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USAID KENYA DAIRY SECTOR COMPETITIVENESS PROGRAM

QUARTERLY PROGRESS REPORT

OCTOBER 2008 – DECEMBER 2008

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The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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List of Acronyms

ABSTCM Ltd	African Breeders Services Total Cattle Management Limited
BDS	Business Development Services
CAIS	Center for Artificial Insemination Services
DTF	Dairy Task Force
ESADA	Eastern and Southern Africa Dairy Association
GMP	Good Management Practices
HPI	Heifer Project International
KCC	Kenya Cooperative Creameries
KDB	Kenya Dairy Board
KDSC	Kenya Dairy Sector Competitiveness Program
KENDAPO	Kenya National Dairy Producers Organization
KLBO	Kenya Livestock Breeders Organization
LOL	Land O'Lakes, Inc.
MOLFD	Ministry of Livestock Development
MOLD (DVS)	Ministry of Livestock, Department of Veterinary Services
NGO	Non Governmental Organization
PERSUAP	Pesticide Evaluation Report Safer Use Action Plan
PEV	Post Election Violence
PMO	Pasteurized Milk Ordinance
PMP	Performance Management Plan
RMC	Resource Mobilization Centre
SBO	Smallholder Business Organizations
SoW	Scope of Work
SITE	Strengthening Informal Sector Training and Enterprise
SNV	Netherlands Development Organization
USAID	United States Agency for International Development

Executive Summary

The report summarizes the key activities implemented and the associated accomplishments for the Kenya Dairy Sector Competitiveness Program (KDSCP) in the first quarter of the 2008/09 Fiscal Year. The KDSCP activities contribute to the achievement of intermediate results under USAID/Kenya Mission's SO7 on "Increasing rural households income".

Key Highlights

The Program has realized a number of key results within the short duration of implementation. Many stakeholders, including the Ministry of Livestock Development, have hailed it as a big boost to the dairy industry. The key highlights for the reporting period are:

- **2020** farmers provided with direct capacity building on dairy management practices including fodder production, appropriate feeding regimes, breeding and udder hygiene, proper milking and handling procedures to enhance clean milk production, with women participation of **33%**. About **20,517** other dairy farmers were reached indirectly through program organized and facilitated regional action planning and vision setting activities.
- Trained **20** KDB regulatory inspectors. Participants indicated that the workshop deliberations would be of value to them in carrying out their duties. The management of the Kenya Dairy Board has indicated that there has been a major change in approach and morale of inspectors leading to greater cooperation by processors on milk quality standards.
- Held a highly successful milk and milk products consumption campaign. The campaign's main goal was to help increase milk consumption and position milk as a beverage of choice to stimulate local demand. Over **7,500** people attended the event.
- Built capacity of the Dairy Task Force and the Regional Working Groups to assist them better understand their tasks. The key objective of the exercise was to assist the DTF and regional working groups to understand their roles and responsibilities in articulating issues and developing solutions to Dairy Sector Competitiveness.
- Identified the initial milk sheds for program implementation. This was guided by the Milk Sheds and Smallholder Business Organizations Needs Analysis report that was ratified by industry stakeholders in the regional workshops.
- Finalized the selection of program facilitators for five (5) milk sheds. These firms will facilitate the implementation of action plans as set by the regional working groups within their milk sheds. Procurement is awaiting USAID CTO's approval.

1.0 Introduction

Land O'Lakes is implementing the Kenya Dairy Sector Competitiveness Program (KDSC) with the financial and technical support of the United States Agency for International Development (USAID). The KDSC is a five year program that aims to improve Kenya's dairy industry competitiveness. Under this program, Land O'Lakes, Inc. employs a market driven value chain approach, utilizing a Business Development Services (BDS) methodology. The KDSC will help transform the Kenyan dairy industry into a globally competitive, regional market leader, with the overall goal of increasing smallholder household income from the sale of quality milk. Land O'Lakes is facilitating this transformation, while the industry stakeholders are leading it.

The Program objectives are threefold:

- Increase competitiveness of the Kenyan dairy sector through collaboration among sector stakeholders and increased capacity of public sector agencies to serve the needs of the sector;
- Increase marketing of milk meeting quality standards by producer-owned milk bulking/cooling businesses; and
- Enhance access to market-linked business development services and technologies by male and female dairy farmers and processors producing dairy-related inputs.

In its implementation, the program pays particular attention to environmental and gender concerns and effects corrective action as appropriate. The KDSCP takes into account the varying roles, assets, knowledge and skills that men, women and youth bring to dairy farming. The program therefore facilitates the implementation of opportunities for integrating youth and family members into dairy value-chain economic activities.

Towards Strategic Objectives

The KDSCP contributes to the USAID Strategic Objective 7.0 on "Increased Rural Household Incomes". The Program is implemented through a range of activities grouped into three broad components. The components and the associated deliverables are:

Component 1: Enhanced Capacity for Milk and Production Input Quality Certification and Market Promotion

Deliverables comprise:

- Increased smallholder household income
- Increased use of technology
- Improve and enact industry policies and acts that enhance competitiveness
- Develop and implement/enforce quality certification frameworks and work towards a graded payment system
- Dairy enterprises achieve national/international certifications and enforcing quality regulations on suppliers
- Increase feed marketed under new quality standards

Component 2: Dairy Smallholder Business Organization (SBO) Development

The key deliverables are;

- Producer organizations strengthened
- Increased number of MBCs with HACCP and/or SBOs with national certifications
- Increased raw milk sales by SBOs under agreements that pay premium for quality
- Increased gross revenue of milk bulking/cooling businesses from sale of inputs and services other than milk
- Increased number of SBOs transformed into sustainable businesses entities
- Increased number of cooling units installed/rehabilitated by SBOs

