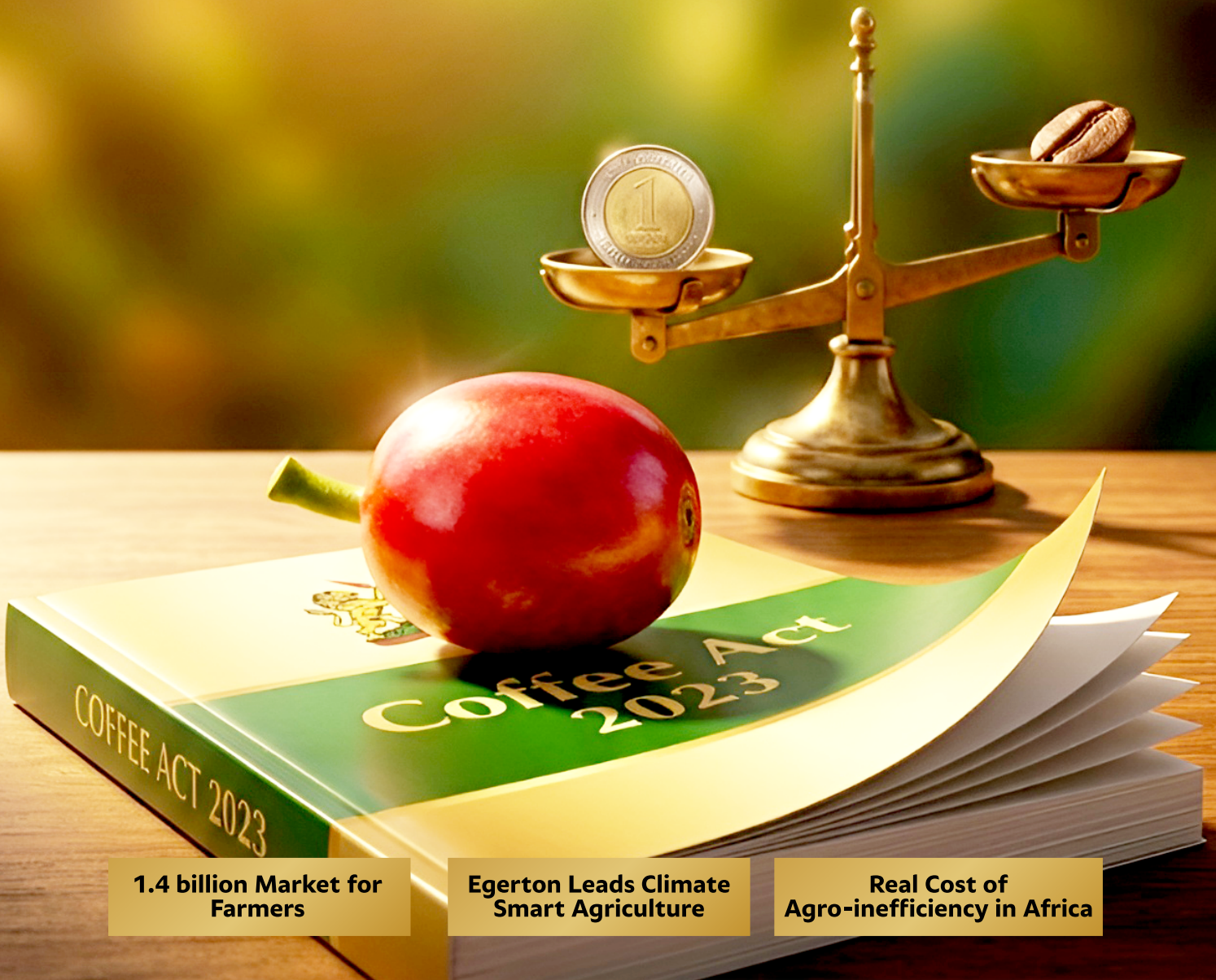


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# Agribusiness Monthly

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# From the Editor's Desk

*A New Dawn for Kenyan Agribusiness*

Welcome to the inaugural issue of Agribusiness Monthly, a publication proudly introduced by Mazao Pesa to bridge the gap between farming potential and business success.

At a time when the demand for sustainable, resilient, and profitable agriculture has never been greater, this magazine positions itself as a trusted voice in the evolving agricultural economy.

In this edition, we explore the transformative power of technology in agriculture, focusing on innovations that are reshaping productivity, improving efficiency, and unlocking new market opportunities across the value chain. From precision farming to data-driven decision-making, technology is steadily redefining how agriculture is practiced and perceived.

We also examine the growing importance of climate-smart agriculture as farmers respond to unpredictable weather patterns while safeguarding yields and preserving ecosystems.



