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The U.S. Government's Global Hunger & Food Security Initiative

SUMMARY

An Industry Analysis for Strategic Agricultural Growth in Kenya



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Defining Pathways for Agriculture-led Economic Growth

As part of the U.S. Agency for International Development (USAID)-funded Feed the Future Kenya Crops and Dairy Market Systems Activity, RTI International contracted the Boston Consulting Group to conduct a comprehensive analysis of opportunities and constraints for domestic and export growth in the mango, passion fruit, avocado, dessert banana, and dairy, feed and fodder value chains. Considering economic, livelihood, nutritional, and food security benefits for fresh and processed products, the analysis defines strategic growth pathways with key recommendations at the value chain, county, and national levels.

Kenyan Agriculture: Rooted in Smallholders

Millions of individuals' livelihoods depend on agriculture in Kenya, where significant rainfall and rich soils have enabled economic opportunity. Agriculture contributes about one-third of GDP, employs 40 percent of the population, and has important nutritional impacts for Kenyan households and communities. Eighty percent of Kenya's agricultural production originates among smallholder (< 3 hectares) farmers in rural areas, where 70 percent of the population relies on agricultural income. While agricultural exports have not registered significant growth over the last decade, they comprise 65 percent of all Kenyan exports and contribute to job creation and significant income generation, as exports command higher prices than domestic sales. Dairy is the largest agricultural sub-sector, 80 percent of which originates among smallholder farmers owning 1–3 cows. The dairy sub-sector provides food, income, and employment for two million people, as well as nutrition among Kenyans, who have the highest dairy consumption per capita in East Africa. Despite the value of agriculture to Kenya's economy, livelihoods, and food security, some persistent challenges prevent the full realization of the sector's potential.

Main Findings

Kenya's banana and dairy value chains are critical to domestic economic progress and nutritional outcomes. They also contribute to food security through strong local supply and distribution networks. While banana and dairy imports from neighboring countries do not threaten local production, they show that local demand outpaces supply and that there is room for growth for Kenya's banana and dairy production. Avocado and mango show some domestic growth potential, but exports offer greater opportunities for economic and social impact via job creation not only at production level but all along the value chains. Passion fruit has low domestic and moderate export potential. Except for processed avocado oil, the largest domestic and export opportunities are for unprocessed, whole "table" fruits. While COVID-19 negatively impacted Kenya's economy (reducing GDP growth by 3.5 percent), it also revealed useful information for building Kenya's competitiveness in international markets and for building resilience to global economic shocks. European consumers easily switched to Kenyan products when others were affected by transport delays, showing Kenya's competitive potential. Kenyan exporters who supplied essential service points such as supermarkets performed well during the pandemic compared to exporters who supplied restaurants and bars.



Weak linkages between national agriculture strategies and county plans, and lack of implementation follow-through.

Constraints



Recommendations

- Finalize and operationalize national strategies for targeted value chains. Include linkages to county-level plans and to key stakeholders as well as regular policy reviews.

Fragmented industry development efforts that fail to reduce production and transaction costs for farmers.

Constraints



Recommendations

- Focus development on high-potential products from productive counties, supporting smallholder farmers through value chain “anchors” such as scale growers and processors.
- Support product aggregation (for example via out-grower networks and cooperatives) to reduce costs to farmers and increase logistical efficiency.

Infrastructure investments are not integrated into value chain logistical systems.

Constraints



Recommendations

- Use technologies such as satellite imagery and advanced analytics and modeling to map strategic production, collection, and aggregation locations and to optimize end-to-end supply chain logistics for cost reduction.

Disproportionate focus on single crops and limited optimization of farmer enterprises’ revenue potential.

Constraints



Recommendations

- Support farmer segmentation, in terms of level of commercial readiness, and create plans for “graduation pathways” to increased marketable surplus, from semi-commercial, to commercial, to advanced farmers.
- Help smallholders reach commercial viability through whole-farm cash flow analysis (in contrast to single-product support).
- Support development of input industries to reduce costs for farmers and make Kenyan products more competitive domestically and internationally.
- For high-potential export products, co-invest to support the adoption of production and processing standards to meet target export market requirements.

Weak marketing of Kenyan-made products domestically and internationally.

Constraints



Recommendations

- Coordinate industry-wide branding and marketing of Kenyan products at all levels of sales.



Conclusion

Kenya has an opportunity to benefit from its dairy and horticulture sectors through increased investment. Such investments have the potential to improve the nation's economic, societal, nutritional, and environmental outcomes. This will only be achieved, however, through collective action among public, private, and non-governmental actors to articulate appropriate strategies and likewise fund and manage their execution. This holistic approach can drive increased incomes, strengthen the livelihoods of millions of Kenyans, and provide more affordable and nutritious food, all while helping protect and restore Kenya's natural resources.



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This brief summarizes an analysis conducted by Boston Consulting Group to inform the work of the Feed the Future Kenya Crops and Dairy Market Systems Activity. The contents are the responsibility of RTI International and do not necessarily reflect the views of the United States Agency for International Development (USAID) or the United States Government.

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