Central Bank of Kenya

Agriculture Sector Survey

November 2024

TABLE OF CONTENTS

1. BACKGROUND

Agriculture plays an important role in Kenya's economy as a source of livelihoods, employment and economic growth. The sector supports food security and is a key source of raw materials to other sectors such as manufacturing and retail trade. It is also a major source of income, particularly to rural households where agriculture is the main source of livelihoods. Agricultural exports, notably tea, coffee and horticultural crops (vegetables, fruits and cut flowers) are important sources of foreign exchange earnings for the country. Domestically, the performance of the sector has implications for food inflation and, therefore, overall inflation.

According to Kenya National Bureau of Statistics (KNBS)' Economic Survey 2024, the sector's contribution to Gross Domestic Product (GDP) increased to 21.8 percent in 2023, from 20.9 percent in 2019. The average contribution to GDP was about 22 percent between 2019 and 2023. Wage employment in agriculture also increased to 344,300 people in 2023, from 341,600 in 2022. The sector's growth has been impressive since 2023 when it recorded a real growth of 6.5 percent, thereby reversing two years of negative growth rates in 2021 and 2022. Based on ***KNBS Quarterly Gross Domestic Product Report, Second Quarter, 2024*** the sector is estimated to have grown by 6.1 percent and 4.8 percent in the first and second quarters of 2024, respectively.

Developments in the agriculture sector have significant impact on the supply and prices of key food items in the consumer price index (CPI). As a result, the Monetary Policy Committee (MPC) of the Central Bank of Kenya (CBK) continuously monitors developments in the sector through a survey conducted in select regions to gather information on indicative prices of basic commodities, output and expected trends.

More specifically, the survey focuses on the following:

i. Indicative prices of select key agricultural food items and the general price expectations.
ii. Assessment of output and acreage of select food items, and expectations.
iii. Access to, usage and barriers to farm inputs for agricultural production.
iv. Factors affecting agricultural production and marketing/sale of farm produce.
v. Indicative information on access and use of credit facilities.
vi. Suggestions on how to improve agricultural production.

This report presents results of a survey undertaken during the period of November 11-16, 2024. Results show a decline in prices of several food items in November 2024 relative to October 2024. Food prices that declined in November 2024 relative to October 2024 include green maize, green maize-loose, various types of rice, green grams, beans, milk, cabbages, and onions. However, price increases for the following food items were noted relative to October prices: maize flour, wheat flour, sugar, kales, sukuma wiki and spinach. On balance, the number of food items whose prices are expected to increase is closely matched by the items whose prices are expected to decline for the sampled food items. Prices of sugar, cooking fat, cooking oil (salad) are expected to slightly increase in December 2024. This is consistent with developments in the international market where prices of these items have been increasing in recent months.

Expectations on output and acreage are largely positive with a large proportion of sampled farmers expecting an increase in output and acreage in the next season. These expectations are primarily underpinned by the rainfall outcome for the October-December 2024 rain season which is expected to be largely favourable. In addition, most farmers expect a continuation of government interventions that have been instrumental in reducing input costs such as the subsidised fertiliser programme.

On agriculture performance, optimism increased notably in November 2024 relative to September 2024. Majority of the respondents expect the strong growth momentum of agriculture to either remain or improve with expectations being driven by the same considerations that informed expectations for increased output and acreage. Regarding expected performance of the overall economy in the next three months, there was a modest increase in optimism in November 2024 compared to September 2024 mainly reflecting reduced uncertainty about likely rainfall outcomes in November 2024. With respect to expected economic performance one year ahead, optimism remained unchanged but still relatively high in both November and September 2024 surveys. Respondents were asked to give suggestions on how to improve agricultural production. A summary of their suggestions is provided in section 4 of this report. Conclusions and policy recommendations are presented in section 5.

2. METHODOLOGICAL FRAMEWORK

The November 2024 survey, like previous MPC surveys of agriculture sector, gathered information on wholesale and retail prices of select food items, expectations regarding changes in prices and output, and factors that affect agricultural production. The survey drew respondents from select wholesale and retail markets and select farms in key food basket regions. These included Nairobi Metropolitan area, and neighbouring counties such as Kiambu, Kajiado and Machakos. Other areas covered included Naivasha, Gilgil, Nakuru, Narok, Bomet, Kericho Kisumu, Mombasa, Kisii, Eldoret, Kitale, Nyandarua, Nyahururu, Mwea, Isebania, Meru, Nyeri, Isiolo, Oloitoktok, Namanga, Makueni and Molo and some parts of Western Kenya.

The coverage and scope of the survey has continued to expand over time. The data was collected using face to face interviews with retailers, wholesalers and farmers in select markets and farms. A total of 233 respondents were sampled out of which farmers and retailers accounted for 52 percent and 35 percent, respectively, while wholesalers accounted for 14 percent **(Figure 1a and 1b).**

Figure 1a: Sample composition (Percent)

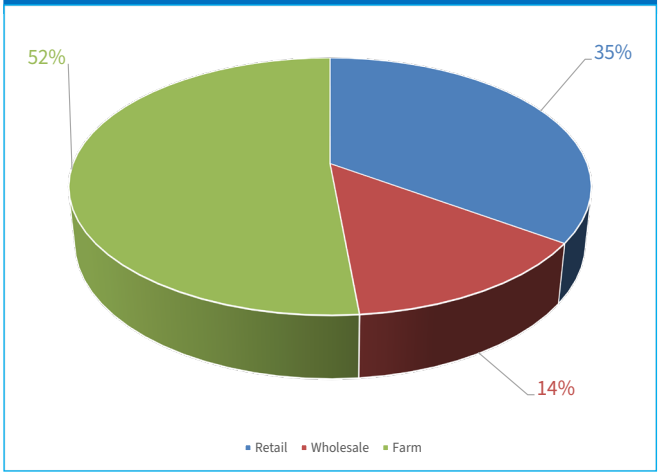
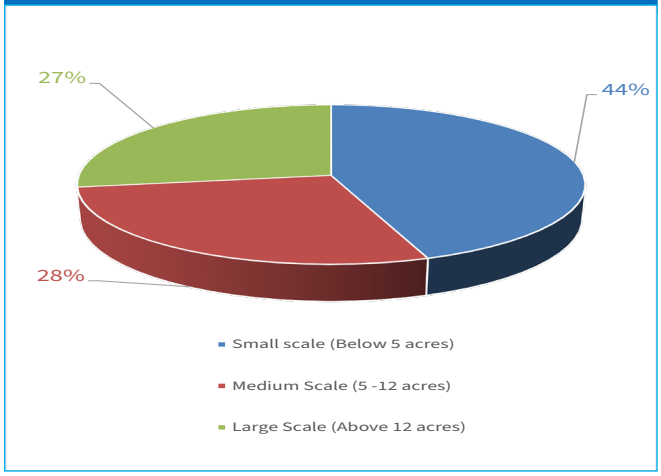


Figure 1b: Farm categorization (Percent)



Analysis of the information collected was undertaken using both quantitative and qualitative approaches, with findings presented using tables and/or charts. A key tool used in the analysis is the Balance of Opinion (BOO), a metric that shows the net position with regard to responses to selected questions. The BOO is generally defined as the difference between the proportion of respondents having expressed a positive opinion and the proportion of respondents having expressed a negative opinion divided by the total number of respondents. The computation of BOO facilitates conversion of qualitative responses into quantifiable values.

For instance, with regard to inflation, the survey sought respondents' views about whether they expected inflation to increase, remain unchanged or decrease in the next one month and three months ahead. The BOO gets the net positions of respondents and therefore helps shed light on the direction where, on balance, most of the responses are concentrated, after taking into account all the responses to the particular question. It is important to note that a respondent's expectations about inflation or economic performance could vary depending on the time horizon, for instance, a respondent could expect inflation to increase one month ahead but decrease three months ahead, and vice versa. The same applies to expectations about economic performance.

The survey also sought to understand how respondents expected the agriculture sector to perform in the next three months and one year ahead. This is the second time the question was being asked, having been introduced during the September 2024 survey. The objective is to have separate expectations for agriculture sector performance and overall economic growth since the latter encompasses the industrial and service sectors, in addition to agriculture.

3. MAIN HIGHLIGHTS FROM THE SURVEY

This section highlights the key findings from the November 2024 survey, which are as follows:

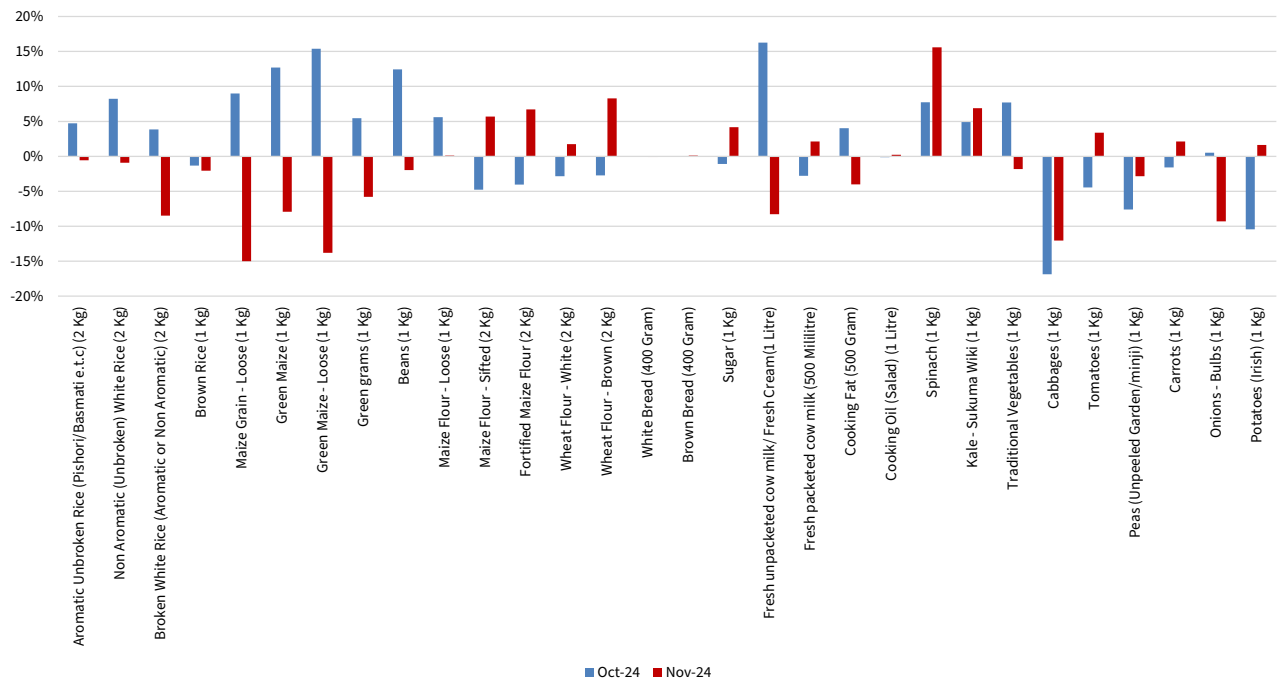
i. Retail prices of several food items declined in November 2024 compared to October 2024, though an uptick in prices of maize flour, wheat flour, sugar, spinach and Sukuma wiki was noted.
ii. Balance of opinion on expected price changes in December 2024 shows the number of items whose prices are expected to increase is almost the same as those with a downward price expectation.
iii. Majority of respondents in the November 2024 survey expect overall inflation to either remain unchanged or decrease, in the next three months, despite expectations for an uptick in December 2024. The expectation for low inflation is mainly underpinned by the increased food supply largely due to favourable weather conditions, the expectations that the exchange rate will continue to remain stable and the observed moderation in pump prices.
iv. Expectations about change in acreage and output of key food items remains largely positive. This is mainly driven by expectations that the weather conditions will remain conducive for farming and the expectations that government interventions particularly the subsidised fertiliser will be sustained.
v. The most sought inputs are inorganic fertiliser and pesticides/herbicides with 85 percent and 54 percent of sampled farmers, respectively, reporting that they were the most important inputs in production.
vi. Over 50 percent of sampled farmers reported to have accessed the subsidized fertilizer with most farmers reporting positive impact on output.
vii. Optimism about expected performance of the agriculture sector improved in November 2024 compared to September 2024. The proportion of respondents expecting agriculture sector performance to either remain unchanged or improve in the next three months increased to 87 percent in November 2024 compared to 78 percent in September 2024. Over the same period, the proportion of sampled respondents who expected agriculture sector performance to remain unchanged or improve in the next one year increased to 81 percent compared to 76 percent. Improved optimism was underpinned by expectations for continued favourable weather and government interventions especially subsidized fertilizer.
viii. There was increase in optimism in November 2024 regarding expected overall economic performance three months ahead, mainly driven by optimism about agriculture sector performance. The expected performance one year ahead remained unchanged in November and September 2024 with 71 percent of respondents expecting overall economic performance either to improve or remain unchanged.

3.1 Prices of key agricultural commodities

The analysis of the data shows most food items recorded price declines in November 2024 compared to October 2024. For instance, the survey noted a general decline in prices of various types of rice, maize grain – loose, green maize, green maize – loose, green grams, fresh un-packeted cow milk, cabbages and onions.

There was, however, an increase in prices of a few food items particularly processed food items such as sugar, wheat flour, maize flour and select vegetables such as spinach and kales/sukuma wiki **(Figure 2).**

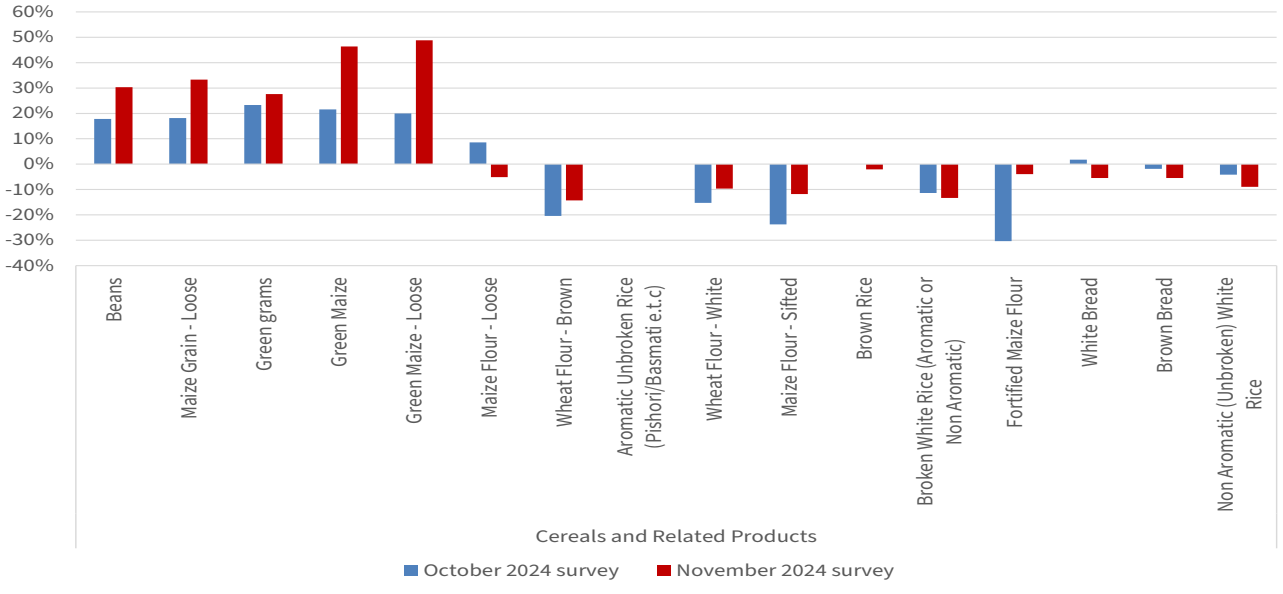
Figure 2: Monthly changes in retail prices of select food items (Percent)



3.2 Expectations of prices of key food items

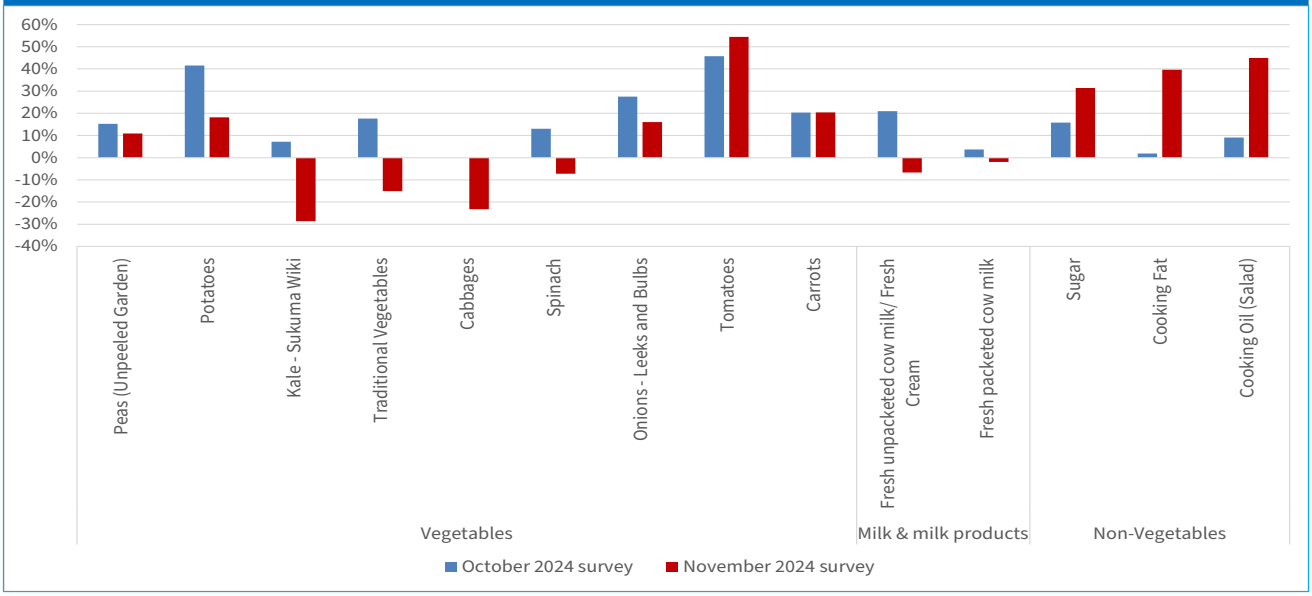
On balance, the BOO points to an expected general decline in prices of several key food items one month ahead, that is, in December 2024, and expected increases in a few food items in line with seasonal factors. For instance, most respondents expect an increase in tomato prices as market supply is likely to be impacted by the October-December 2024 rain season. The expected increase in tomato prices is largely driven by seasonal factors as tomato supply tends to decline during rainy season and increase when dry conditions set in. Respondents also expect an increase in prices of beans, green grams, green maize, maize grain – loose and garden peas in December 2024, largely reflecting seasonality **(Figure 3 and 4).**

Figure 3: Balance of opinion on expected price changes for cereals and related products in the next one month (Percent of respondents)



In general, prices of most varieties of rice are expected to remain stable albeit with a slight downward bias. Rice is among food items whose prices have been generally stable for over two years, supported by domestic production and imports. Milk prices have also been relatively stable in the last year supported by favourable weather conditions that have improved pasture complimented with imports especially from Uganda. Most respondents in the November 2024 survey expected the price of the two commodities to remain stable.

