



THE MARKET

The New Kenya Co-operative Creameries Ltd (New KCC) is the largest dairy company in Africa and the oldest in East and Central Africa, having been founded in 1925 by European farmers.

The company sells fresh milk products (Gold Crown and KCC fresh milk), long life milk products (UHT and KCC Shake), fermented milk (Mala, flavoured Mala and Yoghurt Delite), powder milk (Safariland), Whey drink (Shakalaka), butter (Finest Creamery Butter), Cheese (rindless cheddar, tavern, gouda and processed cheddar) and ghee (New KCC Superfine Ghee).

New KCC products are used by the whole family for meals, snacks and calcium-filled drinks. The products range is targeted at market segments across the board, from the upper and middle to the lower income markets. The fresh products target a cross-section of consumers through various pack designs and sizes.

The major domestic customers of New KCC include kiosks, large institutions (Government institutions, schools, hospitals and large hotels), supermarkets and industrial and manufacturing organisations. New KCC has also developed export channels for its products especially in the East African Community (EAC) and Common Market for Eastern and Southern Africa (COMESA).

New KCC's annual turnover for the last complete financial year ended June 2006 was KSh 4,905,174,359 (70 million US dollars). Its

corporate volume share stands at 34.5 percent as verified by Shoreward East Africa in July 2007. This figure combines all the brands the company produces and sells to various markets in the country.

For 50 years, New KCC was the only dairy in Kenya. However, since the liberalisation of the



ACHIEVEMENTS

The company achieved several "best" awards during the 2006 East Africa Cheese Festival Championships. Other awards include the Best Large Manufacturers' Stand at the Agricultural Society of Kenya (ASK) shows in Nanyuki, Eldoret and Nairobi in 2006 and 2007.

New KCC is expecting Hazard Analysis and Critical Control Point/Food Safety Management System ISO 22000 HACCP certification shortly.

The company is the first and only dairy firm that manufactures powdered milk in East Africa. It is also the first in the region to pack its milk in Tetra packs, and the first dairy in the region to introduce a whey drink.

HISTORY

The dairy industry in Kenya was started with the Kipkelion Creamery, which was built in 1908 by a white settler called Mr. Watts.

KCC was incorporated in August 22, 1925 and the first Kenya Co-operative Creamery was opened in Naivasha on April 12, 1926.

1927 saw good progress being made on a plan to start a creamery near Nanyuki. The original building was a grass banda (shelter) with two old hand churns. By 1929, the supply of butterfat exceeded 150,000 pounds and the creamery was upgraded to a more modern facility.

The economic situation during the great depression made it imperative to merge Kenya



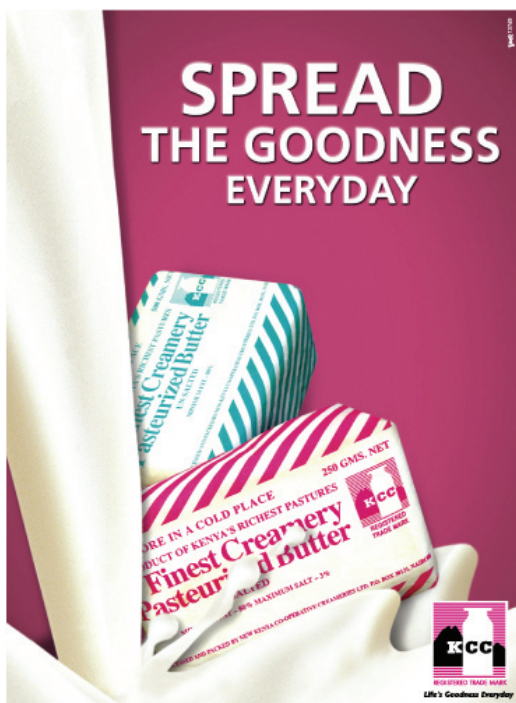
diary sector in 1992, the Kenyan milk-processing scene has become very spirited with over 33 players competing for market share. Packaging materials for fresh milk have changed over the years as milk became a daily commodity and customers expected lower prices.

Consumers have become more knowledgeable about their requirements and now dictate delivery timings, product sizes and packaging types.

New KCC believes there is still enormous demand for milk and milk products that is yet to be tapped, as "milk hawking" is still rampant - meaning that the 33 processors have not been able to take up all milk produced by the over 600,000 dairy farmers countrywide.

