AGRICULTURE & FOOD AUTHORITY

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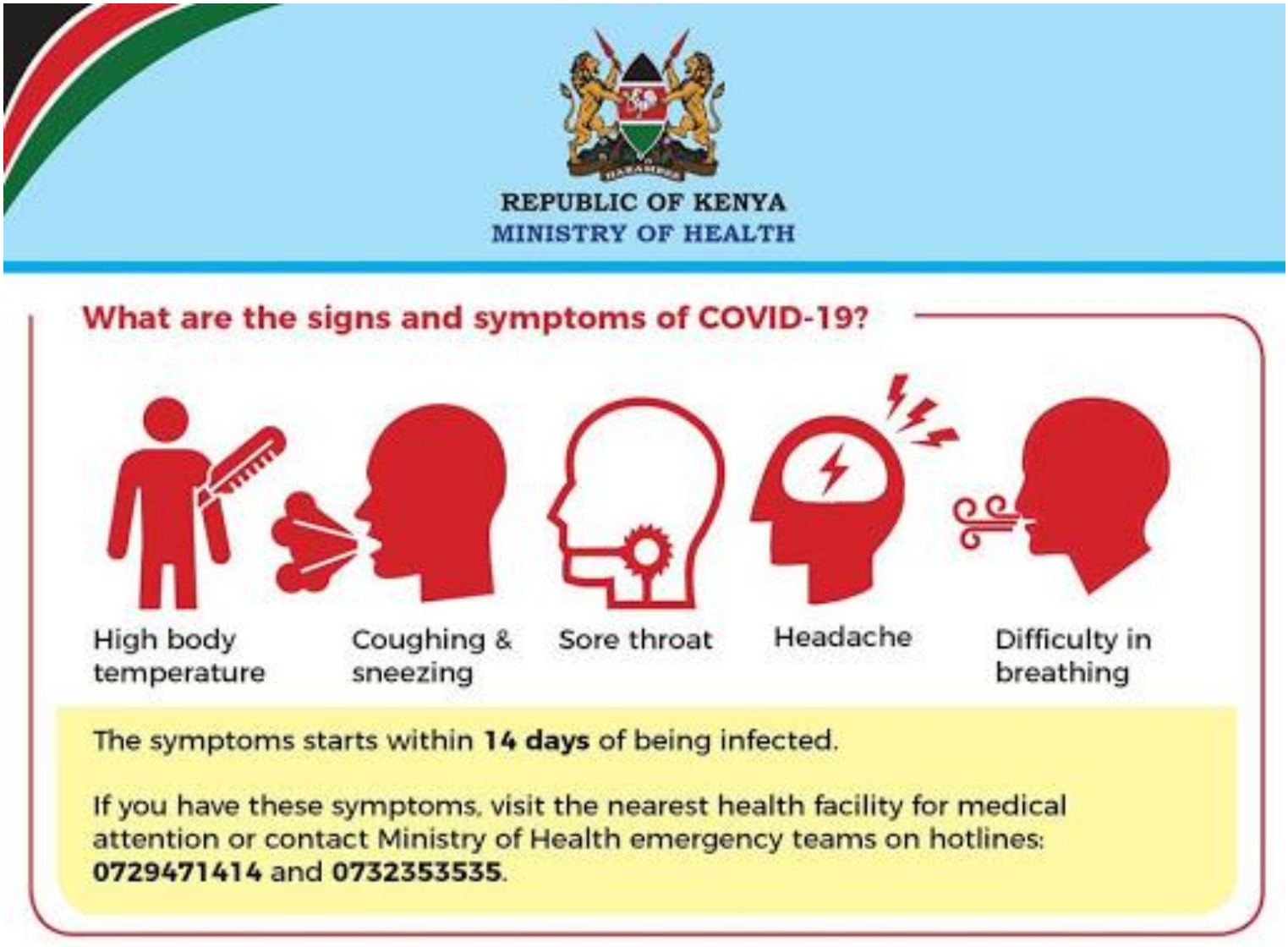
The Kenya Economic Report 2020

Research in Green Grams Production



KENYA ECONOMIC REPORT 2020

The Kenya Economic Report (KER) 2020 launched on 19/08/2020 is the twelfth in a series of the Kenyan economy annual reports prepared by the Kenya Institute for Public Policy Research and Analysis (KIPPRA).

The KER 2020 centres on "Creating an Enabling Environment for Inclusive Growth in Kenya". The theme of the Report is motivated by the Government's quest for a wide shared economic growth, as envisioned in the Constitution of Kenya, Kenya Vision 2030, Third Medium-Term Plan and the "Big Four" agenda. The report also takes into consideration global and regional development frameworks such as Sustainable Development Goals, the African Union Agenda 2063 and the East African Community Vision 2050.