Component 3: Availability of dairy Business Development Services

Key outcomes/ impacts will include:

- Enhanced range of business services to producers
- Increased value of services/inputs provided by business service providers
- Increased number of smallholders purchasing private sector services at full commercial rates
- New technologies or management practices made available for transfer
- Increased number of dairy farmers receiving loans from financial service providers
- Increased number of smallholders engaged in new, diversified dairy related enterprises
- Increased number of dairy farmers receiving short term training

Geographic Focus and Target Group

The KDSCP generally targets small scale producers in Central and Rift Valley Provinces, which currently account for an estimated 80% of all processed milk. However, to ensure that USAID-allocated resources are utilized to capture the highest return on investment, the KDSCP targets geographic areas best suited for milk production. To this end, the program commissioned a study to identify areas (referred to as Milk Sheds) with the potential to competitively deliver 50,000 –100,000 liters per day of quality milk to processors. Using a Geographical Information System (GIS)-based information tool, a series of maps that guide selection of such geographic areas based on agro-climate, cattle populations, combined with detailed information on infrastructure, milk marketing points – including bulking centers and processing plants, human populations and urban centers were developed and are being used to target program interventions.

The study identified 14 milk sheds. Out of these, the program has identified five milk sheds in which farmer level activities in the reporting period were focused. These include Kinangop, Kericho, Nakuru, Kabete, and Gatanga. These have major potential and there is minimum possibility of duplication. Additional milk sheds will be added with time.

Implementation Strategy and Key Activities

The KDSC Program is implemented using innovative, international best practice approaches and methodologies that ensure achievement of expected results and sustainability of impacts long after the end of the program. Using this methodology, Land O'Lakes, Inc., the implementing agency, using local service providers and facilitators, supports market-based services/solutions, and action-oriented policy research to overcome both industry-level and enterprise-level constraints to competitiveness at key points along the dairy value chain. Industry stakeholders

have since been engaged to identify competitiveness constraints, and propose solutions to these constraints.

2.0 Program Implementation

This section expounds the key activities undertaken during the period under review, and the associated accomplishments/progress realized.

2.1 Start up activities

a) The Kenya Dairy Sector Competitiveness Program (KDSCP) officially launched

The Kenya Dairy Sector Competitiveness Program (KDSCP) was officially launched in the reporting period. The occasion was presided over by the United States Agency for International Development (USAID) Mission Director Ms. Erna Kerst and the Permanent Secretary, Ministry of Livestock Development (MOLD) Mr. Patrick Khaemba. Both emphasized the need for increased investment in the agriculture sector as a means of improving the livelihood of rural households. In his speech, the Permanent Secretary observed that the majority of rural households own some form of livestock which could be their total productive assets. He also noted that the Dairy industry is currently paying for lack of investment over the last 20 years and concluded that “The KDSCP program gives the Ministry of Livestock Development a big boost”.

The event, attended by the major dairy industry stakeholders in the country, also doubled up as an action planning occasion at the national level¹. Stakeholders identified the main challenges facing the industry and proposed solutions to these problems. The stakeholders’ observations closely mirror the program objectives and action areas and include:

Production

Poor animal nutrition; lack of feed conservation at farm level; poor quality feeds; poor animal genetics; lack of support services / business development services; smallholder inefficiency - farming for subsistence not as a business, among others.

Milk Bulking Centers

Inadequate infrastructure: roads, electricity, water, cooling facilities (milk chillers); Lack of economically viable groups; Poor governance of farmer groups; Lack of business orientation in farmer groups; Lack of quality assurance systems; Lack of graded systems in milk purchasing; and inadequate technical capacity, among others.

Policy and institutions

Lack of a long term vision for sector: Limited accurate data on the sector: outdated legislation: and poor animal disease control, among others. A complete set of the action plans is attached; see Appendix I.

The event culminated with stakeholders committing to continually provide input to program activities. The PS MOLD also reiterated government’s commitment to support all players in the dairy industry including the KDSCP.

¹ The national stakeholders’ forum was preceded by a series of regional meetings for action planning in Eldoret, Nakuru and Nyeri.



Second left: Permanent Secretary MOLD and Right: USAID Mission Director officially launching the program



Industry Stakeholders keenly following proceedings at the KDSCP launch

2.2 Achievement towards Targets

As previously mentioned, the interventions under KDSCP are grouped into three broad areas/components, namely; activities for enhancing dairy productivity including policy review and advocacy activities; dairy smallholder business organization development activities; and dairy business development services availability activities. Achievements in the reporting period include:

2.2.1 Component one: Enhanced Capacity for Milk and Production Input Quality Certification and Market Promotion

Activities under this component focused on capacity assessment and building of key stakeholders and institutions in the sector, and included; capacity building of farmers through field days to educate producers on better dairy management practices to increase their productivity and to promote peace in the target area; Building the capacity of Kenya Dairy Board (KDB) to develop and enforce quality standards; and milk market promotion, among other activities. A sample of activities implemented in the reporting period and the associated results are detailed below.

a) Farmer capacity building and promotion of peaceful coexistence after the Post Election Violence

The KDSCP, in collaboration with the Dairy Task Force (DTF), provided capacity building for **2020** farmers in the reporting period. About **33%** of those benefiting directly from program capacity building outreach activities in the reporting period were women.

One of the main intervention strategies proposed by the DTF immediately after its formation was the promotion of peace and reconciliation especially in the Rift Valley Province. This was deemed an immediate concern by the task force since it directly affects milk supply. The DTF, through the peace and reconciliation sub committee, recommended that the KDSC program facilitates three exploratory leaders' workshops in the Rift Valley Province as a precursor to a series (18) of peace field days in the target area.

