

Role of the National Cereals & Produce Board (NCPB) in Producer Price Stabilization in Kenya

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Presentation Outline

- NCPB'S Vision
- Historical Background
- Reason for Establishment
- Is the objective being achieved
- Reforms Undertaken
- Current Roles & Situation
- Lessons Learnt
- Suggested Way Forward

NCPB's current Vision...

“Be a leading agricultural commodity management and trading organization in East & Central Africa”

Will this be achieved? Follow the slides....

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NCPB: Historical Background

- Traced back to 20th century (to colonial farmers who formed committees)
- Committees developed into regional boards to assist in:-
 - >Input procurement
 - >Market Information
 - >Marketing the produce
 - >Lobbying for better prices

1939:- Colonial Government formed the Maize & Produce **Control** Board

Reason: To regulate the operations of the regional marketing boards.

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Hist. background cont'd...

- **1967:-** The new independent Government formed the **Maize & Produce Board** (excluding Wheat Board)
- The aim was to consolidate by merging the maize & Produce Board with all regional marketing boards
- This outfit experienced challenges
- **1979:-** Govt. established NCPB by merging Maize & Produce Board with Wheat Board (NCPB Act, Cap.338)
- NCPB became a **monopoly of grain marketing**
- Why was it created.....?

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Why was NCPB established?

- > **To maintain food self-sufficiency & security within Kenya's borders.**
How was this to be achieved ?
- Procure all produce from farmers
- Procure @ Govt. set prices (to stimulate production)
- Establish storage facilities
- Distribute grain throughout the country (social role)
- Maintain quality of the grain
- Import grain during deficits
- Export grain during surplus
- Control movement of grain (thro' movement permits)

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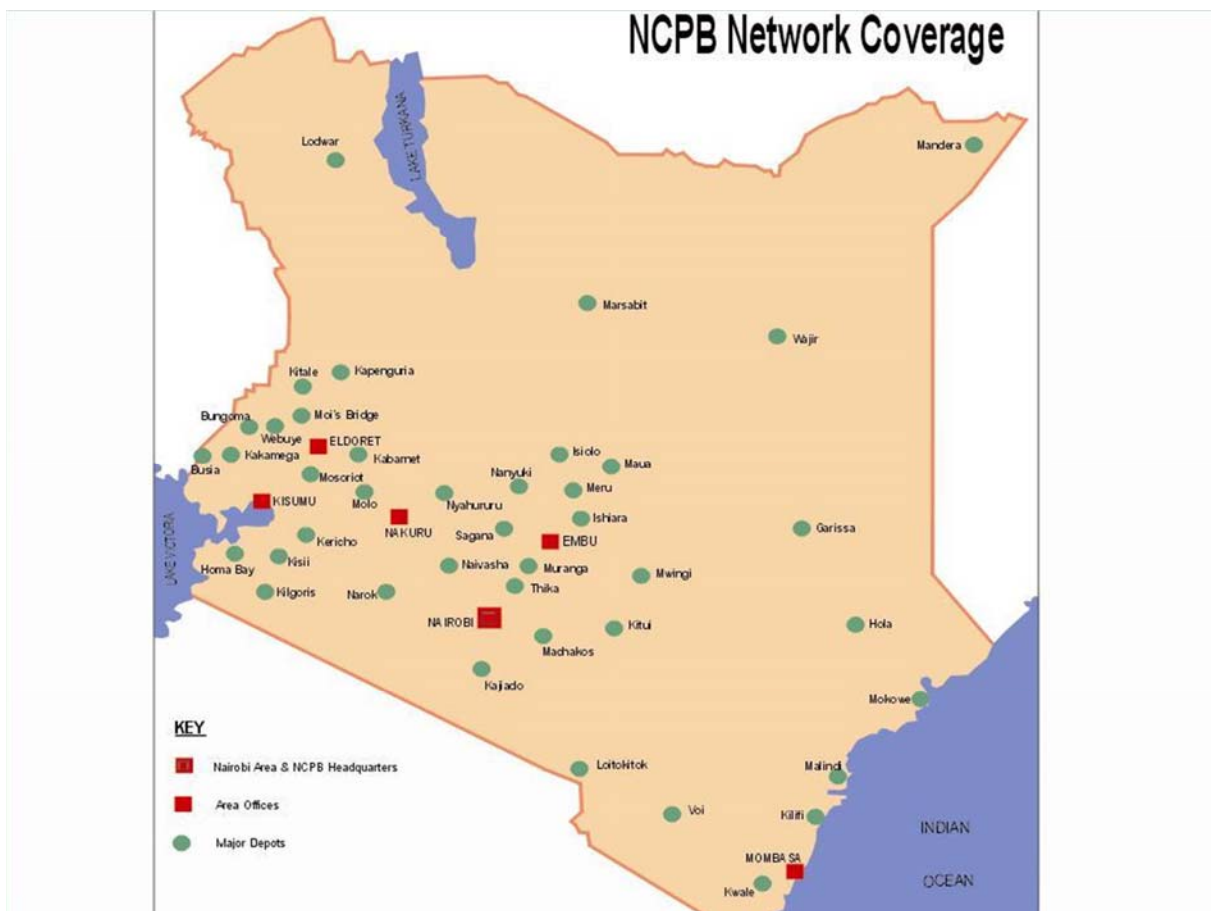
Has the objective been met?

