



Agriculture and Food Authority

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Upcoming Agricultural Events

August

24 th -28 th	Mombasa International Show	Mombasa
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September

1 st - 11 th	World Ploughing Contest	England
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14 th - 17 th	Central Kenya national show	Nyeri
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19 th - 21 st	Sugar & Ethanol Africa Conference	Nairobi
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26 th Sept - 2 nd Oct	Nairobi International Trade Fair	Nairobi
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October

23 rd - 24 th	Naivasha Horticultural Fair	Naivasha
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26 th - 29 th	Kitale National Show	Kitale
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The National Budget 2016/17

Kshs.
2.3
trillion

Kenya's Budget projections for the 2016/17 fiscal year read on 8th June 2016 by the National Treasury Cabinet Secretary Henry Rotich rose by 23 per cent from the last budget to reach over Kshs. 2.3 Trillion.

The budget themed "**Consolidating Gains for a Prosperous Kenya**" will focus on infrastructure development and agriculture to spur the country's growth. The budget was read amidst the forecast that the world economy grew by 3.1 per cent while that for Sub Saharan Africa grew by about 3.4 per cent.

In the budget statement, Rotich proposed to improve revenue collection to Kshs 1,500.6 billion, up from the estimated Kshs. 1,295.4 billion in 2015/16. This he largely proposed would be realized through enhancing efforts to broaden the tax base, enhance equity, fairness in the tax system and improve revenue administration by the Kenya Revenue Authority.

Sector wise Allocation

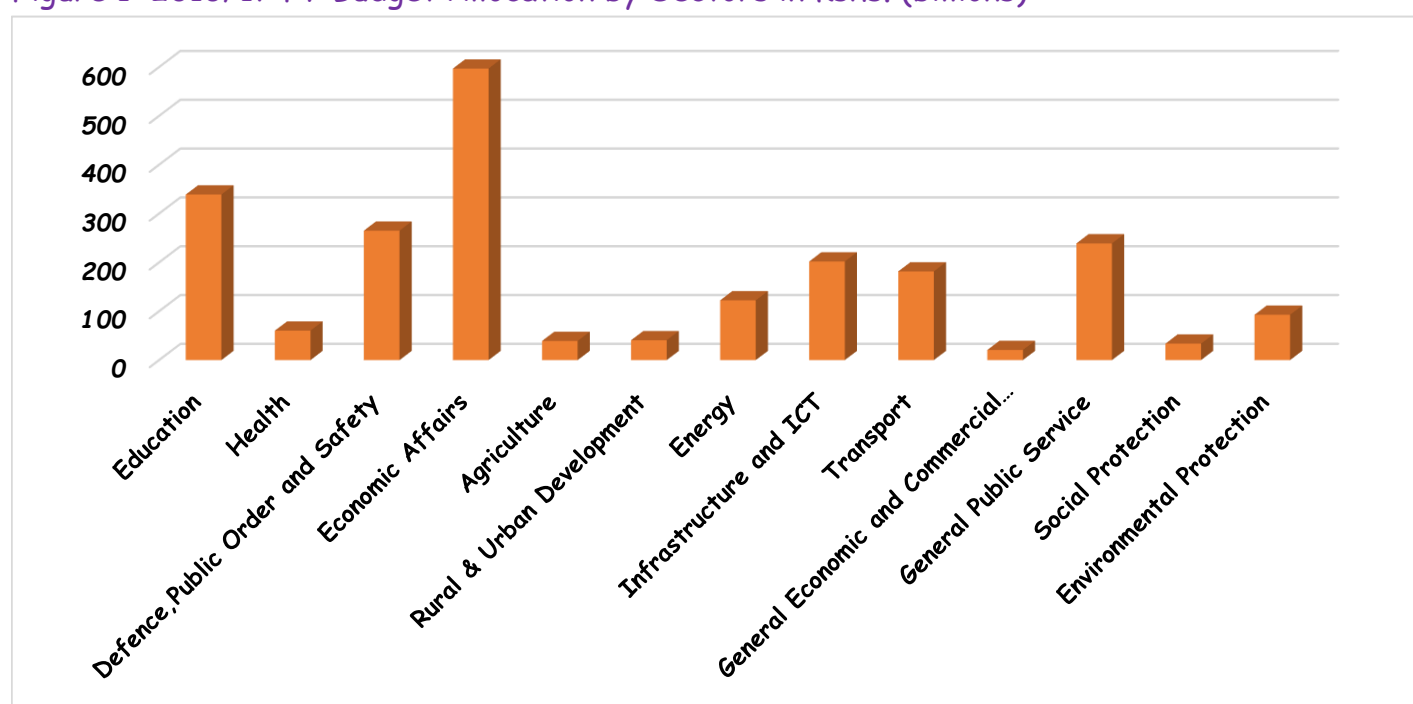
According to the budget estimates, most of the allocations will be channeled to education, energy, security and infrastructure sectors. Kshs. 339 billion will be spent in the education sector, Kshs. 265 billion in security, energy sector Kshs. 122.3 billion and Kshs. 202 billion for infrastructure development. *For more details refer to*

