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REPORT OF THE COMMITTEE OF ENQUIRY  
INTO THE DAIRY INDUSTRY, 1956

1956

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**REPORT OF THE COMMITTEE OF ENQUIRY  
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**INTRODUCTION**

The Minister for Agriculture appointed a Committee to enquire into the Dairy Industry of Kenya in September, 1955, with the following terms of reference: "to consider whether some form of statutory control of the dairy industry is necessary, and if so, to make recommendations to the Minister as to the form this control should take", and further instructed the Committee, "that the enquiry should cover the whole industry and not be confined to any one section thereof".

2. The membership of the Committee was as follows:

Mr. L. G. Troup, O.B.E. (*Chairman*).

Mr. J. K. Chemallan.

Mr. K. D. S. MacOwan.

The Hon. Humphrey Slade.

Mr. H. G. Prettejohn.

Mr. R. S. Alexander.

Mr. S. M. Patel.

Mr. G. R. Davies (*Secretary*).

3. The Committee submitted their Report to the Minister for Agriculture in January, 1956, and this Report was published without Government comment so that the reaction of the public could be ascertained.

4. This paper is arranged as follows: Part I contains a statement of Government policy. Part II contains a comparative examination of the recommendations of the Committee and the form in which the Government accepts these recommendations.

**PART I—POLICY OF THE GOVERNMENT**

5. **General.**—Unless large workable deposits of valuable minerals are discovered in Kenya, agriculture is likely to remain as at present the foundation of the country's economy, and the standard of living of the people will improve only as agricultural production increases in volume and value. Kenya is fortunate in having in the south-western third of the country as good agricultural land as any in Africa, in respect of both soil and climate. While the value of production from the coastal strip and the drier cattle-raising areas should not be minimised, nevertheless it is clear that the major contribution to the economy of the country must come from the higher areas, which are occupied by both European and African farmers, and from the adjoining Nyanza districts.

6. To date the agricultural development of this region has been, in the main and with a few notable exceptions, on lines of extensive rather than intensive farming. There is thus a considerable potential still awaiting development by intensive methods. The best technical advice obtainable agrees that apart from limited areas especially suited to plantation crops, these methods must be based on alternate husbandry incorporating livestock and grass leys.

7. The ultimate objective of full production applies equally to all the farming areas whether in European or African occupation. The actual systems of farming must naturally be adjusted to suit the varying requirements of the different climatic zones.

8. In 1953 in a previous report by the Chairman of the present Committee, Mr. L. G. Troup, particular attention was focused on the European mixed farming and ranching areas. From this 1953 Report on an "Enquiry into the General Economy of Farming in the Highlands" there emerged a ten-year target of production for the areas concerned, which can be summarised thus:

	1953 actual	1963 target
Arable crops .. .. .	640,000 acres.	640,000 acres.
Grass leys .. .. .	62,000 acres.	640,000 acres.
Cattle, mixed farms .. .. .	345,000 head.	1,000,000 head.
Cattle, ranching .. .. .	225,000 head.	300,000 head.
Capital invested .. .. .	£38.9 million.	£93.8 million.
Gross turnover .. .. .	£8.7 million.	£28.2 million.

9. It will be seen that the major factor in the target set by Mr. Troup in 1953 is the increase of almost 200 per cent in the cattle population of the European mixed farming areas which will lead to greatly increased dairy production. Some increase must also be expected in certain African areas as a result of the implementation of the Swynnerton Plan.

10. Here clearly a major problem arises: where to find a market for this greatly increased dairy production? The problem is reflected in the following table (figures extracted from paragraphs 29 and 32 of the Report).

	Million Gallons		
	1952 (actual)	1955 (actual)	1963 (assuming increase of 200 per cent as at para. 8)
Milk delivered to K.C.C. . . . .	23.6	26.2	70.8

The K.C.C. at present handles about 77 per cent of the total milk marketed. Thus the figures above should be increased by 23 per cent of the total which results in a figure of total milk production in 1963 of 93.6 million gallons. This does not take account of any increase in deliveries of milk from African areas.

11. **Special Problem of the Dairy Industry.**—While it appears unlikely that the increase will be as large and rapid as shown in the above target figures, it is clear that the volume of dairy production has already begun to rise, and that an increase of half the above figures or even less will still raise a marketing problem of some magnitude. Failure to solve this problem will endanger not only the dairy industry but also the whole agricultural industry of the Colony, with direct repercussions on the national economy.

12. This conclusion is reinforced by the fact that even today the Kenya industry frequently has difficulty in securing or retaining markets in the face of competition from other countries. Some of these countries give artificial support to their dairy exports by means of either direct subsidies or favourable currency exchange rates or both. These devices serve to underline a major factor in the situation now facing the Kenya dairy industry, namely that already there appears to be a world surplus of dairy produce.