Figure 4: Balance of opinion on expected price changes for vegetables, non-vegetables and animal products (Percent of respondents)

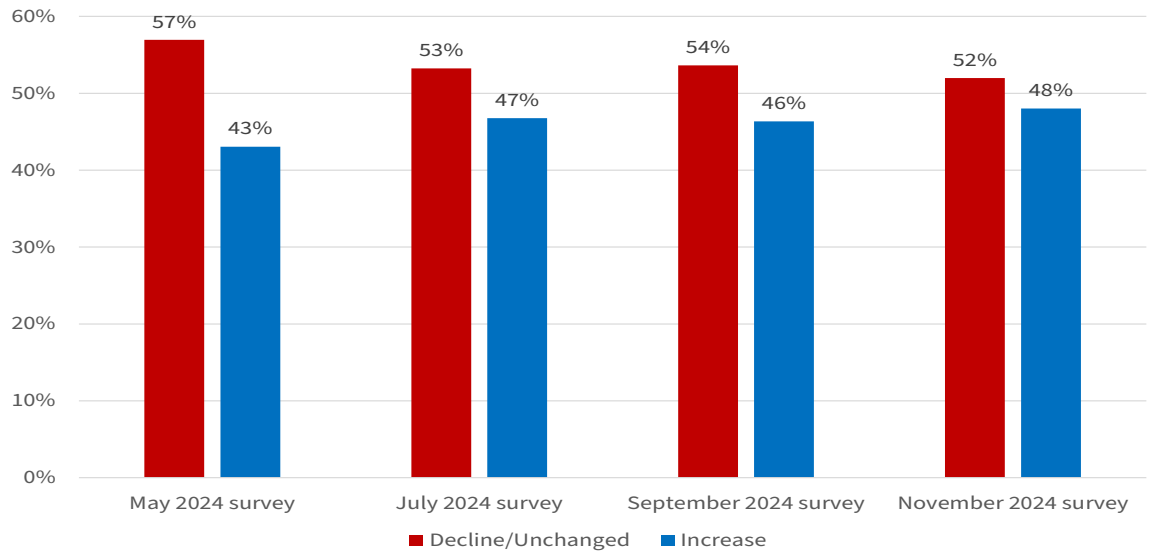


The BOO also showed that, on balance, respondents expected the prices of sugar, cooking fat and cooking oil (salad) to increase in December 2024, reflecting developments in the global market where prices of these items have been rising in the recent past.

In addition to getting information about expected changes in food prices, the November 2024 survey also sought respondents' views about expected changes in the general consumer price level in the economy (inflation). This broader assessment provides insights about expected changes in overall inflation that are due to changes in prices of non-food items that are part of the consumer basket, in addition to food items.

Results in November 2024 showed that most respondents (52 percent) expect overall inflation to either remain unchanged or decline in the next three months, compared to 48 percent who expect an increase (Figure 5). On average, the surveys in May, July, September and November 2024 showed a slightly higher proportion of respondents who expected overall inflation to either remain unchanged or decrease three months ahead against those that expect an increase. This expectation has been driven mainly by the noted increase in food supply due to conducive weather, a stable exchange rate and relatively lower fuel prices. Those who expected an increase mostly cited the possibility of inadequate rainfall during the October-December 2024 seasons, potential increase in international oil prices due to the escalation of Middle East conflict and the Russia-Ukraine war and concerns about noted modest increases in prices of select essential food items particularly processed food items such as sugar, cooking fat and vegetable oil.

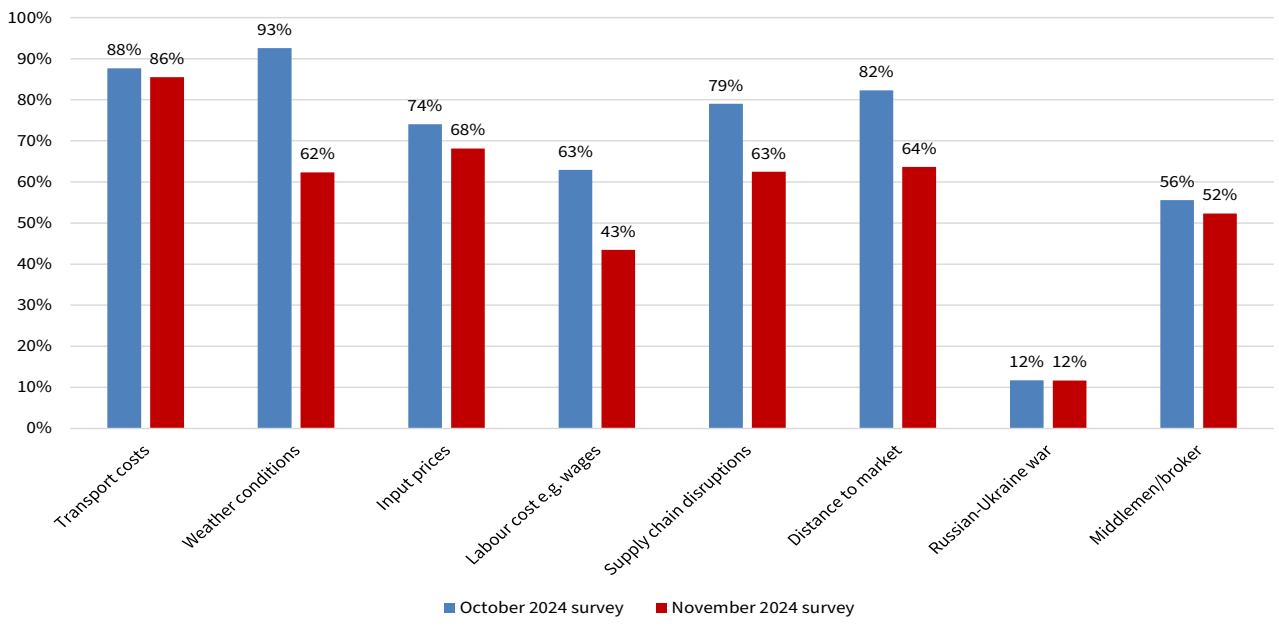
Figure 5: Inflation expectations in the next three months (Percent of respondents)



3.3 Factors affecting retail and wholesale prices

The November 2024 survey, like previous surveys, sought to establish the factors affecting retail and wholesale prices of select food items. The proportion reporting transport costs as a factor influencing retail prices remained high, with a slight decrease to 86 percent in November 2024 compared to 88 percent in September 2024, possibly reflecting the benefit of recently lower and stable fuel prices. The impact of weather conditions (floods, drought) moderated in November 2024 with 62 percent of sampled respondents reporting weather to be a factor influencing retail prices against 93 percent in September 2024 **(Figure 6 and Annex Figure 17).** Similarly, the proportion that reported supply chain disruptions to be a factor driving up retail prices in November 2024 declined to 63 percent from 79 percent in September 2024. The impact of 'distance to market' moderated as farmers reported to be travelling shorter distances in search of supplies due to bumper harvest for most crops across the country.

Figure 6: Factors affecting retail prices (Percent of respondents)



3.4 Analysis of output

3.4.1 Output performance and expectations

This section describes the outcomes of the November 2024 agriculture survey in terms of expected changes in indicative output and acreage for select crops. This information provides insights on how the agriculture sector with regard to crop production is likely to evolve in the near to medium term. These developments have implications for food supply and hence food inflation which is a key component of overall inflation.

3.4.2 Output performance across food crops

Sampled farmers in the November 2024 survey observed that output and acreage of most crops were, in general, expected to increase, largely driven by the above average rainfall in March-May 2024 long rain season and the expectation that the October-December 2024 short rain season would be favourable. Moreover, most respondents expected a continuation of government measures such as the fertiliser subsidy programme to moderate input costs.

3.4.3 Expectations about output and acreage

On balance, farmers' expectations about likely changes in output and acreage in the next harvest point to an increase. The favourable rainfall in 2023 and 2024 raised water table thereby supporting farmers who rely on irrigation especially those who use water from boreholes. Even for those that rely on rain-fed agriculture, the expectation that favourable rainfall would continue had motivated them to increase acreage. Besides, previous harvests had provided many farmers with own seeds which partly reduced the input cost burden. The November 2024 survey showed that, on balance, farmers would be willing to increase acreage for various crops such as kales/sukuma wiki, spinach, tomatoes, carrots and beans. Similarly, farmers expected a higher output with respect to most of the crops, partly resulting from increased acreage, expected favourable weather conditions and government interventions to boost agricultural output, including the supply of subsidised seeds **(Figure 7a & 7b).** Farmers also indicated that the decision about crop acreage was determined by several factors including: expected weather conditions; availability of affordable and quality seeds; the cost of land preparation for the specific crop; expected returns as well as the requirements for crop rotation which is a standard practice to improve soil fertility.

