# Agriculture and Food Authority

## 3RD QUARTER E-NEWS BULLETIN
## January – March 2017

Agriculture and Food Authority
Research, Planning & Strategy Department
Tea house, Naivasha Road, off Ngong Road
P.O. Box 37962 – 00100 Nairobi
Tel.: 3872421/3872497/3874445/6
Mobile: 0722-200556/0734-600994; Wireless: 020-2536869/2536886
Website: www.agricultureauthority.go.ke, Email: info@agricultureauthority.go.ke

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## Upcoming Agricultural Events

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|---|---|---|
| **May** | | |
| 25th – 27th | Mt. Kenya Branch Show | Nanyuki |
| **June** | | |
| 7th – 10th | Meru National Show | Meru |
| 15th – 17th | Western Kenya Branch Show | Kakamega |
| **July** | | |
| 4th - 8th | Nakuru National Agricultural Show | Nakuru |
| 25th – 29th | Kisumu Regional Show | Kisumu |
| **August** | | |
| 30th – 3rd Sept | Mombasa International Show | Mombasa |

# 1. The National Budget 2017/18

Kshs. 2.6 trillion

**K**enya's Budget projections, owing to the expected dissolution of parliament in preparation for the general elections in August for the 2017/18 fiscal year was read on 30th March 2017, by the National Treasury Cabinet Secretary Henry Rotich rose by Kshs. 340 billion from the last budget to reach Kshs. 2.6 Trillion.

The budget themed **"Creating jobs, delivering a better life for all Kenyans"** perhaps in response to concerns that many of the country's citizens have not shared in the country's economic growth and prosperity. In an apparent tribute to the budget theme, the Cabinet Secretary proposed tax incentives to:

- Support growth and domestic production;
- Reduce income inequality;
- Promote job creation;
- Improve tax administration and compliance; and
- Enhance social security and welfare

**"Creating jobs, delivering a better life for all Kenyans"**

## The impact of the 2017/18 national budget to the agricultural sector

### Creation of jobs for a farming nation

**O**ne proposal for creation of jobs is the promotion of industries that have the highest capacity to create employment. The government has identified the leather and textile sectors as the priority areas for investment. Another proposal includes increased incentives for investors in the Special Economic Zones (SEZs) as well as the automotive assembly.

The government, appreciating that agriculture accounts for almost 25% of the country's GDP, will invest more in the national irrigation schemes, provide subsidized fertilizer and seeds to farmers, fund livestock insurance schemes, digitize land registries and mechanize agriculture.

Measures have been put in place to continue rehabilitating and expanding irrigation schemes (national, smallholder and community based) in a bid to reduce the dependency on rain-fed agriculture and ensure food security.

2. The government has allocated Ksh 6.3 billion to irrigation projects countrywide to improve food security. The money will be used to expand irrigation projects and rehabilitate old irrigation schemes, this will ensure Kenya becomes food-sufficient. The schemes set to benefit include the Galana-Kulalu irrigation scheme, which will receive Sh600 million, Mwea (Ksh. 2.1 billion) and Bura (Ksh. 900 million).

Allocation of Ksh 2.2 billion for the expansion irrigation projects, Sh200 million for smallholder irrigation programs and Ksh. 300 million for community-based irrigation programs.

The government has also increased land under irrigation to more than 27,000 acres between 2013 and last year. Other areas set to benefit include the livestock offtake Programme (Ksh. 700 million), subsidized fertilizer programme (Ksh. 4.1 billion) and water management programme at Ksh. 6.7 billion.

### Pyrethrum and Other Industrial Crops sub sector

For agriculture diversification, Ksh 0.1 billion was set aside for the revival of the pyrethrum sector, whereas Miraa farmers will benefit from Ksh. 1 billion which has been set aside.

### Cotton Sub sector

Textile development will also receive Ksh. 800 million in Rotich's budget 2017/18 financial year. This comes as the Industry and Trade ministry embarks on renewed efforts to enhance partnerships with local textile and apparel sector in a bid to improve quality of products. About Sh450 million have been allocated to modernization of the Rift Valley Textile.

In his budget, Rotich has also set aside Ksh. 250 million for "Ease of Doing Business" as part of his plan to "promote the development of industries and extractive sectors of the economy."

## 2. RHODES GRASS

Rhodes grass is one of the Scheduled Crops under the Crops Act 2013. As such, it ideally is under the regulatory, development and promotion ambit of Agriculture and Food Authority (AFA). In embracing this crop, it is necessary to understand the value chain and identify the weaknesses therein, in order to develop meaningful strategies for growth.

