



The slide has a title 'INTRODUCTION' in bold black uppercase letters. To the left of the title is a large, faint 'agshare' logo. Below the title is a list of three bullet points in black text. The first bullet point states that Kenya has the largest dairy herd in SSA with 4 million milking cows, contributing 14% of agricultural GDP and 3.5% of total GDP. The second bullet point states that in Africa, Kenya is the only country after South Africa that produces enough milk for both domestic consumption and export. The third bullet point states that Sudan is the largest producer of milk in the COMESA region but does not produce enough to satisfy both domestic and export markets. In the bottom left corner, there is a small photograph of a man in a blue shirt and hat standing next to two brown and white cows in a grassy field.

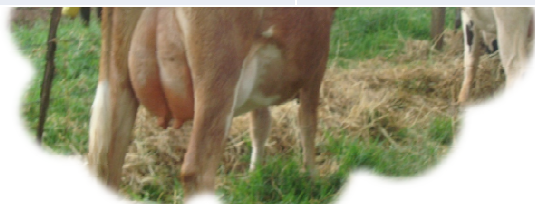
WORLD STATISTIC 2009

	COUNTRY	VOLUME
LARGEST MILK PRODUCER	INDIA	108 MILLION TONS
LARGEST EXPORTER	NEW ZEALAND	15 MILLION TONS (95%)
LARGEST IMPORTER	MEXICO	105,000 MT
FAO statistics 2009		



AFRICA 2009

COUNTRY	VOLUME
SUDAN	5.32b Litres
KENYA	4.07 b Litres
EGYPT	3.2 b Litres
SOUTH AFRICA	3.09 b Litres
MOROCCO	1.7b Litres
FAO statistics	



OBJECTIVES

- TO COMPARE AND CONTRAST RECOMMENDED PRACTICES AND CURRENT PRACTICES
- IDENTIFY POSSIBLE CONSTRAINTS AND POSSIBLE REMEDY

DATA AND METHODS

- Data was generated through survey carried out in November 2010.
- The target population was all dairy stakeholders in Kenya.
- Systematic random sampling was used to select;
 - 47 farmers,
 - 10 consumers,
 - 3 transporters,
 - 2 processors,

DATA AND METHODS Cont

-3 key informants

-12 traders

In Machakos, Trans Nzoia, Uasin Gishu,
Elgeyo/Marakwet, Baringo, Nandi ,
Nakuru and Bungoma

- The method employed was descriptive to describe the data and gross margin analysis for comparative purposes.

RESULTS AND DISCUSSION

FARMERS – SOCIO-ECONOMICS

PARAMETERS	PERCENTAGES	REMARKS
GENDER	85% MALE ; 15% FEMALE	Male dominated, owners of assets and household heads. Focus on male
OCCUPATION	70% FARMERS; 30% FARMING AND OFF-FARM	
EDUCATION	55% TERTIARY; 40% SECONDARY; 5% PRIMARY	55% of Tertiary and 87.5% of secondary had no formal employment;

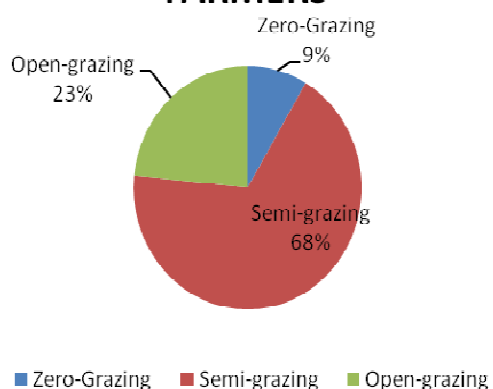
RESULTS AND DISCUSSION Cont

FARMERS – SOCIO-ECONOMICS

PARAMETERS	PERCENTAGES	REMARKS
OTHER SOURCES OF INCOME	50% DEPENDED ON TRANSFERS FROM FRIENDS AND RELATIVES, 10% PETTY TRADE & 10 NONE	A sign that dairy farming needs supplementary sources of income. NEED FOR CREDIT FACILITIES INLINE WITH DAIRY FARMING
COOPERATIVE	65% NOT MEMBERS; 35% MEMBERS	Recipe for informal milk market and a cause of poor prices being experienced
FAMILY SIZE	MEAN OF 6 PERSONS	
FARM SIZE	MEAN OF 5 ACRES	