Yes & No.

The Yes Results:-

- Constructed 110 Silos & depots countrywide of 1.84 million MT capacity (20.4 m x 90kg bags)
- Developed grain quality standards
- Developed grain management capacity
- Defended its monopoly position (thro' movement permits...stifled private sector dev.)

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...Storage construction achieved

From this



.. To this...good for warehousing₉

Achievement cont'd....

The No Results:-

- Intervention to procure all grain not attained
- Stores constructed but less than 30% utilized
- Price intervention did not stimulate production
- Large network = high cost of management (4,000+ employees) = resulted to exchequer burden
- Poor grain maintenance (lack of funds)
- Grain distribution = inefficient
- Import / export intervention = losses...inefficiencies
- **Challenges increased Reforms were necessary...**

Reforms undertaken @ NCPB

1988:- Cereal Sector Reform Program (EU)

The objective of the Program:-

- Initiate partial liberalization by allowing limited unlicensed maize trade &
- Increase the quantities moved thro' permits
- Restructure NCPB's balance sheet
- Phased closure of un-utilized stores
- Write off debts to clean the balance sheet
- **Reforms set basis for a free cereal marketing....**

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Reforms ... cont'd

December 1994: Full liberalization of the cereal sector

- NCPB role limited to buyer and seller of last resort
- However, the role was not well defined
- NCPB continued buying at Gov't directed prices
- Government prices often higher than market prices.
- Payments to farmers delayed (lack of funds)
- Market share declined to 15%
- Faced a financial crisis
- **Necessitated yet another reform**

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Reforms ... cont'd

1996-1998:- Commercialization of NCPB

WB project conducted by local & external consultants recommended the following:-

- Government to clean NCPB balance sheet
- Sale or closure of more storage facilities
- Retrench staff & re-engineer management
- Create regional business centres & decentralize management (top heavy)
- Appointment of directors to include private sector with relevant qualification

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Has commercialization Worked? Yes & No

The Yes Results:-

The reform has achieved the following:-

- Reduction of staff from 4,000 – 1,000
- Diversification of business to include branded rice & input supplies (is it core business??)
- Leasing of excess storage

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Commercialization results Cont'd....

No results:-

- Balance sheet not clean yet
- Contradictory policies = business dilemma - SGR vs. market prices (two diff. prices same time same institution?)
- Recommendation to sell excess stores not done
- Operational costs high
- Long chain of commercial decisions (political interference) = business opportunities lost
- High staff turn off - (5 MDs since 2002)
- **Further reforms desired.....**

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What Next? Mother of all reforms in the pipeline... WRS & Commodity Exchange

- NCPB plans to implement Warehouse Receipt System (WRS)
- Some of their stores have been certified
- Aims to start with large, commercial farmers
- Want to provide own receipts, however there are challenges:-
 - WRS legal framework?
 - Who is the WRS regulator?
 - NCPB contradictory roles (commercial & social)
 - NCPB image

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Current (Contradicting) Roles

- Government arm to intervene & stabilize grain market (@ Gov't set prices)
- Buy & maintain SGR = 0.36 million MT (4.0 - 90 kg bags)
- Buy, maintain & distribute Famine Relief Stocks (FRS)
- Distribution of farm inputs
- Commercial grain trading?? @ what price?

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Lessons learnt

- Despite many reforms @ NCPB, its mandate of price stabilization has not worked well
- NCPB has however, succeeded in infrastructure development (storage construction)
- Developed capacity in grain management & handling
- It has stifled private sector investment
- Interventions have jeopardize emerging market systems
- Ineffective interventions = disincentive to production
- Interventions have been costly to the economy
- Business as usual will cost country more

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Suggested way forward

- Policy – a clear NCPB role (social vs. commercial)
- Re-launch NCPB based on a clear mandate
- It can be done with partnership with private sector
 - If commercial Role:
 - Create viable semi-autonomous regional business units
 - Devolve management to regions
 - Involve private sector in management (thro' regional committees)
 - Ownership – partial share-holding
 - Plan for eventual divestiture
 - If social:
 - Procure for Government through the emerging market systems such as warehouse receipt
 - Procure @ competitive market prices

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Quote:

"It is not the impossible which gives cause for despair, but the failure to achieve the possible." - Louis Michel



"Can't do it alone, pull together"

Asante sana! God bless you!

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