

AGRICULTURAL INDUSTRY

The agricultural industry is the backbone of the Kenyan Economy. It provides 80% of the country's jobs and 18% of total exports. This is so despite the fact that less than 20% of the country's land is viable for cultivation since Kenya is a semi-arid country. In Kenya, the agriculture industry consists of food and cash crop farming, horticulture and floriculture, livestock farming and fish farming. According to the Kenya Institute for Public Policy Research and Analysis (KIPPRA), agriculture contributes 26% of Kenya's GDP directly, and 27% indirectly through service sectors supported by the same.

The main food crops are wheat, maize and rice whereas cash crops consist tea, coffee and horticultural produce such as vegetables, fruits and flowers. Specifics of these include mangoes, cabbages and onions just to mention but a few. However, subsistence farming is the main economic activity in Kenya with maize being the staple food for most Kenyans. Maize is multi-purpose food crops which can be used make maize meal which is known locally as *ugali*, porridge known locally as *uji*, traditional maize and bean mixture known locally as *githeri*, popcorn among others, all of which are popular and affordable among low and middle income earners.

The horticultural sector has been rated second after tea in the recent reports. It consists of growth of fruits, vegetables and flowers for exports. Although most fruits grown are for local consumption, the main fruits exported are citrus fruits (oranges, lemons, tangerines and grapes), deciduous fruits (apples, pears, peaches) and tropical fruits (bananas, dates, pawpaw and avocados). Flowers are carnations, roses and orchids whereas vegetables include potatoes, onions and cabbages among others.

Livestock farming entails dairy and meat production, eggs, skin, wool and hides and poultry. Cattle farming are common with the pastoral communities in Kenya in the arid and semi-arid areas such as Garissa, Kajiado, Turkana, Narok among others. The Maasai community is popular with pastoral farming whereby they move from one place to another in search for greener pastures (nomadic). Other communities that do pastoral farming extensively are Turkana, Pokot, Borana, Rendille and Somali. Cattle are the most important source of red meat; amounting to 80%. Livestock farming contributes 10% of the country's GDP and 30% of agricultural products that earn the country foreign exchange.

Kenya is also involved in fishing activities as a source of livelihood, especially around Lake Victoria Region. It alleviates poverty levels in the rural areas. Around 500,000 people are employed directly in the fish farming sector with an additional 1 million people benefiting from it. According to recent studies, white meat has been noted to be a healthier option for meat lovers. Subsequently, the demand for fish has risen significantly.

Regulatory environment

In the Kenyan constitution, the agricultural sector is covered in the Agriculture Act Cap 318 to 347. Reforms have been made from time to time to increase productivity and revenues. 130 laws have been consolidated to encourage both local and foreign investments.

The Agricultural Sector Development Strategy (ASDS) was launched in 2008 and implemented in 2010. Several policies were created through this strategy so as to improve the agricultural sector:

- I. The National Seed Industry Policy in 2011
- II. The National Food and Nutrition Policy

III. The National Agricultural Extension Policy

IV. The National Horticulture

The Sugar and Seed Variety Act, Cap 326, also faced major reforms to include the following policies:

1. The National Agriculture Research Extension Policy
2. The National Agribusiness Strategy and
3. The National Agricultural Research System Policy

The country continues to make reforms in this industry under the Vision 2030. Some of the reformations will include the following:

- I. Branding Kenyan farm products
- II. Establishment of disease-free zones and livestock processing facilities
- III. Creation of publicly accessible land registries
- IV. Development of an agricultural land use master plan and development of irrigation schemes.

These changes have already improved yields.

History data and nature of the industry

Kenyans were hunters and gatherers before livestock farming became the main farming activity.

People depended on dairy products and meat for food.

Portuguese were the first foreigners on African land though they did not penetrate into inland.

They introduced maize and cassava to the coastal region where they dominated for two years.

The British came to Kenya in the late 1800s and settled in the highlands, hence the term “white

highlands”. They made Africans squatters on their own land in exchange for cheap labor. It is then that the Europeans discovered that the highlands were suitable for tea, coffee and tobacco farming. Coffee was first introduced to Kikuyu-Kiambu district.