13. In these circumstances, as the Kenya industry expands towards full production as envisaged in the Troup Report of 1953, it will certainly encounter grave danger arising from the possibility of failure in the export market, which would inevitably lead to an internal price war among Kenya producers unable to sell their products outside the Colony.

14. With these factors in mind the Government appointed the present Committee of Enquiry into the Dairy Industry. The Report of the Committee fully confirms the situation outlined above and reaches the main conclusion, which is accepted by the Government, that if the Kenya dairy industry is to overcome the difficulties which lie ahead it must start organising itself now.

15. It should be noted that the dairy industries of other countries, when faced with somewhat similar situations, have organised themselves with the backing of special legislation, notably the United Kingdom, South Africa, Southern Rhodesia, New South Wales, Queensland and New Zealand. Experience in these countries has shown that this rationalisation of the dairy industry brings benefits not only to the farmer but to the consumer and the middleman as well; for instance, quality standards can be enforced, measures can be taken towards ironing out seasonal fluctuations in supply, and it may be possible to reduce transport costs appreciably.\* The Government fully recognises the very important place which milk in its various forms occupies in the national diet.

16. Against this background the Government sets out in Part II of this paper its views on the detailed recommendations made by the Committee.

## **PART II—COMPARATIVE EXAMINATION OF THE COMMITTEE'S RECOMMENDATIONS AND THE FORM IN WHICH THESE RECOMMENDATIONS ARE ACCEPTED BY GOVERNMENT**

### **17. Organisation**

(*Paragraph 143.*) "After full deliberation the Committee recommend the establishment of a Statutory Board for the control of the dairy industry, to be known as the Dairy Industry Board."

This is the main recommendation of the Report and is accepted by the Government. The solution of the major problems likely to concern the Kenya dairy industry in the future will depend primarily on developing existing and new markets. While these problems will not be solved by the creation of a central authority for the dairy industry, this authority will nevertheless have an indispensable part to play in working out the solutions.

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\*The South African Dairy Industry Control in the first year of its operation reduced the transport cost on butter and cheese by .2 of a penny per lb. thus saving more than twice the total administrative cost of the Board.

The Government agrees with the Committee that a Statutory Board is to be preferred to either of the other alternatives mentioned, for the following reasons:

- (a) Application of section 37 of the Co-operative Societies Ordinance. This would be tantamount to the Kenya Co-operative Creameries using sheer weight of numbers to bring the dissident minority under its control. The Government considers that such a procedure would be unwise for two reasons; firstly, it would inevitably earn for the producers' co-operative society the antagonism of the dissenters; secondly, it would place on this co-operative society the duty of organising an industry of national importance, a duty which is essentially a public duty resting on the Government. Alternative (a) should therefore be dismissed.
- (b) The application of the Agriculture Ordinance to dairy produce. This would lead to the Government, through the Ministry for Agriculture, assuming responsibility for the marketing of dairy produce. But the Ministries of Government are not equipped or qualified to undertake commercial dealings of this sort, particularly in respect of perishable commodities. The Government considers that it is essential that the complex task of marketing dairy produce, including long-term planning and the development of new markets, should be in the hands of an expert organisation wholly devoted to this task. Alternative (b) should also therefore be dismissed.

#### 18. Other Associated Functions

(Paragraph 139.) "The organisation should foster either itself or through its agents, or in association with the Government departments or local authorities, an active policy on the following:

*Market Research* both inside and outside the territory in order to establish a profitable outlet for the whole of the increased output.

*Grading and Packaging* of goods for export.

*The Encouragement and Support of New Ventures* where an outlet has been discovered.

*Standardisation and Control of Methods of Production and Handling of Milk.*—The setting of legal standards of composition, of cleanliness and of adequate facilities at all stages in the progress of milk from the cow to the producer on a Colony-wide basis.

*Safeguarding the Public Health* by the satisfaction of dietetic requirements of the African in the most suitable form.

*Imports.*—Protection against dumping and protective tariffs for the establishment of local industry.

*Increased efficiency of Production* including, for example, the fostering of milk recording, the sponsoring of schemes for the eradication of livestock diseases which affect the efficiency of the dairy industry, etc."

The Government accepts this recommendation.

#### 19. Powers of the Board

(The following quotations from the Committee's Report have been slightly amended for purposes of clarification and to put them into a form acceptable to the Government.)

