

# MAIZE, THE TROUBLED SUBSECTOR: IS OUR PATH WORTHWHILE?

By Booker Owuor

Maize as the staple food of Kenya is troubled both at production and marketing levels. The country has and is still experiencing rain failure that started with the onset of planting and extended right to harvesting. Kenya has gone through three consecutive crop failure seasons and, coupled with the post poll violence of early last year, the country is bracing for yet another dire food inadequacy which will see more than 10 million people in need of food aid.

The Government of Kenya has been struggling to get its people out of the perennial food shortages and has put in place different measures to ensure that Kenya gradually leaps out of this problem. Against this background, and following an earlier analysis titled [“High food and commodity prices – who gets the money?”](#), the Heinrich Böll Foundation commissioned this follow-up research study (conducted between the 24<sup>th</sup> August and late September 2009) to

- delve into some of these mitigation measures (duty waivers and other subsidies) the government has put in place to alleviate hunger and evaluate their effectiveness,
- analyse the irrigation for food production element in the recently announced National Economic Stimulus Programme, and
- make reform proposals for the cereals subsector, especially the National Cereals Produce Board (NCPB).

## The Current Situation

The government, from March 2009, waived the import duty on maize to boost local availability and lower the commodity price. In terms of availability, the government waiver has scored, but in terms of lowering the commodity price, the government is yet to make an impact with its duty waiver. In places where harvesting has already occurred (Aldai, Bomet, Kilgoris, Nyanza and parts of Western province) or is on-going (parts of Western Province), the price of maize is generally lower than what it used to be in the near past. Regions which are yet to harvest (Trans Nzoia and the larger Uasin Gishu) are still suffering from the high maize prices of between Kshs. 75.00 to Kshs. 90.00 per a 2 kg tin. The expected national production, with 15 or less million bags, is about 50% below the requirements. This situation will ensure that the price per 90 kg bag will stagnate at between Kshs. 2,300.00 – Kshs. 2,400.00 for a while and may even take an upward trend, depending on how government/private sector imports the commodity.

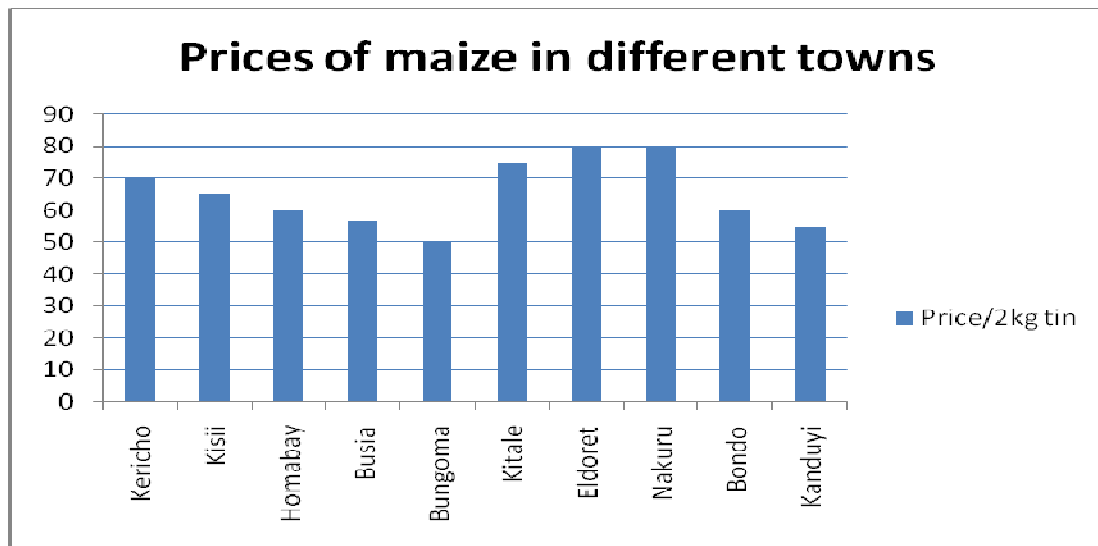
Different agricultural stakeholders – farmers, agro-vets, Ministry of Agriculture officials, NGOs and village opinion leaders – have cited the following reasons as the causes of current high prices:

**High costs of farm inputs:** The argument is that in as much as the government subsidised production, both seeds and fertilizers were not enough and more often than not were supplied too late, i.e. after the farmers planted. This means that most farmers did not get the subsidised input; and some of those who were privileged to get it, got it too late after they've used their money to buy the un-subsidised ones. Farmers who got the inputs in time have since increased their producer prices to match those who did not use the subsidized inputs.

