Policy change: milking the benefits for smallscale vendors

Key fact:
Evidence-based research to inform policy change in Kenya’s dairy industry has resulted in formal licensing for smallscale milk vendors previously excluded from retail markets. The benefits of policy change include improved handling and hygiene of milk, increased profit margins for smallscale vendors, greater access to milk for consumers, and employment for many others in the sector, providing estimated economy-wide benefits of US$33.5 million annually.

Summary:
Evidence-based research by the DFID-funded Smallholder Dairy Project (SDP) revealed the economic and nutritional significance of the informal milk sector and the potential for improved handling and hygiene practices, which would ensure quality and safety of milk from farm to cup. The second phase of the project (2002-2005) involved more active engagement with policymakers to raise awareness of its research findings on the informal milk market, its importance for livelihoods, and to allay public health concerns while simultaneously working with milk vendors to pilot training and certification approaches that effectively improve quality. Updated dairy industry regulations, designed to streamline licence application processes for smallscale milk vendors, were issued by the Ministry of Livestock and Fisheries Development (MoLFD) in September 2004.

Total economy-wide gross benefits accruing to the sector from the policy change are estimated at US$33 million per annum, as a result of reduced transaction costs and less milk spoilage due to improved practices by newly-trained vendors. More than half of the benefits accrue to producers (increased incomes) and consumers (lower milk prices). Licensing of smallscale milk traders by the Kenya Dairy Board (KDB) has also led to formation of groups under the umbrella of the Kenya Smallscale Milk Traders Association. A further legacy of the project is the establishment of self-employed business development service providers, who are paid by dairy companies and traders to provide training on milk handling and business development. The lessons learnt from the SDP are being applied across East Africa, particularly Tanzania and Uganda, and also in India.

Facts & figures
- Annual per capita milk consumption in Kenya is estimated at 145 litres (SDP 2005) - five times higher than milk consumption in other East African countries.
- Dairy products constitute the largest item of food expenditure by Kenyan households.
- Nearly 800,000 farmers and 35,000 smallscale milk vendors depend on dairying and the milk chain for their livelihoods, including employment for both men and women in milk collection, transportation, processing, and sale.
- At least 86% of marketed milk is sold through the informal sector as raw, unpasteurised milk.
- Policy change to license and certify milk vendors has benefited the economy by around US$33.5 million annually.
Making milk policy work for small-scale vendors

In Kenya, milk is big business. Dairy products constitute the largest item of household expenditure, and annual per capita milk consumption is estimated at 145 litres - more than five times milk consumption in other East African countries. Yet it is Kenya’s informal, smallscale milk sector which dominates the milk marketing chain, with almost 86 per cent of the market share. Milk sold informally door-to-door or in milk bars reaches and satisfies the traditional tastes of poor consumers, who pay a lower price for it than factory-packaged milk, whilst farmers generally receive higher prices than they do via the formal sector. All households boil milk before consuming it, usually in the form of tea.

Yet prior to policy change in 2004 informal vendors, including mobile milk traders and bar vendors, milk transporters and smallscale producers, were not officially recognised under the old colonial dairy policy, were unable to obtain a licence and were frequently harassed as powerful dairy market players sought to protect their interests and professed concern over food safety and quality of milk sold by the informal sector.

Efforts to revise the dairy policy were spearheaded by the DFID-supported Smallholder Dairy Project (SDP). Implemented by the International Livestock Research Institute (ILRI), the Kenya Agricultural Research Institute (KARI) and the Ministry of Livestock and Fisheries Development (MoLFD), the project generated research-based evidence to reveal the economic significance of the informal milk sector and highlight the potential for improved handling and hygiene practices to ensure milk quality.

SDP findings revealed that smallholder dairy farming in Kenya supports over 800,000 smallholder farmers, including a significant number of female-headed households, and an additional 35,000 full-time jobs, including employment for both men and women in milk collection, transportation, processing, and sales. These findings attracted the interest of government agencies, and those involved in drafting Kenya’s poverty reduction strategy paper.

Another key part of SDP’s policy-influencing strategy was to identify and foster links with civil society organisations (CSOs)\(^2\), who provided capacity to engage in policy advocacy and who championed SDP’s policy recommendations. To assist in this process, ten evidence-based policy briefs were prepared which included the demand for dairy produce in Kenya, employment generation, competitiveness of smallholder dairy enterprises, public health issues, and improved child nutrition due to milk consumption.

Despite a media campaign to discredit smallscale milk vendors (SSMVs) by asserting that consumption of raw milk was dangerous, SDP was able to provide evidence to contest the campaign. Supported by SDP, the CSO partners held a press conference in December 2003 to show that unsubstantiated health concerns were likely to reduce overall milk consumption, reduce health benefits to low income customers and destroy hundreds of thousands of farmers’ and traders’ livelihoods.

CSOs continued to lobby decision-makers and parliamentarians for support, which resulted in an increased profile for the SSMVs and widespread acceptance of their importance in the
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The dairy industry, culminating in a successful Dairy Policy Forum in May 2004, attended by the Ministers for Livestock and National Planning, together with parliamentarians and over 140 other delegates. As a result of the Forum, it was agreed that the policy engagement with SSMVs would be supported. Consequently, the MoLFD issued a set of dairy industry regulations in September 2004, designed to streamline licence application processes for SSMVs.