**Githua Kihara**  
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In addition, we take a closer look at the Coffee Act and its implications for one of Kenya's most strategic cash crops, highlighting both the opportunities and challenges it presents to farmers and industry stakeholders.

Beyond policy and innovation, this issue shines a spotlight on food security, the increasing role of solar power in modern farming systems, and the enduring contribution of small-scale farmers who remain the backbone of the agricultural sector.

We further explore emerging opportunities in high-value crops such as cashew and macadamia nuts, which continue to gain prominence in both local and export markets.

Agribusiness Monthly connects industry leaders, executives, investors, policymakers, youth, and progressive farmers with the insights they need to thrive. By positioning farmers as strategic partners in economic growth, we aim to inform, inspire, and drive meaningful transformation across the sector, fostering a more inclusive and commercially viable agricultural future.

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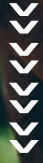
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» With the AFA tightening regulations on post-harvest handling and export logistics, the sector is positioning itself to reduce EU dependence and capture higher-value Asian markets.

• N E W S •

## Avocado Surge Eases EU Reliance as Kenya Expands Global Footprint

As production surges across Kenya's key avocado-growing regions, exporters are preparing to service newly secured international markets, even as the regulator tightens controls to safeguard the quality of the high-value crop. Notably, harvesting of avocados destined for oil processing has been strictly scheduled for April 30, 2026.

The directive follows a comprehensive field survey conducted by the Agriculture and Food Authority (AFA) between March 1 and 6, 2026, aimed at assessing fruit maturity and mapping production volumes across major growing zones. At the time, the survey found that mature fruits were insufficient to justify an early opening of the export season, prompting an extension of the ban

on harvesting avocados for sea shipment.

However, in a notice issued recently, AFA Acting Director General Calistus Kundu confirmed a marked improvement in fruit maturity and a strong rise in projected output this season, effectively securing a stable supply pipeline for exporters.

The anticipated bumper harvest coincides with Kenya's push to diversify export markets. After meeting stringent compliance requirements, Kenyan exporters are now gaining traction in high-value Asian markets, particularly China, India, and Thailand, while also expanding their presence in the Middle East. These destinations are expected to absorb a significant share of the increased volumes, easing the country's long-standing

“

**Kenyan exporters are now gaining traction in high-value Asian markets, particularly China, India, and Thailand, while also expanding their presence in the Middle East.**



## 2026 Key Dates

**March 1–6**  
Field survey

**March 30**  
HPMA supplier list  
deadline

**April 2**  
Bulk harvest (fresh  
exports)

**April 7**  
Packhouse inspections  
start

**April 30**  
Harvest for oil process-  
ing begins



dependence on the European Union.

Bulk harvesting for fresh exports will commence on April 2. However, Kundu clarified that avocados intended for oil processing will only be harvested from April 30, 2026. This staggered timeline is deliberate, as fruits for oil extraction must reach higher maturity thresholds to ensure optimal oil yield and quality.

To support smooth export operations, AFA has set out strict logistical requirements. Mandatory packhouse inspections for all fresh export avocados started on April 7, 2026, with exporters required to apply at least three days before shipment. In addition, exporters must submit a finalized list of their registered Horticultural Produce Marketing Agents (HPMA) or suppliers to AFA by March 30, 2026.

As Kenya expands into these lucrative markets, maintaining premium quality remains critical. To protect the country's reputation, AFA has issued a firm warning against poor post-harvest handling.

All harvested avocados must be transported in crates. Exporters or agents found handling produce without crates, or using open pickup trucks and Probox vehicles, risk immediate revocation of their

licenses and registrations. The Authority has also signaled a crackdown on premature harvesting.

"It has been noted that some exporters and processors are harvesting immature avocado. The Authority shall be conducting packhouse and avocado oil processing facility surveillance. Any processor or exporter found processing or packing immature avocados shall have their

packhouse registration and export license revoked," the Ag. DG warned.

Established under the Agriculture and Food Authority Act of 2013, AFA is mandated to regulate,

### Quality Control & Enforcement

Any processor or exporter found processing or packing immature avocados shall have their packhouse registration and export license revoked.

### Post-Harvest Handling

All harvested avocados must be transported in crates. Exporters or agents found handling produce without crates, or using open pickup trucks and Probox vehicles, risk immediate revocation of their licenses.

### Regulatory Mandate

The Authority aims to ensure that only high-quality avocados reach both domestic and international markets, ultimately maximizing returns from Kenya's rapidly expanding avocado industry.

develop, and promote scheduled crops. Through these stringent measures, the Authority aims to ensure that only high-quality avocados reach both domestic and international markets, ultimately maximizing returns from Kenya's rapidly expanding avocado industry. **I|AB**

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bulk harvesting  
for fresh exports  
will commence on  
April 2.**

**Avocados  
intended for oil  
processing will  
only be harvested  
from April 30,  
2026**

# Bridging the Great Agri-Tech Divide in Kenya

From silos to synergy. Kenya's new digital policy aims to connect every farmer to the data economy.