**Serious crop failure:** The country has experienced another near total crop failure. Considering that these failures have been consecutive for the last three seasons, the prices will definitely stay high or even move much higher.

**Duty waiver:** Prices of maize in the country do not really reflect any relief to many people. Many would have imagined reduction in prices of maize, based on the tax reprieve the government extended to importers of the staple. Many consumers hold it that this is just a ploy for those in better positions (i.e., politicians) “to eat”, while there is no mechanism in place to check these importers to reflect what the government have given them to give to its people. “*The core aim of the private business person is to make and maximise profits and that’s what is happening, while the government consoles itself that they’ve waived duty on imports*”, says Mr Tom Nyagechanga, of the Kenya Federation of Agricultural Producers (KENFAP), Trans Nzoia District. It is commonly known that the duty waiver alone could not bring down the maize price substantially, while other cost drivers were also in play, such as fuel and subsequent transport costs. Kenyans may be quick in raising the finger at the government for high prices. But what is needed is a mechanism to check whether the waiver is commensurately reflected in the prices of this cereal, when it reaches the village or town for final consumption.

**Figure 1: Maize prices in different towns, as at 28<sup>th</sup> August 2009.**



Source: Author’s compilation.

It is evident that maize prices are still unaffordable to both rural and urban poor, considering that their expenditures have been stretched for a long time by the high basic commodity prices like the staple maize meal. Usually, during and immediately after harvesting, and in an average production year, 29 million or more bags of maize sell at an average of Kshs. 30.00 for a 2 kg tin. What is being observed now is the low of Kshs. 50.00 for the same amount meaning that the after harvest season has already started with prevailing prices above the normal rates and the future promises even much higher prices should the imports dwindle or delay. Hard hit families have applied different strategies to cope with the high commodity prices:

- Some farmers have leased out their land and in return have been employed in their own farms as casual labourers. Such cases are reported to be rampant in Narok.
- Number and size of meals have been reduced to prolong the little food available.
- Seed stock has been consumed leaving the families with nothing to plant come the next planting season.
- Children have dropped out of school due to either lack of fees or – in case of primary schools – the lack of strength to concentrate and consequently help the parents/guardians in searching for food.

### **Green Maize Sales: Legislation Demanded**

Despite the country bracing for tougher times ahead because of serious crop failure, rampant sale of green maize is witnessed all over the country, where harvesting is on-going. Green maize is taken as a snack through either roasting or boiling. It therefore does not count as real food to the majority of Kenyans. From Aldai, the green maize business was transferred to South Rift areas of Bomet and Transmara, and now to Transzoia, where the green maize business is currently booming. Some roadsides are littered with men and women roasting maize; their customers come in good numbers buying either half or full roasted cobs, munching as they walk about. Green maize is sold at a farm gate price of between Kshs 6 to 10, depending on size. These businessmen and women come in and do the harvesting themselves, relieving the farmer from other costs like harvesting, staking, shelling, storing etc. Escaping these costs, while selling the commodity at farm gate price mentioned above, makes green maize business very lucrative to the farmer. According to KENFAP, in Transzoia District, at least 1,000 bags of green maize are sold per week. These figures point to an even much darker future, because even the little the country has attained is being sold in a manner that does not help alleviate food insecurity. These same people selling roasted maize have been accused of stealing maize cobs from farmer's farms, especially on Sundays when farm owners are reportedly in church. All stakeholders unanimously want government to provide stringent legislation measures to curb this vice. "Government must move in in haste and ban the sale of green maize and the roasting of the same to stem down the already worse situation the country is in, in-terms of food security", says Mr John Onyancha, a maize farmer in Cherangany.

