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## Transaction Costs in Indigenous Vegetable Marketing: Evidence from Rural and Peri-Urban Areas in Kenya

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### Abstract

The marketing of vegetables, especially of indigenous vegetables, in Kenya is still lagging behind despite researchers pointing out that providing small-scale farmers with access to efficient local markets can be an effective way of reducing rural poverty and increasing food and nutrition security. Transaction costs related to information, negotiation and bargaining, entering into contractual agreements, enforcement and monitoring, inter alia, are some of the impediments that farmers face in vegetable marketing. This research aims to identify the types of transaction costs that farmers in rural and peri-urban areas face and how these factors influence their selling behaviour and their choice of market channels. The outcome of the research will provide insights of how farmers' participation in the market can be enhanced. Data used in this research was collected from around 1,200 indigenous vegetable farmers from 3 peri-urban (Nakuru, Kiambu and Kajiado) and 2 rural (Kakamega & Kisii) regions in Kenya. The results of a logistic regression model indicates that savings and the experience of the farm household significantly influence both the decision to sell and the choice of the market channel. Collective action, education and information access have positive and significant influence on the decision to sell but not on the decision of the channel. On the other hand, the variables region, having specific buyer and having delivery agreements significantly influence the decision of whether to sell through a formal or informal channel. The findings highlight the importance of reducing transaction costs through farmer groups and improvement in credit and information infrastructure in ensuring farmers' participation in markets and in particular formal markets.

**Keywords:** Indigenous vegetables, Kenya, logistic regression, market channel, small holder farmers, transaction costs