Kenya has been experiencing a strong and stable economic growth in the recent past. The country registered an economic growth rate averaging 5.6 per cent for the period 2014 to 2019. This is a strong recovery from the 1.5 per cent growth recorded in 2008. This recovery is a result of a sound macroeconomic environment, political stability, heavy infrastructural public investments and growth in domestic demand. Growth in the last four years was 5.9 per cent in 2016, 4.9 per cent in 2017, 6.3 per cent in 2018 and 5.4 per cent in 2019. To cushion the economy against major shocks arising from uncertain weather, desert locusts and other global challenges such as coronavirus pandemic, it is imperative to strengthen efforts towards maintaining macroeconomic stability, fiscal prudency, and political stability.

In considering the totality of aspects that are critical to the realization of inclusive growth, the report assesses inclusivity in economic growth and in a devolved system of government.

It delves into the role of financial inclusivity in promoting inclusive growth, and inclusivity in domestic and international trade.

The report also looks at how social protection interventions can be used to enhance social mobility, equity and inclusivity. Further, it analyses how access to affordable, reliable, sustainable and modern energy sources can be harnessed as a key infrastructural input for economic growth, and the contribution of agriculture and food security.

Lastly, the report reviews the importance of governance as a prerequisite for inclusive growth, and the contribution of partnerships for economic development.

Key Highlights of the Kenya Economic Report 2020

Macroeconomic Performance

- ✓ Despite the economic growth remained strong it took a downward trend since Q1 2018 and was below the target for the period
- ✓ Poverty reduced at 0.8% per year from 52% to 36% in 1997/98 to 2015/16
- ✓ Employment growth lags GDP growth while agriculture is the main employer despite declining productivity
- ✓ Per Capita income increased to $1,750 implying more than double income growth is required to attain upper middle income level at $ 4,045

Low-income economies ≥ $1,036

Lower Middle-income economies

$1,036 ≥ $4,125 (Kenya)

Upper Middle-income economies

$4,125 ≥ $12,746

High - income economies ≤ $12,746

Financial Inclusion

- ✓ 82.9% is the financial inclusion in Kenya
- ✓ 5.3% is the financial inclusion gap between male and female having dropped from 12% in 2006
- ✓ 1.9% is the financial inclusion gap for youth male and female, with over 23% with no formal financial access
- ✓ 29% is the overall access to insurance
- ✓ 93.5% respondent cited mobile money agents as nearest financial service institutions
- ✓ 46.7% is the disparity between county with the highest (97.4) and lowest (50.7) financial access

Agriculture and Food Security

- ✓ 55% is the increase in number of smallholder (0-5ha).
- ✓ 71% is the reduction in numbers of farmers (5-10ha)
- ✓ 422,513 parcels of agricultural holdings +10ha not being used for productive purposes
- ✓ 73% of the total marketed production is by smallholders
- ✓ 20kg/ha is the average fertilizer use by smallholders against recommended 60kg/ha
- ✓ Smallholders are not fully integrated into the value chain.

Policy Recommendations

a) Structural transformation for economic diversity remains a key priority to create productive jobs and accelerate growth

b) A growth enhancing fiscal policy while maintaining a sustainable fiscal path to manage debt and release funds to priority social spending

c) Take advantage of the AfCFTA opportunities to diversify and grow trade

d) Enhance development spending at county level to expand the capacity for economic activity, building a base for increasing own source revenues

e) Transform agriculture from subsistence into commercial enterprises by promoting better farming technologies and consider nucleated settlements

RESEARCH ON GREEN GRAMS PRODUCTION IN COUNTIES

The Infrastructure, Science, Technology and Innovations Department is in the process of finalizing a research report that examines the potential of harnessing green grams (Ndengu) as a major input in realization of the, "BIG FOUR AGENDA."

This reasoning is premised on the following facts: Kenya is largely agricultural where farming is the single largest economic activity in the Country. Arid and semi-arid lands comprise over 70% of Kenya's land mass where green grams can do well; and several Counties have recently fast-tracked widespread farming of green grams as a cash crop. To this end, the State Department for Planning Officers conducted visits to various farmers in eight (8) green grams growing Counties from 17th - 30th March 2019. Their mission was to gather information that will inform the green gram policy paper, inform policy formulation and evaluation, improve the well-being of farmers, and enhance food and nutrition in the Country. The Department conducted interviews with the Senior County Officers in charge of Agriculture and Cooperative Development; held Focused Group Discussions with the farmers; and administered questionnaires to the farmers. The Counties visited were; Meru, Tharaka Nithi, Kirinyaga, Embu, Taita Taveta, Makueni, Machakos and Kitui.

They were identified as the highest green grams producing Counties in Kenya. Some of the key findings from the study were; the cost per unit of Green grams production is very high due to high cost of inputs such as fertilizer, certified seeds, pesticides and storage bags. Green grams preservation and storage is problematic because it is prone to pests attack like weevils, aphids and borers. Green grams farming is mainly rain fed and requires minimum rainfall. The green grams production is mainly for commercial purposes and very little is used for household consumption. The biggest impediment to green grams production in all the Counties visited is lack of market, both local and international. Since farmers are growing green grams in small scales, ranging from 1 to 10 acres, it is challenging to influence the market.

