



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

Summary of Day 1 Deliberations

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# 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 descent 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

