



Tropentag, September 19-21, 2012, Göttingen -  
Kassel/Witzenhausen

“Resilience of agricultural systems against crises”

## Impacts of Rising Food Price on Household Welfare and Incidence of Food Insecurity in Kenya

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### Abstract

In line with the world food price crisis, Kenya has witnessed food price increases in the recent past. This study attempts to evaluate the welfare and food security impacts of food price increases between 2005 and 2009 in Kenya. Estimates from a quadratic food demand system and a net benefit ratio are used to evaluate the welfare impacts while an ex-ante estimation of food poverty incidence using Foster Greer and Thorbecke (FGT) measures is employed. Scenarios allowing for perfect and imperfect price transmission between agricultural producers and food consumers are simulated. This is to reveal whether, in presence of rising food price crisis, agriculture offered a cushion, and if so to which income group of households. As well, it reveals the role of the market in transmitting prices efficiently and effectively. Results reveals that, with uniform price transmission (consumer to farm gate), the negative impact of food price increase was reduced by about 83 % (43 % to 7 %) for rural and 16 % (44 % to 37 %) for urban households. the lowest income decile benefits if price increases are uniformly transmitted and one would need to take away equivalent of 27 % of the pre-crisis food expenditure from the lowest rural income quintile. Food insecurity increased (decreased) most (6 %) for urban (rural) poor households. Welfare and food insecurity impacts were more severe for urban poor households and these would be better off with cash than in-kind transfers. Improving agricultural productivity, subsidies and price supports for vegetables and maize, improving price transmission and up-scaling and proper geographical targeting of the safety net programs are some of the viable options.

**Keywords:** Food insecurity, food price increases, Kenya, welfare