Kenya Still Unable to Exploit EA Milk Market

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WITH TWO-THIRDS of the dairy cattle in East and Southern Africa found in Kenya and per capita production double that found elsewhere on the African continent, the country's dairy sector has great potential for creating wealth by exporting dairy products to regional markets, according to the Export Promotion Council (EPC).

"For the sector to fully realise its potential, there is a need to expand its market outlets," said Matanda Wabuyele, chief executive of EPC. "Currently, the country is not only producing below capacity, but also the domestic market is inadequate and cannot absorb all the milk output."

Kenya's milk production is estimated at about three billion litres annually. According to the Kenya Dairy Board, marketed milk increased from 137 million litres in 2000 to 203 million litres in 2003.

On the other hand, the processing factories have installed capacity of 2.2 million litres of milk per day or 803 million litres per year. The industry is currently utilising just over 30 per cent of its installed capacity. Only about 220,000 litres of milk per day are bought by the processors.

However, the industry is controlled by small-scale farmers, whose amorphous structure makes regulation and planning of the industry difficult. Some 600,000 smallholders owning one to three cows currently produce 80 per cent of Kenya's milk whose consumption is in raw form.

"Raw milk fetches too little compared with pasteurised milk. To raise production and increase income for the producer, this pathetic trend should be discarded," says Fred Ogana, business development manager, Technoserve Kenya, a local dairy consulting firm.

Consumers pay Ksh22 (27 US cents) per litre of raw milk, compared with Ksh50 (62 US cents) for pasteurised milk.

Yet, despite this, further gains in dairy production and marketing are still constrained by a wide range of problems. Many existing dairy policies predate independence and tend to be discriminatory, with standards biased towards the formal sector.

Though the Kenyan dairy industry is highly developed, compared with its regional partners, the country's dairy policies and regulations are still outdated. "For instance, there is little difference in milk quality between licensed and unlicensed traders, which rather invalidates current official unwillingness to license small traders with no fixed premises," says Mr Ogana.

In April, Tanzania passed a new Dairy Industry Act, which took into consideration the role of the smallholder whose representatives are to be found on the newly established Tanzania Dairy Industry Board.

In Kenya, the first formulation of the Dairy Development Policy began in 1993 after the industry was liberalised. The policy was revised in 1997 and again in 2000. Yet, even after wide stakeholder consultations in 2000, the pace of policy revision has been slow and the Dairy Act remains a proposal.
But according to Joseph Munyao, Kenya's Minister for Livestock and Fisheries Development, there should be no haste. "We need to consider these issues with an open mind, then make appropriate recommendations without compromising the informal sector," he says.

The industry is also plagued by other problems, including the high cost of inputs, lack of market information, unilateral imposition of tariff and non-tariff barriers in the importing markets, failure of the processors to sustain supplies throughout the year and inability to motivate the identified distributors to increase their sales.

However, the poor road infrastructure remains the sector's biggest problem. It is estimated that for every kilometre of poor feeder road, farm-gate milk prices are reduced by three per cent. Yet, none of the cess levied on milk is currently used to improve roads.

Kenya's Minister for Planning and National Development, Prof Anyang' Nyong'o, says, "Large commercial dairy farmers need to develop an outgrower mentality. It has happened in the flower, sugar and vegetable oil industries." Prof Nyongo was speaking at a recent dairy policy forum held in Nairobi.

It is estimated that 12 per cent, about 365,000 jobs of the national agricultural workforce, is employed for on farm dairy activities.