### **Why haven't farmers embraced Diversification?**

Over time, maize has become the indisputable Kenyan staple food that even those regions which used to have a diversified menu have slowly adapted maize flour as the only real acceptable food. Central Province has somehow moved away from Irish potatoes to maize, while the North Nyanza and Kisii regions have swayed from bananas to maize and Teso from cassava to maize. This is largely replicated in other communities and regions in the country. The Kenyan farmer knows maize as the crop to plant and fight hunger with. The Ministry of Agriculture has nevertheless been calling for diversification especially through the orphaned crops programme, but not much has been achieved. The following are some of the reasons farmers gave for not diversifying into crops other than maize:

- Maize has become our traditional crop. We inherited it from our forefathers and it has become part of our culture.
- Compared to other food crops, maize is sweet and taken as food of class.
- It's a staple food, anything else is regarded as a snack.

- Records are not kept and no farmer understands whether he/she is making profit or not. This would have helped them know whether their maize farming is profitable or not.
- Every person, plus the government gives maize a first priority. They've never heard the government import sorghum or millet. Neither have they heard of loans tailored for orphaned crops.
- The market for maize is very huge and more developed than for any other cereal in the country.

Some stakeholders feel that the government has not done enough to sensitize farmers on the gains of diversification. "Since the sharp decline of agricultural extension services due to lack of enthusiasm, prolonged unemployment by the Ministry of Agriculture and the change from supply to demand driven approach, most farmers are left to fend for themselves and there is conspicuous departure of research from extension", says a farm input dealer in Kitale. Most smallholder farmers, which of course form the larger percentage of our agricultural production, do not keep records. Without these records they are unable to understand the merits and demerits of diversification. Extension officers should further be trained on farm records so that they can impart the same to the farmers. With this tool, farmers will be able to see the benefits of diversification and consequently adopt it. It is a known business norm that whenever you keep records on what you do, you'll be able to know what's profitable and what's not; and in the case of agriculture the farmer is able to see more benefits in diversifying his production than just small or medium scale specialization. In the short and medium term, diversification will help to boost food security and to address shrinking agricultural land. And as the economy develops, as cities grow and as barriers to local, regional and international markets are curtailed, those farmers who can will specialize more than diversify.

### What are the Real Costs of Maize Production in Kenya?

Kenya, it has been argued, has the highest cost of production in the region, compared to Uganda and Tanzania. While Kenya has a high rate of fertilizer usage, compared to what is common in the region, its output is not very much commensurate with the input. The following table details what an inefficient, average and efficient farmer undergoes to produce maize in an acre.

**Figure 2: Costs of maize production per acre**

<b>MAIZE PRODUCTION BUDGET SUMMARY , 2009</b>			
	<b>Producer category</b>		
	<b>Inefficient</b>	<b>Average</b>	<b>Efficient</b>
<b>Maize Yields (bags)</b>	<b>10</b>	<b>15</b>	<b>20</b>
Activity:			
Land preparation	4,200	4,200	4,200
Hybrid Seed	1,200	1,150	1,150
Planting	780	800	800
Planting Fertilizer	-	2,350	4,000
Weeding	1,600	1,600	1,600
Top dressing Fertilizer	1,650	2,200	3,180
T/Dressing Labour	150	200	400

Fertilizer transport	-	100	100
Stooking	420	800	600
Dehusking	400	600	540
Transport to store	400	600	720
Sheller hire	280	600	720
Shelling labour	180	375	450
Drying	280	360	432
Transport to mkt	-	1,500	1,800
Land hire	5,000	5,000	5,000
Gunny bags	300	450	540
Cost per acre (Without Land Rent)	11,840	17,885	21,232
Cost per acre (With Land Rent)	16,840	22,885	26,232
Cost per bag (Without Land Rent)	1,184	1,192	1,062
Cost per bag (With Land Rent)	1,684	1,526	1,312
Mark-up	0.30	0.30	0.30
Cost plus Mark-up (Without Land Rent)	1,539	1,550	1,380
Cost plus Mark-up (With Land Rent)	2,189	1,983	1,705

Source: Tegemeo Institute.

It is evident from this table that the main cost drivers in maize production are land preparation, inputs like fertilizer, land hire and fuel. In land preparation, there is an element of fuel i.e. diesel or petrol and a bit of labour. In order to subsidise production and bring down the cost of producing maize in this country, the government must ensure that the costs of fertilizer is heavily subsidised and that the local fertilizer industry is supported to further ensure availability and sustainable development. The government will also be required to keep a close check on fuel prices and ensure that oil companies do not increase their rates arbitrarily and without the prior dictate of international prices.

