COUNTRYWIDE Dairy Industry Survey 2003

Grappling with the Hawker Problem

■ VITALIS OMONDI reports on two views of Kenya's informal milk sector which is creating thousands of jobs but whose success story has been marred by unscrupulous 'hawkers'

Of the estimated 2.7 billion litres of milk produced by local dairy farmers annually, up to 88 per cent is consumed in raw form without going through the standard pasteurisation process, industry sources say. That leaves only 12 per cent of the milk to be packaged by the processors.

Unpacked milk is sold through informal channels, like farm-to-farm, farm-to-house (in urban areas), farm-to-hotel, or farm-to-kiosk, as well as through hawking. According to Mr Vincent Ngurare, who was until last week the Kenya Dairy Board (KDB) managing director, the private dairy processors who handle an average 500,000 litres daily, can only buy from farmers the amount of raw milk they are able to sell.

"The private dairy processors are commercial entities," said Mr Ngurare. "Before liberalisation, KCC was the buyer of last resort and could afford to buy all the milk from dairy farmers regardless of the market conditions because it enjoyed subsidies from the government. Now that KCC is not a monopoly any more, the surplus milk has found its way into the informal market."

But there is another side to the hawking problem. The price of raw milk is currently at an all time low. Farm gate prices for a litre of unprocessed milk that fetched between Sh12 and Sh17 towards late 1990s, now fetches slightly less than Sh10. This is why some farmers have resolved to hawk their milk rather than deliver it to milk processors.

Milk vendors are an ingenious lot. They know that selling milk in small quantities and at low prices will definitely find a following among the urban poor, especially those living in slums, to whom packaged milk is out of reach. And they are not wrong. Most slum dwellers buy milk from hawkers.

Dairy farmers, a majority of whom are located in the Rift Valley, attribute the crisis in the dairy sector to the collapse of KCC, which had more than 13 milk processing plants in the province before its collapse.

Towards the end of 1999, KCC received more than 23 million litres of raw milk at its factories and cooling plants in Naivasha, Nakuru, Molo, Kapsabet, Eldoret, Eldama Ravine, Nanyuki, Kitale, Kilgoris, Sotik, Ainabkoi and Kamariny. This was a significant drop from the 42 million litres which it received in 1997.

All the factories that the new KCC 2000 inherited from the moribund KCC have been wound up, except one in Sotik, which processes milk collected in Nakuru, Eldoret and other districts in the Rift Valley. The farmers say that the new KCC 2000 has yet to streamline its capacity to handle milk in the 18 districts of the Rift Valley served by KCC before its collapse.

It is the handling of hawked milk that the Kenya Dairy Board finds unnerving. After going through many hands, it is possible that the milk would end up being contaminated and unfit for human consumption, says Mr Ngurare. "This is one of the main reasons why the board came up with the code of practice. There is also the charge that hawkers, intent on keeping the milk fresh for longer periods, lace it with hydrogen peroxide.

Mr Ngurare sees a solution in processors improving the farm gate price they pay for a litre of milk, but that is not feasible, especially in this era of liberalisation, he reckons. He advises that while attempts are being made to find ways of converting raw milk into powder to take care of contingencies during the dry period, private dairy processors should also target the East African Community and the Comesa markets and diversify their range of milk products.

"Local milk processors are already selling small quantities to Tanzania, Uganda, Rwanda and Burundi, but they need to export more. They also need to process cheese, yoghurt, butter and flavoured milk in large quantities. That is the only way glut in the dairy sector can be overcome," he says.

The informal milk sector is creating a significant number of jobs in the often-forgotten rural as well as urban areas, given that over one million litres of milk (excluding pasteurised milk) is traded daily via various intermediaries in the informal market.
Goat milk (below) is also gaining popularity

Why Raw Milk Markets May Be Good for Kenya

Even as its survival continues to be threatened, the informal dairy sector in Kenya remains one of the most dynamic sectors in the stagnating economy, creating more jobs than the formal dairy sector. Also, new research with the potential of demystifying the myth that milk sold through informal channels poses public health risks, has recommended that the government recognise the existence of the informal sector and licence the players.

According to the findings of a survey carried out by ILRI's Market-oriented Smallholder Dairy Project and FAO's Animal Production and Health Division, the dominant raw milk market currently employs thousands of Kenyans. About 55 per cent of all milk marketed by some 600,000 small-scale farmers is actually sold directly by farmers to neighbouring consumers and institutions. Raw milk traders are estimated to handle about one-third of the total marketed milk, with only 8 per cent sold directly to processors.