RESULTS AND DISCUSSION Cont

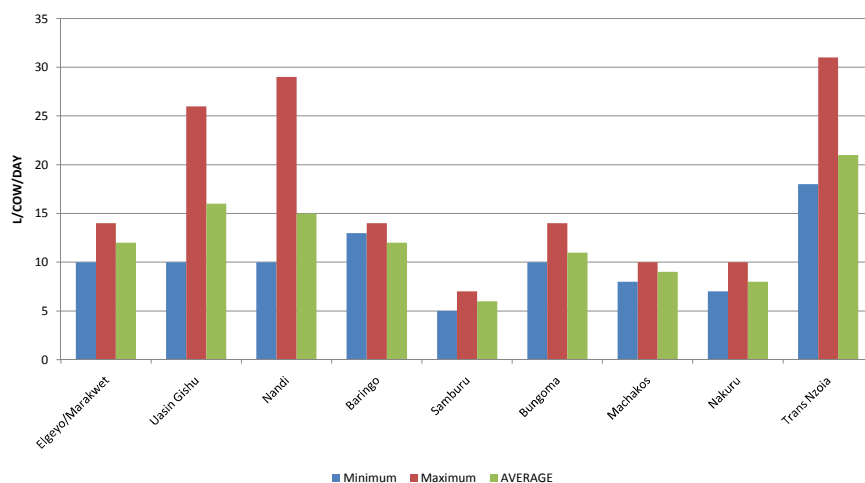
DAIRY PRODUCTION SYSTEM AMONG FARMERS



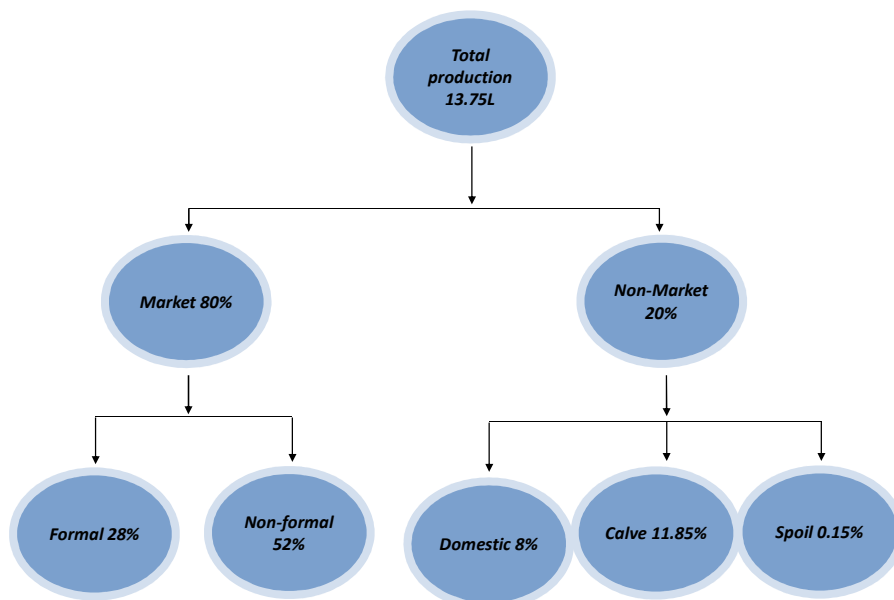
MILK PRODUCTION

- AVERAGE NUMBER OF COWS = 4 (MIN 2 ; MAX 12)
- AVERAGE MILK YIELD /COW/DAY = 13.75L (MIN 5; MAX 31)

