



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

- Veronica W. Mwangi



Introduction

Agriculture Value Chains are significant in Kenya's Economy

- 33% contribution to Gross Domestic Product.
- Main source of livelihood for 70% of rural population.

Agro-food value chains under pressure to produce more food due to:

- Population growth
- Changing climate
- Increased urbanization and change in consumption patterns

Contribution of value chains to food security and poverty reduction still unachieved:

- Need to adapt agro-food value chains to respond to these changes
- Shift focus to national and local value chains
- Focus on value chain contribution to household welfare



Methods

Multistage stratified sampling of producers, traders, processors, distributors and retailers

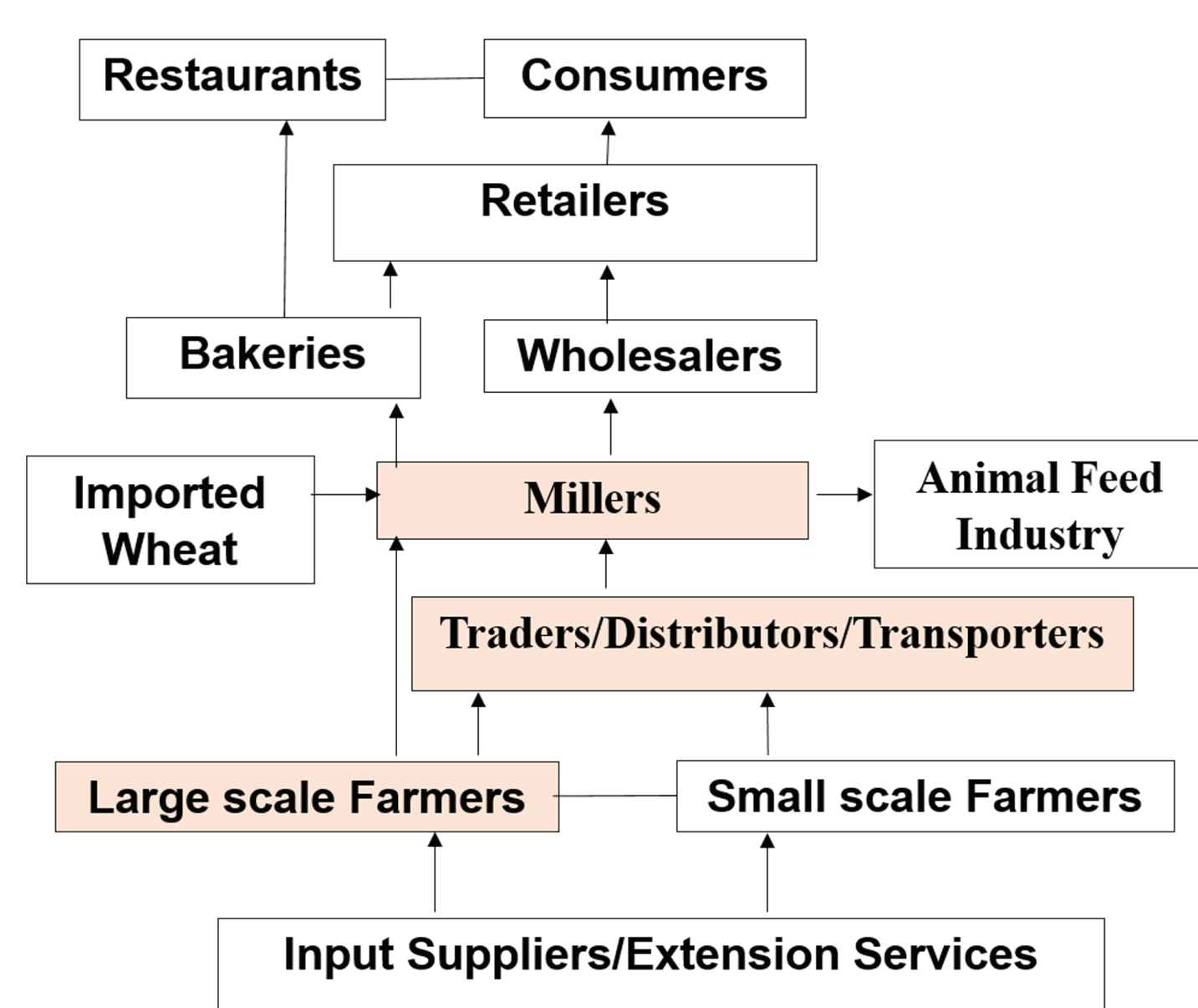
- Milk Value Chain – 97 respondents
- Wheat Value Chain – 103 respondents