Figure 1 below.

Agricultural Sector allocation Kshs. 39.1 Billion

The agricultural sector will receive 39.1 billion (State Department for Agriculture 21.6 billion, State Department for Livestock Kshs. 13.3 billion and Department for Fisheries Kshs. 4.2 billion) which is way below the agreed AU 2003 Maputo Declaration's 10 per cent of the national budget allocation be set aside for improving agriculture and enhancing food security.

Figure 1: 2016/17 FY Budget Allocation by Sectors in Kshs. (billions)



Source: The National Treasury

The impact of the 2016/17 national budget on the agricultural sector

In a bid to increase food production and productivity, the government has allocated the agricultural sector Kshs. 39.1 Billion.

Sub sector Allocation

Sugar sub-sector

- The farmers will receive subsidized fertilizers
- Kshs. 2 Billion has been set aside for the revival of Mumias Sugar Company
- The removal of the sugar development levy is expected to give consumers relief as they will pay less compared to the current shelf price

Tea sub-sector

- Farmers will be able to access subsidized fertilizers in a bid to enhance yields
- Removal of the ad valorem levy is expected to have a positive impact on returns to the farmer

Miraa sub-sector

- Miraa farmers mostly from the Meru region will receive Kshs. 1 billion for crop diversification programs. These programs are expected to support and cushion the miraa growers from the challenges encountered following the produce ban in the European markets (United Kingdom and the Netherlands in 2014)

Coffee sub-sector

- The government has allocated Kshs. 2.4 Billion for Coffee Debt waivers and STABEX.

“The government also intends to remove ad valorem on tea and the sugar development levy which would now be paid by the exchequer”

Other sectors of Agriculture

- Kshs. 20.8 billion for the reduction of the dependence on rain fed agriculture by investing in irrigation projects
- Kshs. 4.9 billion to subsidize fertilizers and seeds in a bid to improve yields and output for farmers
- Kshs. 1.6 billion for strategic food reserves
- Kshs. 8.4 billion for acquisition of the offshore patrol services for the fisheries sub sector; the modernization of the Kenya Meat Commission; revival of pyrethrum sector; Livestock and crop insurance scheme and mechanization of agriculture.

In order for the government to finance the Kshs. 2.3 trillion budget, improved revenue collection strategies such as the increase in fuel prices and road maintenance levy by a hefty Kshs. 6 from Kshs. 12 to Kshs. 18 has been proposed. This will negatively affect the agricultural sector which relies heavily on the transport sector in the movement of agricultural inputs and produce.