Figure 7(a): Balance of opinion on expected acreage for select crops (Percent of respondents)

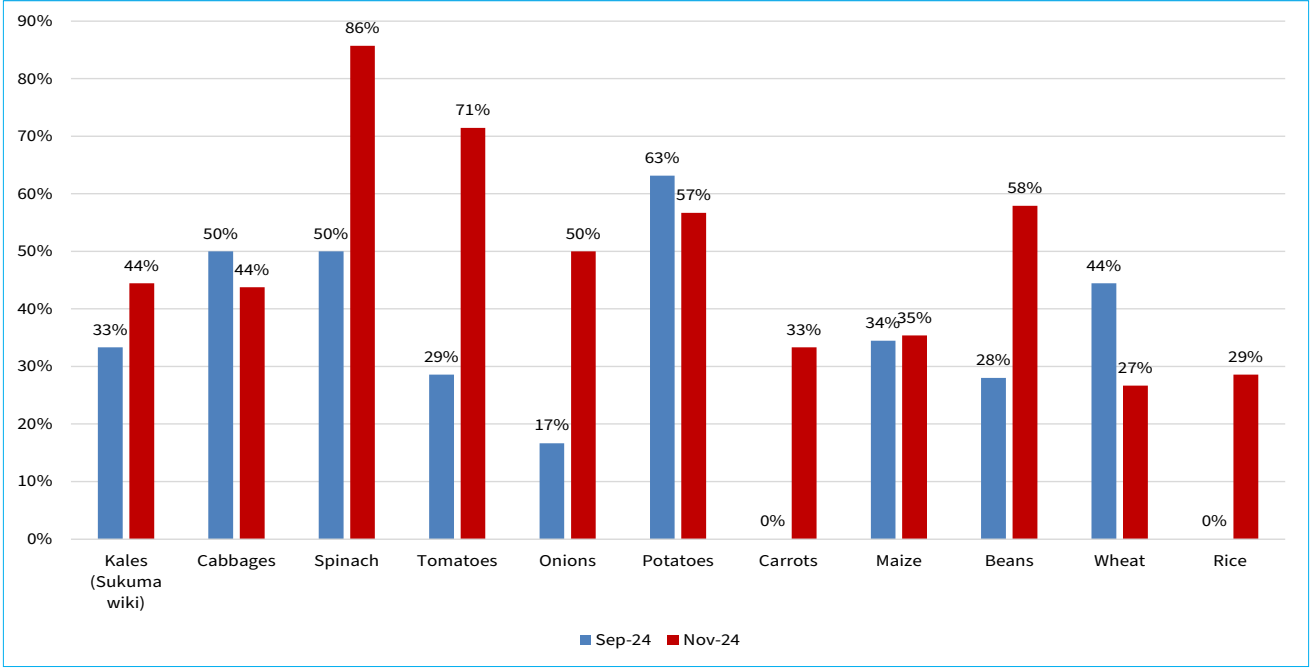
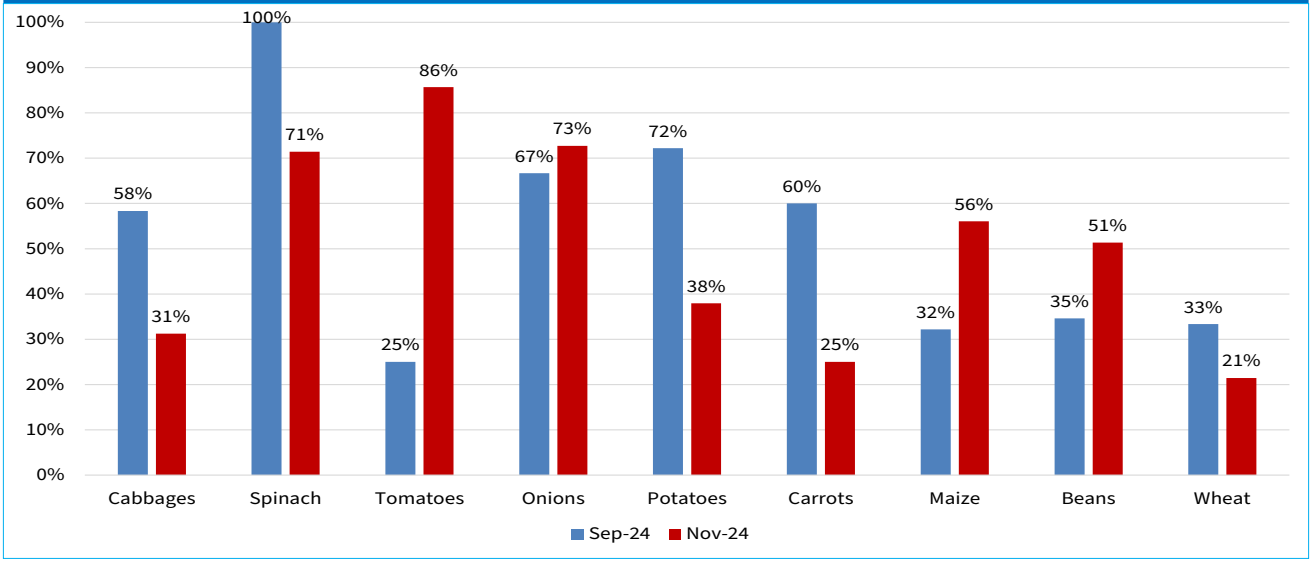


Figure 7(b): Balance of opinion on expected output for select crops (Percent of respondents)



3.5 Expected performance of the agriculture sector and the overall economy

Respondents were asked to indicate how they saw the agriculture sector evolving in the next three months as well as one year ahead, and the reasons for their views. Moreover, the survey sought respondents' views on how they expected the overall economy to performance in the next three months and one year ahead. In both cases, respondents were asked to state the reason underpinning whatever expectations they had about prospects regarding agriculture sector and the overall economy.

Regarding expected performance of agriculture sector, there was improved optimism in November 2024 compared to September 2024 survey. The proportion of respondents that expected agriculture sector performance to remain unchanged or increase in the next three months increased to 87 percent in November 2024 from 78 percent in September 2024. Optimism remained high even at longer horizon as the proportion that expected agriculture sector performance to remain unchanged or improve in the next one year also increased to 81 percent in November from 76 percent in September 2024 **(Figure 8a).** The increased optimism was partly supported by the favourable rainfall outcome which was evident in most regions sampled.

Optimism about the overall economy improved in November 2024 with 76 percent of the sampled respondents expecting overall economic performance to either remain unchanged or improve, compared to 75 percent in September 2024. However, for the next twelve months, the proportion expecting overall economic performance to remain at current level or improve remained unchanged at 71 percent in both surveys.

The reasons underpinning optimism on overall economic performance were largely similar to those noted in the September 2024 survey. These include the expected support from a booming agriculture sector due to forward and backward linkages that agriculture has with other sectors, expectations that the exchange rate would remain stable, stable pump prices and low and stable inflation. The marginal increase in the proportion of respondents expecting overall economic performance to be relatively better in the next three months in November 2024 mainly reflects the optimism generated by the rainfall outcomes during the month. Most respondents expect the growing of fast maturing fresh vegetables to be supported by the October-December 2024 short rains.

Respondents who expected economic growth to decline in the next three months as well as one year ahead reported the potential adverse impact of unfavourable domestic and external factors. Reasons for the pessimism included possible increases in international oil prices due to uncertainty of Middle East conflict, high interest rates which undermined borrowing for investments and a reduction in government spending on development **(Figure 8b).** Others were concerned that the agriculture sector was not getting the attention it needed to realise its full potential. What is needed to increase agricultural production is discussed in section 4 of this report.

Figure 8 (a): Proportion of respondents optimistic about agriculture sector performance (Percent)

