian Agricultural Authority	regulates trade of raw milk and feed
Ethiopian Food and Drug Authority (Ministry of Health)	ensures safety, quality and efficacy of food and health products.

Policies
The policy environment for the dairy sector is evolving, with a focus on enhancing productivity, quality, and market access. Key policies include the National Livestock and Fisheries Extension Strategy and Roadmap (2023-2033), the Ethiopia National Dairy Development Strategy (2022–2031, which targets improvement of productivity of indigenous cows through genetic improvement, improved feed and nutrition, and promotion of better health and management practices), and the Animal health and welfare proclamation 1376/2025, which targets privatization of veterinary services.

Dairy development is further promoted by two federal initiatives: the Ten-in-Ten development program targets improvement in production, reproductive efficiency, and productivity of dairy cattle through various interventions. Its ten major focus areas are dairy breed improvement, feeds and nutrition, biosecurity and animal health, milk quality and safety, dairy business management, market development, investment in commercial farming, processing capacity, extension linkages and capacity building, and cross-cutting issues. Moreover, Yelemat Tirufat 2022 (meaning "Bounty of the Basket") is a four-year public development program that aims to boost productivity and production of dairy, eggs, chicken, meat, and honey. The federal government is encouraging public-private partnerships to boost dairy production. This includes collaboration with international dairy companies to improve technology/expertise.

International connections
The Ethiopian dairy sector is in the early stages of international networking. Main connections are through government-to-government connections. A key annual event is the Africa Livestock Exhibition and Conference. CGIAR institutes such as ILRI, CIAT, and IFPRI have carried out significant research activities in and for the sector, as did various American and European universities. Recent development projects funded by World Bank, The Gates Foundation, and governments of the Netherlands (BRIDGE+), Germany, Korea, USA, etc. have made important contributions.

Sector value and export growth
The COMESA and African Continental Free Trade Area (AfCFTA) framework provides market opportunities. Potential for dairy exports is particularly to countries in the region but faces challenges such as quality control and compliance with international standards.

Investments

Key investments by local and international entrepreneurs include significant investments in establishment of dairy farms, processing plants, and agro-input plants. Development organizations such as World Bank, USAID, SNV, and Venture37 have been focusing on improving extension, livestock genetics, and feed and milk supply chains.

Recent and expected innovations impacting the dairy sector include:

- **Last-mile delivery:** Private agro-input dealers diversifying inputs and linking services to inputs, including AI, hoof trimming, farm advice, and contracting services for forage production
- **Mobile technology:** Use of mobile apps for advisory services, monitoring, and financial transactions
- **Improved breeding technology:** Advances in artificial insemination and genetic selection for higher milk yields
- **Feeding innovations:** Development of nutritionally and cost-wise balanced feed formulation software, use of agro-industrial by-products, and silage making by farmers and agro-input dealers
- **School milk:** Public-private programs that boost demand for milk and improve student diets.
- **Sustainable practices:** Emphasis on environmentally sustainable practices and climate-smart agriculture
- **Access to finance:** Expansion of financial services tailored to dairy farmers, including insurance products
- **Improved regulatory frameworks:** Implementation of policies to support quality standards and food safety of dairy products.