All the 18 field days under the theme "Charting the Way Forward for a Prosperous Dairy Industry" have been held, with fifteen (15) being held in the reporting period. The main component of these meetings has been the promotion of peace and harmony in the areas affected by the post election violence to promote peaceful co-existence among the different communities. The field days have largely been successful, with farmers appreciating the peace efforts and embracing peace and peaceful co-existence for better farm operations and marketing of produce.

Leaders and elders from the two communities attended the field day held on 30th October, 2008 and signed a memorandum of understanding to maintain peace and to mutually coexist together.

An example of the impact of the field days is best illustrated by the events witnessed in a field day held in Ndanai in Sotik District, which neighbors Borabu District. This was the epicenter of the PEV between the Kisii and the Kalenjin communities. Leaders and elders from the two communities attended the field day held on 30th October, 2008 and signed a memorandum of understanding to maintain peace and to mutually coexist together.

The field days have also focused on two other key areas including:

- Building capacity of farmers on a number of technical issues related to dairy management. These include fodder production, appropriate feeding regimes, breeding and udder hygiene, proper milking and handling procedures to enhance clean milk production; and
- Linking farmers to service providers. A number of key service providers exhibited their wares in the field days. Exhibitors included financial service providers (Equity Bank and Faulu Kenya, among others); feed companies; milk processors; breeding firms, among other service providers.

The field days have been fully supported by government officers in the respective areas from area chiefs, local councillors, district officers, and district commissioners. Some of these government officers graced the events as chief guests.

b) Building the capacity of Kenya Dairy Board (KDB) to develop and enforce quality standards

Quality of milk and dairy products has been identified to present significant risks to consumer safety in the domestic front and a hindrance to competitiveness both locally and in the regional market. The quality of Kenyan dairy products is also a barrier to entry into regional export markets. To address these, the KDSCP continued working closely with the Kenya Dairy Board in the quarter on milk quality-related issues. Significant progress was realized on two key activities in the reporting period. These included training of the second cadre Kenya Dairy Board (KDB) regulatory inspectors and the rolling out of the KDB Laboratory Assessment.

i) Trained **20 KDB regulatory inspectors in the quarter under review**

As reported in the last quarter, the KDSCP team strongly believes in building capacity of all the KDB personnel tasked with regulatory inspection. This is crucial for the performance of the program since the KDSCP activities are geared towards enhancing quality of milk at all nodes of the chain for increased industry competitiveness. All inspectors therefore need to have the requisite technical capacity on milk inspection. In the reporting period, **20** additional regulatory inspectors were trained on Pasteurized Milk Ordinance and regulatory inspection. **Six (6)** female officers attended. All regulatory inspectors have now undergone the first phase of the training. The second phase, and last phase, will be facilitated by a United States (US) regulatory inspector. This session will expose local inspectors to the US regulatory inspection systems, practices and techniques which have been reported to be highly effective to further enhance their capacity. This is planned for February, 2009.

The regulatory inspectors training program is designed to respond to the technical needs of the officers. The officers mentioned a number of issues that they needed addressed by the course. These included:

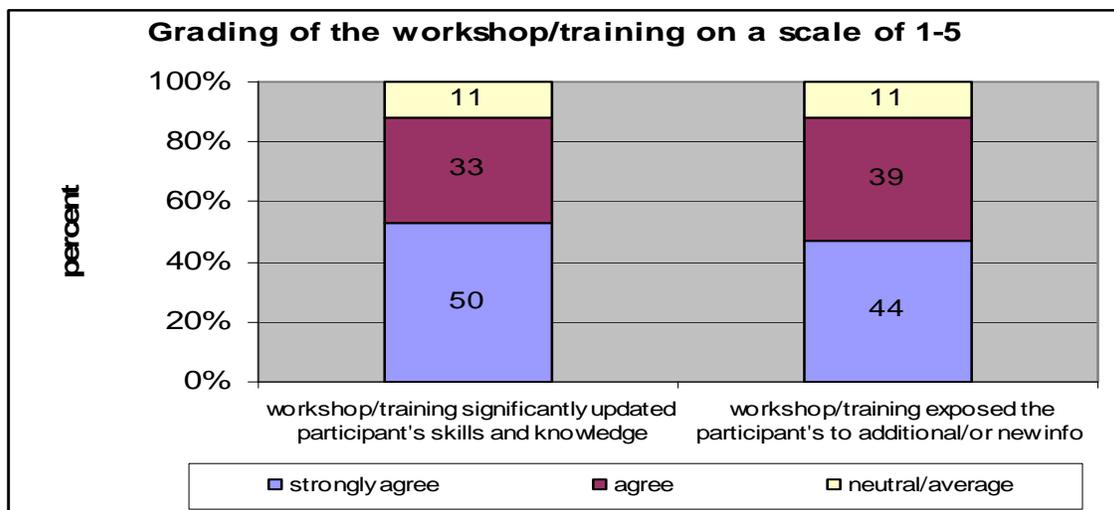
- An update on dairy standards
- Procedures and the fundamental issues/critical areas to consider when carrying out a dairy plant inspection
- Up to date knowledge on: heat treatment equipment inspection; milk pasteurization process and what inspectors should focus on;

- Routine dairy inspection approach
- The critical control points for detecting deterioration of quality, among others

At the end of the workshop, an evaluation was conducted to assess the effectiveness of the training and to gauge the level of satisfaction of the participants in relation to course content versus their expectation and day to day job requirements.

Overall, participants greatly appreciated the course, with **67%** indicating it was excellent in relation to their expectation, and based on their day to day job requirements.