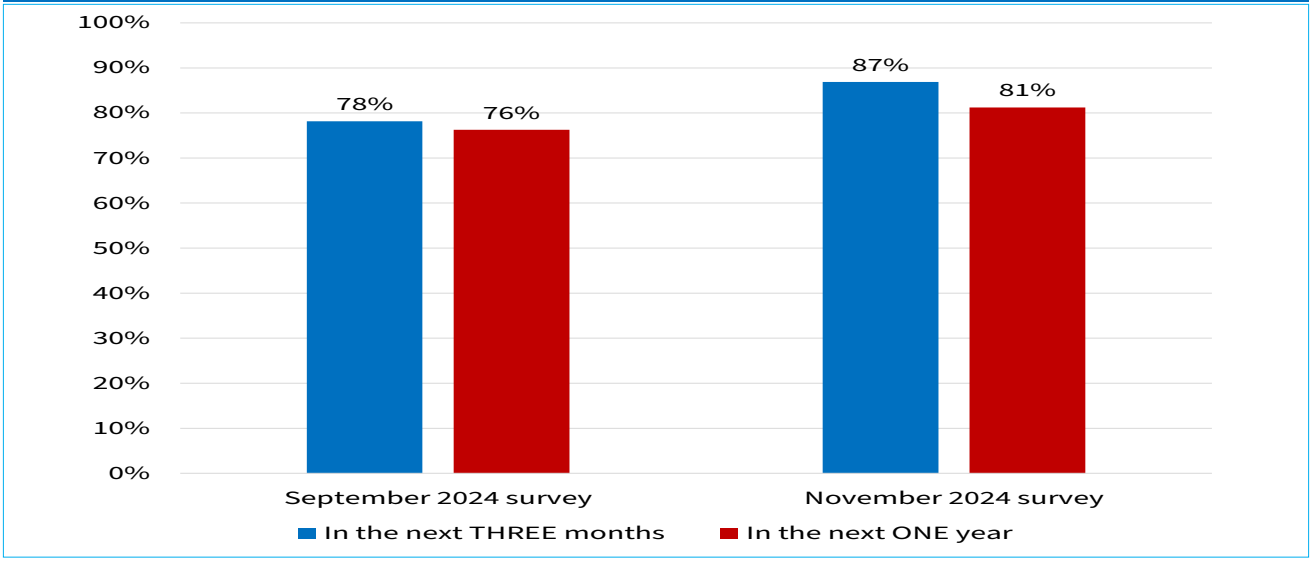
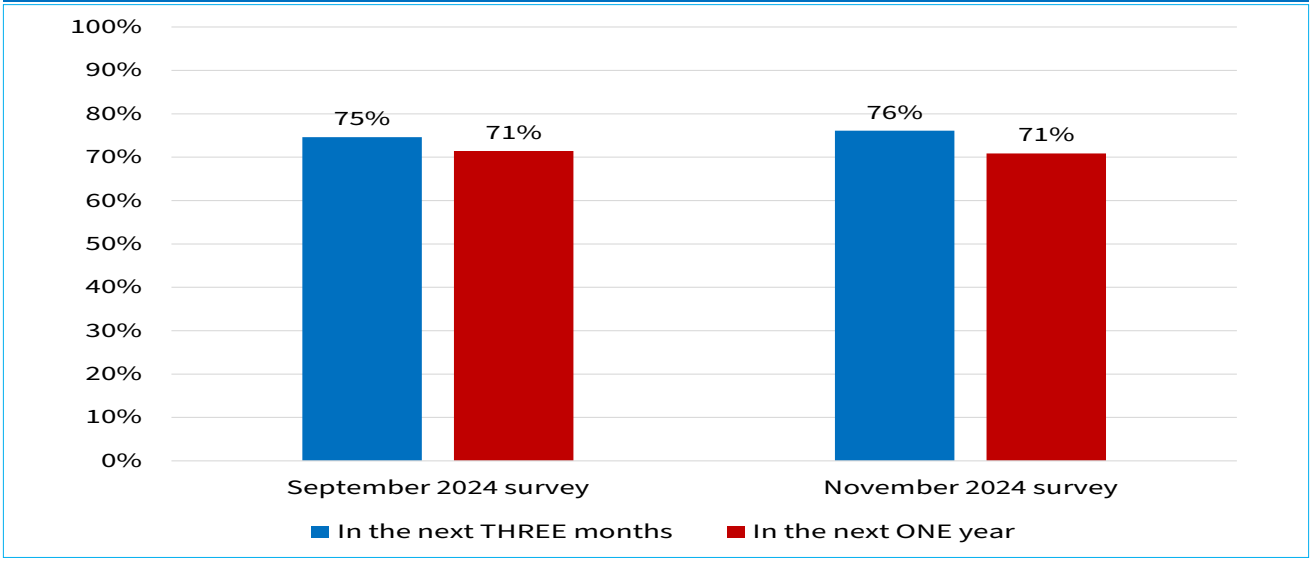


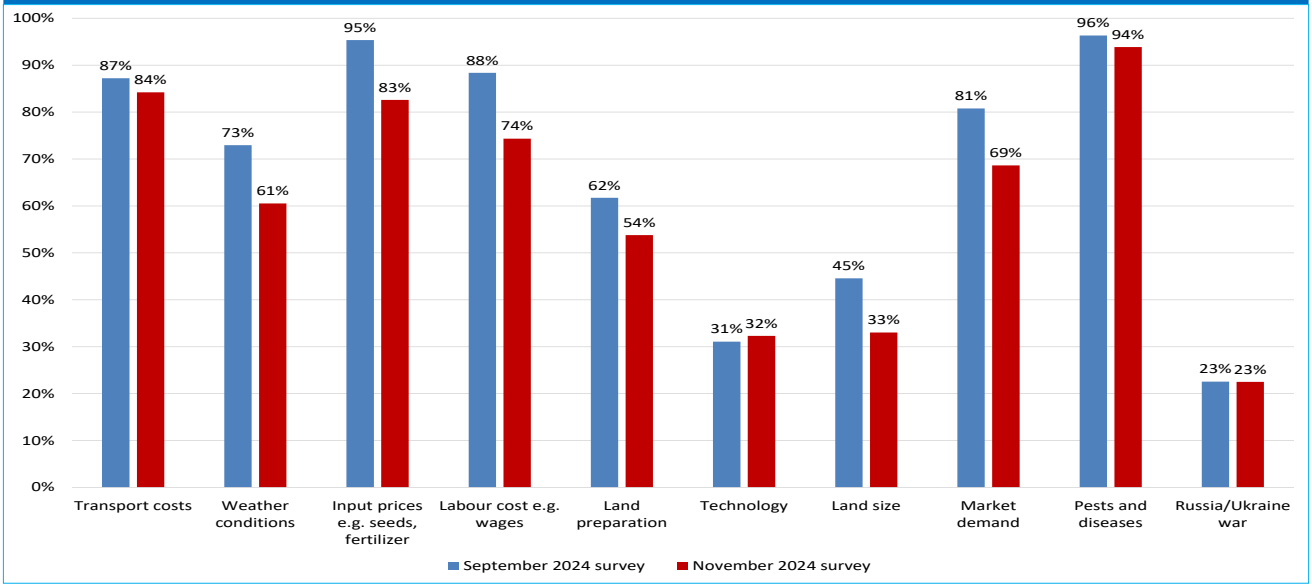
Figure 8(b): Expectations about overall economic performance (Percent of respondents)



3.6 Factors affecting agricultural production

On average, 90 percent of farmers in September and November 2024 surveys reported pests and diseases and input prices to be key factors that influence agricultural production. There was, however, a slight reduction in the proportion of farmers who reported the two inputs to be critical factors affecting production in the November 2024 compared to September 2024. Regarding input prices, the proportion was 83 percent in November 2024 compared to 95 percent in September 2024 survey. The reduction partly reflects the role of increased supply of food items including cereals. Some farmers reported that they set aside part of their harvest from the previous season to be used as seeds and, therefore, they did not have to purchase from the market **(Figure 9).**

Figure 9: Factors affecting agricultural production (Percent of respondents)



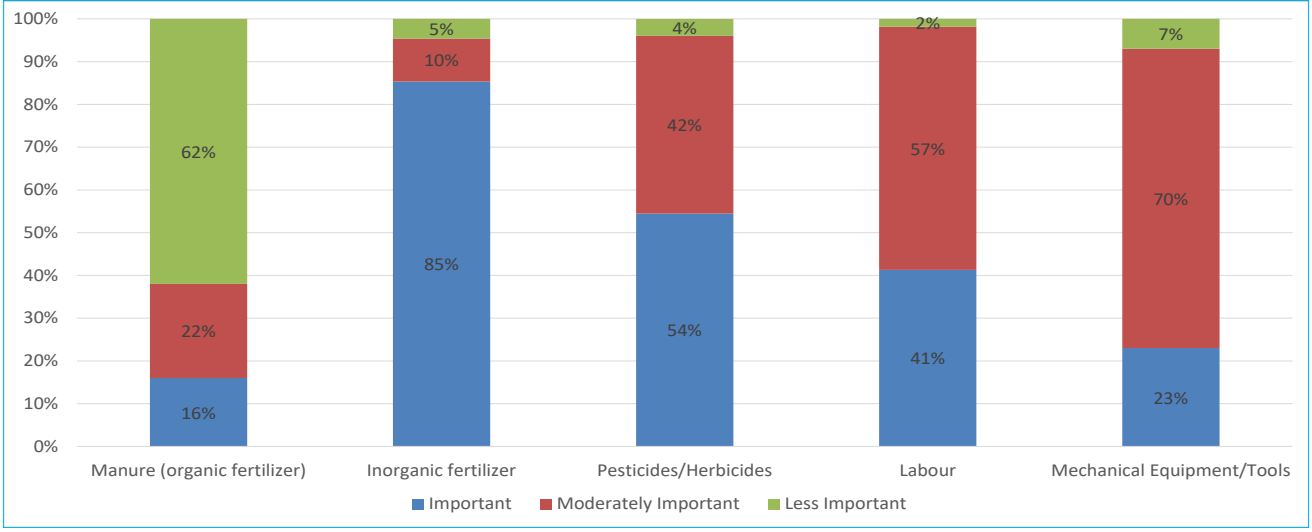
3.7 Use of farm inputs in agricultural production

The November 2024 findings on the type of inputs commonly used by farmers and their intensity was much similar to findings of previous surveys. That is, the two most used inputs are inorganic fertiliser and pesticides/herbicides. They also take the highest share of farm expenditures, as reported in another section of this report. Inorganic fertiliser is the most used input with 85 percent of sampled farmers reporting to have used fertilizer at various stages of crop growing. The government policy of subsidised fertiliser programme is, therefore, well targeted as it seeks to reduce the cost burden and promote use of an input which is widely used. The second most used input is pesticides/herbicides which was reported to be used by 54 percent of the sampled farmers. Pesticides/herbicides were said to be so critical to crop health to the extent that most crops would not produce any meaningful yields without application of the same.

Fertiliser use is critical during planting as well as top dressing. Use of pesticides is also widespread especially in the growing of potatoes, tomatoes, cabbages, onions, spinach, and kales/sukuma wiki to control for various crop diseases at various stages of the crop cycle.

