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"Can agroecological farming feed the world?
Farmers' and academia's views"

Economic analysis of wheat and milk value chains in North West mt. Kenya

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Abstract

Agricultural activities have become increasingly organised along value chains that constitute actors and activities that cause the flow of food from production to consumption. This change has been necessitated by among other things, globalisation, the need to efficiently meet rising and changing consumer demand and preferences, and the need to meet quality standards. However, major concerns still persist as to the performance of agro-food value chains, particularly in developing economies. Evidence has shown that productivity remains low, mainly at production level. Profound changes of our current agro-food value chains are needed if they are to meet current and future demands.

The study assessed the contribution of wheat and milk agro-food value chains to participating actors by establishing the value added and its distribution. Furthermore, the study analysed the structure of the value chains in terms of economic activities, actors, product flows and governance. Using multi-stage stratified random sampling, a sample of 206 respondents including producers, traders, processors, distributors, retailers and key informants were selected for the study. The study used value chain analysis to examine the structure, value addition and governance in the agro-food value chains.

Results revealed that some actors add more value than others. Output, prices, costs and bargaining power are among factors determining value. Smallholder farmers have low yields, lower farm gate prices and low bargaining power. The governance structure of the agro-food value chains is heavily influenced by their marketing structure. The extent of vertical and horizontal integration differs in the value chains. Results revealed existence of multiple power centres within the value chains with large-scale farmers, traders and processors being dominant.

There is need for more support to smallholder farmers who are the majority actors. Strategies focused on value chain upgrading should prioritise smallholders who are more constrained and benefit the least. Innovations and interventions should target such actors where the greatest impact on achieving improved productivity, incomes and efficiency can be achieved. Moreover, strategies that focus on building strong and resilient farmers associations have the potential of improving smallholders bargaining power and creating more inclusive value chains.

Keywords: Milk, smallholder farmer, value chain, wheat

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