Having analysed the cost drivers in our production systems, it is important to scrutinize how we fair in costs per unit. From the table, the inefficient farmer accrues Kshs. 1,684 to produce one bag of maize and the amount decreases to Kshs. 1,312 for the efficient farmer. The bottom-line here is that the more a farmer invests in inputs / proper crop husbandry, the more the returns are. South Africa applies more than twice the fertilizer an efficient farmer applies in Kenya and is therefore able to produce more than 55 bags of maize per acre. If an efficient farmer in Kenya produces 20 bags an acre at a cost of Kshs 1,312 per bag, how much will it cost him to produce 55 bags an acre? The arithmetic per bag therefore continues to go down, as a farmer becomes more and more efficient. This explains why South African maize, having absorbed all the costs of transport to Mombasa port, can still compete effectively with Kenyan maize. Our production per unit is much lower than any other in the region, and that explains why our maize fairs badly in the regional market. However, it is important to note that the South African maize fairs competitively only in some selected and logistically well positioned towns adjacent to the port of Mombasa. At the time of this study, a bag of maize docks in Mombasa at Kshs. 2,000 (according to the agribusiness department of the Ministry of Agriculture) or less. It

absorbs about Kshs. 300 to be transported to Nairobi. All the towns positioned along Mombasa - Nairobi highway enjoys better imported maize prices, to the detriment of locally grown or sourced counterparts. Mr Karin, of the Tegemeo Institute of Agricultural Policy and Development, says that imported maize from South Africa sells cheaper in Mombasa all the way to Nairobi. Nairobi is currently consuming imported maize going at Kshs. 2,300 – 2,400. The same maize becomes a bit more expensive once it leaves Nairobi to Nakuru. Larger parts of Rift Valley, Western and Nyanza provinces are currently served with the harvest from Transzoia and Bungoma Districts. Currently maize from Transzoia and Bungoma is going at Kshs. 2,000 and 1,800 per bag, respectively.

In conclusion, therefore, imported maize is cheaper than local one in some regions of Kenya, and more expensive in others. Transport costs are the main cost driver, and the further away a region is from the port of Mombasa, the more expensive is the commodity. But the good force from the far end is the fact that the farmers are harvesting and offering good cushion effects to the prices which would otherwise have been too expensive for the ordinary Kenyan.

### **How Effective Have Government Subsidies Been?**

Following the crop failures of 2007-08, largely due to post poll violence and high costs of farm inputs, the government introduced subsidies aimed at increasing production and productivity of our crops, mainly maize. Various inputs were subsidized and distributed through the NCPB. Many farmers who lamented over the rising costs of production in terms of fertilizers, seeds, mechanisation and post harvest handling had a reason to smile when the news of government subsidies reached their localities. However, their smiles were to be short-lived as the subsidies were met with a number of serious hiccups. Bearing in mind that the government programmes were re-active, the possibilities of hurdles could be foreseen, while some could have been prevented with a proper dialogue with stakeholders both on the ground and in the Ministry of Agriculture headquarters. Some were beyond human scope. Issues surrounding the subsidies are:

- Fertilizers were distributed in the entire republic, and there was no taking into consideration which type of soil or region needs which type or combination of fertilizers. In other words there was no requisite soil testing to determine the suitability of subsidised seeds and fertilizers. In the end, we had crops growing and tussling at different levels in the same farm making it very hard to administer proper and rightly crop husbandry.
- There was no involvement of the private sector in distributing these subsidised inputs. Leaving everything in the hands of NCPB was to become the reason why most farmers received these inputs after the planting season had elapsed. There is need for the government to use the readily available infrastructure in delivering subsidised farm inputs. Agro-vets are well spread across the nation but the government choose to ignore this elaborate and well distributed infrastructure. The NCPB was made a one stop shop for the farmer; the implication was that the usual agro-vet was thrown out of the business. Only those who were fed up with long and bureaucratic procedures at the NCPB would go to the local agro-vets to purchase the inputs.
- There was a public outcry that some of the fertilizers were going in to the wrong hands. Able farmers were seen driving to the NCPB stores and collecting quite a number of bags of the subsidised inputs. While the NCPB held it that the fertilizer should be targeting poor farmers, Ministry of Agriculture employees at the district level maintained that the fertilizer is meant

for anyone with land and who is willing to cultivate and contribute to the country's food security. That the government was out to increase production and productivity, irrespective of who is doing it, undermined the productivity of the smallholder farmers who actually provide 80% of the country's production. Leaving the majority of poor and small scale farmers at the mercy of the mighty, support for a few large scale and well connected farmers would mean that the larger percentage of smallholder farmers and indeed the general public would have to depend on the few. In such a situation arises, the prices of commodity in question automatically goes up.