Value addition is very low since the Green grams products sold in the market are mostly in their original form.

This can be attributed to limited knowledge and lack of machinery. Some of the recommendations from the field study was that; there is need for the Government to subsidize the inputs to lower the cost of production for the farmers to get good returns. The National Government can consider adopting Green Grams as one of the strategic food reserves and also put mechanisms to incorporate green grams as part of the menu for prisons, schools feeding programmes and the army. The idea of forming marketing cooperatives is very pertinent for green grams growing farmers as this would cushion them from the exploitation by the middlemen. There is also need to address the post-harvest losses given that green grams stems mature at different times. Farmers sometimes incur losses because it is difficult to collect the seeds that fall off the farms or during threshing. More research into pest and disease resistant varieties of green grams can be conducted.

There is need for the farmers to be assisted on the skills and the machinery required for green grams value addition. This would assist them fetch better prices. For instance, in Tharaka Nithi County, a kilo of green grams was being sold at Ksh. 60. After sorting, packaging and branding, it was sold at Ksh. 100.The Infrastructure, Science, Technology and Innovations Department is in the process of developing a policy brief that will inform policy formulation on the potential of harnessing green grams (Ndengu) as a major input in realization of the, "BIG FOUR AGENDA."

FIGHT AGAINST FALL ARMYWORM GETS A BOOST FROM THE EUROPEAN COMMISSION

The European Commission Directorate for International Cooperation and Development (DEVCO), has committed to strengthen the efforts of the International Centre of Insect Physiology and Ecology (ICIPE), in the management of the fall armyworm in Kenya, Ethiopia, Rwanda, Tanzania and Uganda.

Recently, DEVCO provided financial support to ICIPE for a Euro 7.0 million project, a figure that is inclusive of 20% contribution from the Centre's core funds by the Swiss Agency for Development and Cooperation (SDC); Swedish International Development Cooperation Agency (Sida); UK Aid, from the government of the United Kingdom; the Ministry of Higher Education, Science and Technology, Kenya; and the Government of the Federal Democratic Republic of Ethiopia.

Since the pest was reported in Africa, ICIPE envisioned the development of a science-led, African-context specific sustainable integrated pest management package for the fall armyworm.

In partnership with various stakeholders, the Centre has initiated a range of activities including capacity for early warning, rapid response and regional preparedness, and damage assessment across various ecologies. ICIPE researchers have discovered effective indigenous parasitoids known as Cotesia ICIPE which has the potential to parasitize, thereby killing, over 60% of fall armyworms. ICIPE's scientists have also identified entomopathogenic fungi and bacteria that are effective against the pest.

The initiative will enhance livelihoods, resilience and food and nutritional security of smallholder maize growers in eastern Africa through better preparedness and eco-friendly management of the fall armyworm specifically, and invasive species in general.

SPECIALTY TEA

The Kenya Tea Development Agency Limited (KTDA) is in the final stages of setting up Africa's first Japanese specialty green tea production factory as part of its long-term product diversification strategy.

The factory, which will be located at the organization's Kangaita Tea Farm in Kirinyaga County, will be used to pilot the processing of the specialized Japanese Sencha Green Tea which on average fetches a higher price, in the market than traditional black CTC tea.

The project is a collaborative effort between the Japan International Cooperation Agency (JICA), the Agriculture and Food Authority (AFA), and KTDA, whose success will be rolled out to other factories.

It is a pilot plant to manufacture Japanese Green Tea. With Kenya being the third-largest producer of tea in the world, KTDA is in the process of diversifying the kind of products we are putting in the market; having started with Orthodox tea and now green tea. This particular plant will process a special type of green tea called Sencha. When successful, this project will be rolled out to the smallholder tea factories.

Part of the project will involve mechanized green leaf plucking as the production of Japanese Sencha Green Tea demands a certain type of leaf quality to go through the processing plant. KTDA has been testing mechanized plucking at the farm, by ensuring tea bushes are prepared for the process when production starts next year.

One of the requirements of processing Japanese Sencha Green Tea is that it should be delivered to the factory within one hour of plucking; it is, therefore, necessary for us to use mechanized plucking to attain the right quality of green leaf and have it delivered to the factory within the shortest time possible. The machine is efficient in that we can get the required amount of green leaf as per the processing requirement of the factory.

Construction work for the factory started in August 2019 and was complete by February 2020. KTDA projects the factory to be operational in the second quarter of 2021, with the installation of production lines by Japanese engineers having been delayed owing to the

KTDA has already introduced Orthodox tea production to its smallholder tea farmers, with 10 factories already producing the specialty tea which fetches them higher prices than black CTC tea and in line with the diversification strategy. This is to be progressed further with the piloting of the Sencha tea processing

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