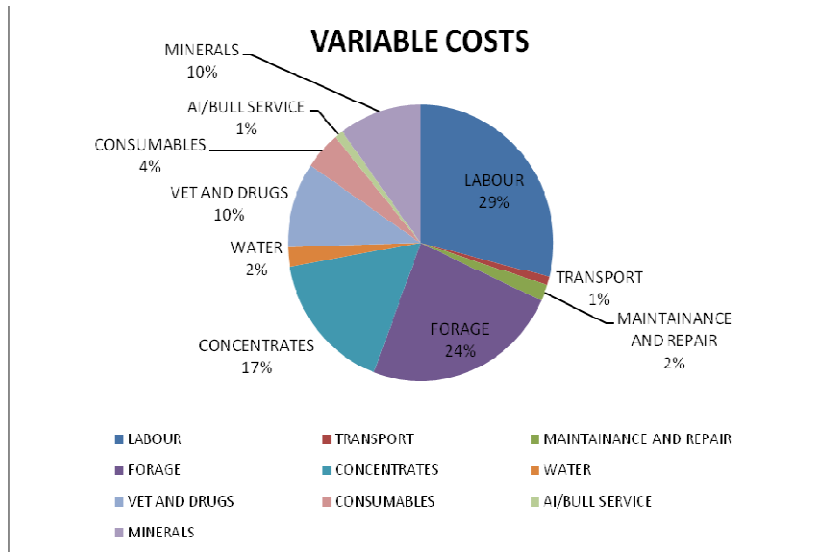
PERFORMANCE OF DAIRY COW PER COUNTY



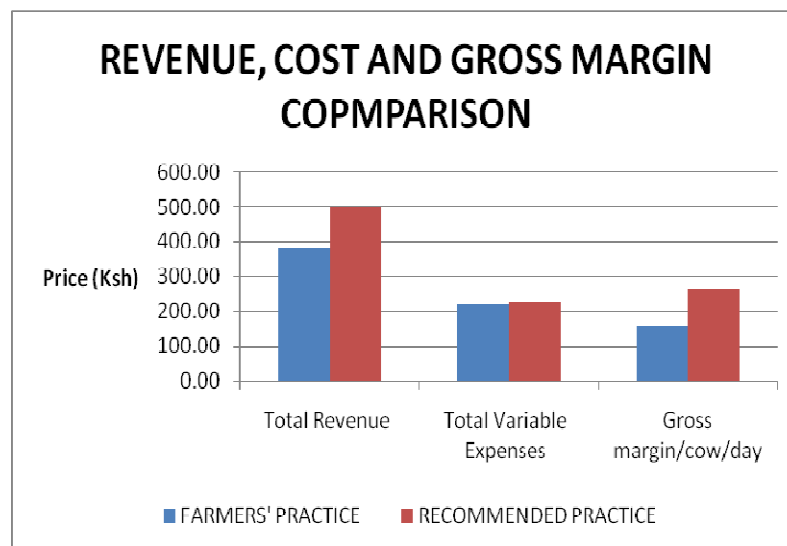
MILK MARKETING CHANNELS



VARIABLE COSTS/L/COW/DAY

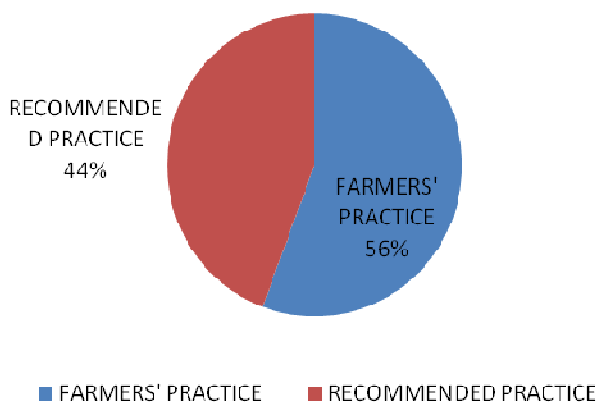


GROSS MARGIN/COW/DAY



VARIABLE COST COMPARISON

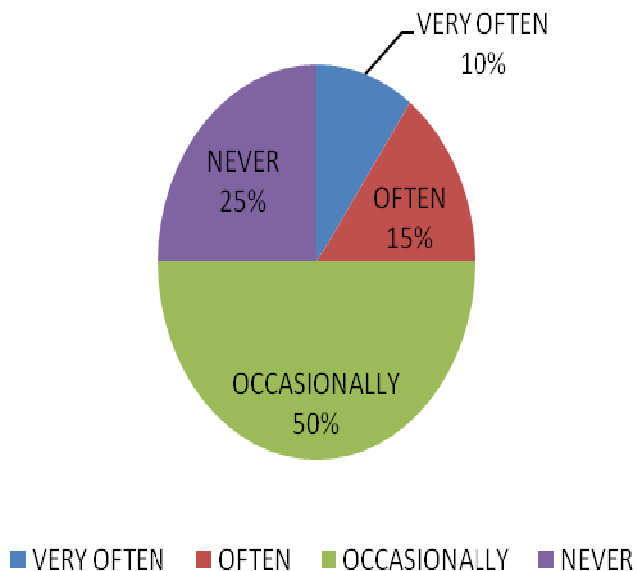
Variable cost of production per litre



CHALLENGES FACING DAIRY FARMERS

- Natural calamities e.g. drought
- Inadequate credit facilities
- High cost of feeds
- Low milk and milk product prices
- Pest and diseases
- Poor infrastructure
- Exploitation by middlemen
- Late payment by buyers
- Poor breeds
- Inadequate extension services

FREQUENCY OF EXTENSION SERVICES

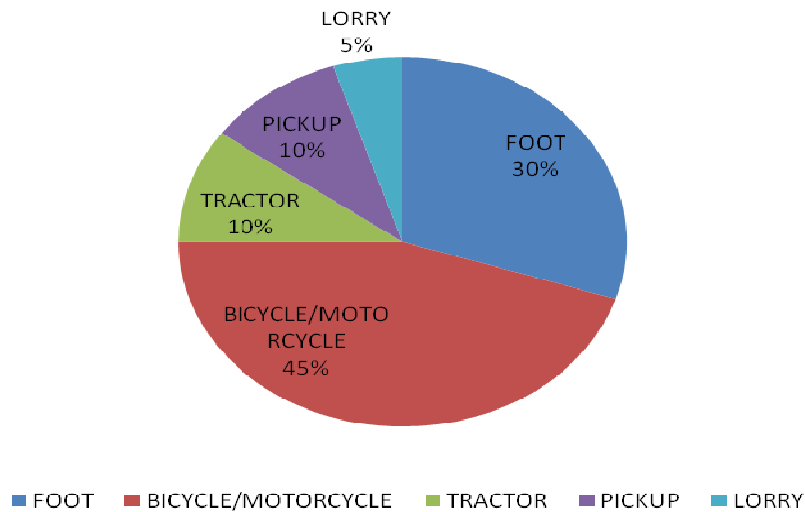


RECOMMENDATIONS

- **Strategic milk reserve**
 - **to stabilize milk production shortfalls in the dry season**
- **Invest in processing of long life dairy products**
- **Absorb excess production**
- **Expand to nontraditional markets**
- **Investment in infrastructure**
- **Implement national livestock feed policy- to guide and promote on farm feed preservation**