The government has allocated kshs. 2 Billion for the revival of Mumias Sugar Company

IMPACT OF BREXIT ON THE AGRICULTURAL SECTOR

Brexit is the withdrawal of the United Kingdom (UK) from the European Union (EU). The withdrawal has been the goal of various individuals, advocacy groups, and political parties since the UK joined the European Economic Community (EEC), the predecessor of the EU, in 1973. Though the withdrawal is in accordance with Article 50 of the Treaty on European Union and in accordance with the UK constitutional requirements, it is expected to have political, social and economic ramifications in both the UK and the rest of the world.

In Kenya, it is likely to have more impact on the agricultural sector, which has over the years been the backbone of the country's economy and a major source of foreign exchange.

Kenya's exports are dominated by agricultural produce notably horticulture and tea. Other agricultural export commodities include coffee, cotton, pyrethrum, cashew nut, sisal and tobacco. The EU is the second largest export destination for Kenya after COMESA with the Kenya Agricultural trade value to the EU ranging from 949 to 1,128 Million Euros annually as shown in **Table 1 below**.

Table 1: Kenya Agricultural Trade Value to the EU in 2012- 2015

Year	Value (Million Euros)
2012	1,040
2013	949
2014	985
2015	1,128

Source: Director General Trade European Commission

The withdrawal is expected to have challenges as well as opportunities as outlined below:

Challenges

- Possible restrictions in accessing the UK market
- Delayed signing of EPAs may affect Kenya negatively because it is a non LDC (Least Developed Country)
- Expensive Trade Agreements - Chances are that Brexit will make UK's imports that enter its market under the EU Tariff-Rates Quota (TRQ) regime or other preferential trade agreements more expensive in the case that the UK applies the EU'S Most Favoured Nation (MFN) Treatment
- Exchange rates – there is a possibility of the sterling pound weakening leading to reduced earnings for Kenyan exports
- Kenya exports tea, coffee, and flowers to the UK, equivalent to 27% of the country's fresh produce and 56% of black tea. Any renegotiations of the deals because of Brexit will lead to export delays and loss of revenue. This is made even worse as it may lead to the current account deficit widening, as well as less inflows of foreign exchange.

Opportunities

- In the interest of preserving long standing trade relations between Kenya and the UK, there exists an opportunity for Kenya to lobby for technical assistance to renegotiate and strengthen bilateral ties to enable Kenya directly access the UK market
- Kenya being a member of the commonwealth provides leverage for direct negotiation with the UK
- Niche Markets – There exists opportunity for Kenya to identify new products, such as traditional high value crops to access niche markets in the UK

REVITALIZATION OF THE COTTON SUB-SECTOR IN KENYA

Cotton is a very old plant and scientifically it is reported to have its origins in two regions: India and modern-day Peru and Guatemala. Cotton fabrics found in Pakistan for example date back to 3200BC.

There exists up to 40 cotton species in the genus *Gossypium* (UNCTAD, 2005). However the main species of cotton grown for commercial purposes are *G. hirsutum* (native to Central America, the Caribbean and South Florida), *G. barbadense* (South America), *G. arboreum* ("Tree cotton", South Asia), and *G. herbaceum* (South Africa).

The basic climatic conditions required for the successful growing of cotton are a temperature range of 18-32° C and 600-1,200 mm of water over the growing cycle which typically lasts 125-175 days (FAO, 2012). Cotton exhibits a certain degree of tolerance to salt and drought and it is therefore grown in arid and semi-arid regions. However, higher and consistent yield and fibre quality levels are generally obtained with irrigation or sufficient rainfall.



Situational Analysis of the Kenyan Cotton Sub-sector

Sub-sector Potential

Cotton is one of the cash crops grown by small-scale farmers in Kenya mostly in the arid and semi-arid regions. It is a major source of income for millions of people particularly those living in the rural areas and is therefore central to the country's efforts in the fight against poverty.

The value chain has provided an opportunity for the country to diversify its exports while easily offering opportunity for employment as the chain's activities are mostly labour intensive.