Majority of the participants (83%) positively rated the workshop on “Course content and workload significantly updated participant’s skills and knowledge” and “whether workshop exposed participants to new/additional information”. This compares favorably with the other attributes – relevance and extent to which the purpose of the workshop was achieved.



All (100%) participants indicated that the workshop deliberations would be of value to them in carrying out their duties. Two individuals’ comments sum this up:

“I will be in a position to inspect a dairy or a cooling plant with a lot of confidence”

“The training has imparted in me more knowledge on how to conduct an inspection even in a complex dairy plant. I now know what to ask/request for when carrying out a dairy plant inspection to safeguard the public from consuming contaminated products”

KDB Regulatory Inspectors’ comments

The KDB has reported greater collaboration on quality enforcement by processors. The KDB have since reported a major change in approach and morale of inspectors, and greater cooperation from processors as a result of the training.

ii) Kenya Dairy Board (KDB) Laboratory Assessment

In the reporting period, the KDB requested KDSCP to assist in assessing the capacity of laboratories in the country to identify and help rectify any areas of weakness. This would help

position the laboratories favourably for accreditation in the region as a first step towards increasing the volumes of milk and dairy products traded within the region. The program therefore commissioned a study with the following objectives:

- Conduct a survey of analytical laboratories in Kenya, and identify all food and dairy orientated analytical laboratories which have the capacity to conduct chemical and bacteriological analyses of milk and milk products.
- Evaluate the technical inputs required by analytical dairy and food laboratories to enable Kenyan analytical laboratories to generate chemical and bacteriological analytical results and data, for tested milk and milk products, which meet internationally recognised quality assurance standards.
- Grade the identified dairy laboratories according to technical capacity, knowledge and experience in analysing milk and milk products and level of customer satisfaction.
- Provide a technical and budget assessment of the additional analytical equipment and staff skills required by each identified dairy laboratory, to enable each to meet International Quality Assurance Standards such as the certification requirements of ISO 17025 for each of the analyses required by the recently harmonized COMESA Dairy Standards.
- Provide a technical capability assessment of Kenya Dairy Board mobile milk testing laboratories, the current equipment inventory, analytical methods employed, testing kits, chemicals, reagents, disposables and supplies together with future equipment requirements and staff technical capacity building requirements. Develop a predicted annual budget required to enable the mobile laboratory unit to operate.

This assessment will provide a basis for facilitating interventions that will improve the performance of the various laboratories. The exercise² is currently ongoing and is due for completion in mid January. Results will be shared.

c) Milk consumption campaign

The KDSCP team in collaboration with the Eastern and Southern African Dairy Association (ESADA) and the Dairy Task Force held a highly successful milk and milk products consumption campaign. The campaign's main goal was to help increase milk consumption and position milk as a beverage of choice to stimulate local demand. The milk consumption campaign and the Milk Festival 2008 were held between November 4, 2008 and December 7, 2008. The campaign was launched on November 12, 2008 by the Minister of Livestock Hon. Mohammed Kuti at a breakfast which served as well as a platform for various private sector stakeholders to meet the industry regulator and the public sector (government) and air some of their concerns. The launch was covered by all the major media houses. Over **7,500** people attended the event.

Lack of market for processed milk and milk products is often cited as a serious challenge to the growth of the sector locally. Kenya is reported to have low average per capita milk consumption, estimated at 80 litres per year, against the World Health Organization (WHO) recommended 200 litres per year. Production and processing statistics tell a totally different

² The laboratory assessment is being carried out by the University of Nairobi

story however. The country produces an estimated 3.8 billion litres of milk annually. Only 55% of this milk is marketed while the remaining 45% is consumed at home. Of total production, only 20% is processed. There are over thirty four (34) processors with an installed capacity of 2.9 Million litres a day. These processors operate at an average of 45% of the installed capacity. In essence, these contribute to high cost of production per unit of output. This scenario presents a huge opportunity for the industry. The need to expand the market for dairy products is therefore critical. This will bring down the cost of production and make the commodity more affordable to consumers as well as increase returns to producers down the value chain.

Milk and milk products are also not well positioned in the minds of consumers. The products feature low in the youth markets “cool” radar relative to other beverages. Many beverages which do not have as much nutrition value as milk and which do not contribute significantly relative to milk to the country’s GDP as well as the welfare of the country’s populace have bigger acceptance. This campaign aimed at significantly changing consumer perception towards milk and milk products, as well as to inform the public on the various uses of milk and milk products with a view of developing new uses of milk and milk products. In addition, the activity aimed at creating “milk occasions” by pairing milk and milk products with other complimentary products e.g. cheese and wine, breakfast cereals and milk, berries and milk, among others. The event also featured a school milk day.

School Milk Day

Over **3000** primary pupils attended a milk fete at the Splash Water World on November 15, 2008. The event was attended by among others Deputy Prime Minister, Uhuru Kenyatta, Minister for Livestock Dr. Mohammed Kuti among other dignitaries. The event was a kids’ fun day aimed at promoting consumption of milk among the primary schools. **14** processors and support industry participated and exhibited at the school milk day. The processors donated milk and milk products to the kids.



