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Price negotiation in camel milk trade: analysis of bargaining power of camel milk producers in Kenya

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Abstract

Camel milk enterprise is crucial to rural employment, and food and nutrition security among pastoral communities in arid North-Eastern Kenya. Despite evidence of the growing demand for camel milk outside the pastoral population coupled with development interventions, the enterprise is still characterised by low quality and inadequate access to the end market and price. Due to milk producers’ over-reliance on market intermediaries, imbalance of bargaining power and information asymmetry are issues of critical concern in understanding the cost-benefit sharing. This study utilised cross-sectional data from camel milk farmers and traders, to estimate the bargaining power in trade. Regression analysis was used to explain the relative bargaining power and the ask-offer spread considering the effect of transaction characteristics and controlling for socioeconomic variables. Results indicate that bargaining power in the camel milk trade still rests with the traders. Access to end market price information and group membership was crucial in enhancing farmers’ bargaining power of farmers. Local social networks are therefore crucial platforms for sharing price information among geographically dispersed producers. The effect of transacted volume was positive linked to gain from reduced transaction costs when procuring a large volume of milk from the same farm. The farmers’ bargaining power is therefore high with large milk volumes. However, milk is a highly perishable commodity, and holding costs and risk of loss in anticipation of an improved price may not be reasonable. This could explain the missing effect on the ask-offer spread. The effect of distance to the milk assembly point implies that collective pooling at production can enhance the bargaining power. Variable costs such as transport can greatly benefit from such an arrangement. Further, improvement in road conditions in the expansive rangelands can benefit the bargaining power of farmers.

Keywords: Bargaining power, cooperative, intermediation, market, transaction