- The government provided tractors for land preparation. These tractors were to be hired out at subsidised rates. 98 of these tractors were allocated to Transnzoia where farmers say they had not seen any benefits from this subsidy. A commercial day to day tractor was hiring in the district at Kshs. 1,700 while the government's subsidised tractor went at Kshs. 1,600 an acre. The hassles of getting the government tractor did not warrant the Kshs. 100 subsidy and therefore farmers did not find the government's Agricultural Development Corporation (ADC), tractor subsidy programme effective or helpful in any sense.

But with all these aforementioned stumbling blocks, the government managed to have an impact in terms of productivity. Had the republic received normal to better rains, food insecurity issues would have taken a back seat for some time to come. Farmers had come out in good numbers, and the acreage under maize this time had increased by 28%, meaning that had everything gone well and moisture been available, the country would have realized a very good crop.

### **The National Economic Stimulus Project on Irrigated Food Production: Too Little, Too Late?**

In June 2009, the government launched the "National Economic Stimulus Programme" (ESP) with the theme "Overcoming today's challenges for a better Kenya tomorrow". The ESP commenced its implementation on July 1<sup>st</sup> 2009, with an expected completion date of 31<sup>st</sup> December, 2009, and will cost an estimated Kshs. 22 billion. The programme will focus on education, information and communication, public health and sanitation, fisheries development, local government, industrialization and agriculture.

On 16<sup>th</sup> August, the government launched the "National Economic Stimulus Project on Food Production under Irrigation for Kenya" component, with direct specific objectives of:

- developing irrigation infrastructure,
- increasing the area under irrigation,
- producing more food, and
- creating employment for our youths.

The project will encompass 14,600 acres for maize production under irrigation, to produce 365,000 bags of maize, and another 21,000 acres to yield an estimated 628,500 bags of rice per season. The first crop is expected by January / February next year.

Agricultural stakeholders spread over the country have shown mixed reaction towards the government's intentions to expand irrigation. While some believe that things will be different this time round, others feel that all these efforts will bear very little success. Mr Mageto, a farmer from Kisii, faults the government right from the day it launched the economic stimulus package and asks: "How many times do an average or below average Kenyan family eat rice in a week? None, once or

twice at the most”, he answers himself. “Why is the government intending to produce rice through irrigation, twice the amount of bags it will be producing for maize? This clearly shows that the government has its priorities upside down. Rice is largely consumed by urban dwellers, particularly the coastal regions, and besides it sells more expensively than maize. What this country needs is maize, other types of foodstuff are rather secondary and the more we delve narrowly, the more we are moving towards the cliff”, he adds. Mr Mageto is an ordinary Kenyan who believes that maize flour is the only real food. He is the kind of person the government needs to educate on benefits of diversifying production as well as consumption.

According to Mr Waiyaki, a policy analyst from the Kenya Institute for Public Policy Research and Analysis (KIPPRA), rice consumption is on the increase; statistics point at a 12% increase per annum, as against 4% for maize. This means that, in the next 20 years or so, we may be talking more on rice policies than maize, he added. “We have failed to conserve the environment, now water for drinking and home use is being rationed, our electricity supply is dwindling and crippling the economy because our dams have dried up due to wanton destruction of environment. What is there to convince us that these irrigation schemes will be different from those started before and after independence?”, asks Mr David Were, a retired irrigation officer from Rongo. He feels that irrigated agriculture is the way out. But he is a bit sceptical about management of such schemes, saying that if corruption in the system remains unchecked, it will render fruitless the whole noble effort. “Those that were left to manage these schemes wrestled with them until they went down. Irrigation will be a good move from the government, as climate change has already caught us pants down. Mismanagement, corruption and political interferences were the major cause of earlier irrigation schemes’ downfall. These vices are still at large in the present system, and its our major concern and fear that it will be same script, different players”, says Mr Joseph Wasike, a farmer in Nambale.