Primary pupils enjoy milk at the event



The last major milk media campaign was held in 2003 by Kenya Dairy Board which was aimed at sensitizing the consumer on milk safety. The campaign had a profound impact on consumers in that many changed to consumption of certified milk. This led to increased milk consumption particularly in the urban areas. Since 2003 no major consumption campaign has been held threatening to reverse the gains made. The Milk Festival was a key milestone event and is expected to trigger increased milk and milk products consumption in the domestic market.

d) Milk quality baseline survey

KDSCP considers the quality of milk reaching the market as the key to helping the industry be competitive both locally and in the region. The program has commissioned a study to assess³ milk quality throughout the value chain to help determine the key points for intervention to improve the quality of milk reaching the final market. The exercise is ongoing and the final report will be shared.

e) Dairy Institutions/Associations capacity assessment

The KDSCP commissioned an audit of dairy institutions in the period under review. Existence of strong institutions is among the key issues currently advocated to enhance economic growth and development in the continent. The assessment will enable a comprehensive understanding of the role different dairy industry associations are playing, their mandates, coverage, membership, structures, and the capacity building needs that they require to effectively contribute to the goals of the KDSCP and the industry in general. The exercise also includes a rapid needs assessment.

The assessment has three broad components. The first one is background information on the industry associations including legal registration, location, membership and coverage among others. The second is to decipher information on their strengths, weaknesses, constraints and opportunities in the industry to assess how well they are performing their roles. The third component was to facilitate a three day workshop with the associations to create consensus on

³ The study is being conducted by Analabs.

mode of operation, activities and identify other roles they could be playing that they are not yet playing. A draft report has been circulated for comments and will be shared once finalized.

2.2.2 Component Two: Dairy Smallholder Business Organization Development.

a) Capacity building of the Dairy Task Force (DTF) and the Regional Working Groups (RWGs)

The Dairy Task Force (DTF) has regional working groups that catalyze/oversee implementation of stakeholder developed action plans at the regional level. In the reporting period, the KDSCP engaged a consultant to build capacity of the working groups to assist them better understand their tasks. The key objective of the assignment was to assist the DTF and regional working groups to understand their roles and responsibilities in articulating issues and developing solutions to Dairy Sector Competitiveness. This encompassed:

- Assisting the DTF and regional groups to develop a shared vision;
- Motivating, inspiring and aligning people including women and youth to support the vision and
- Developing appropriate targets and timelines for prioritized activities and working with the DTF and working groups to assign activities to the appropriate institutions ;
- Developing an appropriate monitoring and reporting framework.

This very important exercise was acclaimed by participants as an excellent avenue of identifying and galvanizing support for workable solutions to the sector's perennial problems. The activity has been successfully completed and a draft report sent out to all participants for review. The final report will be shared in due course.

b) Identification of milk sheds

The KDSCP team has identified the initial milk sheds for program implementation. This was guided by the Milk Sheds and Smallholder Business Organizations Needs Analysis Report that was ratified by industry stakeholders in the regional workshops. Based on the results and recommendations of the study, the program has identified five milk sheds in which farmer level activities will be focused.

While the primary factor guiding their selection was the potential to contribute between 50,000 and 100,000 liters of milk daily, the team has initially considered milk sheds that do not currently benefit from any development intervention to avoid duplication of efforts. Those selected include Kinangop, Kericho, Nakuru, Kabete, and Gatanga milk sheds. Additional Milk sheds will be included with time.

c) Selection of facilitators

The selection of program facilitators for the respective milk sheds was also completed in the period under review. After registration of facilitators, the KDSCP team held a bidders conference for all registered firms in which the bidders were given an overview of the KDSCP program and the BDS methodology to guide them in preparing the proposals. 14 well prepared proposals were received, reviewed and five facilitators selected.

The selected firms include Setpro (Kinangop Milk shed); African Breeders Services Total Cattle Management Limited (ABS TCM) (Nakuru Milk shed); Resource Mobilization Centre (RMC) (Kericho Milk shed); WMG Consultancy Limited (Kabete Milk shed); and Ideal Business Links (Gatanga Milk shed). The contracting process is currently underway. These firms will facilitate the implementation of action plans as set by the regional working groups within their milk sheds, using the Business Development Services (BDS) methodology.

2.2.3 Component Three: Increase Availability of Dairy Business Development Services

a) BDS market diagnostic and Business Service Providers (BSP) needs assessment

The KDSCP aims to strengthen support markets, increasing the availability and utilization of market-linked dairy business development services, inputs, technologies provided by business service providers to dairy enterprises. The program therefore needs a better understanding of how markets are currently working to strengthen the BDS markets.

A tender for the BDS market diagnostic and Business Service Providers (BSP) needs assessment was awarded in the quarter and is expected to be finalized by mid January, 2009. The exercise will identify problems in the BDS market and allow for a better understanding of market opportunities, weaknesses and constraints to the sustainable supply and/or demand for the business development services. Results of the assessment will inform program facilitators on market state, needs and propose market based interventions that will contribute to the project impact.

The final report will be shared once completed.

2.3) Challenges and how Addressed

- The main challenge experienced in the reporting period, which in some way could negatively impact program implementation, was that of mistrust in milk sheds inhabited by a mix of communities/tribes. In one DTF field day – held in Njoro (an area that was greatly affected by the PEV), one community refused to attend the event because it was held “across the border”. The DTF held another field day for the community within their “border” to preach the message of peace.

While this was an isolated incident, (it was not observed in any of the other field day sites), the program will closely monitor the situation and if warranted, hold additional peace field days to encourage peaceful co-existence especially in milk sheds inhabited by a mix of communities.

- Administrative procedures, especially the approval processes and setup activities for the BDS approach to implementation continued to delay implementation of some activities that would have had more people level impacts. The BDS approach requires several studies to enable targeting of interventions. This has delayed take off of a number of people level impact activities. We are happy to report that all this has been finalized and that the program will have more people level impacts from the current quarter.