Moreover, the labour requirements can be met with low and semi-skilled workers especially women. It is an important source of foreign exchange earnings though its contribution is relatively small

compared to major export crops like tea, coffee and horticultural crops. To-date, the sub-sector liberalization has not yielded notable benefits to the industry. Instead performance has continued to deteriorate.

Annual lint production remains slightly over pre-liberalization levels of 20,000 bales. Though the country has an estimated potential of 350,000 hectares suitable for rain-fed crop production and 35,000 hectares for irrigated cotton, which has a combined potential to produce an estimated 200,000 MT of seed cotton, only less than 10% (about 30,000 ha) of the potential land is under cotton cultivation and producing less than 20,000 MT per annum.

Currently there are 22 ginneries in the country out of which 4 are owned by farmers through the cooperatives while the rest are privately owned.

*To-date, only 7
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operational*

To-date, only 7 out of the 22 are operational - Eastern (3), Coast (3), and Rift Valley (1). The shut ginneries are Isimbii Ginnery, Homa Bay Ginnery (Asego Holding Limited), Kibos Ginnery, Luanda ginnery, Nambale Farmers' Cooperative Union Limited Ginnery, Malaba/Malakisi, Kendu Bay, Hola, Tharaka Ginnery and Meru farmers' ginnery.

Kenya has 52 textile mills, out of which 18 are currently operational with an installed capacity of 60,000 bales of cotton lint. Some of the largest integrated textile mills in the country are presently shut down or are under receivership-KICOMI, RIVATEX, Mountex, Raymond's and Heritage Millers. Some of these mills are considering opening up but require total modernization and refurbishment and heavy investment, which require urgent facilitation by the government and private investors. These mills have potential and capacity to supply the region with the necessary fabric with their existing infrastructure, which is still intact. Some of them like KICOMI are seeking joint venture partners to revive the mills.

Thousands of apparel manufacturing companies operate in Kenya. Approximately 170 are medium and large while over 70,000 are small and micro enterprises. Twenty-one companies operate within the Export Promotion Zones and employ an average of 1,800 each. Since the year 2000, Kenya's apparel exports to the US market have increased from USD 8.5 Million to 346 in 2015. The growth is attributed to the African Growth and Opportunity Act (AGOA) which grants African products duty free and quota free access into the US market.

Conclusion and Recommendations

From the study conducted by AFA, it was noted that the various initiatives, programmes and strategies are largely disjointed since they are carried out independently by players without much involvement of the others along the value chain. Additionally, players within the upstream part of the cotton value chain have not integrated backwards with the production where most of these initiatives, programmes and strategies have been targeted. In this regard, these initiatives, programmes and strategies haven't yielded much in revitalizing the industry.

For the cotton growing areas, majority of the county governments' initiatives towards development and promotion of the sub-sector have been minimal. This is attributed to low returns compared to the other crops that in addition, have shorter cropping seasons and require less expensive inputs. Counties where cotton has a comparative advantage over other crops tend to be semi-arid falling in the LM3 agro-ecological zones. Here, the county governments tend to focus more on food security hence the development of dry land food crops. Generally, the county governments' budgetary allocation towards agriculture is also limited and therefore prioritizing the sub-sector programmes is not key.

The National government's initiative to assist the farmers through distribution of free seeds has not impacted on enhanced returns due to low productivity as the seeds have degenerated overtime owing to continued recycling. Distribution of these seeds has also led to limited multiplication and supply of hybrid seeds. Consequently, production has been on the decline, leading to lack of raw materials for the ginners and spinners as well as textile and garment manufacturers. Most of the ginners are therefore out of operation or operating at very low capacity.

The same case applies to the spinners as well as textile and garment manufacturers who bridge the local supply gap with imports which are more competitive than the local products. In this regard, the Kenya cotton industry has lost competitiveness to other countries regionally and internationally that have been able to address production and other critical value chain challenges. Even with lower seed cotton prices than Kenya, farmers in these regions have higher incomes due to better productivity and competitiveness. With enhanced supply of raw materials, players in the value chain are able to optimize their installed capacity.