Rhodes grass is a perennial tropical grass, 1-2 m in height, highly variable in habit. The culms are tufted or creeping, erect or decumbent, sometimes rooting from the nodes. The roots are very deep, down to 4.5 m. The leaves are linear, with flat or folded glabrous blades, 12-50 cm long x 10-20 cm wide, tapering at the apex. The seed head has an open hand shape and encompasses 2-10 one-sided or double-sided racemes, 4-15 cm long. The inflorescences are light greenish brown (rarely yellow) in colour, and turn darker brown as they mature.

The grass is a popular perennial grass in the tropics and sub-tropics of East & Southern Africa, Australia and Central America. Originating in Eastern and Southern Africa, it is valued for its ability to set seed, relative ease of establishment and ability to cover ground, tolerance for drought, light frost, soil salinity and suitability to be grown in association with many tropical legumes, clovers and lucerne.

## Grass Rhodes Production in Kenya

In Kenya, rhodes grass farming is mainly rain fed and is carried out in Kisumu, Homabay, Siaya, Nandi, Kisii, Narok, Kajiado, Machakos, Kitui, Garissa, Kiambu, Muranga, Nyeri, Kirinyaga, Embu, Meru, Isiolo, Laikipia, Busia, Kakamega, Trans Nzoia, Bungoma, Taita Taveta and Kilifi counties.

The farming practices in most of these counties is mostly small-scale with the farm sizes under Rhodes grass being less than five acres owing to scarcity of land, competition for land use by food crops, and preference for other grasses such as napier due to ease of intercropping with food crops. These small scale farmers are mainly producers who grow fodder with an intention to feed their own livestock and sell only when there is excess. The average size of the farm under Rhodes grass is about ½ an Acre. Adoption of Rhodes grass farming is also gaining prominence amongst the farmer groups.

On the other hand, large scale farming is mostly practiced in areas where there is availability of sizeable land and less competition for land use such as in Narok, and parts of Laikipia and Meru Counties. Large scale farming is driven by the principles of economies of scale and in some instances this is realized through consolidation of leased parcels of land and mechanized agriculture. Through land consolidation, farmers are able to cultivate over 100 acres of Rhodes grass as a unit. They are also able to cultivate various units spread across several ecological zones in order to mitigate social and climatic risks. Cultivation of Rhodes Grass within different ecological zones also ensure availability of grass throughout the year and addresses the challenges of lower milk production during dry seasons occasioned by pasture inadequacy as well as controlling livestock diseases.

From the study conducted by AFA, farmers across the counties preferred Napier grass for feeds due to its convenience in intercropping with the food crops. However, unlike Rhodes Grass which is available throughout the year, Napier grass availability is only limited to the wet seasons. During the dry seasons therefore, Rhodes Grass is the only readily available fodder mostly sourced by farmers from stockists as Napier and other traditional grasses are in short supply. Besides, it has greater longevity and storage convenience (stored and kept for over one year after drying with value added product silage can be stored for more than 10 years). It is also more palatable and nutritious compared to other forms of feeds. Due to its high nutritional value, milk production from dairy stock fed on Rhodes grass can increase by up to five litres per cow per day compared to other traditional fodder.

According to The Agricultural Sector Development Support Programme (ASDSP), Rhodes grass is facing competition from other grasses with higher sugar content. The other grasses are Brachiaria, Maasai grass and Sudan grass. Brachiaria, a grass adapted in Africa from Brazil, is good for grazing, can be baled as hay and is associated with increased milk production. The Kenya Agricultural and Livestock Research Organization (KALRO) has been researching improved Brachiaria grass on fields in north-western Kenya, lower eastern, coastal lowlands and central highlands (Nyandarua, Nyeri, Embu and Meru). Brachiaria grass supersedes Boma Rhodes in terms of biomass and high sugar content hence more nutritious for the livestock.

## Economic and Social Analysis of Rhodes Grass Farming

Rhodes Grass is a ratoon crop whose harvesting after the first planting is done three times a year for a period of 4-5 years. The total cost of production is higher during establishment averaging Kshs. 34,189 per acre translating to about Kshs. 171 per bale depending on the yield. The highest cost centre is harvesting and bailing charges which average at Kshs. 10,170 (Kshs. 51 per bale). Other high cost centres include land leasing and acquisition of seed which on average costs Kshs. 5,500 and 4,000 per acre, respectively. After the first harvest, which normally takes 3-4 months, land preparation costs such as leasing, ploughing, harrowing, sowing and seeds are not applicable. In this regard, the cost reduces drastically to an average of Kshs. 14,067 depending on input costs. The highest cost centre in subsequent seasons after establishment is harvesting/bailing charges which remain at Kshs. 7,340 (Kshs. 36.70 per bale). The high cost of bailing is due to the scarcity of bailing machines with owners of the equipment charging exorbitantly due to high demand for the cutting and bailing services amongst the farmers. With the selling price ranging between Kshs. 250-300 per bale during the dry seasons, the farmer profit margin may go up to Kshs. 260 per bale from the second harvest.