For years, Kenyan agriculture has been defined by a persistent problem; on one hand, a vibrant tech ecosystem producing cutting-edge smart farming solutions is emerging and on the other, a fragmented landscape where small-holder farmers remain trapped in siloed, analog operations.

The government is now moving to bridge this divide. Through the newly released Draft Kenya Agricultural Data, Information and Digital Policy in March, this year, Kenya is signaling a definitive shift from pilot projects to a fully integrated, national digital agricultural ecosystem, one that promises to fundamentally transform how food is grown, financed, and sold.

The strides Kenya has already made in smart farming are undeniable. Across the Rift Valley and into the breadbaskets of Western and Central Kenya, early adopters are already using IoT soil sensors to dictate irrigation, drones to map crop health, and AI-driven mobile apps to predict pest outbreaks.

However, these successes have largely existed in isolation. The new policy's most transformative promise is dismantling the "silo"



approach by establishing the Kenya Agricultural Digital Information Centre (KADIC).

Think of KADIC as the central nervous system of Kenyan agriculture. By serving as a single coordinating institution, it will ensure that drone mapping a maize field in Uasin Gishu, a blockchain ledger tracking tea exports in Kericho, and a soil-testing app in Migori can all "speak" the same language. This unified digital architecture will replace the current chaotic patchwork of incompatible public and private platforms with seamless data exchange.

This transformation is not starting from scratch; it is being built on formidable momentum. The policy leverages the Kenya Integrated Agriculture Management Information System (KIAMIS), which already boasts a database of over 7.2 million registered farmers as of 2026. By plugging advanced technologies into this existing registry, the policy effectively scales smart farming from a niche luxury to a national standard.

For the smallholder farmer, this data integration translates into tangible economic power. In the past, a farmer's lack of verifiable

“

**A farmer's digital footprint... will become their new collateral.**

data made them invisible to commercial banks.

Under the new framework, standardized digital public infrastructure will allow financial institutions to seamlessly offer digital credit, tailored micro-insurance, and e-voucher solutions. A farmer's digital footprint, their crop yields, input purchases, and land records will become their new collateral.

**"As we entrust more of our agricultural value chain to digital systems, trust becomes paramount"**

Furthermore, the policy cements the shift from reactive to proactive farming. By prioritizing personalized digital advisory services, the framework ensures that a farmer in Embu no longer relies on guesswork for planting seasons. Instead, they will receive hyper-local, climate-smart guidance pushed directly to their feature phone or smartphone, alongside real-time market prices to ensure they sell at a premium.

The draft policy directly tackles the digital divide by prioritizing women, youth, persons with disabilities, and marginalized communities. By committing to integrate ICT and data literacy into agricultural extension training, and addressing barriers like prohibitive device costs, the policy ensures that the digital transformation is inherently inclusive.

As we entrust more of our agricultural value chain to digital systems, trust becomes paramount. The policy aligns tightly with Kenya's Data Protection Act (2019), instituting strict cybersecurity measures and clear interoperability standards. Farmers will retain sovereignty over their data, with strict regulations governing how public, private, and financial platforms share and utilize this information. **I|AB**



» Precision agriculture, from drone mapping to IoT sensors, is moving from isolated pilots to a nationally integrated system, feeding vital data into a unified digital ecosystem.



• NEWS •

# China Deal brings Kenya's Farmers a 1.4 billion Population Market

Zero tariffs, one market, 1.4 billion consumers. Kenya's farmers gain a historic foothold in the world's second-largest economy.



For Kenyan farmers, the calculus of profitability just shifted significantly. With China confirming that Kenyan farm produce will enter its market duty-free starting May 1, local growers, particularly those in the avocado, macadamia, tea, and coffee sub-sectors, stand on the precipice of an unprecedented export boom that promises higher earnings and a buffer against market volatility.

The new policy grants Kenya access to a consumer base of over 1.4 billion people, offering a lifeline to smallholder farmers who have long grappled with fluctuating prices in traditional Western markets due to strict restrictions.

By eliminating import tariffs, the Chinese market becomes immediately competitive, allowing Kenyan exporters to command better prices while potentially lowering costs for Chinese buyers, a win-win that analysts predict could reshape rural incomes.

