

Tapping the Dairy Industry's Potential to Create Jobs for the Youth in Kenya

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Introduction

With the bulging unemployment of youth in Kenya, where about 85% are unemployed, the Kenya Vision 2030 recognizes the dairy industry as one of the fundamental industries in generating employment activities especially for the youth. Despite argument that the agriculture sector and particularly dairy industry is not impressive for the youth, the current dynamics in the industry hold a promise of a sector that will alleviate youth unemployment challenges in Kenya. Technology and internet are opening opportunities for the industry through the new ways of processing and marketing milk and milk products. Estimates from the Food and Agriculture Organization in 2011 indicated that the dairy industry has the capability to generate about 76 jobs for every 1000 litres of milk sold in the country. This figure has supposedly not taken into consideration the recent technological developments such as the Milk Vending Machine Retail Innovation in urban areas in Kenya. The exponential growth of milk dispensing machines has stimulated business and employment opportunities for the youth and boosted the consumption share of milk especially for the low- and middle-income earners.

According to the 2015/16 Kenya Integrated Household Budget Survey (KIHBS), unpacked fresh milk constitutes one of top five food items consumed by majority of households in Kenya. On account of changing lifestyle preferences of growing the Kenyan population especially in urban areas, the demand for processed dairy products such as cheese and butter has skyrocketed. Currently, the industry is contributing to at least 4% of National GDP and

12% of agricultural GDP. Taking into cognizant the potential of the industry to propel economic growth, the Kenyan government has instituted policies and regulatory framework to support growth of the dairy industry. Among them include tax breaks, financing, and development standards to ensure provision of quality milk to Kenyans. The support is meant to bolster not only the growth of the dairy industry but also to provide a platform that can offer employment opportunities to the unemployed youth, which is growing exponentially.

However, for the dairy industry to live up to its potential of creating jobs for the youth, there is need to assess in detail the key constraints that inhibit the industries' vibrancy to create adequate jobs.

This policy brief explores the gaps holding the Kenya's dairy industry potential to creating jobs for the youths. It further highlights ways in which the constraints can be addressed to promote job creation.

Constraints Limiting Growth of the Dairy Industry for Increased Job Creation

Despite the Kenyan dairy industry being labour-intensive, there are various constrains that influence how players in the dairy value chain perform and hinder its job creation potential and growth. A value chain approach informed by analysis of the World Bank Enterprise Survey 2018 data, MSME 2016 survey data and Kenya Integrated Household Budget Survey - KIHBS 2015/16 data was used to map out key

constraints in the industry. These constraints include poor infrastructure such as roads, electricity and water, competition from informal establishments, little research and development, customs and trade regulations, limited access to finance and lack of qualified personnel, among others discussed below:

Although Kenya has a well-developed dairy industry, competition from informal establishments hawking raw un-pasteurized milk remains a challenge. Milk consumers prefer raw un-chilled milk over processed dairy products due to its low pricing and traditional preferences for un-chilled milk due to perceived better quality. Another factor contributing to this consumption trend is lack of adequate sensitization to the public on the importance of consuming processed milk and its products over raw milk. These challenges make it difficult for formal milk channels to create jobs for unemployed youth through expansion.

From the World Bank Enterprise Survey 2018, about 64% of the sampled wholesalers and retailers report competition from informal milk channels as one of the key constraints they face. Therefore, a strategy focusing on uplifting marketability of processed dairy products over raw milk is crucial. This includes specific information campaigns geared towards creating awareness on benefits associated with consuming processed milk. This is essential for increasing demand for processed dairy products. With increased consumption of processed dairy products, additional decent job opportunities in the formal milk channel can be created as a result of increased milk processing.

Poor infrastructure such as road networks, electricity and water also hinder growth of the dairy industry for job creation. The firms involved in manufacturing tasks along the dairy value chain experience a considerable losses due to power outages. These outages result to low production levels, which in turn affects the total number of persons employed in the firm. More jobs for unemployed youth can be generated if this constraint is addressed, resulting in increased productivity. In addition, poor road networks and marketing infrastructure in rural areas leads to delays in delivering milk to cooling and bulking facilities. These delays pose the risk of milk spoilage or poor quality, which does not meet processors specifications. Further, from the MSME Survey 2016, about 33% of

veterinary service providers report to experience challenges in accessing dairy farmers due to inaccessible road networks.

