

Experts fault cereals board on fixing maize prices

▣ POLICY Egerton University researchers also push for scrapping of taxes on farm inputs

BY GEORGE OMONDI

Large-scale farmers and the Kenya Revenue Authority are the likely casualties if the government adopts policies proposed by experts to tame food prices.

Egerton University's agricultural policy think-tank Tegemeo Institute yesterday said the government should stop fixing grain prices and instead leave that to market forces. It also said the proposed Value Added Tax law should be amended to scrap taxes on farm inputs and food items.

"The aim is to maintain a level of pricing that will motivate large-scale farmers to produce more without hurting consumers like is happening at the moment," said Mary Mathenge, the Tegemeo Institute's managing director.

Tegemeo researchers blame high maize prices on frequent interventions in the grains market by the National Cereals and Produce Board (NCPB).

While it is generally estimated that a price of Sh1,800 sufficiently covers a farmer's production expenses and margins, NCPB has frequently announced producer prices that are way above the recommended cost of production.

During the good rains of 2010 when a record 36 million bags were harvested, for instance, NCPB denied

consumers cheaper flour prices when announced a 35 per cent premium above the prevailing market prices at the time.

During last year's harvest, NCPB disrupted market forces again, raising its producer price by 62 per cent, from Sh1,850 to Sh3,000 in efforts to attract farmers to its warehouse receipt system. Under a barrage of criticism from policy experts, NCPB last month lowered its producer price by 6.7 per cent to Sh2,800 per bag.

"The NCPB now controls just two per cent of the national maize market and it's unfair that it should be allowed to continue disrupting 98 per cent of the market which it doesn't handle directly," said Dr Mathenge, adding that the market always interprets NCPB prices as the lowest prices.

Parliament's agriculture committee said the players in the market value chain need to work together to clear inefficiencies that have pushed up basic food prices beyond the reach of poor Kenyans.

Paul Ng'etich, a member of the committee, said inefficient production processes and unscrupulous market intermediaries have also played a big role in pushing up basic food prices.

"When we summoned sugar millers to explain why a packet was retailing at Sh400, it turned out that their price was only Sh230, meaning the near dou-

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MARY MATHENGE, MD,
TEGEMEO INSTITUTE



Mr Samuel Biwott, a maize farmer in Uasin Gishu County in September. Tegemeo Institute says market distortions only benefit large-scale producers. JARED NYATAYA

Think-tank proposes a raft of measures

- National Cereals and Produce Board should not continue to control the entire grains market while it is in charge of a paltry two per cent.
- Amend the VAT law by not taxing the farm inputs and food processing to tame prices of basic commodities.
- Set up more irrigation schemes and improve communication between farms and markets to cushion farmers from runaway transport costs.

bling of price takes place between the factory gate and retailer's premises," Mr Ng'etich said yesterday at a forum organised by Tegemeo.

The researchers have warned that the plan to introduce VAT on farm inputs and food processing will raise farmer's cost of production by five per cent and maize meal by 22 per cent.

To intervene in the market without

hurting sector players, the government should improve roads connecting farms, set up irrigation schemes and facilitate faster grain imports, the Institute said.

The State should also discontinue duty-free maize imports because they had failed to stabilise the market.

Millers said they had been procuring maize at higher rates raising the cost of

flour to between Sh120 and Sh130 per the two kilogramme packet.

"Generally, only large scale farmer have benefited from these price distortions," said Dr Joseph Karugia, a researcher at Tegemeo Institute. "Just like the consumer, a small farmer is always a net buyer who may only benefit momentarily from distorted prices during harvesting when they normally have extra produce to sell."

The government has lately faced sharp criticism over the general pricing of basic foodstuffs amid food insecurity that afflicts a large proportion of the population.

It its latest economic update, the World Bank says the flawed food pricing has seen Kenyans paying double the global price for maize and triple the global price for sugar.

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