As a recommendation, therefore, both the National and County Governments should address production challenges by providing high quality seeds in order to bring back the sector to competitiveness levels attained by other players regionally and internationally. It is recommended that the BT cotton initiative be fast tracked to replace the current initiative to supply recycled seed. Alongside the provision of high yielding varieties, the National and County Governments should provide subsidized inputs such as fertilizer and chemicals to cotton farmers as well as extension services. Additionally, the National Government should put in place strong regulatory mechanisms within the value chain to ensure enhanced accountability amongst the players. This will significantly increase production per unit area, reduce the cost of production and enhance grower returns. The net effect would be the enhanced supply of locally produced raw materials, enhanced operational efficiencies for the players within the upstream part of the value chain and competitiveness of the sub-sector.

Agricultural Performance

1. Horticultural Crops

a. Local Market

Table 2 below shows the variation of average wholesale prices of horticultural crops from January - June 2016 in kshs.

Monthly Wholesale Average Prices of Scheduled Horticultural Crops January - June 2016 in Kshs.									
COMMODITY	Unit	Kg	Jan	Feb	March	April	May	June	Jan - June
Cabbages	Ext Bag	126	2,292	1,458	1,551	1,768	1,703	2,392	1,861
Cooking Bananas	Med Bunch	22	497	526	504	501	545	533	518
Ripe Bananas	Med Bunch	14	561	570	588	589	575	576	577
Carrots	Ext Bag	138	2,907	2,783	2,787	2,820	2,763	3,572	2,939
Tomatoes	Lg Box	64	5,901	5,119	5,047	5,425	6,142	7,317	5,825
Onions Dry	net	13	1,062	1,199	958	1,064	1,094	1,210	1,098
Spring Onions	Bag	142	2,066	2,044	1,955	3,008	2,438	2,408	2,320
Chillies	Bag	38	2,185	2,224	2,282	3,520	2,552	2,679	2,574
Cucumber	Bag	50	1,583	2,066	2,197	2,790	2,488	2,003	2,188
Capsicums	Bag	50	2,458	2,400	2,523	2,910	2,695	2,662	2,608
Brinjals	Bag	44	1,702	1,752	1,574	1,983	1,552	1,447	1,668
Cauliflower	crate	39	2,287	1,878	1,959	2,545	2,417	2,265	2,225
Lettuce	Bag	51	2,508	2,062	2,219	4,392	3,148	2,801	2,855
Passion Fruits	Bag	57	4,191	4,238	4,557	4,813	4,253	4,359	4,402
Oranges	Bag	93	2,878	3,098	3,456	3,250	3,254	3,251	3,198
Lemons	Bag	95	2,336	2,319	2,353	2,102	2,260	2,313	2,280
Mangoes Local	Bag	126	2,267	2,200	2,495	2,650	2,539	2,466	2,436
Mangoes Ngowe	Sm Basket	25	918	1,219	1,072	1,313	951	897	1,062
Limes	net	13	813	1,215	870	866	958	989	952
Pineapples	Dozen	13	784	791	824	887	843	811	823
Pawpaw	Lg Box	54	1,477	1,484	1,646	1,600	1,732	1,708	1,608
Avocado	Bag	90	2,370	2,168	2,125	1,973	2,160	2,195	2,165
Kales	Bag	50	1,093	1,007	1,124	1,116	1,285	1,841	1,244

Source: MOALF, State Department of Agriculture, Agribusiness Department

b. Export Market

During the period January - June, a total of 689,784.45 metric tonnes of cut-flowers valued at Kshs.41.13 billion, 301,837 metric tonnes of fruits valued at kshs. 4.3 billion and 349,971 metric tonnes of vegetables valued at Kshs.12.8 billion were exported mostly to Europe. *For more information refer to table 3 below.*