Another hindrance to growth of the dairy industry is inadequate research and development (R&D) carried out both in house and externally, coupled with lack of well-trained personnel by dairy value chain actors, especially those at the processing stage. Although research and development are key in ensuring that processors meet market needs and demand specifications, only a small proportion of dairy value chain actors allocate and spend funds in carrying out R&D. Investment in R&D will not only lead to creation of direct jobs in the chain but also indirect jobs for researchers, consultants, and analysts, among others. Inadequately skilled personnel in the industry is as a result of competition from other related industries and sectors that require similar skills set and offering better incomes.

Shocks such as drought, animal deaths due to lack of common knowledge on most contagious diseases, robbery coupled with poor genetic make-up of the dairy animals due to natural breeding led to low milk production and thus limit the industry's growth. From KIHBS 2015-2016 data, drought accounted for losses amounting to about 10% of total dairy produce. Therefore, a strategy aimed at increasing fodder production, preserving, and storing fodder and forage in well constructed barns for use during drought months and years is crucial. This will further create more jobs for fodder and forage farmers and farm workers. Similarly, to ensure quality produce under high hygienic standards, it is essential to offer training to dairy farmers on milk handling and storage, animal welfare, herd management and disease control to improve their farming skills and expertise.

Most actors along the dairy value chain also report lack of access to finance as a major constraint. The main driving factors for finance inaccessibility are high collateral requirements, unfavourable interest rates and disapprovals of applied loans. If unemployed youth are financially facilitated to start up their own establishments, they will be well poised to generate jobs for other unemployed youths.

Cumulatively, the constraints have led to a tremendous increase in production and processing cost of dairy products and lower the potential quantity of dairy outputs. This in turn

leads to decreased employment potential. It is therefore crucial to strengthen the dairy value chain by quickly responding to challenges, weaknesses, opportunities, and threats to ensure sustainability of job opportunities at each node of the chain. To actualize dairy industry's potential for job creation, the constraints discussed above need to be addressed.

Recommendations for Sustaining Jobs Opportunities along the Dairy Value Chain

Curbing illegal hawking of raw unprocessed milk

There is need to protect the formal milk channel, which has a huge potential for job creation at different nodes of the dairy industry value chain. This can be achieved by the Government setting up strict measures, policies and regulations with firm implementation plan to curb illegal hawking of raw unprocessed milk. A solid implementation plan is needed, involving the county governments to ensure compliance with the newly set policy that prohibits sale of unpasteurized milk. This will not only ensure safety of milk products but will also create job opportunities at milk pasteurizing stage of the chain.

Improving infrastructure

Collaborative efforts by the National government, County government and line ministries to improve access to road infrastructures in rural areas by the National Transport and Safety Authority and improving water and electricity service delivery by the concerned bodies is crucial in ensuring sustainability of the dairy industry and jobs therein.

Financing and capacity building in the industry

Allocation of funds for dairy research and development, and capacity building of the dairy value chain actors by offering training to full

time employees is essential for enhanced job creation. This will help bridge any occupational skills gap among the full-time staff. Also, offering frequent training to dairy farmers on milking and milk handling techniques is crucial to minimize post-harvest losses.

The capacity building initiatives can be undertaken by actors such as both levels of government through the State Department for Crop Development and Agricultural Research, and the Kenya Dairy Board (KDB) in collaboration with non-state actors such as Civil Society Organizations and firms with interest in the dairy sector.

To help financially constrained youth to tap into opportunities in the industry, facilitating them with low interest agricultural loans with flexible repayment terms and no collateral requirements is paramount. This can incorporate actors with innovative agri-financing products such as Digi Farm by Safaricom.

Increasing milk output

For optimum productivity, this brief proposes provision of artificial insemination services to dairy farmers, specifically small-scale farmers at a subsidized cost to ensure high quality breed that is drought resistant. Also, there is need to establish strategies for increased forage and fodder growing and storage for use during drought times. This calls for both levels of government to create an enabling environment and incentives, such as tax incentives, for private sector actors to invest in the initiatives.

High incomes and quality jobs

The private sector firms in the industry need to play a leading role in professionalizing the industry by offering high incomes and quality jobs to attract unemployed youth to the industry. This will help reduce competition from other related industries with similar skill set requirements.

ABOUT THIS POLICY BRIEF

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About KIPPRA Policy Briefs

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