As was established in the previous surveys, use of hired labour and farm equipment and machinery were also common though not as widespread as that of fertiliser and pesticides/herbicides. Use of hired labour was observed to vary from farmer to farmer and to a large extent depended on farm size, type of crop grown and the degree of farm mechanisation. Some farmers reported to have hired labourers to assist in land preparation while others used hired labour during weeding and for others it was only necessary during harvesting. Some farmers reported relying on family labour in most stages of production and in some cases family labour was used exclusively in all stages of crop production. This was especially common in small scale farms. Use of farm machinery and equipment particularly reliance on hired and own tractors during land preparation was common in medium and large-scale farms. The least used input was farm manure which in the November 2024 survey was indicated to be less important input by 62 percent of the sampled farmers **(Figure 10).**

Figure 10: Significance of farm inputs in agricultural production in November 2024 survey (Percent of respondents)

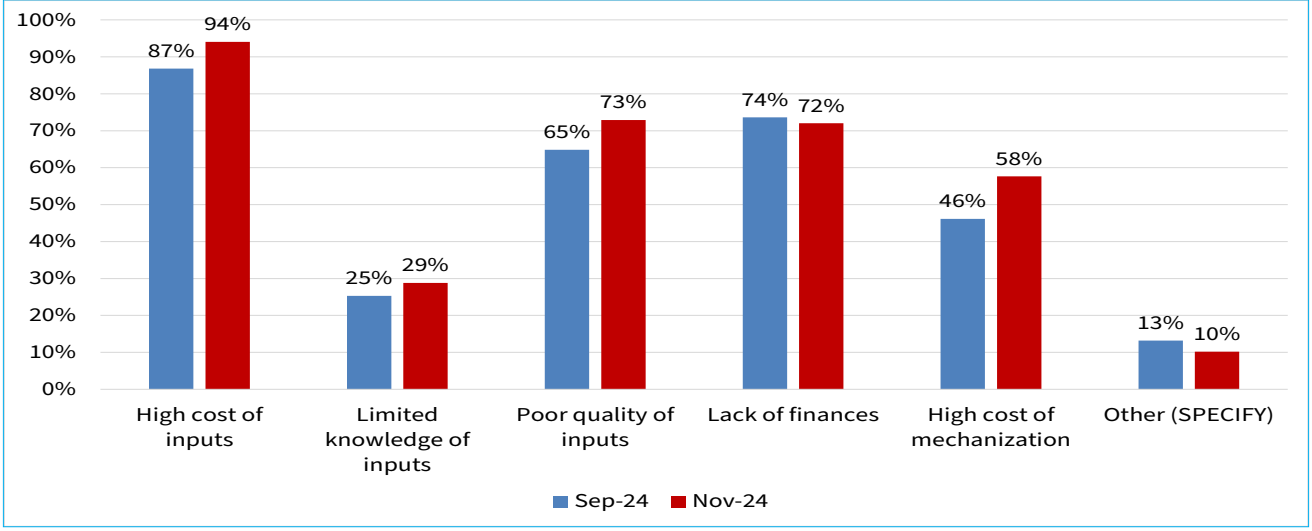


3.7.1 Challenges associated with access to farm inputs

Farmers face several barriers in accessing farm inputs, but the most severe is the high costs of inputs especially with regard to fertilizer, seeds, and pesticides. Other challenges include lack of finance and the high cost of mechanization **(Figure 11).** A few farmers reported the challenge of having to travel long distances to get inputs.

The problem of high cost of farm inputs was cited by over 85 percent of the sampled farmers in both November and September 2024 surveys. Some farmers reported purchasing hybrid maize seeds at slightly higher levels in November 2024 compared to September 2024. This partly explains why the proportion of farmers reporting high cost of inputs as a constraint to input access increased to 94 percent in November 2024, from 87 percent in September 2024. Another factor limiting access to inputs is lack of finance as most farmers are credit constrained. Over 70 percent of the sampled farmers reported lack of finance as a binding constraint to input access in both November 2024 and September 2024 surveys **(Figure 11).**

Figure 11: Factors limiting access to farm inputs (Percent of respondents)

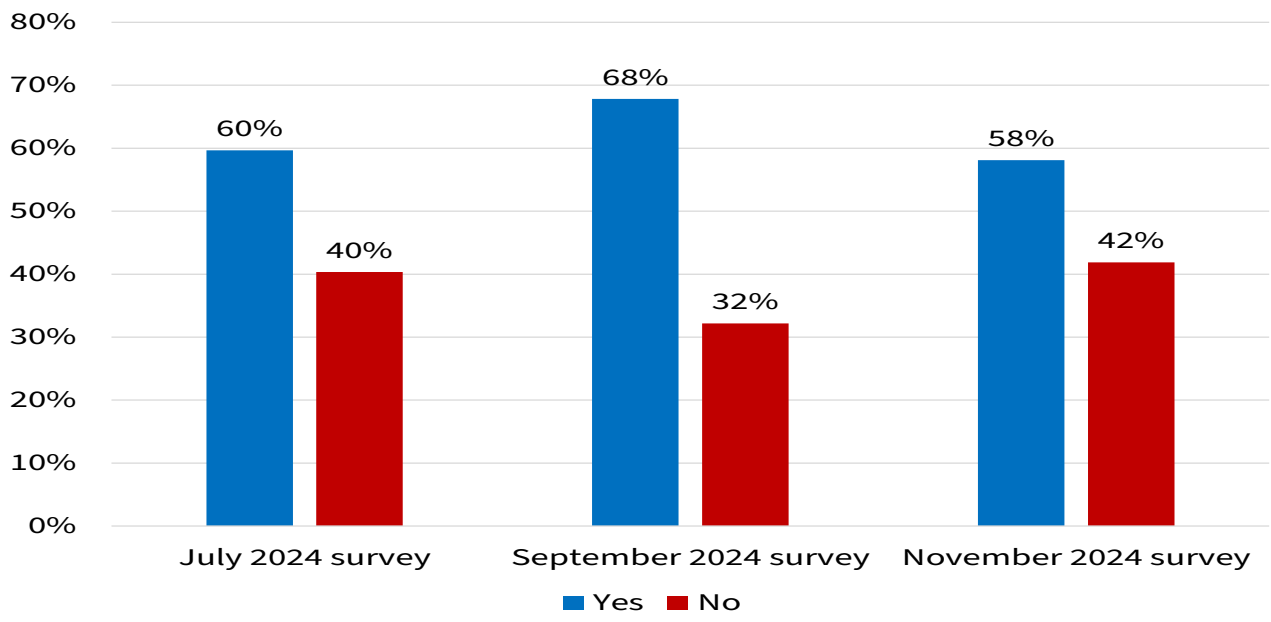


3.7.2 Access to Government subsidized fertilizer

The proportion of respondents who reported to have accessed government subsidized fertilizer stood at 58 percent in November 2024 compared to 68 percent reported in September 2024, and 60 percent in July 2024 **(Figure 12).** The relatively lower intake in November 2024 reflects seasonality. The fact that a higher proportion of farmers reported to have accessed the subsidised fertiliser in September 2024 is not surprising as it was strategic for farmers to ensure they had critical inputs including fertiliser, ahead of the start of the October – December 2024 rain season.

The reasons given in the November 2024 survey for not being able to access the subsidised fertiliser were not significantly different from those reported in previous surveys. Some farmers reported that although they were notified through their mobile phones to go to the nearest National Cereals and Produce Board (NCPB) depot to collect the subsidised fertiliser, they could not travel due to transport challenges. Others reported that they did not bother to register for the subsidised as they preferred to purchase fertiliser of their own choice. In other instances, some farmers reported that they were not aware that subsidized fertilizer was available at a reasonable price. Others cited the complications around the logistics of access and the difficulties involved given that the demand for the subsidised fertiliser was too high relative to supply. In other instances, priority was given to farmers who were members of a farming group, making it difficult for those who did not belong to any farming group to benefit from the subsidised fertiliser. Notwithstanding the reported challenges, various surveys including the November 2024 show that majority of the sampled farmers have benefitted from the subsidised fertiliser.

Figure 12: Access to subsidized fertilizer (Percent of respondents)

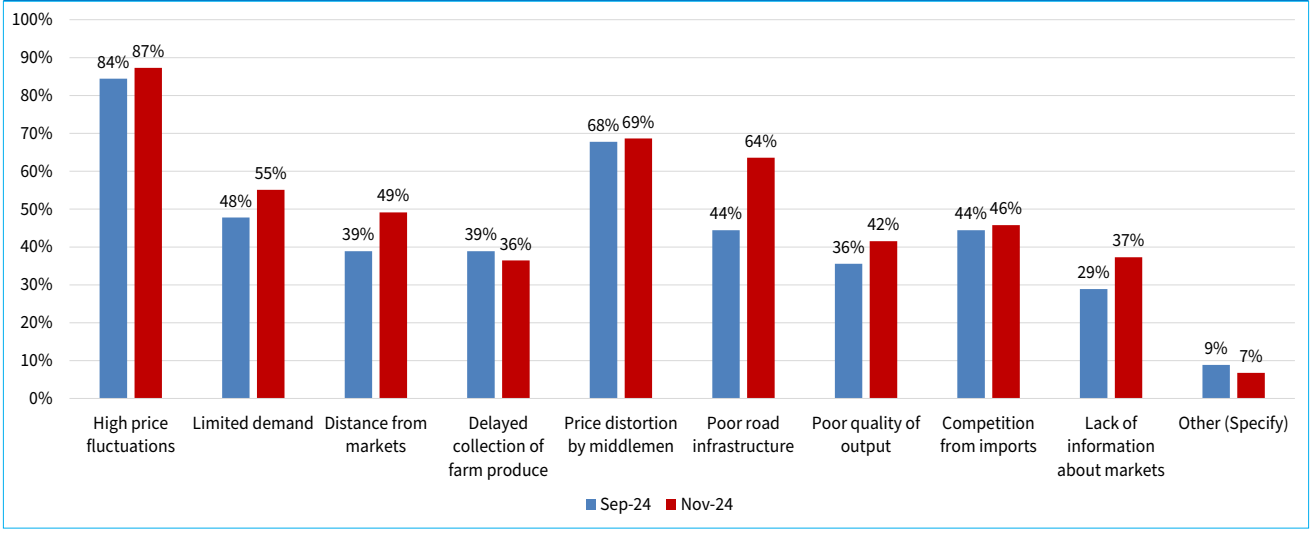


3.8 Factors affecting marketing/sale of farm produce

On the question about factors critically affecting marketing/sale of farm produce, the single most critical factor is high price fluctuations which was reported by more than 80 percent of sampled farmers in both November and September 2024 surveys **(Figure 13).** This problem affects mostly tomato, cabbage, onion and maize farmers whose prices tend to vary widely from season to season. As reported in previous surveys, price fluctuations are common because most farmers tend to harvest at the same time thereby flooding markets with the same produce. In view of the increased supply during harvest relative to demand, prices can decline to abnormally low levels. Conversely, during periods of shortages occasioned by factors such as drought or floods, prices tend to increase drastically. Some farmers suggested that a mechanism be put in place to stabilise prices of farm produce. This is discussed in section 4 of the report.

