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“Reconcile land system changes
with planetary health”

Investigation of governance and innovation processes in dairy cooperatives in Kenya

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Abstract

Kenya is standing out by the number and activeness of its (agricultural) cooperative societies. Despite their mediocre track record, many experts and policymakers believe in cooperatives as a promising development and innovation engines for smallholders. To explain failure of cooperatives governance challenges (e.g., elite capture, corruption), mismanagement and volatile markets are commonly cited. However, cooperatives have complex internal governance management processes and linkages with external actors. This study aims to disentangle the internal and external governance processes and related challenges of dairy cooperatives in Kenya to discuss their potential as development vehicle, ability to modernize and innovate themselves, their members and the Kenyan dairy industry. Methodically, the study employs participatory group interviews with boards of 18 cooperatives in 4 counties as well as 7 industry experts. Focus is put on 6 major governance processes (milk collection, contracting & marketing, borrowing & investing, board selection and supervision, provision of services, planning & policies). Analysis is visually aided by process diagrams and stakeholder mapping. Our findings show that cooperatives are in tight competition for members and premium marketing opportunities. Member loyalty is a key success factor which drives innovation in services provision (banking, veterinary, extension), ease and advancement of payment and digitisation of milk collection recording. Innovativeness, education and leadership of board members and managers underpinned by professional planning is key for innovation and investment, but members also value regional and gender representation and identifiability with board members. Raising of funds through issuing of shares or formal credits is not well received by members leading to underinvestment and reliance on external support. The same applies to higher overhead costs for service provision. Only some larger cooperatives have overcome the investment gap and managed to successfully venture in premium niche markets (e.g., UHT-milk). In conclusion, we see potential in cooperative development, but the complexity of management processes needs to be better understood and narrow focussed interventions on innovation and service platforms will unlikely succeed. Emerging initiatives by the county government to form dairy unions and county dairy industry platforms are promising if they are owned by the societies themselves.

Keywords: Cooperatives, dairy policy, governance, innovation processes

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