

the Pharmacy and Poisons Act (Cap. 244) prohibits veterinarians from engaging in drug sales, reducing the viability of private veterinary practice. The market gap has been filled by a large increase in the number of agro-vet shops (often manned by unqualified staff) supplying animal health products, introducing potential danger of drug misuse and abuse.

Provision of breeding services. Breeding services, including artificial insemination (AI), have also not developed as hoped since privatization. There are only 300 private AI service providers to date (entry restrictions include non-recognition by the government of inseminators trained by the private

sector), and the cost of imported semen is high. The alternatives for smallholders are not attractive-bull service, with the associated risks of inbreeding and disease, or the local semen provided by the Kenya National Artificial Insemination Services (KNAIS), which is perceived to have a high failure rate. Since there are many institutions playing different roles in dairy genetic improvement it was proposed in 1993 to group them together under a Kenya Livestock Breeders Organization charged with the responsibility of developing a self-sustaining breeding programme.

Access to credit. Lack of access to credit is one of the major constraints facing small-scale farmers.





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The Smallholder Dairy Project (SDP) carries out research and development activities to support sustainable improvements to the livelihoods of poor Kenyans through their participation in the dairy sub-sector. SDP is jointly implemented by the Ministry of Livestock and Fisheries Development, the Kenya Agricultural Research Institute, and the International Livestock Research Institute, and is funded by DFID.

Formal institutions often require collateral that many borrowers may not have, and charge high interest rates. Microfinance institutions that can meet the needs of small-scale entrepreneurs at relatively favourable terms are still thin on the ground. Policy reforms were proposed in 1997 to establish an Agricultural Development Bank (ADB) as a subsidiary of the Agricultural Finance Corporation (AFC), and to get commercial banks to increase their minimum lending to agriculture from 17 to 20 percent of their deposit liabilities. Although these are yet to be achieved, AFC is on the rebound with new funding and management this year after near collapse from mismanagement and political interference.

Market accessibility. Given the high perishability of fresh milk, an efficient collection, processing, and marketing system is crucial to the overall viability and profitability of commercial dairying. Feeder roads play a key role in the efficiency of milk collection. However, many roads have been inadequately maintained and are in poor condition. The cess collected from milk sales is not used for maintenance of feeder roads, whereas the cess charged on cash crops such as tea and coffee is used for this purpose. The Kenya Roads Board (KRB) has been established to oversee the development of the road infrastructure, acting through various agencies.

Conclusions

This review of current policy issues and their implications highlights certain priorities:

- There is an urgent need for a quick review of the policies and regulations that are not in tandem with broader national goals (e.g., creation of employment) and the economic reality of the day.
- Harmonization of the different acts that affect the dairy sector is required to reduce existing conflicts.
- Private service provision should be encouraged with appropriate policies to fill gaps created by the liberalization process. Where that is not possible, sustainable alternatives should be sought, such as the introduction of cost sharing, or the training and equipping of community-based service providers.
- Institutions charged with the implementation of stated policies and regulations should be made effective by provision of adequate resources and capacity. Where appropriate, institutions should explore alternative systems, such as self-regulation and partnership with the private sector.
- Full representation of all stakeholders on key bodies which influence policy would ensure that the process of policy reform fully reflects the economic realities currently operating in the dairy sector.

¹ Ethiopia has 1 percent, Uganda 3 percent, Tanzania 7 percent, Zimbabwe and South Africa 19 percent.

² See brief 2, 'Employment Generation in the Kenya Dairy Industry'; and brief 5, 'Improved Child Nutrition through Cattle Ownership in Kenya'.

³ A Ministry of Livestock Development was created from the Ministry of Agriculture in 1979. The two were merged in 1983, split again in 1986, merged in 1992, and split again in 2003.

⁴ See brief 1, 'The Demand for Dairy Products in Kenya'.

⁵ See brief 4, 'Public Health Issues in Kenyan Milk Markets'.

⁶ See brief 3, 'Competitiveness of the Smallholder Dairy Enterprise in Kenya'.

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