DFCD Project Snapshot

Enhancing climate resilience in Uganda's dairy value chain

28 August 2026

Name of client	Quality Milk Dairies Limited (QMD)
Website	www.royalmilkgroup.com
Region	East Africa
Country	Uganda
Sector	Agriculture – dairy processing and value chain development
Project duration	October 2026 – July 2027
Confirmed financing	€375,000 grant from the DFCD Origination Facility; €125,000 QMD co-financing
Anticipated finance leveraged	Approximately €10 million

Who is our (prospective) client?

Quality Milk Dairies Limited (QMD) is a Ugandan, family-owned dairy company linking smallholder farmers to reliable markets through milk aggregation, processing and distribution. The company sources milk through a network of milk collection centres across Uganda's dairy belt, operates dairy processing facilities in Kampala, and sells milk and milk products to consumers around the country as well as export markets.

As of May 2026, QMD had approximately 100,000 registered active smallholder farmers supplying it through 51 collection centers across 20 districts. These centres act not only as aggregation points, but also as community-based hubs for quality control, extension services, and farmer support.

QMD is seeking to expand its processing capacity and diversify into higher-value and longer-life dairy products while strengthening the reliability and quality of its raw milk supply. Its growth strategy therefore depends on improving productivity and climate resilience at farm level, alongside stronger processing, quality assurance, and market systems.

Why do we fund this project?

Dairy farming is an important source of income, nutrition and economic resilience for rural households in Uganda. Unlike many seasonal crops, milk can provide farmers with a regular source of income throughout the year. In theory, dairy itself acts as a livelihood diversification alongside agricultural activities conducted for both household consumption and trade.

However, Uganda's dairy sector is increasingly exposed to climate change. Dry-season shortages of feed and water already contribute to significant seasonal fluctuations in milk production, while many smallholder farmers have limited resources to invest in fodder conservation, water infrastructure, improved breeds and animal health. Without adaptation efforts, more frequent droughts, erratic rainfall, heat stress and declining pasture quality will further reduce milk productivity, threatening farmer incomes and local food security.

SNV brings extensive experience supporting Uganda's dairy sector through previous programmes, including the Dutch government-funded multi-year 'Inclusive Dairy Enterprise' (TIDE) programme. This experience has built strong knowledge of the sector's production systems, market dynamics and solutions to the challenges faced by smallholder dairy farmers, particularly around productivity, farmer services, climate resilience and market access.

QMD's network of collection centers provides an opportunity to address these challenges at scale. Through these centres, farmers can access extension services, breeding and veterinary support, financing and improved milk cooling. One of QMD's related entities, Dairy Pesa, can help farmers finance productive assets and inputs, while another, SunCool, provides solar energy milk cooling tanks in the most remote areas that reduces milk spoilage and improves milk quality.

By strengthening these parts of the supply chain, QMD aims to build a more reliable and climate-resilient dairy system while creating the foundation for commercial expansion and investment.

What is the intended funding objective?

The project will help QMD strengthen its farmer-facing services and supply chain systems while preparing the company to mobilise approximately €10 million in follow-on financing for processing capacity and working capital. The investment is expected to support increased processing capacity, product diversification and expansion into domestic and regional markets.

The grant will support:

Milestone 1 – Market development, distribution strengthening and export pathway validation

- Validate demand and routes to market across priority domestic and regional markets.
- Strengthen distributor and wholesaler management and develop export pathways.
- Develop a prioritised go-to-market plan and pipeline of potential offtakers.

Milestone 2 – Certification readiness and food safety/quality systems

- Assess gaps against priority international certification and export requirements.
- Strengthen documentation, traceability, recall procedures, internal audits and supplier quality standards.
- Develop a certification roadmap and implementation plan.

Milestone 3 – Farmer and value-chain platform strengthening

- Strengthen the farmer support model delivered through collection centres, including fodder production and conservation, water access, breeding, animal health and milk hygiene.
- Develop seasonal feed and water resilience plans.
- Pilot renewable-energy cold-chain solutions through SunCool in underserved and remote areas.

Milestone 4 – Corporate and investment structuring

- Strengthen QMD's corporate structure and governance arrangements.
- Develop an investment-ready financing package, including updated financial modelling, investment documentation and risk analysis.

Milestone 5 – ESG, biodiversity and GESI strengthening

- Develop and institutionalise stronger environmental and social management systems.
- Strengthen responsible sourcing, traceability, animal welfare and sustainable land-use practices.
- Assess biodiversity and land-use risks in key milk-sourcing landscapes.
- Strengthen gender equality and social inclusion across the dairy value chain.

What are the expected impacts of the company?

If the company raises the €10 million it is seeking and invests as planned, the project is expected to contribute to:

Impact theme	Problem	QMD	Outcome
Food and nutrition security	Inconsistent milk supply and quality limit availability of safe, nutritious dairy products for consumers.		**Expands access to safe, high-quality dairy products** in domestic and export markets. **KPI:** Improved food safety and milk quality.
Climate resilience and environmental sustainability	Climate change causes droughts, heat stress and declining pasture quality, reducing milk productivity and increasing losses.		**More resilient and sustainable dairy production**, with more stable production and reduced milk losses.
Inclusive livelihoods and economic resilience	Smallholder farmers have limited access to services, finance and markets, constraining productivity and incomes.		**Higher and more stable milk production and increased farmer incomes**. **KPI:** Approximately US$400–1,200 additional income per household per year.
Gender equality and social inclusion (GESI)	Women and other underserved farmers face barriers to finance, productive assets, extension services and leadership opportunities.		**Stronger participation of women and underserved farmers** across the dairy value chain, including improved access to services and finance.

Environmental and social rationale

The project is expected to generate positive climate and social outcomes while strengthening QMD's management of environmental and social risks across a large and fragmented dairy supply chain.

Climate adaptation

The project will strengthen farmers' resilience to drought, heat stress, water scarcity, and declining pasture productivity. Improved fodder production and conservation, water harvesting, animal health and climate-resilient livestock management are expected to help stabilise milk production across seasons and protect rural livelihoods.

Climate mitigation and environmental sustainability

Dairy production generates greenhouse gas emissions, particularly through livestock methane and manure. The project will promote improved animal productivity, feed management, manure management and sustainable grazing practices, helping reduce emissions intensity per litre of milk produced. Renewable-energy-powered milk cooling can further reduce reliance on fossil fuels and minimise post-harvest losses.

The project will also assess biodiversity and land-use risks associated with dairy expansion and fodder production, including pasture degradation and pressure on sensitive ecosystems. Sustainable sourcing guidelines, regenerative grazing, climate-resilient fodder production, soil restoration and water conservation will help manage these risks.

Social inclusion and livelihoods

Smallholder farmers are central to QMD's business model. By improving access to extension services, finance, productive assets and reliable markets, the project is expected to strengthen farmer incomes and economic resilience. Women play an important role in Uganda's dairy sector but often face barriers to finance, productive assets, extension services and leadership opportunities. QMD's existing SheDairy initiative provides a foundation for strengthening women-focused financing, extension and participation across the value chain.

Alignment with DFCD

The project has a primary climate adaptation focus and contributes to DFCD outcomes related to climate-resilient food and nutrition security and improved livelihoods and inclusion.

Contact us

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