During the 1960s and 1970s, agriculture grew very fast under Jomo Kenyatta’s presidency. However, in recent years, more emphasis has been placed on the development of the manufacturing and ICT industries. It is believed that with standard infrastructure, all other sectors will grow as rapidly.

Growth potential

The agricultural industry is one of the most promising industries in Kenya. This industry is fast growing since aids to trade in this sector have been improved; improved infrastructure, technologies, credit facilities and farmers getting the necessary knowledge through experts and websites dispatched by the national government.

The Jubilee government also is putting efforts to put one million acres of land under irrigation. One such project is the Galana-Kulalu Food Security Project which has already covered half a million acres. The other half is set to come from different parts of the country. This project is under the National Irrigation Board and is aimed at enhancing food security from the current 22% to 40% of annual consumption. The project will also involve development of a dam in the second phase of its implementation, and other infrastructure such as roads, railways, airports among others. The price of maize, which is Kenya’s staple food, is expected to go down significantly after this project.

The government has also provided affordable state loans to farmers. These loans will help them access good seed for planting, productive fertilizer and viable mechanisms in their farms. This is

possible through the Kilimo-Biashara initiative, a partnership between the private and public sectors. KES500 million was released in 2012 by the government to 4 banks; Equity, Family Finance, Co-operative Bank and Kenya Women Finance, from which farmers could access loans.

The government aims to triple the budget allocated to scientific research in the country.

Influencing factors

Factors affecting the agricultural sector in the country can be divided into four:

I. Natural Factors

These can be categorized into three:

Climate: This includes temperature and rainfall. A good climate with moderate temperatures and adequate rainfall is conducive for agriculture.

Soil: Rich fertile soil, preferably loam soil is the best for agriculture.

Topography: There are human activities that affect topography either positively or negatively. Topography is the physical or artificial arrangement of the landscape (“lay of the land”). Human activities that can change the topography of land are deforestation, digging trenches, mining activities etc. some plants are favored by specific types of terrains of the land.

II. Economic Factors

Market: This simply means consumers. An agricultural produce must always have ready and able markets available, as most of them are perishable.

Transportation facilities: A good networked infrastructure is a great boost for the agricultural sector. Agricultural products reach the destination timely and in good condition.

Labor: Both skilled and semi-skilled labor are core in agriculture. A good agricultural sector needs skilled labor that manages the business whereas semi-skilled laborers are mostly found on the field doing the casual laboring.

Capital: For every business, financial resources are vital for the operations of the business.

III. Social Factors

Some of the social factors that affect the agriculture industry in Kenya are:

- Average level of income of the Kenyan population: most people in Kenya are low income earners; therefore, market produce has to be sold at a relatively low price. This leaves farmers with very little in terms of profit.
- Level of Education. A learned person is able to make informed decisions on the amount of food and nutrients required in a meal. A more educated person is willing to spend more on food than someone who is not.
- Farmers' experience. A more experienced farmer only means an older farmer who has accumulated knowledge in the industry leading to higher better yields.

IV. Political Factors

These include policies and the regulatory environment, insecurity, physical utilities and infrastructure, expenditure allocated to the industry by the government among others.

SWOT ANALYSIS FOR THE AGRICULTURAL INDUSTRY IN KENYA

Strengths: Kenya has a lot of growth potential, yet opportunities are still yet to be tapped and established. Some of strengths of the industry are:

-Small scale farming being common which is common in Kenya reduces cost of production and management. If extensively explored, a lot of yield can be realized.

-Diversity of agricultural eco systems: Kenya is rich in fertile lands and good climate. Crops that need adequate rainfall can be grown in the highlands, drought-resistant crops in Northern Kenya whereas those that flourish well under high temperatures can be grown in the coastal region.

-Low costs of production: besides small scale farming being a cost effective method, labor is very cheap in Kenya. Most of the farm laborers are casual who are paid an average of sh.200 per day.

-Savings and Credit Cooperatives (SACCOs) and other associations: farmers in Kenya put an initiative to start SACCOs that help farmers save their earnings and also get loans at very low costs. This initiative gives every farmer a sense of belonging and motivation to work very hard.

-Government support: the government of Kenya allocates 3-4% of its national budget to the agricultural sector, despite the target being 10% under the Maputo Declaration in 2003. Incentives in form of loans, equipment, seed and research funds are offered.