(Paragraphs 145-146.) "After a close study of the forms of control in other countries, the Committee has come to the conclusion that any statutory board should be invested with the maximum range of powers, to be used only when and

where required. Therefore, having regard to the principal functions proposed by paragraph 140 above, the Committee recommend that the Board should have the following statutory powers:

(a) *For Regulation of Seasonal Production*, power to:

\* (i) fix a whole milk quota for individual producers upon a country-wide or area basis; subject to appeal from the Board to the Minister, and/or

(ii) pay or authorise premiums for dry-weather production.

(b) *For Securing Minimum Standards*, power to:

† (i) prescribe grades and minimum standards,

†‡ (ii) prescribe different prices for each grade or standard,

\* (iii) license buyers of produce.

(c) *For Disposal of Produce to the Best Advantage*, power of:

(i) direction to licensed buyers (manufacturers and/or distributors) with power to exempt producer/retailers,

† § (ii) compulsory purchase and vesting in the Board,

† (iii) control of quantities of each form of manufactured product,

(iv) establishment of factories, depots or cold stores,

(v) market research in every aspect,

(vi) fixing minimum standards for export and approving trade marks, packing, labelling, etc.

(d) *For Securing Reasonable and Stable Prices to Producers*, power (in addition to (a), (b) and (c) above) to:

† (i) fix prices to producers for specific grades of each form of produce and/or purpose for which used,

† (ii) authorise or pay additional or reduced prices for special circumstances,

† (iii) subsidise one form of produce by levy from another, or otherwise,

† (iv) prescribe the terms and forms of contracts for the sale of milk by registered producers (other than sale by retail) and prescribe that the Board shall be an additional party to a contract,

† (v) operate or direct pools,

† (vi) regulate prices payable by and to local distributors and/or retailers, after full consultation with the appropriate part of the industry concerned.

(e) *For Balancing Different Forms of Production*, power to vary price differentials as between one product and another.

(f) *For Securing Adequate and Steady Supplies of whole milk to Consumers*, power to:

† (i) regulate standards and conditions of retail,

(ii) register retailers,

† (iii) zone retail distribution,

(iv) register producer/retailers,

(v) authorise or establish depots for collection and distribution.

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\* See paragraph 21: To be subject to appeal.

† See paragraph 20: To be subject to approval of Minister.

‡ This refers to producer prices.

§ This refers to milk.

(g) *For Increasing the Efficiency of Production and Manufacture* (Ancillary Powers) power to:

- (i) require registration of producers,
- (ii) inspect premises,
- (iii) call for returns and for estimates from registered producers, agents, manufacturers and retailers,
- (iv) appoint agents for any service,
- (v) employ staff for all or any of its functions,
- (vi) help producers and encourage development and improvements by:
  - (a) providing facilities of all kinds,
  - (b) providing financial accommodation,
  - (c) stimulating research,
  - (d) providing advisory services,
  - (e) providing or encouraging artificial insemination services,
  - (f) encouraging milk recording,
  - (g) engaging staff for the above services.

20. (*Paragraph 148.*) "Exercise of a number of the powers recommended in the preceding paragraphs, particularly those affecting the general public (such as price fixation) must, in the Committee's opinion, be subject to Ministerial approval."

The Government hopes that the Board will operate in the most flexible manner possible and with the least possible interference with the existing channels of production or marketing where these are suitable. The Government therefore accepts the recommendation of the Committee that the Board should have all the powers listed above but considers that the powers marked † should be exercised only with the prior approval of the Minister, namely:

- 19. (b) (i) To prescribe grades and minimum standards,
- (b) (ii) to prescribe different prices for each grade or standard,
- (c) (ii) compulsory purchase and vesting in the Board of milk,
- (c) (iii) control of quantities of each form of manufactured product,
- (d) (i) to fix prices to producers for specific grades of each form of produce and/or purpose for which used,
- (d) (ii) to authorise or pay additional or reduced prices for special circumstances,
- (d) (iii) subsidise one form of produce by levy from another or otherwise,
- (d) (iv) prescribe the terms and forms of contracts for the sale of milk by registered producers (other than sale by retail) and prescribe that the Board shall be an additional party to a contract,
- (d) (v) operate or direct pools and lay down the area of pools and their price structure and composition,
- (d) (vi) to regulate prices payable by and to local distributors and/or retailers, after full consultation with the appropriate part of the industry concerned,
- (f) (i) to regulate standards and conditions of retail,
- (f) (iii) to zone retail distribution.

As regards powers to fix prices, it should be noted that the direction of agricultural policy is effected by the Government mainly through the price structure, by virtue of powers in the Agriculture Ordinance, 1955. Dairy production, being a major component of the farming industry, cannot be left outside this overall system. It will therefore be necessary to ensure that when the proposed Statutory Board is set up, the Government retains adequate powers to intervene if necessary for reasons of general agricultural policy in the fixation of prices for dairy produce. It appears that this can best be achieved by co-ordinating the proposed dairy industry legislation (*see* paragraph 27) with the Agriculture Ordinance.