TRANSPORTERS

MODE OF MILK TRANSPORTATION



TRANSPORTERS Cont

- **ECONOMICS**
- RETURN TRIP HAS EMPTY ALUMINUM CONTAINERS HENCE NO ADDITIONAL REVENUE – BUY LOW PRICE & SELL HIGH PRICE
- **CHALLENGES**
- ILLIGALITY OF INFORMAL MARKET IS A BARRIER TO ENTRY INTO TRANSPORT INDUSTRY

CHILLING / BULKING

CHEPKORIO DAIRY LTD

GROSS MARGIN ANALYSIS PER LITRE

	QTY	UNIT PRICE	TOTAL
REVENUE			
SALES OF MILK (New KCC Ltd)	1	32.5	32.5
TOTAL REVENUE			32.5
COSTS			
TRANSPORT	1	2.5	2.5
ADMINISTRATION	1	2.8	2.8
CESS -KDB	1	0.2	0.2
CHILLING COST	1	1	1
PAYMENT TO FARMERS			26
TOTAL COST			32.5

CHILLING / BULKING Cont

• CHALLENGES

- MILK DELIVERY AFTER 2 HRS IMPACTING ON QUALITY
- UNTIMELY MILK COLLECTION BY PROCESSORS
- HIGHER OPERATION COSTS

• REMEDY

- BACKWARD OR FORWARD INTEGRATION

PROCESSORS

- ARE MANY WITH THE MAJOR ONES BEING NEW KCC LTD, SPIN KNIT AND BROOKESIDE
- DIFFERENT QUALITY STANDARDS
- **CHALLENGES**
- UNDERCAPACITY UTILIZATION (56.25%)
- MINIMUM STANDARD REQUIREMENT (80% OF FARMERS)
- MILK PURCHASE IN VOLUMES NOT QUALITY