A key supporting aspect of the SDP project was the development of modules for training (milk handling, processing and marketing) and certification of vendors in order to improve milk quality. Without such intervention, policy change would have been unlikely.

As part of the on-going development of pro-poor strategies for smallscale milk market development, the new Dairy Traders Association (DTA) of Kenya was officially launched in September 2009. Its aims and activities include self-regulation based on the training and certification concept originally developed by SDP and further scaled up by SITE (Strengthening Informal Sector Training and Enterprise). Around 4,000 SSMVs, offering employment to over 10,000 people, have been trained and certified by the Kenya Dairy Board (KDB) through the association. Field regulators also ensure that licensed outlets and premises operated by SSMVs meet conditions for milk hygiene, testing requirements and sanitation, and operators know how to comply with these conditions.

The lessons learnt from the SDP have continued to be applied by ASARECA (Association for Strengthening Agricultural Research in East and Central Africa) with technical support still provided by ILRI. In July 2009 a Memorandum of Understanding was signed by dairy sector regulators in Rwanda, Kenya, Tanzania and Uganda to apply pro-poor dairy policies towards certified small traders. ASARECA has since invested a further US$127,000 to enable pro-poor dairy development across East Africa. Most of the funds will be used to pilot a strategy for integrating informal milk market agents into the formal value chain in Tanzania, which will include adaptation and translation of generic training materials developed by ILRI.

Lessons from SDP are also being applied outside Africa, in Assam, India. India is currently the world’s largest dairy producer and, as in Kenya, 70-80 per cent of milk sold is handled by the informal, traditional sector. A key part of the process was to convene a South-South dairy policy meeting at the end of 2009, which brought together Indian and East African policymakers, as well as representatives from the dairy sector. As a result of the meeting, the Assam government has convened a task force to help transform their traditional milk markets.

Testimonials:

• **Virginia Wamaitha, Katito milk traders group.** “Things have changed a lot. Before we (milk traders) were enemies of all the regulatory bodies, the police, the Kenya Dairy Board, the public health inspectors. But now we have come together, we have been trained on milk hygiene and value addition. We are able to check the quality of the milk we buy from farmers and what we sell on. There has been a drastic reduction in milk rejected by customers. We feel proud of the milk we are delivering to the consumers.”

• **Gabriel Karanja, milk hawker.** “The service that I offer to these people is that I move from my place, then with my bicycle I deliver milk to the houses, to the doors of the people. When I started I never knew how to handle milk, but after training I don’t get losses now. The milk business has improved a lot. We don’t get the harassment. Although we pay the Dairy Board permit, transport permit, but that’s not a lot since we don’t lose milk since we are trained. I trade more milk now.”
Additional case study information

Costs and benefits:
Total economy-wide gross benefits accruing to the sector from the policy change are estimated at US$33.5 million. More than half of the benefits accrue to producers and consumers. Nairobi area welfare gains account for approximately 18 per cent of the economy-wide gains.

Research costs estimated at US$5 million were assumed to be spread equally over the first eight years, corresponding to the life of the project and ending in the year 2004 when the policy change was effected.

DFID contribution to research:
- The initial workshop in 1995 to bring key groups together to decide what needed to be done to address policy change was funded by DFID.
- DFID supported SDP during 1997-2005 with US$2.5 million in funding.
- The DFID focus on Sustainable Livelihoods Approaches in the mid-1990s, followed by emphasis on policies and institutions affecting livelihoods, was an important influence on the initial SDP research.
- The collaborative approach to research, linking with other organisations and use of participatory approaches, was fostered by DFID.
- SDP lessons fed back to DFID include the importance of robust livelihoods - relevant evidence in controversial policy debates.

Research milestones:
- 1988 ILRI-led research designed to identify and resolve problems encountered by smallholder dairy farmers in Kenya’s coastal region starts.
- 1995 A workshop to generate research ideas and objectives for a project implemented by ILRI and the MoLFD among other collaborative partners culminates in the SDP.
- 2000-2005 SDP phase III - final phase of the project, which focuses on active engagement with policymakers to bring about policy change.
- May 2004 Dairy Policy Forum - consultative conference of dairy stakeholders at which it is agreed that the policy of engagement with SSMVs will be supported.
- September 2004 MoLFD issues dairy industry regulations to streamline SSMV licence application processes.
- Since 2005, research activities are extended to include East Africa, particularly Rwanda and Uganda, and also India.
- 2007 Dairy sector regulators in Rwanda, Kenya, Tanzania and Uganda sign an MoU to apply pro-poor dairy policies towards certified small traders.
- 2009 Senior-most government officials in Uganda issue a circular that effectively reduces the risk of policy reversals against support for traders in raw milk in the future.
- 2009 Dairy Traders Association (DTA) of Kenya officially launched.

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Links:
ILRI: www.ilri.org
Multi-media materials:
Business hubs for dairy farmers
www.agfax.net/radio/detail.php?id=293

A white revolution for Africa
www.agfax.net/radio/detail.php?id=79

Main references:


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2 CSOs included ITDG (Intermediate Technology Development Group), IPAR (Institute of Policy Analysis and Research), Action Aid Kenya, and SITE Enterprise Promotion.