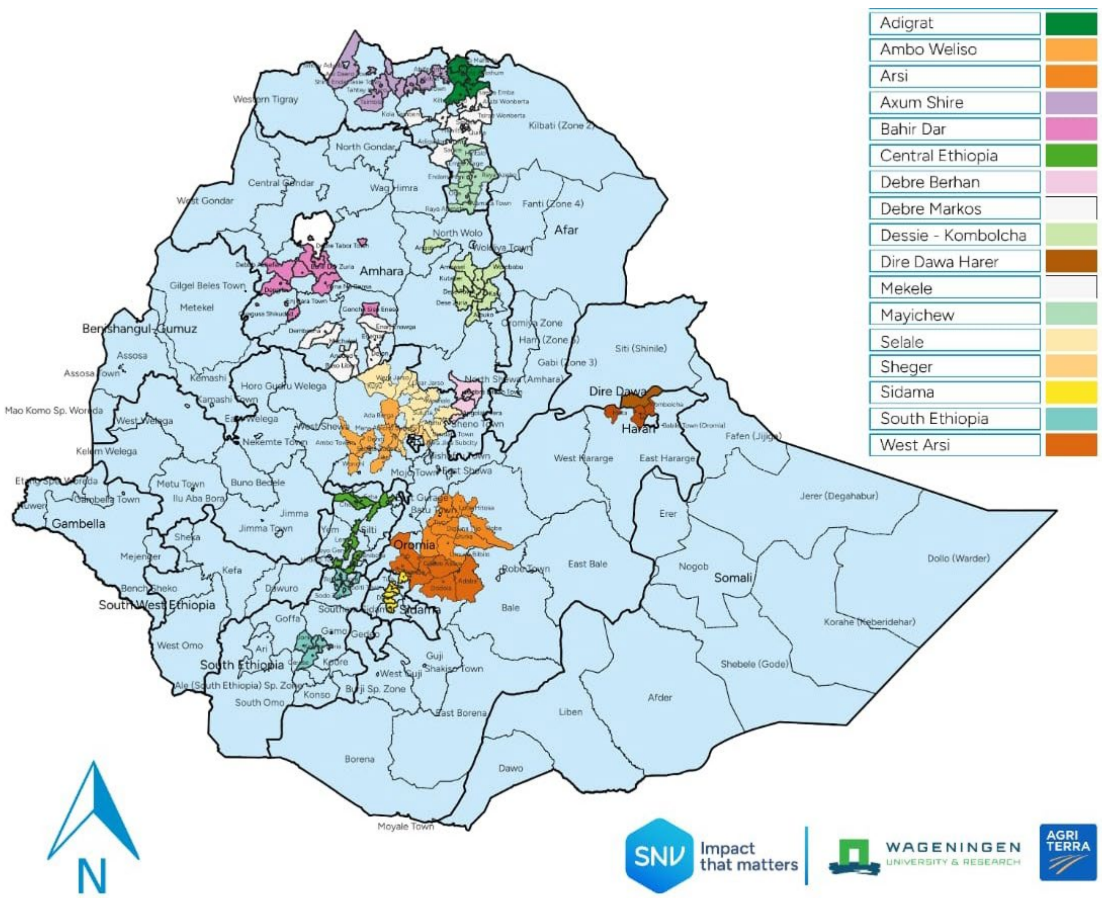

Figure 1. Milksheds of Ethiopia [v]

4. Climate and environmental impact

The key issues in relation to climate and environmental impacts include manure management, water management, and renewable energy (Table 4). While dairy farming contributes to these environmental challenges, significant opportunities are available for improvement through innovative technologies, sustainable practices, and efficient resource use.

Table 4: Climate and environmental issues in relation to dairy production [vi]

Climate and environmental factors	Practices and trends in dairy farming	Recommended actions
Soil fertility and nutrient cycling	Mixed crop-livestock dairy farms have been practicing traditional ways of soil fertility management. Most urban and peri-urban dairy farmers face issues with manure disposal/use.	• Training for farmers on sustainable practices, climate change adaptation, and environmental stewardship • Reduce need for large herds by improving productivity through better management practices and market integration • Improving feed quantity and - quality by planting improved forages and upcycling crop residues and by-products • Composting, biogas systems, and business models to add value to manure, reduce pollution of water and air, improve soil health, reduce GHG emissions • Establishing operational relationships between technology suppliers & financial service providers • Policies that promote sustainable agriculture, access to resources, and support for climate adaptation initiatives • Collaboration between local governments, NGOs, and research institutions to develop and implement climate-resilient strategies.
Energy efficiency	Some commercial dairy farms are using solar energy and labour-saving mechanization services, that are not commonly in place.	
Water use and quality	The main water sources for dairy farms are rivers and streams, ponds and hand wells. Rainwater harvesting and boreholes are uncommon. Wastewater is not recycled for irrigation or cleaning purposes. Water shortage is a common issue in several milksheds.	
Herd size and productivity	The very large cattle herd serves various functions. It does result in inefficiencies in feed conversion (to milk and meat) and emission intensities (GHG and ammonia). These gradually are being addressed by more productive and climate-smart practices.	

