



# KENYA

## MAFAP Country Profile



MAFAP  
SPAAA

Monitoring African Food and Agricultural Policies

Over the past two decades, agricultural policy in Kenya has moved away from a paradigm of self-sufficiency to agriculture as business. It therefore focuses on wealth and employment creation through commercial agriculture, which may also improve food security. Efforts have been made to reform and consolidate the sector's large number of institutions, and to scale back government intervention by reducing its regulatory functions.

This market-oriented approach has led to increased growth within the agricultural sector. However, Kenya's policy in recent years has also shifted in response to short-term events, including natural disasters and political instability. Within this context, agricultural policies have focused less on long-term development and more on short-term measures such as the temporary removal or reduction of tariffs on food imports, price support through government procurement and input subsidies to producers.

### Are current policies and public spending aligned?

**Policies to promote commercial, market-oriented and profitable agriculture to raise incomes and increase food security in Kenya are supported through public expenditure, though apparent imbalances across spending categories exist.**

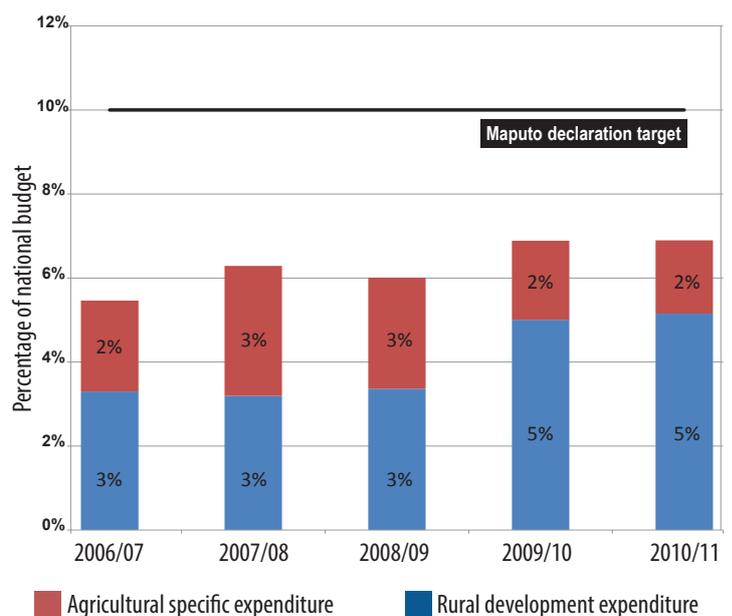
The government has invested heavily in research and extension, which can bring benefits through improved agricultural productivity, and even contribute significantly to poverty reduction. Recent expenditures on rural infrastructure, both on- and off-farm, have been essential for reducing transaction costs and improving farmers' access to markets. However, there has been limited investment in developing markets (namely in marketing and inspection services), building storage facilities and increasing public food stocks. Thus, the government should consider allocating additional funds to these areas to further develop emerging or promising markets for agricultural products.

### Public expenditure to support agriculture and rural development

**The percentage of the government budget allocated to agriculture and rural development has increased since 2006, though it is still well below the Maputo target.**

The approved budget for all expenditures to support agriculture and rural development grew by 122 percent in nominal terms between 2006/07 and 2010/11, reaching 66.1 billion Kenya Shillings. Expenditures allocated directly to the agriculture sector more than doubled over the period analysed, while spending allocated to rural development increased by about half. Extension services, research, infrastructure and input subsidies to producers (mainly for capital investments) made up the largest share of agriculture-specific expenditure. Rural development expenditure was almost equally distributed among rural education, health and infrastructure, with water and sanitation accounting for a much larger share than energy and roads.