Weaknesses

For everything good, disadvantages must exist. The agricultural industry faces a lot of challenges. Being the main economic activity in Kenya, it still needs massive attention and improvement.

-Access to market and labor force is a major challenge. In recent years the construction industry has “robbing” the agricultural sector of its casual laborers since the former pays better wages.

Consumption of local products like coffee and tea, in Kenya remains at 5% of total production

leading to a lot of exports to foreign countries. Returns from exports are very minimal if compared with the cost of adding value; packaging, branding, and advertising etc.

-Poor management: corruption practices in Kenya are rampant involving the mismanagement of funds allocated to the industry.

-Total expenditure on research and development is very little. Research is vital for the development of a sector by realizing its potential, weaknesses and doing something about it.

-Poor technology and mechanization: generally, Africa is still using obsolete machines as compared to the rest of the world. The government has invested in improving the ICT sector in the country. This will boost the overall performance of the economy.

-Lack of good governing policies and leadership: good policies that protect farmers and casual laborers are not well enforced. For example, top officials in management levels consume a huge chunk of bonuses allocated to farmers.

Opportunities

-More land under irrigation: the government has already put 500 acres of land under irrigation and more land is still available.

-Cheap and affordable labor since most of Kenyans live in rural areas, cuts down the costs of production.

-Increased use of fertilizers that is locally made, for instance, organic fertilizers and organic waste.

-Agricultural projects: The government needs to launch more projects to boost the agricultural industry alongside the Food Security Project and the irrigation project.

Threats

-Poor access to economic resources especially for women who constitute more than half of the agricultural sector slows down growth of the industry. More women should take the initiative and join associations and groups meant for farmers like Kenya Women Micro Finance Trust Limited (KWFT).

-Unpredictable climate in the Kenyan region adversely affects farmers in their planning process. The meteorologists in Kenya don't always have it right since they lack the proper equipment and skills.

-Low incentives: Kenyan farmers are among the most poorly rewarded industrialists. This demotivates them to produce more as huge amounts are apportioned to the government and agro-officials.

-Importation of agricultural products: Most Kenyans believe that imported goods are of rich quality and often prefer consuming them. This is contrary to the actual facts. If local consumers increased, local producers would obtain more revenues which would improve their methods of production, hence better quality products.

TOP COMPANIES IN THE AGRIBUSINESS SECTOR IN KENYA

FOOD CROPS SECTOR

Mwea-Tebere Irrigation Scheme: largest rice irrigation scheme in Mwea, Kirinyaga District.

Rice serves as a common food in most households and restaurants.

Unga Group Limited-deals with production and distribution of products for human nutrition, animal nutrition and animal health products. They are producers of wheat flour, maize flour, animal feeds and even recipes.

CASH CROP SECTOR

East Africa Breweries Limited- this company is the largest beer producer and distributor in East Africa. Beer is manufactured from malt grains such as barley, wheat or even rye sometimes (all agricultural products grown in Kenya).

British American Tobacco Limited (BAT Ltd.)-tobacco is grown in South Nyanza in Kenya, at the expense of other food crops. Tobacco is used in the manufacture of cigarettes and other tobacco products, which is the main business of BAT.

KAKUZI-Located in Nandi Hills, this is an agricultural company that deals with tea, avocados, pineapples and livestock. It is also an advocate for forestry.

Sasini Tea and Coffee Limited-this is one of the largest coffee and tea manufacturers. It is also listed in the Nairobi Stock Exchange.

Limuru Tea Company Limited-tea growers.

Rea Vipingo Plantations: This is one of the largest sisal producers in Africa. It owns and operates the flourishing sisal plantations in Kenya and Tanzania.

LIVESTOCK SECTOR

Brookside Dairy Limited

Located in Ruiru along Thika Road, this is the largest milk processing company in Kenya. It processes dairy products such as fresh milk, yoghurt, cheese, powdered milk and butter. As of August 2015, it dominated 38% of the market share in Kenya.

Delamere Dairy

This company founded by Lorde Delamere deals with dairy products from both cows and goats. The company also owns vast land in Naivasha where it has ranches for cattle.

Valley Feeds and Hay Limited

It is a global agri-business company with its headquarters in Nakuru. The company deals in production, distribution and export of hay, animal feeds, raw materials and grains.