

## Stabilizing the Prices of White Maize in Kenya

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### Introduction

Staple food prices have been on the rise globally, especially maize. Maize prices have risen consistently since the global crisis in 2008 from Ksh 26.45 per kg to Ksh 49.79 per kg in 2020. As of October 2022, the price of 1kg dry white maize was trading at Ksh 72 per kg, a 44.6% increase from 2020. Staple grains are very important for food security in Kenya as they form a major part of the diet for most people, particularly the low-income households. In 2020, for example, cereals contributed 47.4% of the total daily supply of calories, with maize providing most of the calories at 52.4%<sup>1</sup>.

### Price Stability

Rising food prices have a greater impact on low-income households who spend most of their income on food.<sup>2</sup> A typical person in a low-income country spends about two-thirds of their income on food. White maize is one of the least expensive and the most common food consumed by poor households in Kenya. Therefore, high food prices reduce individuals' food purchasing power, and has distribution effects that favour the non-poor more than the poor in low-income countries.<sup>3</sup> As such, food inflation increases poverty and household food insecurity because most of the population cannot access basic needs, including both food and non-food items. High maize prices also directly impact on food intake and have been linked to an increase in malnutrition. Rising food prices is associated with reduced demand for food, and this may have negative effects on health and nutrition outcomes. A study in the Democratic Republic of Congo found an increase in low birth-weight babies following an increase in the price of staple foods.<sup>4</sup>

The demand for maize has increased owing to the growing population and due to the high demand for production of non-food products. The per capita

consumption of maize in Kenya is estimated at 60kg (5kg per person per month), according to the 2019 Kenya Maize Flour Market Report. With the increasing population, the demand for maize is projected to reach 60 million bags by 2025. Supply has declined due to decreased production, high fuel and fertilizer prices, pest infestations, effects of unpredictable and unfavourable weather patterns and supply chain disruptions that make it difficult to get products to the market<sup>5,6</sup>

There has also been a deficit in supply of maize over the years. In 2017, the country produced 37 million bags of maize against the required 52.8 million bags in the same year. In 2021, the production of maize decreased by 12.8% from 42.1 million bags in 2020 to 36.7 million bags, mainly due to unfavourable weather conditions in 2021. Fertilizer prices have also been increasing over the years, resulting to decrease in its use and hence a decrease in maize yield. The resulting consequence of these disruptions is a rise in maize prices.

The Government of Kenya has put in place various interventions to ensure availability, accessibility and affordability of maize in the country. For instance, the provision of fertilizer subsidies reduces the cost of production and improves its use to increase maize yield. However, delays in release of subsidized fertilizer continues to hinder timely food production. The importation of maize also serves to bridge the gap between high demand and low production in the country. White maize is mostly imported duty-free from the East African Community (EAC) countries, especially from Uganda and Tanzania. Maize from countries outside the EAC and the Common Market for Eastern and Southern Africa (COMESA) is subject to a 50% import tariff. The gap between production and demand has been widening over time, due to an increase in population and low yield. This has resulted in an increase in maize import quantity and hence import inflation associated with the global rise in food prices.

The government established the National Cereals and Produce Board (NCPB) under an Act of Parliament, Cap 338, whose one of its mandates is to procure and sell maize at administratively determined prices and keep strategic grain reserves. This is with a view to stabilizing maize market prices in the country. However, this has failed to take effect over the past years due to maize shortage and the hoarding of maize by large-scale farmers as they anticipate better prices. This tightens the maize supplies in the market, keeping maize prices high.

### Policy Recommendations

To enable stable maize prices, the following policy recommendations are proposed:

- (i) Promote targeted support to farmers through public private partnerships to increase yield so that the supply in the market is adequate to meet demand. This can be done by increasing the capacity of producers to use modern food production technologies such as farm mechanization, use of high yielding maize seeds and irrigation.
- (ii) Subsidize farm input, including fertilizer and seeds to reduce the cost of production. To improve the effectiveness of fertilizer subsidies, there is need for policies that focus on support

services that can allow the dissemination of information on effective fertilizer use to maize producers.

- (iii) Increase the area under maize production in the country. This can be done through targeted investment in irrigated agriculture, thus making use of the arid and semi-arid lands. This will lead to increased production, thus increasing availability of maize commodities in the market.

### Endnotes

1. Kenya National Bureau of Statistics (2021), Economic Survey. Retrieved from <https://www.knbs.or.ke/>.
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3. De Hoyos, R.E. and Medvedev, D. (2011), "Poverty effects of higher food prices: A global perspective". *Review of Development Economics*, 15(3): 387-402.
4. Delpuech, F., Traissac, P., Martin-Prével, Y., Massamba, J.P. and Maire, B. (2000), "Economic crisis and malnutrition: Socio-economic determinants of anthropometric status of preschool children and their mothers in an African urban area". *Public Health Nutrition*, 3(1): 39-47.
5. Mohajan, H. (2014), "Food and nutrition scenario of Kenya". *American Journal of Food and Nutrition*.
6. WFP (2022), Fertilizer price impact on 2022 cereal production in Eastern Africa. <https://reliefweb.int/report/world/fertilizer-price-impact-2022-cereal-production-eastern-africa-june-2022>.

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