21. The Government further considers that there should be a right of appeal to the Minister for any person aggrieved by the exercise by the Board of any of the following powers:

- 19. (a) (i) fixing a whole milk quota for individual producers,
- (b) (iii) licensing buyers of produce,
- (f) (iv) registering producer/retailers.

22. Moreover the Government wishes to state that it will be the Government's policy to ensure that present grades and standards of milk are maintained and improved.

### 23. Financial

(*Paragraph 149.*) "The Committee is of the opinion that the Board should be self-financing except possibly for Government subsidy for special purposes such as exploration of export facilities and the continuance of aid to the milk recording scheme and artificial insemination services."

The Government accepts this recommendation.

(*Paragraph 150.*) "The Board should be empowered, with the consent of the Minister to:

- (a) raise funds by levy from all or any form of produce and at different rates,
- (b) make deductions from pools,
- (c) levy fees for services,
- (d) borrow and give security."

(*Paragraph 151.*) "The Board should also be empowered to guarantee payment to producers by licensed buyers, and for that purpose, to require adequate security from licensed buyers."

(*Paragraph 152.*) "The Board should also have power to use its funds:

- (1) to employ and pay staff or agents for any kind of service,
- (2) to subsidise different forms of produce,
- (3) to finance services as in paragraph 147 above,
- (4) to buy and develop land, factories, depots, etc."

The Government accepts these recommendations subject to consultation with and the approval of the Minister where major financial activities are concerned.



#### 24. Constitution of the Board

(Paragraph 159.) "The Committee unanimously recommend that the constitution of the Board be as follows:

- (1) Four producers appointed by the Minister on the recommendation of the Board of Agriculture (scheduled areas).
- (2) Two representatives appointed by the Minister on the recommendation of the Board of Agriculture (non-scheduled areas).
- (3) Two members with wide experience of business and/or public interests, appointed by the Minister in consultation with the Minister for Commerce and Industry.
- (4) A chairman independent of sectional interests appointed by the Minister."

In the light of representations which have been made to Government both for and against the imposition of statutory control, Government attaches great importance to establishing a Board which will command the confidence of all sections of the community. The Government therefore considers that the membership recommended by the Committee should be augmented by two additional members, of whom one will be a consumer and one a producer. This will not alter the balance between producing and consuming interests recommended by the Committee but will permit of a wider representation of the various sections of both the producing and the consuming public on the Board. The Government therefore proposes that the composition of the Board should be as follows:

- (1) Five producers nominated by the Minister from a panel of names submitted by the Board of Agriculture (scheduled areas) subject to the approval of the Governor in Council. The Minister in making appointments to the Board will choose people qualified by knowledge and experience of all angles and facets of the dairy industry.
- (2) Two representatives nominated by the Minister from a panel of names recommended by the Land Development Board (non-scheduled areas) subject to the approval of the Governor in Council.
- (3) Two members with wide experience of business and/or public interests appointed by the Minister in consultation with the Minister for Commerce and Industry and subject to the approval of the Governor in Council.
- (4) One person to be appointed by the Minister from a panel of names submitted by the Association of Municipalities of East Africa, subject to the approval of the Governor in Council.
- (5) A chairman appointed by the Minister subject to the approval of the Governor in Council.

In view of African interest in production from the non-scheduled areas it is the intention to appoint a suitable African as one of the representatives in (2) above. Similarly in view of the fact that milk is a major item in the diet of many Asians it is the intention that one member in (3) above shall be an Asian.

25. Government further considers that paragraphs 156, 157 and 160 of the Report, while not requiring to be given statutory force in the proposed legislation, must receive serious consideration when members of the Board are being chosen.

26. (Paragraph 163.) "In considering the relative merits of election or of nomination to the Board, the Committee were concerned that all Members should be appointed on a similar basis and, although election is more common in other countries, consider that nomination is the only practicable method in Kenya."

(Paragraph 165.) "The normal term of office of members would be three years but in the initial period in order to ensure a measure of continuity, retirement would be by rota giving periods of office of from three to six years."

Government accepts the principle of nomination but considers that the Board should report publicly to the industry. In order to achieve this, it is proposed that a conference of the delegates of registered producers together with some consumer representatives should be held each year. In addition at the end of the initial two-year period, members will retire in rotation and subsequently rotate by ballot.

27. The Government proposes to implement its views as set out above by the introduction into Legislative Council of a Bill for the purpose.

Ministry of Agriculture, Animal Husbandry  
and Water Resources.

Nairobi.