PROCESSORS Cont

- IRREGULAR SUPPLY DUE TO WEATHER PATTERNS
- TAXATION
- INFORMAL MARKET
- LESS FLEXIBILITY IN PRICE
- **COPING MECHANISM**
- IMPORTATION OF MILK POWDER TO MAKE FRESH MILK
- **REMEDY**
- INCREASED PRODUCTIVITY
- ENFORCEMENT OF LAW

DISTRIBUTORS/AGENTS

- ARE MANY IN THE COUNTRY
- BASED IN URBAN CENTRES
- **CHALLENGE**
- STORAGE FACILITIES
- INFORMAL MARKET

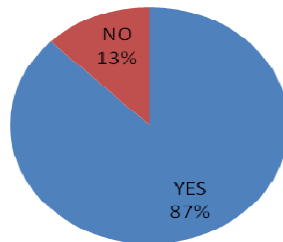
RETAILERS /HAWKERS

- ARE MANY IN THE COUNTRY
- HAWKERS
- COMPROMISE QUALITY
- LOW CREDIT ACCESS
- MOTIVATED BY CASH-FLOW
- RETAILERS

RETAILERS /HAWKERS Cont

RETAILERS

ARE YOU AWARE OF MILK QUALITY REQUIREMENT



CONSUMERS

- 100% CONSUMED FRESH MILK
- WHY INFORMAL MARKET?
- Immediate consumption in small quantities
- Raw milk perceived as creamer and richer
- Believe that boiled milk is safe (70% aware of quality requirements)
- IMPACT
- reducing the WTP a premium for pasteurized milk

CONSUMERS Cont

- CHALLENGES
- STANDADIZATION (Unit Measure)
- PRICE FLACTUATION
- POOR HYGIENIC MILK HANDLING CONDITIONS
- NON-OBSERVANCE OF CLINICAL REGULATIONS

KEY INSTITUTIONS

KENYA DAIRY BOARD

SIZE OF TRADER	LICENSE COST (Ksh)
Mini-dairies (less than 5,000L per day)	3,100
Mini dairy (5,000 to 100,000L Per day)	6,000
Large Processor (100,000L per day)	25,000

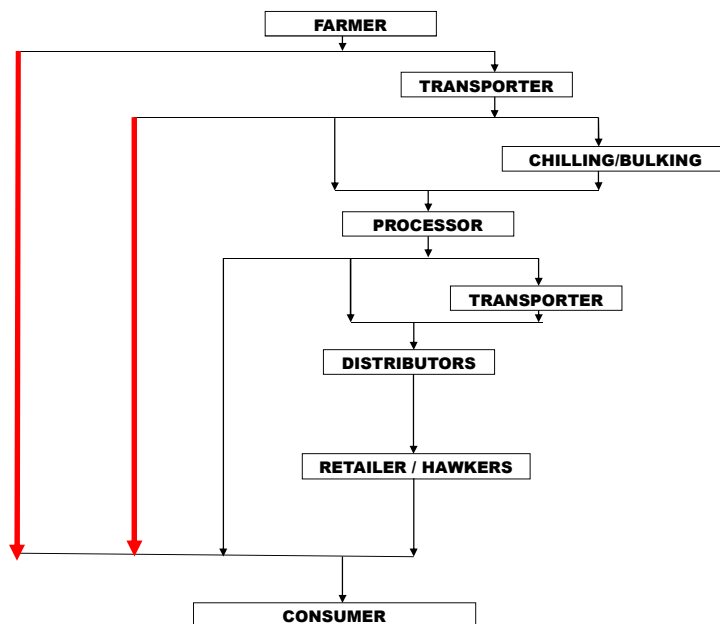
- Fine Ksh 3,000
- Ksh 0.20 / L levy is charged to the farmers
(Only for the 35% farmers)
- Ksh 0.20 / L levy is charged to processors.

KEY INSTITUTIONS Cont

KENYA BUREAU OF STANDARDS

Steps	Activity	Processor	Fees (Ksh)	Remarks
1	Registration	Small firms	5,800	
		Big firms	20,000	Ksh 7,500 is charged for every product
2	Assessment of the processing exercise			
3	Collection of the sample			
4	Recommendation & certification			
5	Issue of 1 year permit			

VALUE CHAIN



CONCLUSSION