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COMPETITIVENESS OF KENYAN AND UGANDAN MAIZE PRODUCTION: CHALLENGES FOR THE FUTURE

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1. Introduction

Maize is the main staple food in Kenya for a large proportion of the population in both urban and rural areas. Maize consumption is estimated at 98 kilograms per person per year, which translates to roughly 30 to 34 million bags (2.7 to 3.1 million metric tons) per year. Maize is also important in Kenya's crop production patterns, accounting for roughly 28 percent of gross farm output from the small-scale farming sector (Jayne et al., 2001).

Kenyan policy makers have been confronted by the classic "food price dilemma." On the one hand, policy makers are under pressure to ensure that maize producers receive adequate incentives to produce and sell the crop. Rural livelihoods in many areas depend on the viability of maize production as a commercial crop. On the other hand, the food security of the growing urban population and many rural households who are net buyers of maize depends on keeping maize prices at tolerable levels. For many years, policy makers have attempted to strike a balance between these two competing objectives – how to ensure adequate returns for domestic maize production while keeping costs as low as possible for consumers. Maize marketing and trade policy has been at the center of debates over this food price dilemma, including discussions over the appropriateness of trade barriers and the role of government in ensuring adequate returns to maize production.

Improving the competitiveness of Kenyan maize production is also a primary means of resolving the food price dilemma. The ability to reduce the costs of maize production can ensure greater profitability to producers at lower prices while simultaneously improving poor consumers' access to food. Achieving lower production costs also allows domestic producers to compete more effectively with imports from other countries.

The purpose of this study is to assess the costs of maize production in Kenya and Uganda. We start from the fact that there is no single "cost of production" for maize.

Cost of production varies according to region, the type of technology package employed, farmers' management practices, and the weather. In light of this, the study disaggregates cost of production into seven region/technology categories, five in Kenya and two in eastern Uganda, in order to compare the relative competitiveness of maize among these regions and technology packages. Variations in cost of production within each region/technology category reflect differences in farmer management practices and micro-variability in soils and rainfall. Therefore, within each region/technology category, we present costs of maize production estimates for three terciles: low-, medium- and high-cost producers. The results hold important implications for who will benefit and lose from the removal of regulatory and informal trade barriers between Uganda and Kenya (see RATES, 2003).

The paper is organized as follows: Section 2 presents background statistics and trends in Kenya's maize subsector, and provides the policy context for the ensuing analysis. Section 3 describes the methods and data used in the analysis. Section 4 provides the main results of the paper concerning relative costs of maize production in the various regions. Even within a given region, the costs of maize production vary greatly among farmers. We identify the attributes of household production practices associated with low vs. high costs within each particular region. In Section 5, we consider the implications for current production costs in the light of regional trade agreements. Section 6 contains conclusions and policy issues.