5. Main opportunities and constraints for development

Main constraints and opportunities for dairy are summarized below. Population growth, urbanization, and income growth rates create significant opportunities for dairy development by changing consumption patterns and increasing consumption rates.

Main constraints

Up-stream – inputs and services for farmers

- Traditional farming practices, limited land holding size of smallholders, and dependency on rain-fed production
- Limited access to land for urban and peri-urban dairy farmers
- Limited availability and quality of feed and fodder in the country (resulting in high prices and seasonality)
- Low coverage and quality and limited privatization of extension, veterinary, AI, and equipment maintenance services
- Limited access to improved dairy genetics, new dairy technologies, and financial services
- Low milk productivity with significant fluctuations in milk production volumes and quantity

Mid-stream – collection, bulking and processing

- Absence of (digitized) quality and quantity control systems
- Inadequate bulking and transport facilities
- Difficult access to markets due to infrastructure limitations
- Lack of skills, experience, and capital of business owners
- Shortage of knowledge, skills, resources
- Purchase contracts not enforced

Down-stream – distribution and retail

- Limited supply of milk to processing plants, unable to meet demand
- Negative consumer perceptions of factory-processed products

Across the chain

Limited interest from investors due to weak investment promotion activities and regulatory constraints for market entry and operations, including access to land, capital, forex.

Main opportunities

Opportunities for the public sector

- Allocating dairy production sites in (peri-) urban areas
- Developing cold-chain, transport and processing facilities to improve farmer market access and quality assurance
- Policy support
- Infrastructure development
- Enabling financial solutions

Opportunities for the private sector

- Commercial forage and feed ingredient production in the lowlands
- Upcycling by-products + crop residues to feed ingredients
- Investments in supplementary feed production
- Developing markets for equipment, machinery, and maintenance services for forage production, feeding, AI, barns, milking, and milk handling
- Supply of low- and mid-tech genetics, incl. sexed semen and crossbred heifer multiplication
- Distribution cold chain development
- Product diversification, particularly into extended shelf-life products (e.g. UHT, powdered milk, and cheese)
- Export of ESL products to neighbouring countries - Somalia, Djibouti, Eritrea, Sudan, and South Sudan

Opportunities for knowledge institutions

- Research collaboration and educational programs

Opportunities for development partners & NGOs

- Development of private service provision through dealer networks, farm advisory services, technology supply chains
- Strengthening private veterinary services to improve access to animal health care and vaccination
- Investments in animal identification and registration and quality testing systems (milk, feed, etc.)
- Training farmers in dairy production and business skills
- Setting up commercial dairy farms to satisfy growing demand for high-quality products
- Strengthening and professionalizing dairy cooperatives
- Chain actor collaboration to integrate input and service provision, milk collection, and processing
- Promoting dairy-based SACCOs and establishing operational linkages with financial institutions
- Capacity building programs, community development projects, access to finance through matching grant funding.

References

[i] Ararsa, 2024
[ii] Isayas et al. 2023
[iii] MoA Annual report 2025
[iv] IFCN Dairy Report 2024 and 2025
[v] BRIDGE+ project (SNV, Agriterra, Wageningen UR)
[vi] FAO, 2019
[vii] FAO 2017

Colophon
Contact person
Jan van der Lee
jan.vanderlee@wur.nl
www.wur.nl

This factsheet was developed on the request of the Netherlands Food Partnership. Thanks is due to the following people for review and input: Eyob Alemu, Demelash Ayichilie, Dagne Muluneh, Sileshi Yeserah, Binyam Lakew, and Marco Streng.

Please cite as: Jan van der Lee, Degu Addis, and Asaah Ndambi 2026. The Ethiopian dairy sector in 2026 – A factsheet for the Netherlands Food Partnership. Wageningen Livestock Research.