The share of respondents who reported price distortion by middlemen as a concern remained high 69 percent in November 2024 and 68 percent in September 2024. However, there was a notable increase in the proprotion that reported poor road infrastucture as a challenge in the November 2024 survey as the share increased to 64 percent from 44 percent in September 2024 **(Figure 13).** This is likely due to the fact that road condition is likely to be less binding in September which is relatively drier compared to November.

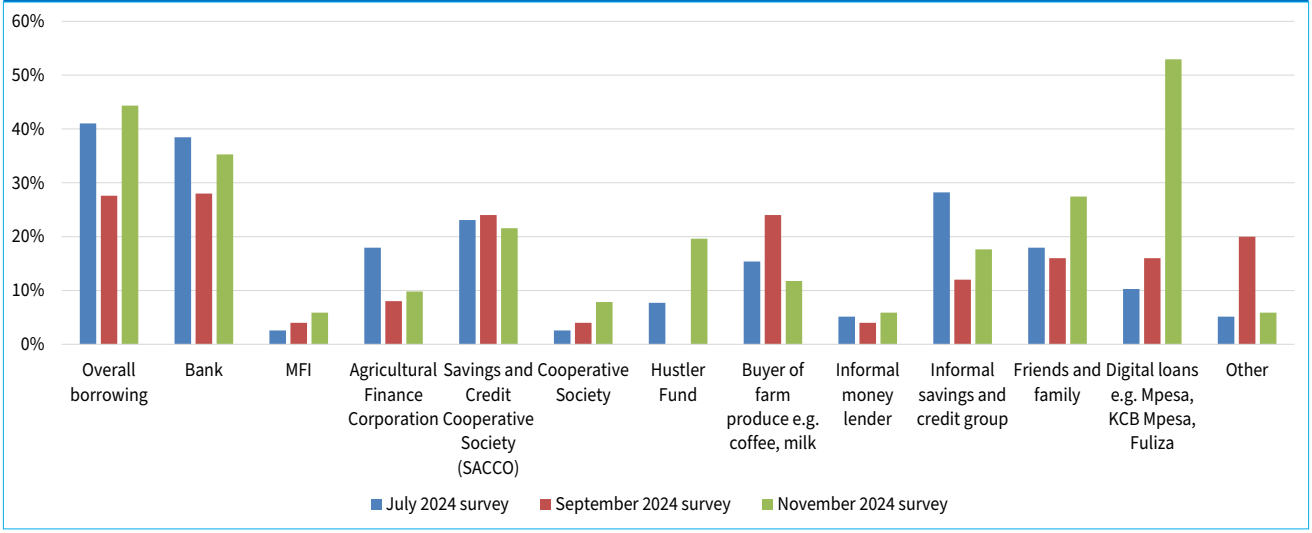
Figure 13: Factors affecting marketing/sale of farm produce (Percent of respondents)



3.9 Access to credit facilities in agriculture

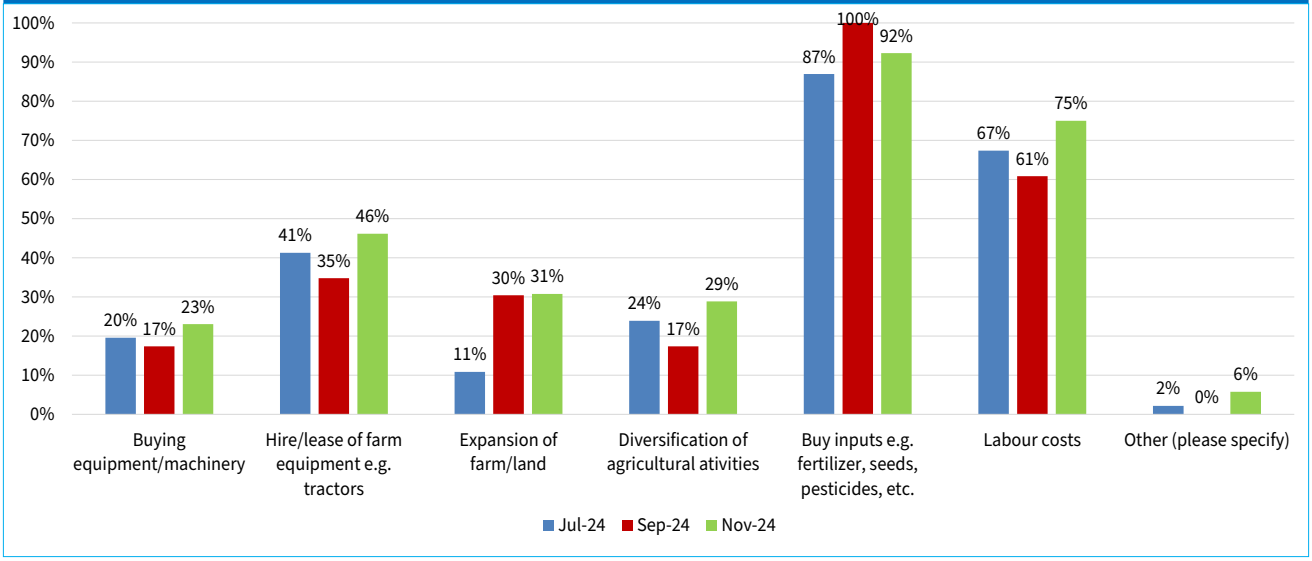
There was a notable increase in the proportion of farmers who reported to have borrowed to finance farming in November 2024 compared to levels that were reported in previous surveys. This is consistent with the reported optimism about agriculture sector performance. There was also a notable improvement in borrowing from the Hustler fund and digital loans. These are mainly mobile-based loan platforms and the increased usage shows they are making a contribution towards alleviating financial constraints farmers face in terms of low access to conventional financing. This mainly arises due to their location as most farmers are concentrated in rural areas which are not well served by the conventional banking system. Consistent with results of previous surveys, the main sources of finance for farmers have continued to be banks, SACCOs, and digital loans **(Figure 14).**

Figure 14: Proportion of respondents who borrowed to finance farming by lender (Percent of respondents)



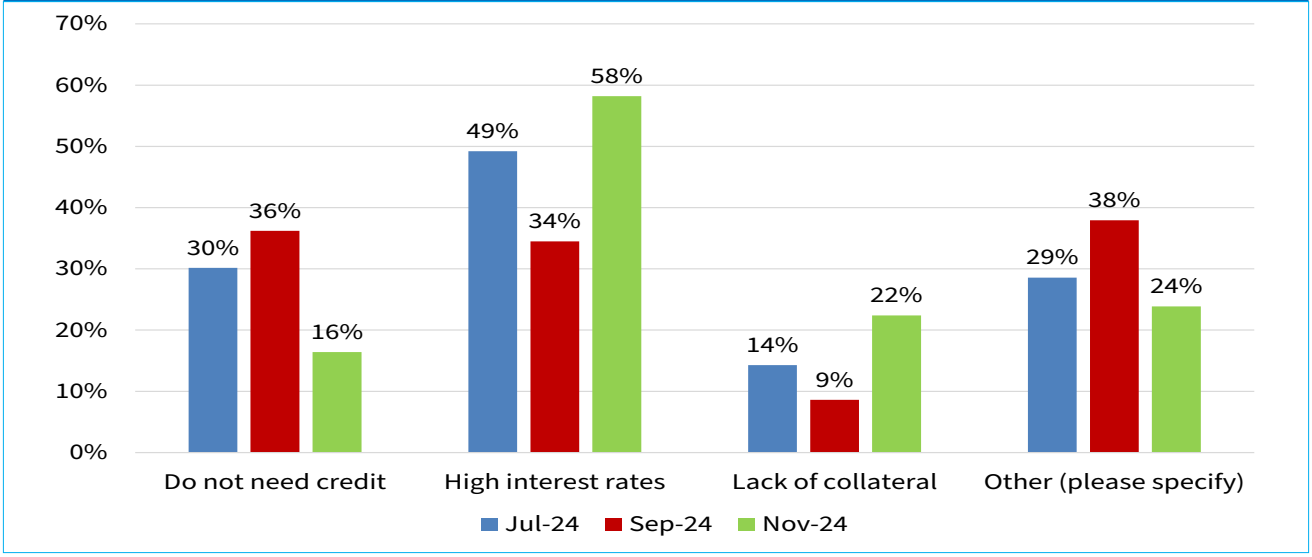
In terms of usage of funds, the November 2024 survey established that, similar to findings of previous surveys, a large share of loans was allocated to buying inputs. On average, 93 percent of farmers reported to have used borrowed funds to purchase inputs in July, September and November 2024 **(Figure 15).**

Figure 15: Purpose of agricultural loans (Percent of respondents)



With respect to barriers in accessing finance, high interest rates continued to be the most significant binding constratint to accessing loans to finance farming **(Figure 16).** Some farmers were averse to any form of borrowing fearing this would expose them to risk of being auctioned. They explained that crop growing was a risky activity as it mostly relied on rain which could fail thereby exposing the farmer to possible auction. A large share of crop growing is rain-fed. For instance, in the November 2024 survey, about 80 percent of farmers interviewed practised rain-fed agriculture **(Annex Figure 18).** Similar to what was observed in the previous surveys, it was noted that for farmers who use irrigation, reluctance to finance farming activities was partly due to significant price fluctuations which make their incomes unstable. Some farmers also cited lack of collateral as a deterrent to seeking loans especially in cases where farms were leased.

