



dub equity

# INVESTING FOR IMPACT

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The Countryside Dairy impact story



# About Countryside Dairy

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Countryside Dairy is the first to focus squarely on serving Kenya's low-income mass market

As a young company – an upstart in Kenya's \$1billion dairy industry – Countryside Dairy's business model is breaking new ground. The company is the first to focus squarely on serving Kenya's low-income mass market by processing, distributing and retailing high quality pasteurized milk via a network of own-brand dispensers.

This vertically integrated approach revolves around two innovations. First, Countryside Dairy is the only processer-owned and branded retail network in Kenya making refrigerated dairy products conveniently available in

under-served urban areas, including informal settlements.

Second, in a flexible and people-centred approach the company sells a uniquely broad range of dispensed volumes, starting very small. "We are rolling out 'ATMs' – compact dispensers – to sell products for as little as ten shillings", CEO and founder George Mwangi says, thereby addressing the fluctuating spending power of Countryside's low-to-medium income customer base. The company also controls its entire supply chain, from milk plant to dispensary, ensuring full traceability.

## Leadership

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The drive and passion that make up Countryside's DNA start at the top. Mwangi was formerly one of the youngest CEOs of any company listed on the Nairobi Stock Exchange, taking the helm as CEO of East African Cables at the age of 35. A high-flying corporate life beckoned, but Mwangi chose a different path, stepping down after seven years to take the risk of his life. After entrepreneurial forays in other sectors, Mr Mwangi re-mortgaged his house and together with machine-based asset finance arrangements and debenture on the company's property, he obtained a \$2 million loan to set up a milk plant, and Countryside Dairy was born.

"A high-flying corporate life beckoned, but Mwangi chose a different path, taking the risk of his life to start Countryside Dairy."

Today, the company employs 100+ staff and sources milk from 20,000 farmers. "I have always loved business and that is what I wanted to do," Mwangi says. "On the sourcing side, I was looking at value addition and empowering local farmers by providing a ready market for their milk; on the retail side, I wanted to target the low-income market where there was limited access to quality milk at affordable prices and in the right product sizes. So we're rolling out a milk vending programme that provides quality milk within these low income neighbourhoods."



George Mwangi and DOB Equity's Brigit van Dijk-van de Reijt and Sakia Van der Mast raise a toast at Countryside Dairy's processing facility

# How it Works

The company sources from a growing network of farmer groups and cooperatives around Nyahururu, an emerging agricultural hub situated at altitude north of the Aberdares range, some 200km north of Nairobi. A state of the art processing plant with an installed capacity of 100,000 litres daily is located in the heart of the catchment area, allowing farmers to build a strong affiliation with the company.

However, Countryside's team is more hands-on than a traditional off-taker. Mwangi and his colleagues work closely with the farmers in their network – including the Ol'Kalou Dairy, Miharati, and Umoja Dairy Cooperatives – to boost yields and quality through their own development program. The objective, for Mwangi, is "to work in partnership: it's a relationship of trust we're building, not just a transactional relationship [...] I was born and raised in Kinamba, a village near Nyahururu, and if Countryside Dairy can be a catalyst for the local economy, creating a strong and stable market, that will rank among our proudest achievements."

*"It's a relationship of trust we're building, not just a transactional relationship."*

CEO George Mwangi

It's the simple things, Mwangi suggests, that make a difference. "We're providing coolers to our farmer groups so milk collection is easier and milk collected in the evening won't go bad. It takes away a big headache and gives the farmer confidence to invest. The other thing that wins us loyalty is the stability of our pricing."



# DOB Equity's Investment

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For DOB Equity, the fund's investment aims to allow Countryside to beef up its supply chain, offer better prices to farmers, expand production, and grow the retail network, while guaranteeing product traceability. CEO George Mwangi echoes this, highlighting that DOB Equity's investment "has come at a crucial growth stage for Countryside Dairy, allowing us to create innovative marketing concepts for dairy products aimed at the low-income segment, stressing that low-cost, high-quality milk plays an essential role in a healthy diet."

And DOB Equity's role as a partner to Countryside runs deeper than simply access to capital. DOB is also bringing cutting edge dairy processing skills and technical expertise from the Netherlands to Kenya, transferring best practices from the world-renowned Dutch dairy industry to Countryside's growing team.

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DOB has brought on board an independent chairman, the serial entrepreneur and Kenyan business leader Linus Gitahi. In addition, by having its own board director with 30 years' experience in the dairy sector, DOB adds further value as a thought partner to Countryside's team.



# Impact Objectives

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Countryside's greatest impact will be to improve food security by formalising a previously informal segment of the dairy market, which traditionally has been characterised by low quality – often unpasteurised and adulterated – products. As Saskia Van der Mast, Investment Manager in DOB's Nairobi office, points out, "currently, only 13% of total milk products in Kenya are traded formally."

The company's innovative retail concept is addressing this informality, making a pasteurised, refrigerated product available to the mass market and eliminating the risks that accompany raw milk. "Nobody has sold high quality milk at very affordable prices in places like Mathare, Kibera or Dandora before – we're becoming a force to be reckoned with [...] It's about creating a clean milk environment", Mwangi says.

"Countryside's greatest impact will be to improve food security by formalising a previously informal segment of the dairy market."

Historically, packed milk has dictated to the consumer what volume they buy – 200ml or 500ml – but Countryside does things differently. Mwangi elaborates: "By removing the packaging, you eliminate that cost, you lower the price, and you can go with dispensers instead. People who don't have refrigeration would have to drink 200ml or 500ml very quickly, but with a dispenser you can buy exactly the milk you need, paying 10, 11, 12 Shillings for a glass, all the way up to 100." Customers can buy milk without the worry of preserving it without a fridge at home. "That's a game changer for communities that were sometimes relying on unpasteurised and non-refrigerated milk where the risks are quite high", says Mwangi.

Further up the value chain, Countryside's investment in the farmer cooperatives it buys from is boosting yields, quality and incomes for dairy farmers. By running its own development programme (many such programmes are outsourced), Countryside is setting a foundation for long-term partnership and shared value.

The company will also create an additional 100 high quality jobs in the next 5 years.

## Outlook

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As Countryside looks to the future, Mwangi and his team are seeking to become the undisputed leader in providing quality dairy products to Kenya's vast low and middle-income market. The firm is also branching out beyond pouch milk – "we are rolling out yoghurt and mala first", Mwangi says – and there are plans to venture into long-life milk production in future. "This is an advantage of owning your own supply chain", he notes: "we can sell any dairy product deemed viable through our network of branded dispensers."

"Mwangi and his team are seeking to become the undisputed leader in providing quality dairy products to Kenya's vast low and middle-income market."

Meantime, the firm's existing milk plant, currently operating at 30 percent capacity, will grow into its ample capacity as Countryside refines its route to market. For now, the firm sells only in Nairobi, Eldoret and Nakuru, but the current expansion phase includes a rollout of 120 branded milk shops, ensuring Countryside's milk steadily reaches more people while fresh.

And the market itself is growing. Annual per capita milk consumption in Kenya is 130 litres, well below the 250 litres consumed in the Netherlands. In a country with a fast-growing and urbanising population, the potential for demand growth in the formal dairy sector is substantial. As Van der Mast points out, "the formal market needs more competition – the market for processed milk is still in its infancy and valued at only \$570 million, with an estimated potential value of \$2.8 billion annually as the market matures." Against this promising backdrop, the future for Countryside – whose partnership with DOB Equity presents a compelling example of the benefits of close investor/investee partnership – looks bright.



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