Figure 1. Public expenditure on agriculture and rural development in Kenya (2006/07-2010/11)



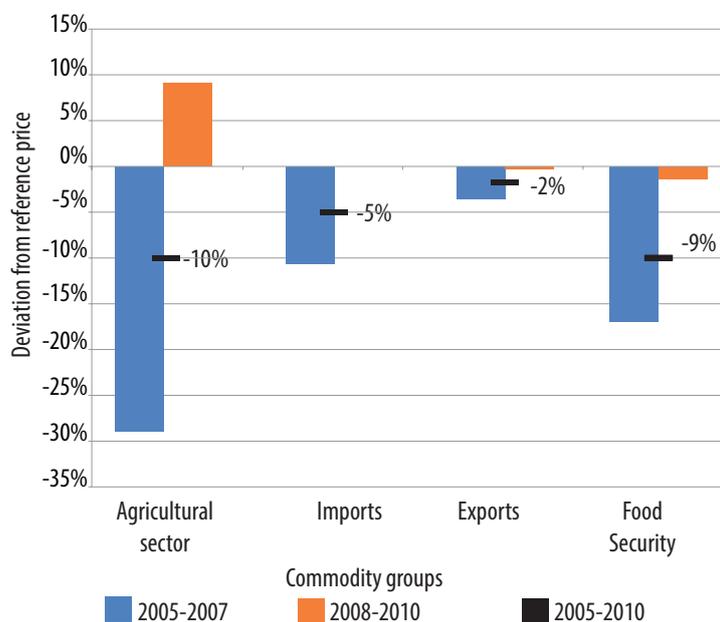
## Price incentives

*Price incentives for producers generally increased between 2005 and 2010. However, this trend was largely driven by short-term events in 2008 and 2009, which reduced the domestic supply of many crops, resulting in higher prices for producers. Therefore, it is uncertain whether this positive trend will be sustained in the long term.*

Between 2005 and 2007, producers of imported commodities and food security crops received lower prices than equivalent world prices, indicating that they faced price disincentives. Since 2008, price disincentives for these commodities decreased due to markets, the weather and other factors, which led to higher domestic prices. On the other hand, prices obtained by producers of key exports were close to equivalent world prices throughout the study period, indicating that Kenya's main agricultural export markets are functioning efficiently.

Price incentives for the agricultural sector as a whole increased dramatically during the period analysed, which was also mainly due to short-term events that affected both domestic supply and prices. This commodity grouping includes all imports, food security crops and exports analysed, in addition to commodities traded in low volumes.

**Figure 2. Average percent deviation of producers' prices from equivalent world prices by commodity group (2005-2010)**



Note. The bars measure the average percent deviation of the price producers received from the equivalent world price, which represents the price producers could have received if domestic policies affecting prices were removed and overall market performance improved. The equivalent world price is the reference price and corresponds to zero percent in the graph. Imports analysed include maize, wheat, rice, sugar and cotton; exports include coffee and tea; commodities important for food security include maize, wheat, rice and sorghum; and the agricultural sector includes all aforementioned commodity groups in addition to products traded in low volumes (milk, live cattle and sorghum).

## MAFAP PARTNERS

Policy Analysis	Policy Dialogue
Kenya Ministry of Agriculture (MoA)	Kenya Cotton Development Authority (CODA)
Kenya Agricultural Research Institute (KARI)	Kenya Sugar Board (KSB)
Kenya Institute for Public Policy Research and Analysis (KIPPRA)	Regional Strategic Analysis and Knowledge Support System (ReSAKSS)

## MAFAP PRODUCTS

Ten technical notes on market price incentives for maize, wheat, rice, sugar, cotton, coffee, tea, milk, live cattle and sorghum

Analysis of public expenditure on agriculture and rural development

A comprehensive country report

A database with all indicators and supporting information

Information and tools for capacity development in analysing market price incentives and public expenditure

All reports and publications are available at:

[www.fao.org/mafap](http://www.fao.org/mafap)

## Our Vision for the Future

The MAFAP team looks forward to continuing its close collaboration with the Ministry of Agriculture, KARI, KIPPRA and other partners to strengthen systematic policy monitoring and analysis, enhance policy dialogue and contribute to the CAADP process.

## CONTACTS

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