Table 3: Volume and Value of Horticultural Crops Exports

	Volume in metric tonnes in 2016			Values in Kshs. Billions in 2016		
	Cut-Flowers	Fruits	Vegetables	Cut Flowers	Fruits	Vegetables
January	100,164.46	33,855.08	67,583.73	8.40	0.61	1.93
February	137,173.96	38,079.79	48,116.84	8.07	0.56	1.53
March	123,786.80	61,299.16	58,047.55	8.46	0.85	1.84
April	123,204.65	78,656.97	57,449.28	5.39	1.07	2.18
May	116,411.71	47,487.34	48,700.74	4.78	0.64	1.61
June	89,042.86	42,459.04	70,072.98	6.03	0.56	3.72
Total	689,784.45	301,837.38	349,971.12	41.13	4.30	12.80

Source: AFA horticultural Crops Directorate

2. Sugar

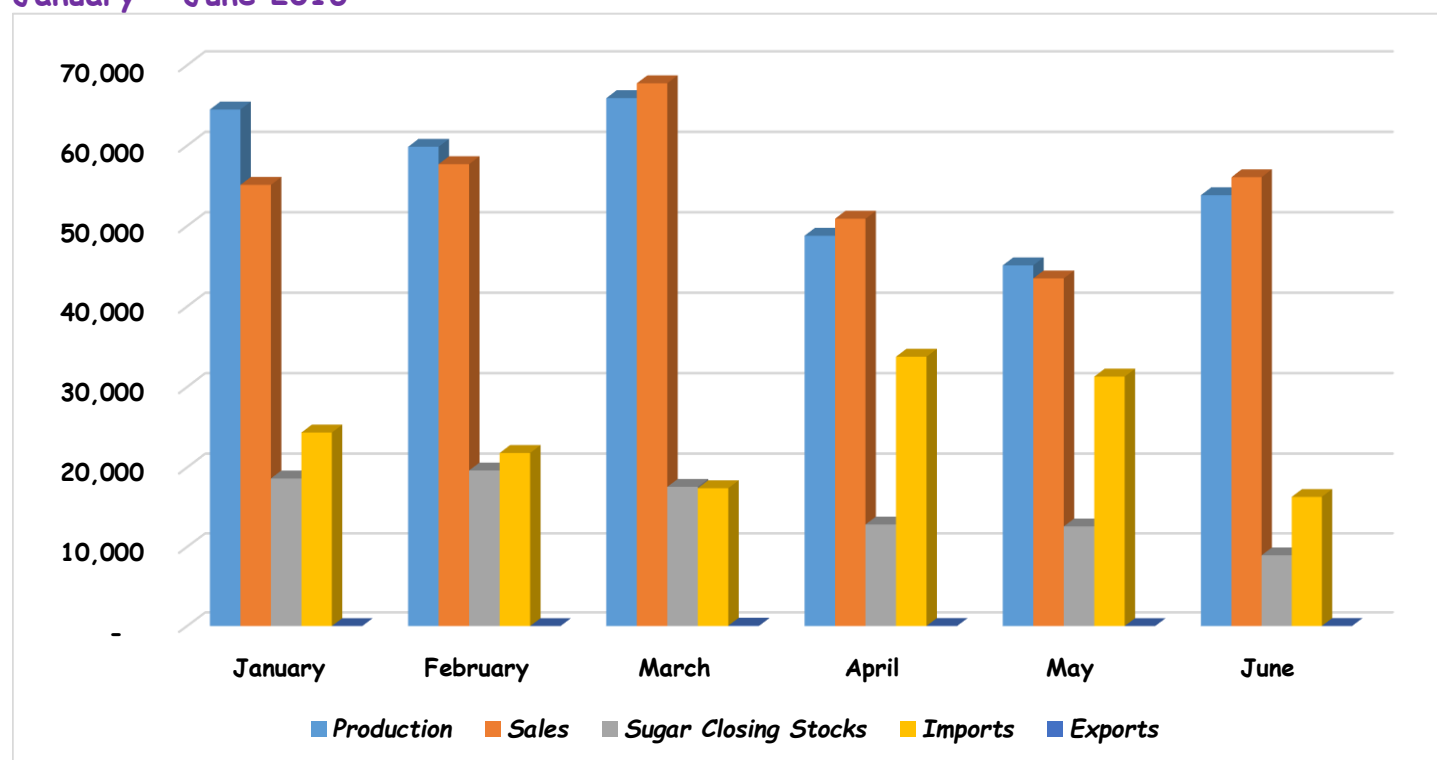
A total of 338,035 metric tonnes of sugar were produced, 331,065 metric tonnes was sold during the period January - June 2016. Total closing stock held by the millers as at the end of June were 8,944 metric tonnes. The total imports were 144,948 MT while 85 MT were exported. *For more information refer to Table 4 and Figure 2 below.*