Value chain analysis:

- Mapping activities, actors, product flows
- Establishing value added and distribution
- Governance and constraint analysis

Results

Wheat value chain flow and actors



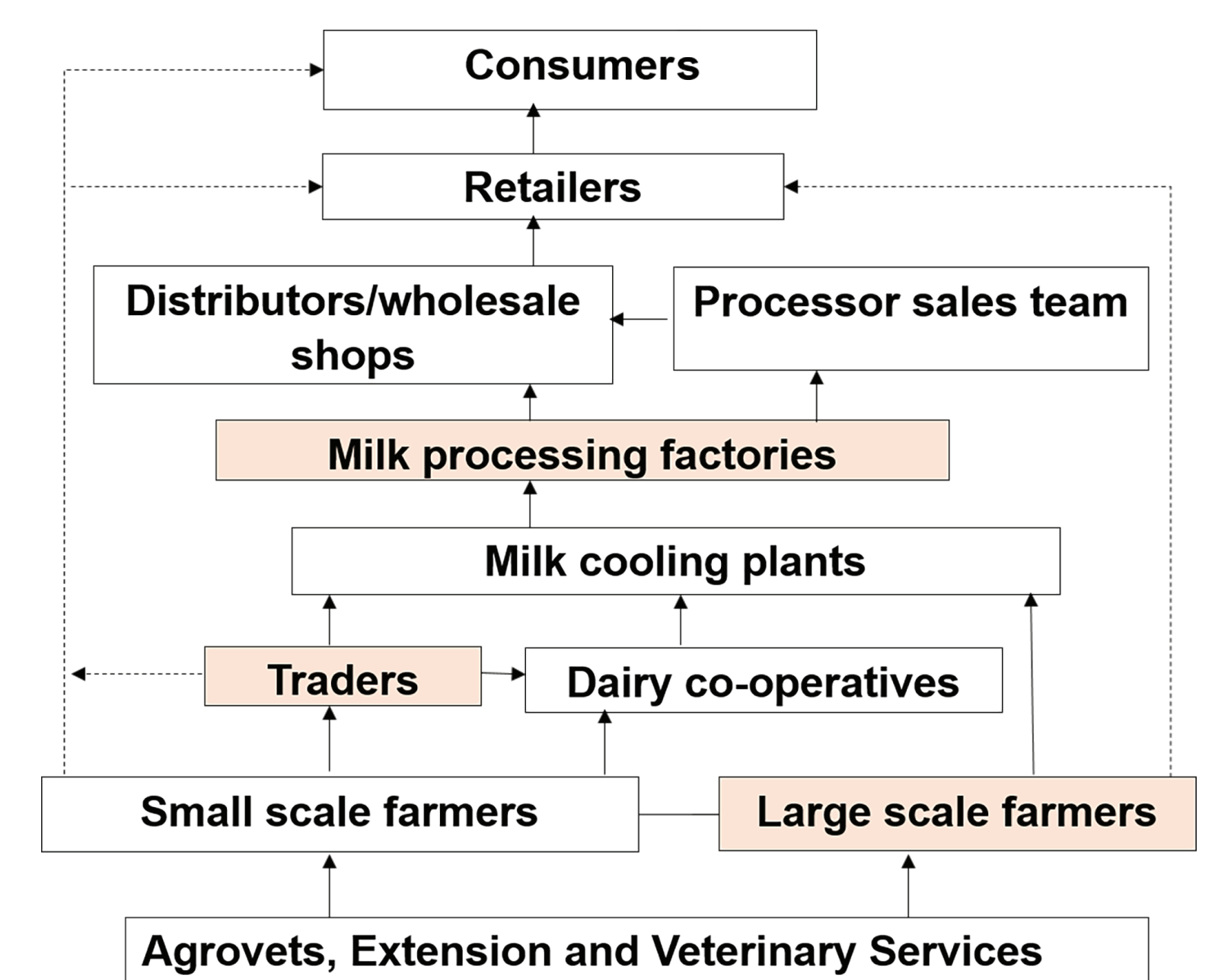
- Large scale farmer: Benefits from economies of scale, access to production resources
- Trader: Determines smallholder farm gate price, important link
- Miller: Price maker, gains from by-products

Conclusions

- Small scale farmers (also smallholders) obtain low yields, lower prices and the least value in the value chains.
- Smallholders face multiple constraints compared to other value chain actors.
- Value chains exhibit a dualistic marketing structure with both formal and informal components.
- Governance structure of the value chains revealed three power centres; large-scale producers, traders and processors.
- More support for the smallholders needed to close on potential yield gaps, achieve equitable value and better negotiating power.

