Expanding Agricultural Competitiveness, Market Access and Food Security: Research Findings and Policy Options

Summary of Day 1 Deliberations

Mary K. Mathenge
Tegemeo Institute
Agricultural Competitiveness

Widening deficit in key food staples – maize, wheat, rice

Maize

- Maize marketing is highly concentrated
  - Only 2% of maize farmers account for 50% of marketed volumes
  - Most smallholders lack land and other productive resources to enable generation of a marketable surplus

- Storage facilities are lacking in local maize producing areas – food security implications
  - Need for innovative storage systems that are affordable and reduce associated risks (e.g. warehousing, grain banking etc.)
Ag Competitiveness cont

► Need to enforce maize grades and standards to improve on quality

► Need for stabilizing maize prices
  ▪ Transparent conditions for triggering changes in import tariff

► Investment in improving transport infrastructure (rural feeder roads and railway)
Ag Competitiveness cont

*Wheat*
- High cost of production
  - High input costs – fertilizer, chemicals, fuel
- Multiple taxation and high cess charges
  - Need for harmonization
- At 10% import duty, only efficient and average wheat producers (accounting for 70% of domestic production) are competitive
  - Inefficient (SSF) may exit out of production

*Rice*
- High cost of producing and milling rice
  - Labour, fertilizers, chemicals, electricity and fuel
- Poor irrigation infrastructure & water rationing
- At 35% import duty, only efficient producers are competitive
Ag Competitiveness cont

*Dairy*

► Small scale dairying is economically attractive
► Positive trend in milk productivity
► Vertical integration in dairying (e.g. Githunguri model) found to be performing well
► Nevertheless, various challenges exist in the industry
  ▪ Seasonality in production - reduced exports and loss of export market; need for investment in strategic milk reserve & processing of long life products
  ▪ High cost of electricity/fuel in processing
  ▪ High initial investment/capital in processing
  ▪ Infrastructure bottlenecks – need for improvement
  ▪ High cost of feed
Access to Markets

► Access conditions (distances to markets and services) have generally improved over the 1997-2007 period

  ▪ Improved access to markets

► Does this translate into participation in markets by the vulnerable? Not necessarily so as these are faced by other constraints

  ▪ The poor have insufficient access to productive assets (e.g. land), to financing (credit) and improved production technologies (fertilizer, seed)

  ▪ inability to produce marketable surplus to take advantage of the improved access

  ▪ Lack of information (e.g. cell phone use)
Access to Market

- Markets concentrated in the hands of a few households

- Market orientation exhibit positive relationship with exiting poverty
  - Role of access to productive assets, which improves a household’s capacity to produce marketable surplus

- Efforts to improve production and productivity need to be considered alongside measures aimed at reducing transaction costs that hinder access to markets by the poor

- Integrating the poor in commodity markets may be facilitated by diversification into higher value commodities (e.g. vegetables, fruits, dairy)

  - Maize is likely to continue being largely for home consumption among the smallholder households
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Urban Food Security

► Poor households spend a relatively higher % of their income on food

► Poor spend more of their food budget on staples

► Among the staples, poorer households mainly consume maize products but non-poorer households consume more of Irish/Sweet potatoes, cooking bananas and wheat products

► Proportion of food budget spent on pulses is very low for both non-poor and poor households

► 20% of urban households are classified ultra poor (<1600kcal), with over 71% of them falling in the lowest quintiles
Urban food security cont

► These hhs (low quintile) need some form of protection against food insecurity

► Cash transfer (by the Govt. in 2009) to the poor was adequate for all except the ultra hungry in the lowest quintile

► Households primarily depend markets for their food needs
  ► Own production and gifts insignificant

► Stabilizing retail food prices is important for strengthening food security for urban households, especially among the poor
Poverty

- Pathways out of poverty
  - Remaining healthy
  - More land
  - Producing high value crops - tea, coffee, export crops
  - Keeping livestock (especially dairy)
  - Smaller membership, more education, remittance
  - Intergeneration wealth transfer
Poverty cont

► Factors associated with decent into poverty

- Shocks (death, chronic illness)
- Polygamy
- Less education
- Smaller land sizes/ loss of land and assets
Issues

► Land fragmentation

► Empowerment for the Ultra poor – income generating activities
  ▪ Sustainability

► Improving ownership and access to productive resources for the poor
  ▪ Participating in markets
  ▪ Exit out of poverty

► Inefficient/SSF
  ▪ Exit out of specific production without CA ??
Programme

Day 2
► Views from the experts/stakeholders on the ground
  ▪ Presentations
  ▪ Panel Discussion

► Public sector, private sectors, farmer organizations, development agencies, regional organizations, KARI, etc
► Brief on their activities
► Opportunities that would hold promise in expanding agricultural competitiveness, market access and food security in Kenya and the region
Thank You