3.0 Performance Data Table

Impacts					
Performance Indicator	Baseline		December, 2008		Comments
	Year	Value	Target	Actual	
Household Level Impacts					
Number of rural households benefiting	2008	0	15,000	2020	These are producers reached directly through the DTF field days. Additional producers benefited indirectly through participation in the action planning sessions organized and facilitated by the program. About 33% of those directly benefiting were women.
Sub-Sector Level Impacts					
% change in volume of milk conforming to quality standards increased	2008	0	0%	0	The program has commissioned a milk quality assessment baseline study. Study will show current milk quality in comparison to the regional (COMESA) standards and help identify the value chain nodes to focus interventions on quality. Draft report has been circulated for comments.
Firm Level Impacts					
Number of producers accessing/ receiving/ utilizing BDS services, inputs, technologies, and management practices	2008	0	8,000	0	A tender for the BDS market diagnostic and Business Service Providers (BSP) needs assessment was awarded in the quarter and is expected to be finalized by mid January, 2009. The exercise will identify problems in the BDS market and allow for a better understanding of market opportunities, weaknesses and constraints to the sustainable supply and/or demand for the business development services. Results of the assessment will inform program facilitators on market state, needs and propose

					market based interventions that will contribute to the project impact. Assessment will be completed in Mid January.
Outcomes					
Component 1 - Increased smallholder household income from the sale of quality milk					
Number of industry policies and acts improved and enacted	2008	0	0	0	<p>Considerable progress has been made however. Trained 20 KDB regulatory inspectors on Pasteurized Milk Ordinance and regulatory inspection in the quarter. All KDB regulators have now been trained. The management of the Kenya Dairy board has indicated that there has been a major change in approach and morale of inspectors leading to greater cooperation by processors on milk quality standards.</p> <p>Facilitated a capacity assessment of the Kenya dairy board laboratories with a view to improving their technical capacity. Exercise still ongoing.</p>
Component 2 - Dairy Smallholder Business Organization (SBO) Development					
Number of producer organizations strengthened	2008	0	20	0	<p>Key activities accomplished in the quarter include: Capacity building of the Dairy Task Force (DTF) and the Regional Working groups: The key objective of the exercise was to assist the DTF and regional working groups to understand their roles and responsibilities in articulating issues and developing solutions to Dairy Sector Competitiveness.</p> <p>Identification of milk sheds: The KDSCP team has identified the initial milk sheds for program implementation. This was guided by the Milk Sheds and Smallholder Business Organizations Needs Analysis report that was ratified by industry stakeholders in the regional workshops. Those selected include Kinangop, Kericho, Nakuru, Kabete, and</p>

					<p>Gatanga milk sheds</p> <p>Selection of facilitators: The selected firms include Setpro (Kinangop Milk shed); African Breeders Service (Nakuru Milk shed); Resource Mobilization Centre (Kericho Milk shed); WMG Consultancy Limited (Kabete Milk shed); and Ideal Business Links (Gatanga Milk shed). Additional milk sheds will be included in the current quarter.</p>
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Component 3 - Availability of Dairy Business Development Services

Number of producers receiving short-term training	2008	0	5,400	0	<p>A tender for the BDS market diagnostic and Business Service Providers (BSP) needs assessment was awarded in the quarter and is expected to be finalized by mid January, 2009. The exercise will identify problems in the BDS market and allow for a better understanding of market opportunities, weaknesses and constraints to the sustainable supply and/or demand for the business development services. Results of the assessment will inform program facilitators on market state, needs and propose market based interventions that will contribute to the project impact.</p>
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4.0 Appendices

Appendix I: Dairy Industry Action Plans

a) National DTF: Nairobi

OBJECTIVES	ACTIVITIES	PERSONS/INSTITUTIONS RESPONSIBLE	RESOURCES	KEY PERFORMANCE INDICATORS	TIMELINES
1. Information for decision making – sourcing and harmonization	1. One stop shop – dairy information centre (est. 2002/3) 2. e-Dairy; integrated information management system	1. KDB			
2. Long term vision for the industry	1. Development of dairy sector master plan 2. Development of TORs for consultancy	1. KDB 2. Land O'Lakes 3. National DTF	1. KDSCP/ Land O'Lakes		15th December, 2008
3. Linkages with the regions					
4. Policy and regulatory reviews					23rd November, 2008
5. Strengthening the stakeholder forum	1. Strengthen associations 2. Donor consultation 3. Charter development				
6. Enhancing competitiveness of Kenyan dairy produce					

b) Regional Working Groups

i) North Rift Region- Quality & Production

OBJECTIVES	ACTIVITIES	PERSONS/INSTITUTIONS RESPONSIBLE	RESOURCES	KEY PERFORMANCE INDICATORS	TIMELINES
1. Increase Milk production through introduction of suitable quality breeds	<ol style="list-style-type: none"> 1. Establish the breeding stock database in the NR 2. Introduce and improve record keeping 3. Continuous Education of farmers on record keeping 4. Enhance capacity building for breeding services 	<ol style="list-style-type: none"> 1. KLBO/KSB/DRSK/LRC/KMR/KENDAPO 2. KDB/CO-Ops/Farmer groups- 3. ADC-Kitale- training for AI inseminators 4. MOLD 5. Private Service providers 6. Universities/Research Institutions 7. Processors and marketing agencies 8. Dairy related NGO's CBOs Dairy related projects 	<ol style="list-style-type: none"> 1. Stakeholder participation/ membership contributions 2. Encouragement of Corporate participation 3. Increase GOK targeted funding for support to Dairy Sector 4. CDF/LATF 5. Streamline Donor funds applications in the NR 	<ol style="list-style-type: none"> 1. Improved records 2. Improved Breeds and improved milk production 3. Increased farmer knowledge base 4. Availability and access to efficient breeding services 5. Formation of a functional NR Dairy forum with input from Productivity subcommittee under KDB co-ordination (MOLD, KENDAPO, Processors Service providers, Dairy related projects, Farmers organization- Co-ops, Private dairies, KEBS, Researchers) 	<ol style="list-style-type: none"> 1. Improved records within 24 months 2. Quantifiable improvement of breeds within 4years 3. Formation of NR Dairy forum within 3 months
2. Minimize the prevalence of major diseases, in relation to DS. ECF and other TBD, Mastitis, Helminthes FMD, Zoonotic diseases and management diseases	<ol style="list-style-type: none"> 1. Emphasize importance of vaccinations and disease control at farm level 2. Educate stakeholders on importance of disease control, hygiene and milk quality 3. Routine disease surveillance and milk quality 	<p>Ditto</p> <p>Veterinary service providers</p>	Ditto	<ol style="list-style-type: none"> 1. Reduced mortality rates/adults and calves 2. Increased of vaccination cover for notifiable diseases 3. Increased Production of milk from healthy animals 4. Increased production of high quality milk 5. Increased earning from sale of surplus healthy animals 	<ol style="list-style-type: none"> 1. Improved animal within a year 2. Increased production of quality milk within a year 3. Reduced resistance to Acaricides