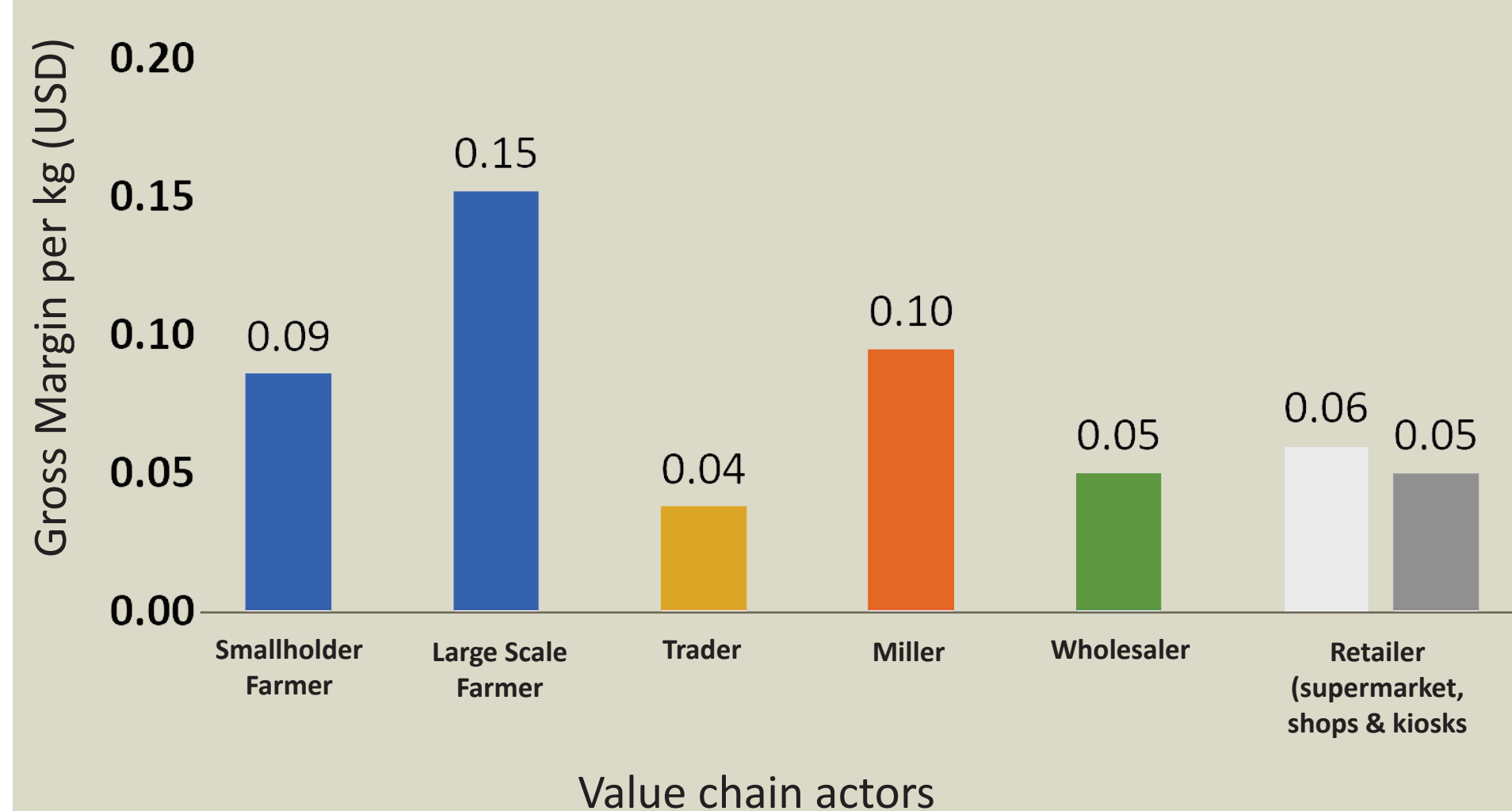
Results

Milk value chain flow and actors



- Large scale farmer: Benefits from economies of scale, access to production resources
- Trader: Determines smallholder farm gate price, important distributor and link, multiple roles
- Processor: Price maker, gains from technology