Taking the average yield at 200 bales per acre, the net profit may average Kshs. 52,000 per harvest translates to an annual income of Kshs. 156,000 per acre considering that there are three harvests in a year. Most farmers undertake Rhodes grass farming on small scale averaging half-acre pieces of land and are getting reasonably good returns.

## Value Chain Players

There exist several actors along the Rhodes Grass Value chain. Seed/input sellers are the main actors at the start of the chain. The group comprises of agro vet shops, co-operatives, government institutions such as Kenya Agricultural and Livestock Research Organization (KALRO), the Kenya Seed Company and farmers, who supply seeds, planting materials and other inputs to producers.

Producers are farmers who undertake production of Rhodes grass with an intention to sell, some grow for their own livestock but sell when there is excess. Traders acts as a link between producers and the regional market. Traders include agro vets, general shops, cooperatives, roadside fodder markets, individual traders as well as cooperative societies who buy and sell feeds. Cooperative societies offer service to their members. They sell feeds on credit and payment is done through a check-off system against the milk supplied.

Transporters are service providers who offer transportation services to all actors along the supply chain. They transport inputs, Hay to buyers and also from sellers to the market. The group comprises cooperative societies and individuals who own trucks, tractors, pickups, motorcycles and donkey carts.

Buyers are the final consumers of Rhodes grass from the regional and local markets. The group comprises farmers who own livestock but do not grow feeds or farmers who grow own feeds and buy in times of scarcity.

# 3. Agricultural Performance

## Sugar

In the period January - March 2017, the Sugar industry reported a decrease of 23% in sugar production to attain 146,200 metric tonnes compared to 190,071 metric tonnes achieved in the same period last year.

### Sugar Sales

The total sugar sales in January - March 2017 were 144,864 metric tonnes compared to 180,569 metric tonnes sold in the same period 2016, a decrease of 20%.

### Sugar Stocks

The closing stocks of sugar held by the sugar mills as at the end of March 2017 were 5,296 metric tonnes compared to 12,464 in the same period last year. This low stock is ascribed to reduced sugar production during the period against the increasing domestic demand.

### Sugar Imports & Exports

Under the review period, a total of 106,849 tonnes of sugar were imported in 2017 against 63,556 tonnes in the same period last year, an increase of 68%.

Sugar exported in January - March 2017 were 6.9 tonnes against 57 tonnes in the same period last year. Low sugar exports are ascribed to the fact that Kenya is a high cost and sugar deficit country.

## Tea

Tea production for the first three months of the year 2017 was significantly lower at 90.09 Million Kgs against 139.60 Million Kgs recorded during the corresponding period of 2016. This was attributed to the dry and hot weather conditions and delayed onset of the "Long-rains" season. Going by the current production trend and the fact that most parts of the country are expected to receive depressed "long rainfall" according to the weather forecast by the Kenya Meteorological Services, lower production is expected to be recorded throughout the year.

### Tea Auction

The Average Auction price for the period January- March was higher at USD 3.01 per Kg compared to 2.50 per kg for the same period of last year.

Improved prices to-date were attributable to good demand during the winter conditions in the Northern Hemisphere coupled with lower supply of tea due to hot and dry weather conditions.

Local tea consumption for March 2017 stood at 2.18 Million Kgs against 2.25 Million Kgs for the corresponding period of 2016 while cumulative tea consumption for the first three months period up to March 2017 was 7.08 Million Kgs against 6.95 Million Kgs for the same period of 2016.

### Dry Maize

During the review period, there was a 32 per cent increase in the average wholesale prices of dry maize from Kshs. 2,603 observed in 2016 to an average of Kshs. 3,434 recorded in 2017.

### Green Maize

In the period January - March, the average price of a 115 kg bag of green maize was wholesaling at an average price of Kshs. 2,665 in 2017 representing 12.4 per cent increase in price as compared to an average of Kshs. 2,372 recorded in 2016.

### Wheat

Under the review period there was a 13 per cent increase in the average wholesale price of a 90 kg bag of wheat from Kshs. 3,692 observed in 2016 to Kshs. 4,165 recorded in 2017.