80% of Kenya’s agricultural production is in the hands of small-scale farming households, and 52% of the rural population still lives below the national poverty line. Therefore the sector is the channel to reduce rural poverty and to achieve food security in the country. There is need for the government to roll out an irrigation system that will incorporate smallholder agriculture. “Medium and large commercial agriculture contributes to only 20% of the total agricultural produce and this is largely in the non food items such as tea, coffee and flower exports. The need to provide water to the smallholder farmer and to crown it with reforms in the land policies to check on further land fragmentation et. al. cannot be over-emphasized”, says Mrs Nabiswa, a teacher and smallholder farmer in Saboti.

Others are very optimistic that the government is geared towards solving long term food problems and therefore should be given all the support. What they suggest is that the government should dialogue widely with a larger percentage of stakeholders, in order to know who will do what and at which stage. They feel that, as at now, there is no sense of ownership: Whose maize will it be at the end of production? Who will do marketing and where is the storage facilities if and when these irrigation schemes will have produced more than the NCPB stores can handle? “There are serious underlying issues that the government needs to address, and once these are looked in to, there should be no hiccups and we can start boasting of food in our granaries”, says Mr Justus Kosgey, a farmer from Eldoret North District.

## **Lessons Learnt**

It is important to note that subsidies alone are not enough to transform Kenya from a net importer of food to a food-secure nation. It goes beyond subsidized inputs and calls for a shift from rain-fed dependent agriculture to an irrigated one.

It has been argued that setting up a capital-intensive irrigation infrastructure to irrigate maize would not be economical, as the staple has a very slim profit margin; bringing in another cost would make the whole enterprise economically unviable. However, analysts from the irrigation department say that it is only drip irrigation that they would not suggest for maize production, because it requires a lot of infrastructure and incurs electricity charges, because water needs to be pumped to an elevated reservoir. They recommend erecting dams and canals where water flow by gravity to maize farms. “This way the government and indeed the whole nation can grow maize and break even easily. We can have two seasons in a year and with the government input subsidy programmes; this country would solve its long time food insecurity woes. Yes, irrigation by gravity is the way to go”, says Engineer Paul Ogutu, of the Ministry of Water and Irrigation.

It is also important to note that the currently available agricultural support infrastructure does not have the required strength to undertake effectively the government efforts in eliminating hunger in the country. The nationwide collapse of farmer support structures like the Agricultural Finance Corporation (AFC), the Kenya Farmers Association (KFA), various farmer cooperative societies and agricultural extension services have greatly hampered and undermined the state’s efforts to subsidise farming. There is an urgent need for the government to dialogue with relevant stakeholders to bring back these once vibrant structures in order to support both farmer and government in eliminating food problems in this country.

Previous irrigation schemes did not last due to mismanagement, corruption and political interferences. The need to divorce these vices from the system must not be subjected to debate and only competent, experienced men and women of integrity should be offered chances to navigate these life saving schemes. The government needs to get it right this time around, consult widely and incorporate stakeholders including farmers in the management of these schemes. The sense of ownership, accountability, integrity plus sheer hard work must be pumped in to these projects. Mismanagement, corruption and political interferences which, as has been mentioned, brought down the earlier schemes must be checked in order to ensure the profitability and sustainable food security accruing from irrigation schemes.

### **The National Cereals and Produce Board: Status Quo or Reforms?**

The National Cereals and Produce Board (NCPB) is the body mandated to promote free and fair trade in commodities (cereals) through research and market development, as well as to ensure that there is timely accessibility of commodities at all time. Established in 1967, it was to streamline the management, handling and marketing of all grains in the country. The Board has undergone various reforms since its formation, but most noticeable is the sector liberalization of 1993. This liberalization came with manifold challenges, and the Board has been grappling since then to stay afloat even as it accrues huge losses and is burdening the exchequer. As at the moment, the Board is in need of urgent and drastic reforms in order to combat pertinent cereals issue that have emanated over time.

**Arguments for Reform in the Cereal Subsector:** With the liberalization of the grain subsector in 1993, the NCPB has had to cope with different roles, some working well for the general public while

others impacting rather negatively. Agricultural stakeholders have been unanimously calling for reforms. Cereals in general, and maize in particular, have received a very tainted management in the recent past, resulting in exorbitant prices for what is a staple food in many countries. Most of the woes that afflict this sector are rightly blamed on governance aspects. The reforms needed are to sort out the management of the grains subsector and also to ensure that the Board does not only refrain from distorting the market, but also works well with other players in the sector.

