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Briefing

The Limits of Success: The Case of the Dairy Sector in Kenya

Politics, policy processes and sustaining success in the dairy industry

By most accounts the dairy sector in Kenya has been a long-term success story. In many respects it can be viewed as a classic 'new' agriculture case. It is smallholder based, integrated with the private sector, commercially oriented, and with wide pro-poor benefits (Leksmono, et al. 2006, Ngigi 2005, Hooton 2004, Republic of Kenya 2005). According to Ngigi (2004), more than 600,000 small-scale farmers produce milk, using dairy cows of improved breeds. Annual net earnings from milk sales are estimated at US $370 per year per household. Those holding between one and three cows produce 80 percent of Kenya's milk, and the poorest group earn around half of their income from milk sales.

By examining the underlying policy narratives and the changing actors and networks associated with different interests, this case study briefly explores the politics of the policy process behind the dairy sector story in Kenya and asks what have been the conditions for the apparent sustained success, and what are the limits?

Success of course does not appear overnight, and a longer history of politics and policy is needed to put things in context. While much policy attention has been focused on the liberalisation of the sector after 1992, its ability to respond to such measures was set many years before through substantial investment and government support.

In the early part of the last century it was the white commercial farming lobby that secured support from the colonial government for the development of the industry. A narrative of commercially successful, technically modern dairy farming was presented, with demands for veterinary and breed improvement support. It was only on the eve of independence that the smallholder role became more firmly established. The Swynerton Plan of 1954 allowed indigenous Kenyans to engage in commercial farming for the first time. The Dairy Industry Act was enacted in 1958, which saw the establishment of the Kenya Dairy Board to regulate the dairy industry. The Kenya Cooperative Creameries (KCC) focused on processing and marketing. With the act, KCC established its monopoly in the collection, processing and marketing of milk. These bodies were heavily subsidised and, particularly following independence, were seen as central to encouraging a transformation of ownership, control and production systems in the core farming areas of the Kenyan highlands. This is demonstrated by the fact that immediately after independence, the limited market participation by smallholder farmers became a matter of political concern and instead of seeing the problem as the lack of alternative markets for smallholders, it was seen as lack of access to KCC (Ngigi 2005).

Strong political support, together with a commitment to the smallholder sector, meant that for three decades a commercial smallholder dairy focus was at the centre of Kenya's agricultural policy. The government supported the expansion of the dairy sector through provision of highly subsidised services to the sector.

Everyone likes a success story, and success breeds further success. Over the last decades the network at the heart of support of the dairy industry has enlisted an array of key players – influential politicians were on board across regimes; bureaucrats in the Ministry of Agriculture were supportive especially to the key bodies, KCC and KDB, and through the provision of efficient and affordable reproductive services as a major policy strategy. Donors saw the dairy sector as a 'best bet' investment, meeting both poverty and growth criteria at one go; and researchers were able to continue to support the sector through new technologies to boost productivity. The actor network and associated interests were, it seemed, perfectly aligned.

Liberalisation, livelihoods and limitations

But with the fiscal crises of the 1980s, came the clamour for liberalisation. Aid conditionalities and government concerns meant that the sector was liberalised, incrementally at first, but substantially following 1992, with milk prices decontrolled and

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subsidies (largely) withdrawn. With the monopoly of the KCC broken, other processing and distribution firms entered the field. These were dominated by a limited number of large, private firms who injected a level of price competition into the market not seen before. For those able to sell to such firms, there were clear benefits and profits rose in the sector, but for others there were downsides (Staal, et al, 2002; Leksmono, et al. 2006). The tight actor network and largely consensual policy process was broken, and new alliances had to be formed following liberalisation. And with liberalisation and the resultant collapse of the KCC, the policy narrative – among politicians, government officials and donors – shifted to a growth focus, one that primarily emphasised the formal marketing of milk through new private sector channels.

A wider debate has emerged which pitches the large-scale processors – and the political and financial supporters – against the informal raw milk traders, which still makes up around three-quarters of all milk sales and is dominated by small-scale producers and traders, many of whom are women. The regulatory framework still in place dates back to the colonial era (based on the 1958 Dairy Industry Act) and is one that supports large-scale, commercial production. Restrictions on informal trade are thus supported by the new private entrants and their supporters, but may limit livelihood opportunities for others. This has raised concerns among many. NGOs and donors through a range of projects, for example the Smallholder Dairy Project, have been working with smallholder dairy producers to assist them enter new markets and gain competitive prices, through the up-grading of their production capacity and quality (Leksmono, et al. 2006). Politicians have taken notice too. Eager to assure their critical political constituencies, measures to reintroduce state support – for example to the KCC – have been announced.

A number of factors point to why the smallholder dairy sector has been seen as a success story by so many for so long:

1. A smallholder focus since independence

2. Strong political backing across regimes since independence

3. A focus on high potential areas with sound market infrastructure

4. Long-term state support for productivity improvement and veterinary care

5. Effective and consistent donor support for the sector

6. Attractive to private investment, with substantial markets nearby in Nairobi

7. Effective farmer unions and groups, with good political connections, able to lobby for their interests

However, as we have seen, there have been limits to success. These include:

1. Attempts to replicate the dairy success story elsewhere within Kenya and beyond have not seen such dramatic results. The particular contextual conditions for success – including politics – are not always in place.

2. The distribution of benefits has been uneven, particularly following liberalisation. The focus on formal marketing through private companies has potentially undermined the 'pro-poor' impact of the policy.

3. Informal milk marketing remains the dominant marketing channel, but out-dated legal and regulatory frameworks, bureaucratic pressures and commercial and political biases against the informal trade may limit opportunities.

4. Redressing distributional imbalances requires strategic intervention at a high level (as in the case of the renewed support for KCC by the current president). This may run counter to other policy emphases (and donor conditionalities), and requires strong political commitment and backing.

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