

Value Addition and Performance of Informal Dairy Enterprises in Kenya: A Product Diversification Perspective

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Abstract:

The informal dairy sector in Kenya has undergone a tremendous transformation from being an illegal enterprise to its legalization and adoption of "formal" status as from 2007. Questions have been raised on whether a smallholder dominated economy can diversify and whether smallholders participate significantly in product diversification towards high value products. This empirical study sought to answer this question by investigating the extent to which small scale milk vendors (SSMVs) in the informal dairy sector diversify their product range through adding value to milk in Kiambu County, Kenya. It also aimed at comparing the performance of milk with that of value added dairy products. Cluster sampling and quota sampling were used to select a sample size 250 dairy enterprises in the county. Questionnaires were used to collect data and descriptive statistics as well as a t-test were used to analyze the data and test the hypothesis. Results of the study showed that small scale milk vendors (SSMVs) have the ability to diversify into high value dairy products which attract higher profits compared to raw fresh milk. There were more women than men engaged in SSMV business in the study group and well educated people who had not been absorbed into formal employment had joined the informal dairy sector. Product diversification into value added dairy products can therefore help to improve food security and increase incomes of SSMVs hence reduce poverty. The study adds to the available limited evidence on the contribution of the informal sector in the growth and development of developing countries.

Keywords: *Informal dairy sector, Product diversification, Small scale milk vendors, Value Addition*