**Commercial Aspects:** Stakeholders feel that the commercial role of the NCPB should be cut out and be subjected to private practitioners. The rationale for this argument is that the Board competes with other players in the field to procure, store and distribute grains at commercial rates to the public, and that, in doing so, it fairs badly and distorts the market immensely. As a buyer and seller of last resort, the Board cannot effectively stabilize market prices when its stores are empty. In case of a deficit or scarcity of maize, the Board is mandated to sell its maize to the public at a most fair rate in order to stabilize prices. But with empty stores, such a role cannot be played effectively. Similarly, in times of surplus harvest, the Board offers fair price to producers, procures the grain from the public and stores it, in order to release the commodity in times of scarcity. With the recurrent poor harvest causing perpetual empty stores, the Board is literally incapacitated in stabilizing prices. Its commercial role is highly undermined – circumstances that validate the call for reforms.

The Board is mandated to commercially engage in maize trade, and to buy and sell at a profit in order to relieve the burden at the exchequer. At the time of post-election violence in early 2008, the Strategic Grain Reserve (SGR) consisted of only 1.6 million bags, as against the then minimum requirement of 4 million bags. NCPB officials maintained that no law was broken, as it is part of their duty to sell at a small profit whatever they have, and that it is also in the best interest of the public to continually dispose off some maize in order to allow fresh one to get in. It is not clear whether the commercial wing of the Board is able to totally offset the burden it poses to the exchequer, but numerous indications, like the upcoming 2009 Agriculture Policy Review by the World Bank, point otherwise. If the NCPB is unable to address the very problems it was created to solve, then calls for its reform should be given priority.

**Strategic Grain Reserve and Financial Restructuring:** The minimum required stock at the SGR was revised in November 2008 from 4 to 8 million bags. More often than not the Board fell short of the number of 4 million, the then minimum requirement. Stakeholders have been asking whether the Board will be able to stock 8 million bags. Arguments run as follows:

- The government can strengthen the farmer support structures so that the country can produce more and the NCPB can find it easy to procure the 8 million bags
- The government could have two kinds of stocks of cereals, firstly one with the actual bags of the grains (buffer stock) and, secondly, a buffer fund. 4 million could be kept as grains reserve; the other could be kept in form of funds ready to procure the commodity once scarcity is foreseen. These minimum requirements must be kept at all times even when the government is changing old maize from its stores for new ones.

For the 8 million bags in the SGR to become a reality, the Board needs to reform its financial operations in order to deal effectively with the huge procurement requirement. The Board must lobby for better budget allocation to conform to the new requirement.

**Management:** The management of the Board has been highly politicized, and various stakeholders feel that this needs to be addressed with urgency. Appointments to the Board are done politically, the management is politically inclined, and marketing is at times politically skewed. Stakeholders agitate for speedy reforms to divorce management of the Board from politics and to incorporate men and women of merit, competence and integrity sourced independently and transparently to navigate the NCPB.

**Representation:** The Board needs to have an elaborate and equal representation of all stakeholders in the cereal sector. As at now, millers are fully represented, and the government is well accommodated, as well as the private sector. Farmers are left out in representation, and yet they are at the centre-stage of cereal production as well as marketing. Farmers, being the epicenter of cereal production are now demanding a third of the representation of the Board with immediate effect. “We want the Board to have equal representation, let a third go to the private sector, a third to the government and the other third to the farmers”, says Mr Stephen Ngososei, a farmer and the chairman of Ngoma association, Eldoret.

**Strategic Plan:** Various agriculturalists and citizens alike are no longer certain on the exact portfolio and projected outputs of the NCPB. Roles have been changing as well as the management. The Board has engaged in selling government subsidized fertilizers, agro-chemicals and seeds alike. Without a known strategic plan, NCPB operates without prediction, and this basically undermines the roles that would have been played effectively by the private sector. Kenyan agricultural stakeholders are asking for the NCPB’s strategic plan, maintaining that it is from this plan that they can know how this Board has allocated its resources to meet its goals. This would also help the private sector to foresee where and when to play their role.