This offers an opportunity to encourage farmers to sell their milk to New KCC and enable the company to double its turnover in the medium term as it targets customers more effectively and introduces new products into the market. New KCC is looking to grow its market share to 50 percent in the long term.





company also promotes its products through sponsorships of events and TV programmes, and will run stand-alone advertisements on TV in the near future. New KCC participates in all 13 Agricultural Show of Kenya (ASK) events every year and organises several in-store promotions in major supermarkets around the country.

New KCC's tag line is "Life's Goodness Everyday". The current New KCC corporate banners show a modern, rejuvenated company that still has the old touch. The company re-launched KCC fresh milk and gave it a more powerful tag line "As Good As Nature's Best". A promotion was held in all major supermarkets to refresh the KCC fresh milk brand in consumers' minds and to encourage more usage. This had a positive response and high sales were recorded during the period.

Co-operative Creamery Limited, Nanyuki and Kipkelion Creameries. On 8 February 1932, the Kenya Co-operative Creamery became the first company to be registered under the Co-operative Societies Ordinance 1931. The Thompson Falls Creamery was opened in 1934 and the Eldoret Creamery in 1935. From 1935 onwards, the Kenya Co-operative Creamery began taking over the liquid milk market in the main cities and towns in Kenya.

Starting with only 51 members in 1927, membership figures had risen to 1,028 by 1945. During the same year, the directors decided to change the name of the company from the Kenya Co-operative Creamery Limited to Kenya Co-operative Creameries Limited, a change to the plural that might well have been made at the time of the merger.

In 1956, Kenya was one of the first countries to start packing in Tetra Pak, a revolutionary method of packing milk and cream then. Towards the time of Kenyan independence when the colonial era was coming to an end, KCC got its first two African directors: Mr. DN Kuguru and Mr W Arap Chirchir.

By 1964, KCC had acquired four more subsidiary companies, including Uganda Creameries Limited, Milk Products Company Limited and Lyons Ice Cream Limited as an associated company. By 1965 nearly 40 percent of the supplies were sourced from small scale African Farmers. KCC's first African Chairman was Mr DN Kuguru, elected in 1965.

The School Milk Program was introduced in May 1979, providing much-needed nutrients to school children. It was the first program of its kind in Africa, and continued until 1992.

There were dark days for KCC from 1998 to 2003 as insolvency loomed, but the company was able to bounce back through government intervention and was made a state corporation in June 2005.

Now a massive concern, New KCC has

creameries in Naivasha, Nyahururu, Eldoret, Nakuru, Kitale, Nairobi, Kiganjo, Sotik, and Miritini; cooling and collection centres in: Kapsabet, Lessos, Ainabkoi, Iten, Githumu, Kengema, Nanyuki, Runyenjes, and Molo. It also has sales depots in Nairobi, Mombasa, Nakuru, Kisumu, Nanyuki, Eldoret and Sotik.

THE PRODUCT

In keeping with New KCC's vision to be the preferred dairy of international standing, providing high quality products, New KCC's focus has always been on quality. Consumers have become more health conscious and more educated about what they consume, which has led to the introduction of low fat and standard milk variants.

New KCC strives to make its brands more attractive through packaging designs and convenience. It has various small stock keeping units (SKUs) for each brand to give consumers a choice to suit each pocket.

The company's distribution system ensures that its products are available in small shops all over the country. New KCC milk products are packaged in Tetra Classic, Tetra Rex, Tetra Brik Aseptic, Tetra Classic Aseptic, Tetra Fino Aseptic, pouch and bottles, offering a wide variety of safe, healthy choice.

RECENT DEVELOPMENTS

Through creativity and innovation, New KCC was able to make use of the cheese by-product whey. It is a natural and rich source of protein and was for many years discarded during the cheese-making process. The New KCC whey brand Shakalaka comes in Exotic mix, Mango and Orange flavours, packed in a 250ml Tetra Brik Aseptic pack and sterilised to last up to eight months.

The company recently reopened the Maritini factory located at the Coat province, and plans are underway to reopen the Eldoret Sosiani powder factory.

PROMOTION

New KCC promotes its various products and activities using radio and print media. The



THINGS YOU DIDN'T KNOW ABOUT KCC

- New KCC is the oldest dairy company in East and Central Africa, established in 1925
- Gold Crown milk was the first fresh milk brand to be packaged in Tetra Rex
- KCC Fresh was the first fresh milk brand to be packed in Tetra Classic
- New KCC is the biggest dairy company in East and Central Africa
- New KCC has participated in all ASK shows countrywide
- KCC butter is world class butter
- Shakalaka is the first and only whey drink to be produced in Kenya and East Africa
- KCC had the first school milk program in Africa