

Rural market factors as a strategy to poverty reduction

THE Institute of Policy Analysis and Research (IPAR) will host a one-day international Conference on February 10, 2005 at the Grand Regency Hotel, Nairobi. The conference, which will run under the theme of *Empowering the Rural Poor and Reducing their Risk and Vulnerability* will be officially opened by the Minister for Agriculture Kipruto arap Kirwa.

It will unveil the findings of a series of research undertaken by local and international experts on the strategies for increased growth and productivity through rural factor markets.

The conference whose sessions are geared towards empowering the rural poor and reducing their risks and vulnerability in rural Kenya is funded by a cooperative agreement with United States Agency for International Development (USAID) known as "Strategies and Analysis for Growth and Access (SAGA)."

In Kenya, SAGA was coordinated by the Institute of Policy Analysis and Research (IPAR) through a collaboration among Cornell and Clark, Atlanta Universities, the Kenya Institute of Public Policy Analysis and Research, (KIPPRA), Tegemeo Institute of Agricultural Policy and Development, the University of Nairobi's Department of Agricultural Economics.

In series of two studies two papers from IPAR analyses the access, accountability, reforms, and relative efficacy of the various modes of extension services delivery in Kenya. It is noted that the orientation is now towards a participatory and demand driven approaches where farmers take on a more active role and become proactively engaged in seeking and disseminating the resources relevant for the specific constraint faced.

Formerly a preserve of the State, the study notes that liberalisation, has now allowed for multiple service providers including producer organisations, cooperatives and community animal health workers and recommend it as the way forward with the state only catering for the resource poor farmers without access to the new service providers.

The paper notes that the main challenge is to promote a national extension delivery system that is more responsive to the needs and realities of its clients and to

Personal View

By Dr John M. Omiti

A senior Fellow at the Institute of Policy Analysis and Research

facilitate effective coordination and regulation of the stakeholders in the industry.

Against expectations, the study found that farmers were aware of the various extension services delivery mechanisms and that public delivery mechanisms were ranked first in terms of quality.

In a paper entitled "Decomposing of Producer Price Risk: a Policy Analysis Tool with an Application to Northern Kenya livestock Markets", the study from Cornell University seeks to establish the precisely the source of livestock price risk and volatility and the extent to which livestock producer price risks is attributable to volatile markets among the northern Kenyan pastoralists.

The study notes that very few pastoralists enjoy access to formal risk management instruments such as credit and insurance and that there are no futures markets in pastoral areas and result price volatility is very high in pastoral areas of Kenya.

The practical policy implication from this study is that high, volatile costs of spatial arbitrage and competitiveness that is inconsistent over time between markets appear to be the main sources of livestock price volatility of concern to pastoralists and that only by removing inter-market arbitrage will it be possible to mitigate the problem of extraordinary livestock price risk among pastoralists.

A team of five researchers from the Department of Agricultural Economics, Nairobi University, undertook a study to establish how the limitations of access to rural factor markets for key productive assets such as land, labour and capital influence the level of poverty and expose the poor to risk and vulnerability.

The study views rural factor markets as a huge untapped potential for poverty and vulnerability reduction in the rural areas of this country and recommend for formulating appropriate policies for the rural poor to access factors of production as the one of the approaches to reduce rural poverty.

In another study from Cornell University, the paper analyses the cooperative sector that was championed as a mechanism to empower farmers to pool resources, enjoy economies of

scale, reduce transaction costs, and improve access to productive inputs, credit and extension services.

The paper argues that although the liberalisation of the cooperative movement gave members the ownership and management of cooperatives, there have been increasing levels of corruption and gross mismanagement.

As a result, the paper notes, members are now worse off under the liberalised cooperative regime than when under control.

The paper however, concludes that the cooperatives are still important in empowering the farmer and is the main reason why the revised Cooperative Act of 1998 has again been revisited in the new Cooperative Act of 2004, to address the attendant problems that have arisen during the post liberalisation era.

From Tegemeo Institute is a paper that analyses the success, failure and demand factors of agricultural cooperatives in Kenya using a case study of Kiambu district dairy and coffee farmers.

Using success performance variables of payment rates, credit accessibility and promptness of paying for deliveries, the paper notes that the cooperatives which are now user owned, user-controlled and user-benefited, have generally empowered the farmers in some cases while in others they have equally failed them through credit burden, investment in non income generating activities and gross mismanagement on the part of the management team and staff.

For instance they recommend that coffee cooperatives may reap maximum benefits by marketing their coffee without passing through the central coffee auction.

A team of four policy analysts from KIPPRA look at the effects of market price volatility on production patterns of Kenyan small holder maize farmers and note that although maize farming was normally a risk business, the policy reforms introduced in the 1990s made maize farming it even more risky as producer prices have become unpredictable.

The result is that former commercial farmers have abandoned production of the cash crop altogether and retreated into subsistence maize, farming as a self-insurance scheme against market price volatility.

This has also been experienced by sugarcane farmers and to a large extent the coffee farmer.

It is hoped that the results of the conference proceedings will help



A pastoralist explains how thieves slashes his cow in Githural where he had taken cows to look for pasture. Communities can be empowered through group social welfare.

farmers accessing productive resource for without this, it is unlikely to reduce rural poverty, risk and vulnerability associated with rural areas.

A wide mix of stakeholders including government officials, representatives of banking institutions, universities, research organisations, civil society and donor organisations will discuss these and other research findings in greater detail.

In another study from Cornell University, entitled "Exploring the effects of farmer Community Group Participation on rural Livelihoods" assesses the efficacy of community-based groups as a remedy for government and market failure.

Noting that the community-based groups are important vehicles for promoting rural economic welfare, offering buffers against natural and policy shocks, the paper finds the current fascination with group formation justified.

Yet another study from Cornell University took the subject of access to rural factor markets further by analysing the impact of the informal sources of rural finance and information among smallholders.

The study informs that further innovations of institutions within the rural micro financial sector are needed to mobilise resources while other policies to empower the poor to improve their access to rural financial services such as village banks are a necessity.

What could Kenya do to attract more and sustained investment in the fight against famine and poverty? Send your comment to the Editor, Interactive, latest by Friday.