**Proposed institutional reforms:** In the last two years or so, Kenya has witnessed a tumultuous era in which the management of cereals – and more specifically, maize – has seen a very dark patch. Maize has been scarce, subsidies were extended in a most untargeted manner. Complaints about corruption and embezzlement of maize in the NCPB stores, as well as about favoritism in maize allocations from the NCPB stores, have been raised from different quarters. The NCPB has survived this patch but saw changes effected in its management. The new team, headed by its chairman, has come up with proposed reforms of the management of cereals in this country. Consultation about these proposals has not been wide enough. Neither have the proposals been tested successfully anywhere in the country, and their implementation may be met with some resistance, should they be enacted as they are. The Managing Director of NCPB presented these reform proposals to a gathering organized by Tegemeo Institute in collaboration with Eastern Grain Council in the Laico Regency in Nairobi on 18<sup>th</sup> September 2009. He admitted that more needs to be done in terms of consulting stakeholders widely and incorporating their ideas into the system, as well as pre-running these projects to determine their practical suitability.

**Warehouse receipt system:** Introduction of warehouse receipt system would be a good move, especially so in surplus regions where storage is a big problem. However it is not known how this will affect the lives of smallholder farmer that produce less than a bag of 90 kg. It is also questioned why the government is quick to look at the tail end of the value chain without consulting the farmers to produce. Who will use these systems if our farmers resort to other crops? The grain marketing problem needs a holistic approach that will address the myriad issues affecting the sector from production to consumption. The present season was marred by heavy losses from the government’s subsidy programmes, as those who were to consult and implement chose to look at the sector

narrowly and left other factors to nature. We have now learnt the hard way that subsidy alone would not get us out of the woods. Instead, subsidy and water for irrigation and, in the same vein, production, storage, marketing and other factors must be looked into as a whole.

**Agricultural commodity exchange system:** For a fully functional market, information dissemination is vital. Point A needs to know what is available at point B and is in demand at point C. With this kind of interactive information flow, transaction costs would be drastically reduced in agricultural markets. Incorporating such a system within the NCPB network will be good, but the country needs to produce much more than it does now to warrant effectiveness of such a system. Otherwise, using it on the basis of imported commodities may not be very beneficial especially to Kenyan farmers.

## Conclusions

- The general food outlook for the country is still not good. The duty waiver has managed to entice the private sector into importing more of this commodity, thereby making maize available. There are quite a number of cost drivers along the imported maize value chain and it is important that the government follows every stage to ensure that the duty waiver is reflected in the consumer prices, however negligible it is.
- Diversification is still a thorny issue in almost all parts of the country. Farmers are very slow to diversify their production, arguing that the government has failed to market other crops. Over dependency on maize due to its superior taste over other crops has worsened the situation. Concerted efforts are needed from all quarters to make diversification a reality in Kenyan farms.
- Irrigated maize production is a welcome move. The government is in the right track but there is need for more and wide dialogue with agricultural stakeholders to ensure that the vices which brought down the earlier schemes are steered clear of. But most importantly, the government needs to provide irrigation water to the small holder farmer – because at the end of the day, they are the majority and 80 per cent of Kenya’s production emanates from them.
- Production costs in Kenya are still high and this has been attributed to the low production per unit. The need to embrace proper crop husbandry by planting recommended hybrid seeds, increasing fertilizer uptake while conserving our soils, cannot be over-emphasized.
- The government needs to always think of better, faster and more transparent ways of channeling and distributing subsidized inputs. Previously, it used agro-vets but faulted because the government failed to pay vouchers presented to them by agro-vets; in the end, the agro-vets pulled out of the arrangement. This season, the government used the NCPB but later realized that the parastatal does have no muscle to distribute these subsidies in time. Government later contracted KENFAP, but already it was too late. Subsidies must be distributed well in time; and for the government to achieve this, wide dialogue and incorporation of private sector in the whole effort is extremely necessary.

It is not acceptable that the country cannot feed itself even with the vast resources at its disposal. Time has come when all the stakeholders need to pull together for a common goal. The government is, despite the hiccups, doing all that is necessary to alleviate its people from the perennial food shortages. In fact, in this season the Kenyan government would have been applauded for a job well-done had the rains come in normally. The government has then learnt the hard way that subsidies

alone are not enough to steer the country out of the food crisis; it has since allocated substantial amounts of its budget for the development of irrigation infrastructure. This may come slowly, but it is encouraging to see the sector heading in the right direction, with subsidized inputs, the provision of moisture in form of irrigation and the envisaged introduction of a warehouse receipt system as well as a commodity exchange programme to help to address storage, credit and marketing issues.