Table 4: Sugar Production, Sales, Closing Stocks, Imports and Exports in metric tonnes from January - June 2016

	Production	Sales	Sugar Closing Stocks	Imports	Exports
January	64,498	55,123	18,632	24,342.6	2,245
February	59,863	57,697	19,624	21,795.4	0.353
March	65,909	67,749	17,590	17,418	54.795
April	48,800	50,919	12,846	33,763.5	18.132
May	45,122	43,498	12,603	31,294.8	0.5
June	53,843	56,079	8,944	16,333.5	8.7
Total	338,035	331,065	8,944	144,948	85

Source: AFA - Sugar Directorate

Figure 2: Sugar Production, Sales, Closing Stocks, Imports and Exports in metric tonnes from January - June 2016



Source: AFA - Sugar Directorate

3. Food Crops

Table 5 below shows the variation of average wholesale prices of food crops from January - June 2016 in kshs.

Monthly Wholesale Average Prices of Scheduled Food Crops January - June 2016 in Kshs.										
FOOD CROPS	COMMODITY	Unit	Kg	Jan	Feb	March	April	May	June	Jan - June
	Dry Maize	Bag	90	2,592	2,641	2,575	2,432	2,632	2,717	2,598
	Green Maize	Ext Bag	115	2,485	2,184	2,447	2,793	2,681	2,545	2,523
	Finger Millet	Bag	90	6,361	6,323	6,362	6,718	6,549	6,355	6,445
	Sorghum	Bag	90	3,770	3,694	3,753	3,716	3,599	3,526	3,677
	Wheat	Bag	90	3,723	3,643	3,709	4,054	3,718	3,740	3,765
	Beans Canadian	Bag	90	6,116	6,128	6,362	5,918	6,398	6,209	6,188
	Beans Rosecoco	Bag	90	6,279	6,282	6,519	6,490	6,629	6,341	6,423
	Beans Mwitemania	Bag	90	5,638	5,641	5,578	5,402	5,911	6,336	5,751
	Mwezi Moja	Bag	90	5,542	5,558	5,740	6,188	5,770	5,391	5,698
	Dolichos (Njahi)	Bag	90	12,291	11,790	11,820	11,493	12,825	11,573	11,965
	Green Gram	Bag	90	9,840	9,746	9,255	9,419	9,526	10,322	9,685
	Cowpeas	Bag	90	6,126	6,646	6,723	5,552	6,157	6,557	6,294
	Fresh Peas	Bag	51	3,242	2,777	2,755	3,120	3,752	4,014	3,277
	Groundnuts	Bag	110	13,255	12,423	12,137	13,446	12,640	12,940	12,807
	Red Irish Potatoes	Bag	110	2,463	2,376	2,639	2,928	2,770	2,714	2,648
	White Irish Potatoes	Bag	110	2,584	2,432	2,754	3,219	2,864	2,981	2,806
	Cassava Fresh	Bag	99	2,043	1,951	2,052	2,086	2,169	2,154	2,076
	Sweet Potatoes	Bag	98	2,927	2,679	2,735	3,002	2,767	2,821	2,822

Source: MOALF, State Department of Agriculture, Agribusiness Department