North Rift - Bulking and Marketing

OBJECTIVES	ACTIVITIES	PERSONS/INSTITUTIONS RESPONSIBLE	RESOURCES	KEY PERFORMANCE INDICATORS	TIMELINES
To improve the quality of marketed milk	<ol style="list-style-type: none"> 1. Training the farmer on clean milk production 2. Improving the milk cold chain 3. Capacity building of informal milk traders. 4. Strengthening Dairy Traders Associations 5. Training of all milk bulking centers on “Good Manufacturing Practices” 6. Development of standard milk sheds 	<ol style="list-style-type: none"> 1. KDB, BDS Providers, MOLD, Processors, MoCoops, 2. MoCoops, Development Partners, KDB, Processors, Private Sector 3. KDB, Development Partners, KEBS 4. KDB, Development Partners, KEBS 5. KDB, KEBS, Development Partners, Processors 6. KDB, Processors, farmer organizations 	<ol style="list-style-type: none"> 1. Leverage resources from institutions in the dairy sector 2. Donor organizations 3. Stakeholder 	<ol style="list-style-type: none"> 1. Reduction of rejected milk by the processors and bulking centers. Increased volume of sold milk 2. Revived cooperative bulking centers. Kiptoi Farmers (Transzoia), Suerwa, Mgwen, Motuot, Cerum, Chepkorio Division Dairies (Keiyo), Tarakwa Farmers Association (Uasin Gishu), EDD, Brookeside 3. Formation of Dairy Trader’s Association. 4. Reception of Certification from KEBS 5. Establishment of model milk shed along selected bulking centers 	2 Years
Promotion of value addition	<ol style="list-style-type: none"> 1. Creating awareness on business opportunities value added products 2. Targeted promotional activities for value added products – investors and consumers 3. Skill development for value addition innovation 4. Encourage investment in the region for value added products. 5. Forward and backward linkages for the businesses in valued added products 	<ol style="list-style-type: none"> 1. Develop institutions to finance a study on value added products – local, regional and international. IFAD, SNV, Land O’Lakes 2. Regional DTF 3. Service Providers, KDB, Development Partners, MOLD, Education institutions 4. Regional DTF 5. BDS, Development Partners 	1. Development Partners, cost sharing	<ol style="list-style-type: none"> 1. Number of new businesses established in value addition. Number of businesses financed. Increased employment creation in the dairy sector. Increased product range for existing value added product producers. Sales volume. (Note: baseline needed) 	Long term is 2 years, short-terms quarterly reviews. (Note: Need commitment from processors to be providing information to regional DTF)

ii) Central Rift Region - Nakuru

GROUP	SHORT TERM ACTIVITIES (6 MONTHS TO 1 YEAR)	LONG TERM ACTIVITIES (GREATER THAN 1 YEAR)	KEY DRIVERS OF CHANGE
Farmer and Farmer Organizations	<ul style="list-style-type: none"> Change of attitude on the importance of quality milk – training farmers on the production of quality milk Training of farmer hands on hygiene 	<ul style="list-style-type: none"> Branding campaign to start the change in production and consumption of quality milk 	<ul style="list-style-type: none"> Resources Branding campaign Best practices program and ideas

GROUP	SHORT TERM ACTIVITIES (6 MONTHS TO 1 YEAR)	LONG TERM ACTIVITIES (GREATER THAN 1 YEAR)	KEY DRIVERS OF CHANGE
	<ul style="list-style-type: none"> ▪ Training in farm management and on fodder production ▪ Mobilize owners, especially the men, to be more actively involved in the day to day farm activities ▪ Culture change regarding owners' involvement and treatment of farming as a business ▪ Create criteria for recognition as a commercial dairy farmer in the cooperatives e.g. no grazing on the road side, basic conditions to be met to be a milk production member such as a milking shed etc ▪ Create productivity clubs based on milk production quantity and quality – milk production criteria to be enforced by cooperatives ▪ Seek new technology of dairy cattle feeding ▪ Creation of resource centers ▪ Sensitizing framers to check the label on the feeds has been approved by KEBS ▪ A clear vision and mission in line with the overall sector strategic plan ▪ Ensuring cooperatives equipment can meet its capacity demands ▪ Ensuring cooperatives have proper leadership ▪ Ensuring cooperatives have proper milk handling equipment and personnel 	<ul style="list-style-type: none"> ▪ Adoption of modern breeding systems and disease prevention ▪ Engage and drive the processors on buying milk based on quality ▪ Representation from grassroots in marketing both inputs and outputs of dairy products 	<p>exchange</p> <ul style="list-style-type: none"> ▪ Exchange visits within the region ▪ Recognizing and rewarding those who have changed and have adopted best practice ▪ Stronger linkage with research and educational institutes ▪ Engage experts in feed analysis and formulation ▪ Put pressure on research institutions to have greater emphasis on feed analysis ▪ Inspection of dairy facilities in the farm
Service Providers	<ol style="list-style-type: none"> 1. Nutrition <ul style="list-style-type: none"> ▪ Train farmers on feed management ▪ Train farmers on effective nutrient supplementation for milk production ▪ Train farmers on effective feed conservation ▪ Train farmers on the need for better watering of animals for increase milk production 2. Livestock production systems <ul style="list-style-type: none"> ▪ Training farmers on stress management for animals 	<ul style="list-style-type: none"> ▪ Education on fodder management and feed conservation ▪ Introduction and implementation of feed planning and management systems ▪ Livestock production recording ▪ Disease management ▪ Breeding ▪ Improving access to finance for 	<ul style="list-style-type: none"> ▪ Increasing milk production through coordination of service providers, feed manufacture, fodder production and effective supplementation for increased nutrition and milk production as well as championing for effective dairy breeding policy control. ▪ Production quality milk products