Figure 16: Barriers to credit among farmers (Percent of respondents)



4. VIEWS ON HOW TO IMPROVE THE AGRICULTURE SECTOR

The November 2024 survey sought views from farmers on how to improve agricultural production. The aim was to get first-hand information from the farmers on interventions required to increase production in the agricultural sector. The suggestions gathered in November 2024 survey mirror those reported in past surveys:

- Promote irrigation by constructing more dams, digging boreholes and water pans. This will reduce reliance on rainfed agriculture.
- Ensure farmers have access to affordable inputs, high quality and timely delivery of inputs.
- Stabilize prices of agricultural produce which tend to be highly volatile.
- Promote mechanization of agriculture, for instance, subsidize tractor services during farm preparation phase, to increase yields.
- Provide extension services, especially agronomists to advise farmers on appropriate farming techniques.
- Improve feeder roads to enhance delivery of agricultural produce to markets.
- Increase facilities for maize drying and ensure they are closer to farmers, to reduce post-harvest losses.

5. CONCLUSION AND POLICY RECOMMENDATIONS

This Agriculture Sector survey report summarizes findings from the survey conducted from November 11-15, 2024. The main objective of the survey was to obtain indicative information on recent trends and market expectations of prices and output of key agricultural commodities for the purpose of informing monetary policy.

As with previous surveys of the agriculture sector, the survey focused on prices of key agricultural commodities in select retail and wholesale markets, indicative agricultural output and acreage as well as output expectations from sampled farms, factors affecting agricultural production, marketing and sale of farm produce, access to farm inputs and credit facilities as well as proposals on how to improve agricultural production.

The survey drew 233 respondents from wholesale traders, retailers, and farmers in select towns across the country (Nairobi Metropolitan area, and neighbouring counties including Kiambu, Kajiado and Machakos, Naivasha area, Gilgil Nakuru, Narok, Bomet, Kericho Kisumu, Mombasa, Kisii, Eldoret, Kitale, Nyandarua, Nyahururu, Mwea, Machakos, Isebania, Meru, Nyeri, Isiolo, Oloitoktok, Namanga, Makueni, Molo, Kakamega and Bungoma.

The key findings from the November 2024 Survey include the following:

- Majority of respondents expect overall inflation to either remain unchanged or decline in the next three months.
- The proportion of respondents reporting transport costs, weather conditions, input prices, supply chain disruptions and distance to market as key factors influencing retail prices declined in November 2024 relative to September 2024.
- The uptake of subsidized fertilizer was modest with 58 percent of the sampled farmers having benefitted in November 2024 compared to 68 percent in September 2024, mainly reflecting seasonal factors.
- Most farmers expect increased acreage and output in the next season.
- A larger proportion of respondents expect the performance of the agriculture sector to be much better both three months and one year head. The observed favourable rainfall outcomes in most regions covered in the November 2024 survey partly explain the improved optimism about agriculture prospects.
- Optimism about the expected performance of the economy in the next three months increased in November 2024 compared to September 2024 but remained unchanged with respect to one year ahead.

Regarding views on how agricultural production could be improved, the responses were similar to those of previous surveys. Suggestions included the need to preserve water through construction of dams and water pans; address the high cost of inputs and create a mechanism to stabilise prices of agricultural commodities which are characterised by fluctuations from time to time.

There are several measures the Kenya government can take to ensure that farmers are incentivised to increase production. Based on the findings of this survey, the key recommendations mirror those contained in previous reports of the Agriculture Sector survey:

Policy recommendations arising from the November 2024 survey are similar to those from previous surveys. They include the following:

- Promote irrigation to reduce reliance on rain-fed agriculture which is risky due to changing weather patterns.
- Ensure farm inputs are affordable, of high quality and are available on time. The government subsidised fertilizer should be sustained as it has moderated input cost burden. The findings of the survey show that inorganic fertiliser is the most commonly used input, with 85 percent of sampled farmers having reported its usage. The government subsidised fertiliser programme is thus well targeted as it seeks to promote use of an input which is reported to be widely used by farmers.
- The government should consider implementing measures to reduce the cost of pesticides/herbicides as this is the second most commonly used input having been reported by 54 percent of the sampled farmers in November 2024. Pesticides/herbicides were said to be so critical to crop health to the extent that most crops would not produce any meaningful yields without their application.
- Increase the number of fertilizer collection centres and have them closer to farmers to reduce the costs that farmers incur travelling to collect fertilizer.
- Promote mechanization of agriculture by providing incentives such as subsidised tractors services especially during land preparation.
- Promote price stability of agricultural produce to reduce losses to farmers. For instance, government should consider allocating more funds to NCPB to purchase cereals such as maize during periods of excess supply.
- Provide essential services to farmers, for instance, maize drying services, to reduce post-harvest losses.
- Prioritize construction of feeder roads to ensure agricultural produce reaches the market easily. This will also reduce post-harvest loses.

ANNEXES

Figure 17: Factors affecting wholesale prices (Percent of respondents)

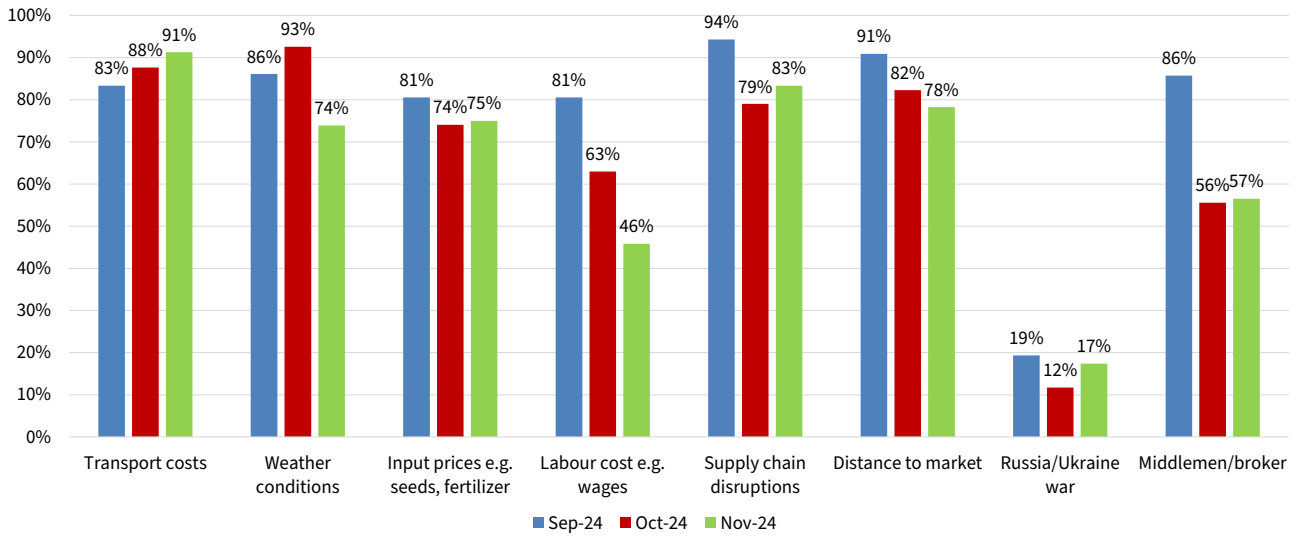
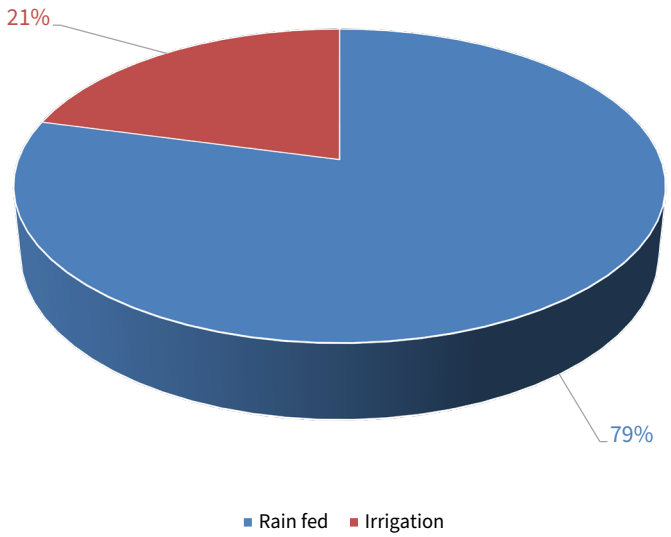


Figure 18 Main water source for farming in November 2024 survey (Percent of respondents)



Central Bank of Kenya

Haile Selassie Avenue P.O. Box 60000 - 00200 Nairobi |Tel: (+254) 20 - 286 0000 / 286 1000 / 286 3000