The Role of Infrastructure and Government Policies in Determining the Efficiency of Kenya’s Maize Marketing System in the Post-Liberalization Era

Stephen, Wambugu, *International Food Policy Research Institute*

Although Kenya has liberalized its agricultural market, it continues to experience frequent food shortages that greatly compromise the welfare of its citizens, especially the poor. In Kenya food shortages are synonymous with maize shortages. Persistent maize crises sometimes manifest themselves in simultaneous existence of grain surpluses in some regions and grain shortages in others. This situation has placed great doubt on the efficiency of the Kenyan food marketing system. Improved market efficiency was an expected outcome of agricultural market liberalization. Partial liberalization of the maize market started in the early 1980s, and full liberalization commenced in 1992, when the National Cereals and Produce Board (NCPB) lost its monopoly as the sole buyer and importer. Liberalization of the maize market was fully effected in December 1993, when consumer prices were decontrolled, grain movement restrictions were lifted, and the NCPB was assigned the role of stabilizing markets and maintaining strategic grain reserves. This study examines the maize marketing system in order to understand the effects of liberalization on its efficiency. Several measures of efficiency are used to assess the performance of the maize marketing system. These measures include the degree of market integration between surplus and deficit regions, the level of marketing costs, and the flow of price information. The study also considers the role of different infrastructure components in enhancing the efficiency of the marketing system. It further addresses the issue of government policy in facilitating or impeding the private sector’s ability to respond to liberalization. Data for the study came from both secondary and primary sources. Price data came from reports of the Central Bureau of Statistics (CBS) and the Ministry of Agriculture. These data were supplemented with data from other published sources. The analysis also relies on survey data collected from a sample of 234 maize traders in Nairobi, Trans Nzoia, Migori, and Mbeere districts using a structured questionnaire. The main methods of data analysis used in the study are computation of descriptive statistics, cross tabulations of survey data, and use of cointegration regression techniques to study price data. Data analysis was conducted using the Statistical Package for Social Scientists (SPSS) and Microfit 4.1. This study finds that liberalization policy has enhanced market integration and the flow of information among markets. This finding suggests that potential arbitrage opportunities exist between maize surplus and deficit regions. The study also reveals, however, that substantial infrastructural, institutional, and policy constraints hinder the exploitation of these opportunities. The constraints undermine the development of private trade in the maize marketing system and lead to high marketing costs, barriers to entry and expansion by traders, and an uncertain business environment. In addition to filling gaps in the literature on maize marketing in Kenya, this study recommends a number of policies that the government and the private sector could undertake to enhance efficiency of the maize marketing system. The study
recommends that the central and local governments play a greater role in improving marketing infrastructure, enhancing the performance of the various institutions involved in maize marketing, and reducing uncertainty caused by government policy regarding maize marketing. Farmers and traders should organize themselves into groups to increase their bargaining power in the marketplace and to exploit economies of scale in acquiring marketing inputs such as storage and transport facilities and access to credit. Both government and nongovernmental organizations could play a catalytic role in the formation of these organizations.