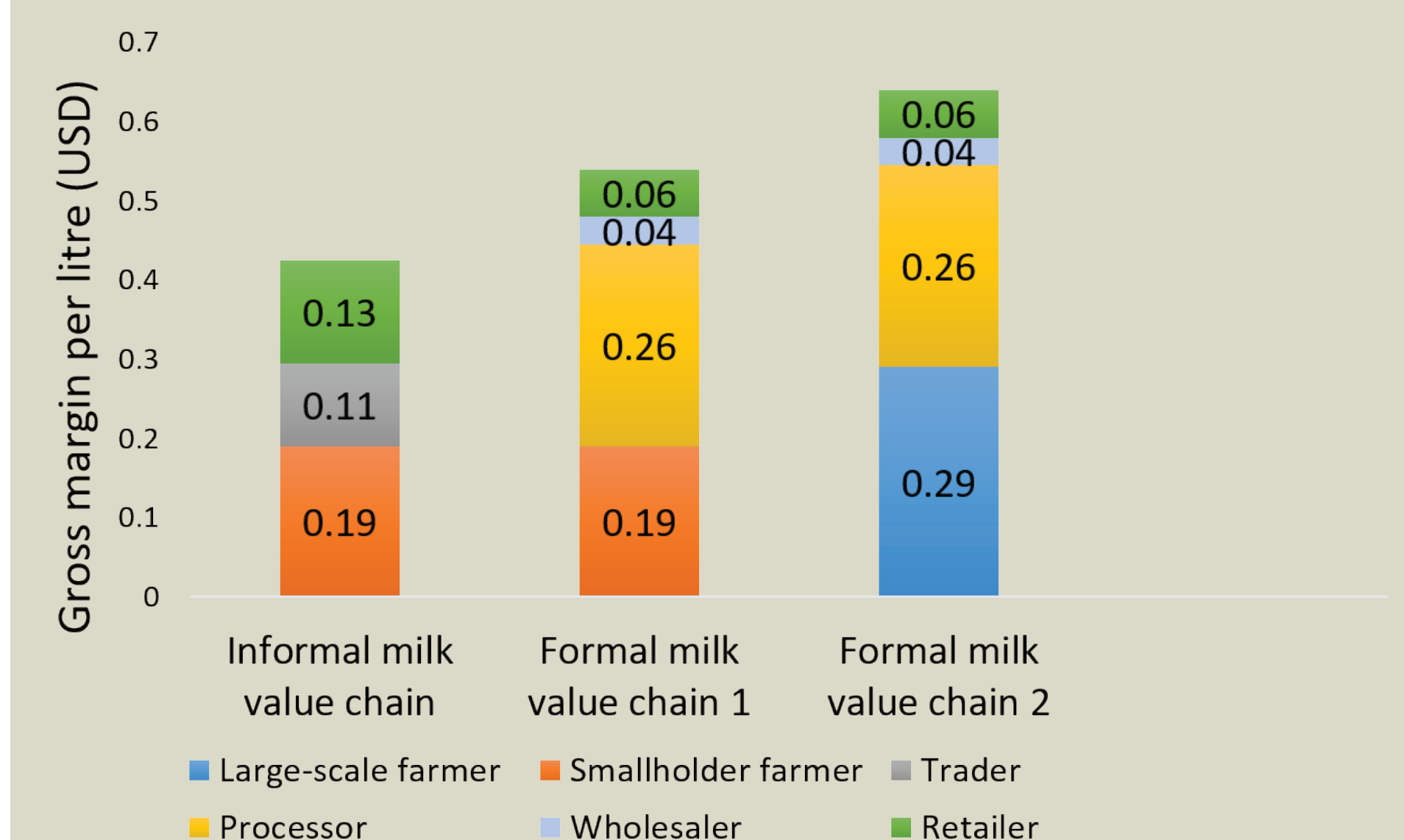
Gross margins among wheat value chain actors



Gross Margin per kg	Yields per acre	Cost of production per acre
• Smallholder USD 0.09 (26% of VC value)	• Smallholder 9 bags	• Smallholder USD 159
• Large scale farmer USD 0.15	• Large scale farmer 19 bags	• Large scale farmer USD 267



Gross margins along milk value chains



Gross Margin per litre	Yields per cow	Cost of production per litre
• Smallholder USD 0.19 (38% of VC value)	• Smallholder 10 Litres	• Smallholder USD 0.15
• Large scale farmer USD 0.29	• Large scale farmer 19 Litres (up to 55 Litres)	• Large scale farmer USD 0.12

Department of Geography, Population and Environmental Studies, University of Nairobi, Kenya.
veronicamwangi@uonbi.ac.ke