

# Delphinus' success:

*finding opportunities in milk value addition*



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*Nine years since launching Delco Limited, a dairy business and member of the Scaling Up Nutrition Business Network (SBN) Tanzania, Delphinus Penessis has transformed it from a cheese making enterprise into a successful yoghurt and fermented milk processing brand that has captured the markets and hearts of rural Tanzanians. But, along the way, he has faced challenges such as market vagaries and COVID-19, which have tested his personal resilience and that of his business. He credits the Delco team and his own fighting spirit for the company's survival.*

While working in rural Tanzania, Delphinus noticed how dairy farmers struggled with an oversupply of milk that was going to waste. Spotting a gap in the market, in 2010, he was inspired to launch Delco Limited, a milk processing company, to add value to the product.

Although Delphinus had no previous experience in milk sector and markets, he had been involved in fish processing – so knew the importance of value addition. He took the bold step to invest in the dairy industry which diversified his business/streams of income and would address the problem of excess milk faced by farmers.

"I had an extensive background in value addition, having been in the fish processing business, which

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***"Beyond getting products to the market, every entrepreneur should ask themselves what other value they add to consumers and how their business impacts the lives of their clients."***

Delphinus Penessis,  
Founder, Delco Limited

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involved salting, drying, pickling, filleting, and canning to cater for both local and export markets for a decade. I understood what value addition entailed," says Delphinus, "but the milk value addition was different, so I needed to familiarise myself with the specifics of the business."

Delphinus researched dairy businesses in the area and explored potential opportunities he could tap into. He identified cheese making as the entry point. With no equipment and a lack of power supply in the north-western region of Kagera, he decided to embrace traditional methods, such as using a charcoal stove to pasteurise the milk. However, after about two years, and with limited traction in the cheese market, Delphinus capitalised on a growing demand for fresh milk from traders in Nairobi and Arusha. He took the decision to pivot and concentrated on producing pasteurised milk to meet the growing demand from local and regional communities instead.

## **A reluctant reception**

The idea of purchasing pasteurised milk was met with scepticism by some locals, as they regarded processed foods as being laden with chemicals and harmful to their health. They were also used to purchasing raw milk which they boiled prior to consumption.

The skepticism of the locals persisted, and demand from traders in Arusha and Nairobi also dwindled after a year, due to alternative and cheaper markets. "I reviewed the cost I was incurring to get the milk to the market, and the charges I was paying to get a permit for operating a milk pasteurisation factory, and realised I was operating at a loss," Delphinus recalls.

Consequently, Delphinus decided to once again pivot his strategy to embrace adding value through making yoghurts and fermented milk.



