Performance of Kenya’s Agriculture: A Macro-Economic Perspective

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Outline

- Context
- Sectors of Kenya’s economy
- Role of Agriculture in Kenya’s economy
- Performance of Agricultural Sector
- Drivers of Agricultural Sector Performance
- Trends in production and productivity
- Challenges
- Opportunities
- Possible strategies and Way Forward.
 CONTEXT: KENYA’S AG LAND POTENTIAL

Arid lands 70% of Land mass; semiarid 19%

**Land surface:**
- Arid lands: 70%
- Semiarid: 19%
- High potential: 11%

**The population:**
- The arid lands: 12%
- The semi-arid: 26%
- High potential areas: 62%
• Services sector is the largest and has been growing by 19.98% annually since independence
• Agriculture is the second largest sector but has been declining steadily at -21.41% p.a.
• Industry sector is the least; it has been growing sluggishly at 1.43% p.a.
Role of Agriculture in Kenya’s Economy

- Agriculture plays a vital role in employment, food security & earning foreign exchange, among others

WorldBank data (2016)

FAO Hunger Map (2014-16)
Performance of Agriculture

(a) Growth of GDP vs Agricultural Sector

- There’s a high correlation between Kenya’s economic growth rate and growth rate of agriculture sector

WorldBank data (2016)
Drivers of Agricultural Sector Performance

- Biophysical Environment
  - Genetics
  - Diseases & pests

- Institutional Environment
  - Policies
  - Laws

- Economic Environment
  - Markets
  - Macro-environment

- Social Environment
  - Community
  - Farmer

SUPRA-ENVIRONMENT
Crop & livestock production has been increasing steadily since independence.

WorldBank data (2016)
- TFP has been sluggish at best averaging a mere 0.13% p.a.

Omiti & Irungu (2013)
Challenges

• Challenges abound!

✓ Weak infrastructure, institutions, Inadequate Incentives, Fragmented Markets, Inadequate Investment in R&D and Public Extension Services, Coordination Failure

Inadequate investment in the key resource it has in plenty: its people

✓ Unclear Strategies to exploit opportunities that globalization presents
Evidence of low investment in Ag

Benchmarking achievement of 10% CAADP target

- Allocation is slightly below 5%

IMF (2012)
The Challenges Cont.

• Access and property Rights to land, water and other productive resources – Resource Conflicts
• Linking smallholder farmers to domestic and global markets-High Transaction costs in input/output markets
• Lack of timely data/ information for action
• Low or lack of investment in Agriculture for pro-poor and equitable growth
• Climate Change
Production Related Challenges

- Land tenure insecurity
- Unexploited irrigation Opportunities
- Low Input Use (Eg. Average fertilizer use 8kg/acre for SSA cf 100 kg/acre for DCs)
- Under Utilization of the Prevailing Farm Resources
- Unsustainable Natural Resource Management
- Poor Physical Infrastructure
- Post Harvest Management – Up to 40% losses
Markets and Institutional Related Challenges

- Weak institutions to enforce contracts and other transactions
- Weak Research and Extension Capacity
- Poor Access to Financial Services
- Marketing and Distribution Systems
- Poor Access to International Markets
Opportunities

- Globalization
- Devolution to Counties
- Public-Private –Civil Society/Foundation Partnerships
- Good will of Development Partners
- Remittances from Citizens
- Some improvements in Democratization, Constitutional making and Judiciary (although reversals exist
Possible strategies 1

• Invest in Rural Infrastructure (roads, irrigation, market centres, energy, information) (enabling environment)

• Promote long-term farm-level group-based value addition on traditional staples e.g., cassava, sweet potatoes, sorghum and dairy products

• Map and document quarterly [or seasonal] production and consumption requirements at village levels

• Develop institutional mechanisms for food inventory management [could entail government silos, farmer-group warehouses or private commercial storage systems]

• Remove artificial barriers to cross-border food trade
Possible strategies 2

- Harness emerging technologies on food supplementation e.g., biofortification to consolidate most nutrients in single food packages to increase affordability
- Manage climate-change induced yield variability through change of crop varieties over seasons
- Strategic production timing to avoid gluts, shortages and price volatility
- Promote direct participation of farmers in markets rather than through intermediaries (collective action)
- Manage food contamination and other forms of post harvest losses
- Scale-up/Replicate good practices/strategies
The Answer to the How Question still elusive

• We may know why the problems persist and prescribe solutions- Witness Kenya’s 2030 Vision Doc

• But how to implement the policy prescriptions remains problematic!

• Needs Buy-in by ALL Actors/Stakeholders: but How to achieve this?

• Begs for focused Research and analysis

• This Policy Modeling Workshop could open the Door for Solutions/Way Forward?
The Vision reflecting a food secure and prosperous Kenya
Thank you