"The overall number of both direct and indirect jobs created varied from 0.3 — 2.0 per 100 litres traded," says the report: "Employment Generation Through Small-Scale Dairy Marketing and Processing — Experiences from Kenya, Bangladesh and Ghana", undertaken between April and May 2001. "Processors appear to substitute equipment and capital for labour in adding value, while traders provide a highly labour intensive service — that of transportation and distribution."

Unemployment rate in Kenya is at present estimated at 50 per cent. The 2001 issue of the *Economic Survey* shows that the informal sector in Kenya, which includes the informal dairy sector, has been growing at over 10 per cent in the past decade. Its share of total employment, excluding employment in small scale farming activities, was estimated at 70 per cent in 2000. In contrast, the number of wage employees in the formal sector has remained static, says the survey.

The ILRI/FAO report says that a significant number of jobs are created given that over one million litres of milk (excluding pasteurised milk) is traded daily via various intermediaries in the informal market in Kenya.

Because the informal milk sector is creating employment in the often-forgotten rural areas, as well as urban areas, the implication of this research is that the government should redesign the rules of the game to enable the sector to create even more jobs. The jobs are being created in the mobile milk trade (bicycle delivery — exclusively for young men mostly of age 20-35), in milk bars, shops/kiosks and small processors.

Issues of public health in the informal milk markets are covered in another report from the Smallholder Dairy Project, jointly implemented by the Ministry of Agriculture and Livestock Development, Kenya Agriculture Research Institute (KARI) and the International Livestock Research Institute (ILRI). The findings of the research undertaken in 2000, and published last January, shows that up to 96 per cent of households in Kenya boil milk prior to its consumption, thereby making it safe. As with pasteurisation, all harmful bacteria are killed in the process of boiling.

The report acknowledges that although there is some degree of adulteration of milk supplied through the informal channels, through addition of water, there was no obvious link between milk quality and the type of market agent, and there may not be serious harmful effects in the milk that eventually reaches the consumers. "Adulteration of milk by addition of water may introduce chemical and microbial health hazards as well as reducing the nutritional and processing quality, palatability and marketing market value of the milk," says the report: "Assessing and Managing Milk-borne Health Risks for the Benefit of Consumers in Kenya". Overall, only 10 per cent of all milk tested was found to be adulterated with water; most cases occurring in the dry season when milk shortages occur.

The survey sampled about 850 randomly selected households, market agents and retail outlets in Nakuru, Narok, Nairobi and Kiambu.

The dairy industry in Kenya, which includes both the formal and the informal market, to a very large extent depends on marketed surplus from the smallholder dairy producers which in 1997 was estimated at 1,093 million litres, says the report. Of this amount only 12 per cent passed through pasteurisation and "formal" marketing by some 45 private milk processors. The remainder — about 88 per cent — was sold raw through direct sales to consumers and hotels by co-operatives, self-help groups and small traders.

The report says small-scale market agents, including milk bars, shops/kiosks and mobile/itinerant traders, sold, on average 50-120 litres per day. The findings also show that the small market agents paid farmers prices that were 7 to 65 per cent higher than those paid by the processors and charged the consumers 20-50 per cent less per litre for raw milk than the price consumers paid for packaged milk.

The consumer preference for raw milk, says the report, was reflected even in Nairobi where pasteurised milk is readily available. Up to 29 per cent of Nairobi households purchased on average 6 litres of raw milk per household per month. This compares with 93 per cent of households in Nakuru urban and Nakuru rural, it says.

A major health risk that was identified was the large number (up to 15 per cent) of both pasteurised and raw milk samples that contained antibiotic residues. The negative implications of this are that over time, there is the possibility of the development of drug resistance, and that the common, cheap antibiotics that we use to treat various ailments will no longer be effective, which may mean resorting to new and more expensive antibiotics for treatment. This is a scenario that should certainly be avoided, especially for a poor country such as Kenya. Again training is required, particularly of dairy farmers and veterinary assistants and drug suppliers.

The manager of Smallholder Dairy (R&D) Project says raw milk sales in urban areas have been on an increasing trend spurred by the inefficiencies associated with the formal (processed) channels. "We cannot develop the milk industry in this country by wishing the informal sector away," he says. "Even during the days when the sector was under control with Kenya Co-operative Creameries as the monopolist, the organisation accounted for only 25 per cent of the marketed milk. Perhaps the policy-makers should start by designing standards in the sector, training all the sector players and licensing them."

Training of all milk traders in quality control, including use of proven hygienic handling methods, should be the main precondition for licensing. He stresses that they are not promoting milk hawking, but the research suggests that policy-makers should bring all cadres of milk traders on board, and that there is a need for co-existence between the formal and informal dairy sectors.