GROUP	SHORT TERM ACTIVITIES (6 MONTHS TO 1 YEAR)	LONG TERM ACTIVITIES (GREATER THAN 1 YEAR)	KEY DRIVERS OF CHANGE
	<ul style="list-style-type: none"> ▪ Training farmers on hygiene ▪ Training farmers on record keeping ▪ Sensitizing farmers on the benefits of AI and increasing AI awareness <p>3. Bulking, Transporting and Processing</p> <ul style="list-style-type: none"> ▪ Training on milk quality control ▪ Conducting linkages training – between various players in the value chain ▪ Sensitizing on changing from plastic containers to food grade containers which are cheaper than the aluminum containers <p>4. Marketing</p> <ul style="list-style-type: none"> ▪ Quality standardization and training on the importance and benefits of standards ▪ Commodity presentation and packaging ▪ Standards awareness at various stages of milk productions chain ▪ Payment grading system based on quality ▪ Increased consumer awareness through integrated marketing campaigns both national and at local level 	<p>service providers</p> <ul style="list-style-type: none"> ▪ Capacity building service providers to run their services as a business 	<p>and by-products through pushing for quality policy on differential payment based on quality and seasons as well as creating demand for services.</p>
Traders, Transporters, Processors and Retail Outlets	<ul style="list-style-type: none"> ▪ To eliminate unlicensed hawkers ▪ Standardized milk cans, collection chains and elimination of plastic containers ▪ Milk quality standards 	<ul style="list-style-type: none"> ▪ Necessary infrastructure development – electricity, roads network, water, cooling facilities etc ▪ Standardization of transportation equipment – especially bulk milk transportation equipment ▪ Proper identification of milk transport vehicles – e.g. branding of milk transport vehicles 	<ul style="list-style-type: none"> ▪ Processors and milk traders carry out antibiotic test ▪ Consumer awareness on the differing quality grades and the benefits of quality milk ▪ Increased prices through the sale of quality milk and prompt payment ▪ Efficient management of co-operative societies ▪ Processors specialization on different milk products

GROUP	SHORT TERM ACTIVITIES (6 MONTHS TO 1 YEAR)	LONG TERM ACTIVITIES (GREATER THAN 1 YEAR)	KEY DRIVERS OF CHANGE
		<ul style="list-style-type: none"> ▪ KDB / KEBS should be strengthened or redefined with respect to inspection capacity 	<ul style="list-style-type: none"> ▪ Creation of another inspection board other than KDB / KEBS
Education, Research Institutions and Extension Services	<ul style="list-style-type: none"> ▪ Harmonize extension message and information given to industry players by having joint meetings between farmers, establishing a body to coordinate the information ▪ Strengthen research link to dairy industry – extension linkage 	<ul style="list-style-type: none"> ▪ Research on identified issues i.e. demand driven research ▪ Research commercialization ▪ Formation of dairy research foundation 	<ul style="list-style-type: none"> ▪ Political will ▪ Education and creation of awareness ▪ Marketing ▪ Human resource capacity ▪ Funding – dairy research fund

iii) Central Region: Thika

OBJECTIVES	ACTIVITIES	PERSONS/INSTITUTION RESPONSIBLE	RESOURCES	KEY PERFORMANCE INDICATORS	TIMELINES
Quality and Price	<ol style="list-style-type: none"> 1. Educate the farmer 2. Good record keeping 3. Good sanitation 4. Credit facilities to the farmers 5. Introducing the young generation to the dairy industry 6. Educated the farmers on the importance of KEBS 				
Marketing and Consumption	<ol style="list-style-type: none"> 1. Consumer campaign awareness 2. Infrastructure 3. Branding milk vehicles, posters, awareness creation 4. Packaging 5. Rationalization of the cooling facilities 6. Needed for lobby platforms 				

	<p>7. Milk market segmentation for different products</p> <p>8. Market linkages initiative around individual entrepreneurs</p> <p>9. Exporting to other provinces</p>				
Reputation and Growth	<p>A. Growth</p> <p>1. Mobilize farmers to work together as a group – give benefits</p> <p>2. Develop guidelines on how to work together</p> <p>3. Define the institution, what to have and management</p> <p>4. Development of infrastructure, road network, location of coolers, electrification, collection centers</p> <p>B. Reputation</p> <p>1. Define a dairy farmer</p> <p>2. Registration of dairy cows, KSB</p> <p>3. Standardize equipment for milk handling at farm level and enterprise level</p> <p>4. Standardize milk collection and bulking</p> <p>5. Have accredited service providers</p>				

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