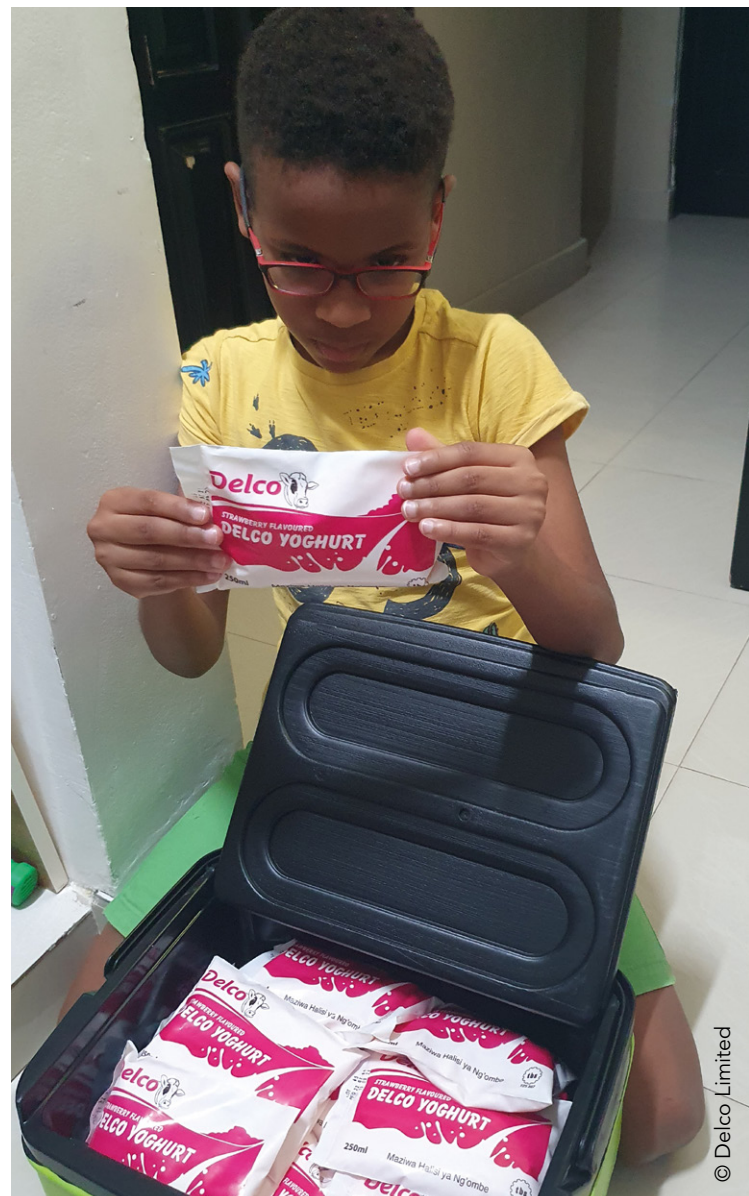
## Finding fortunes in milk

In 2012, Delphinus was processing 50 litres of yoghurt a day, and using a hand-operated filling and sealing machine to fill plastic pouches with produce. Now, the business processes 500 litres of yoghurt per day, using milk sourced from local farmers, and an automatic packaging and filling machine. The team has also grown to 15 members. Sold under the Delco Yoghurt brand name, the yoghurts are available in strawberry flavour, while the fermented milk is sold under the name Delco Mtindi.

The company targets the mass market, distributing products to kiosks across the Kagera region and in Bukoba Town; one of the largest in the region. The yoghurt and fermented milk are also supplied to local schools to increase access to nutritious food options for school-age children. As the company is situated in a region bordering Uganda, its products are also supplied to traders to resell to at the border.

## Cushioning the blows

But it has not always been smooth-sailing. The business has grappled with erratic milk supplies, especially during the dry season when farmers are not willing to sell due to low milk yields as a result of reduced pasture. The farmers must therefore conserve the reduced amount of milk they do produce for their own consumption. Competition from vendors who buy milk from farmers with the assurance of prompt payment has also been a challenge for the enterprise, because Delco has a payment agreement with farmers where they receive payment within a certain period – usually weekly or monthly – whereas vendors pay farmers immediately after delivery. As such, the company has sometimes operated below capacity. To insulate the company from supply fluctuations, Delphinus invested in rearing his own cows to cover the milk shortfall.



However, the most significant test was the COVID-19 pandemic. Delphinus suffered a huge blow when the Ugandan government closed the border from April to August 2020, to restrict the spread of the virus. A large proportion of his customers are traders and shops within the border area, and this, coupled with school closures, saw 60% of the business' operations close. "While operations were slowly shutting and we weren't recording any tangible sales, we were still required to make statutory contributions, including paying taxes, renewing our licenses, and paying our workers," he notes.



Fortunately, the financial support of TSh 34 million (USD 15,000) that Delphinus received from SBN Tanzania partner, the Global Alliance for Improved Nutrition (GAIN), helped cushion the impact of the pandemic and keep the business afloat. The funding also prompted him to revise his strategy and focus. "That boost gave us the impetus to get aggressive with marketing, by going into domains we had not ventured into before, including visiting the rural areas of the Kagera region, carrying out door-to-door sales, and doing shop-to-shop marketing to entice customers to buy our products," he reveals. This, Delphinus says, expanded their customer base and meant they were able to move stock even when some customers were unavailable due to the impact of COVID-19.

## Milking a prosperous future

A trained basketball coach, Delphinus says a key lesson to remember is that the winning team is the one that hangs on – and this ethos contributed to shaping the business and steering it out of the pandemic. "I believe staff

are the lifeline of the business. Because of their tenacity, we were able to weather the storm and work as a team in implementing our recovery measures," he reflects. The GAIN grant and savings from his business were particularly valuable during this time, as they enabled him to continue paying staff salaries and managing the company's operations.

Delphinus names product differentiation and market-led expansion as the guiding principles of his business. To this end, Delco is looking to venture into the production of vanilla-flavoured yoghurts by 2022 in response to market demand. The company also wants to start producing fortified fermented milk to meet the health needs of the elderly, pregnant women, and children.

Finally, to encourage and support the next generation of food producers, Delco intends to establish a training centre for students and farmers where they can meet experts and learn about milk processing and value addition.



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