The potential impact on the agricultural sector is best illustrated by current trade trajectories. Trade data reveals that Kenya exported approximately \$24 million worth of coffee and tea to China last year, alongside nearly \$20 million in avocados and macadamia nuts. With the removal of duties, industry projections suggest these

## THE NUMBERS

### Market Scale

- **1.4 billion** – Population of China (consumer market size)
- **53** – Number of African countries benefiting from China's broader duty-free initiative

### Current Export Values (2025)

- **\$24 million** – Kenya's coffee and tea exports to China
- **\$20 million** – Kenya's avocado and macadamia nut exports to China

### Projected Growth

- **Double within the next two years** – Expected increase in combined exports (coffee, tea, avocados, macadamia) following tariff removal

### Farmer Income Impact

- **15–20%** – Estimated increase in farmer incomes through value addition (processing raw commodities into finished goods)

### Timeline

- **May 1, 2026** – Effective date for duty-free access to Chinese market

figures could double within the next two years.

For the average farmer, this shift represents more than just increased sales volume; it signals a move toward price stability. Historically, smallholder farmers have suffered from post-harvest losses and price crashes due to limited market access.

Access to the Chinese market is expected to stabilize demand. Furthermore, the government's push for value addition—moving from raw commodity exports to processed goods—could increase farmer incomes by an estimated 15 to 20 percent by capturing more of the value chain.

The tariff removal is part of Beijing's broader decision to eliminate duties on imports from 53 African countries. Agriculture Cabinet Secretary Mutahi Kagwe highlighted the immediate competitive advantage this creates for Kenyan produce.

"The removal of tariffs means products such as tea, coffee, avocado, macadamia nuts, flowers and fresh horticultural produce will now enter the Chinese market of over 1.4 billion consumers at zero duty," Kagwe stated.

Kagwe noted that the policy aligns with Kenya's broader economic strategy. Beyond simply shipping raw commodities, the government is urging stakeholders to leverage this access to build robust agro-processing industries.

"To fully capitalize on this zero-tariff regime, we must prioritize value addition," Kagwe urged. "Partnering with Chinese firms to build agro-processing industries locally will not only extend the shelf life of our exports but also create jobs and strengthen rural economies."

While the financial prospects are promising, the opening of the massive market comes with stringent conditions. CS Kagwe warned that sustained access will depend on rigorous compliance with quality and safety standards. This places the onus on regulators and producers to meet strict phytosanitary

requirements, a critical factor for Kenyan farmers wishing to maintain a foothold in the Asian giant's market.

China's Ambassador to Kenya, Guo Haiyan, corroborated this view, noting that Kenyan produce is gaining recognition among Chinese consumers. She signaled further cooperation in market access and technology transfer, which could be vital in helping Kenyan farmers meet these high processing and preservation standards.

Analysts view this as a defining moment for Kenyan agriculture. Patrick Lumumba, an industry analyst noted that the policy creates

a massive opening for export growth and industrialization, but cautioned that success is not automatic.

"Countries must better organise their economies and prioritize value addition to fully benefit," Lumumba said.

As the May 1 implementation date approaches, the directive to the agribusiness sector is clear: the market is open, the tariffs are gone, but the rewards will go to those who can scale production and meet the quality demands of the world's second-largest economy.

**IJAB**

## **"Sustained access will depend on rigorous compliance with quality and safety standards"**

**"To fully capitalize on this zero-tariff regime, we must prioritize value addition. Partnering with Chinese firms to build agro-processing industries locally will not only extend the shelf life of our exports but also create jobs and strengthen rural economies."**

Mutahi Kagwe  
CS, Agriculture

## · N E W S ·

# Cultivating Resilience: East Africa's New Hub for Climate-Smart Agriculture

From lab to field. East Africa's new Regional Center of Excellence at Egerton University bridges scientific research and smallholder resilience.

**After a three-year wait, the Sh40 million first phase of the Regional Center of Excellence in Eastern Africa has broken ground at Egerton University's Njoro Main Campus. A joint initiative by Egerton and Kilimo Trust, backed by the IKEA Foundation, this facility is poised to redefine sustainable farming across Kenya, Uganda, Rwanda, Tanzania, Burundi, and South Sudan.**

At its core, the Centre offers tangible, scientific solutions to modern farming challenges. It will house a state-of-the-art reference laboratory dedicated to sustainable soil management, alongside a specialized plant tissue lab.

"The plant tissue lab will offer analysis for plant health, nutrient concentration levels and impact. This will necessitate provision of knowledge and guidance to good agronomic practices for farmers and extension agents," explained Egerton University Vice-Chancellor Professor Isaac Kibwage.

This direct pipeline from laboratory research to field application ensures smallholders receive precise, actionable data to improve their yields without degrading the land.

Beyond laboratory analysis, the Centre will serve as a vibrant incubator for the future of green agribusiness. According to Professor Paul Kimurto, Director of the Agro-Science Park; "Planned activities include demonstration farms, farmer and extension training programmes, agribusiness incubation and applied research collaborations."

By focusing on circular economies, carbon credit research, and

bio-economy studies, the hub will teach farmers how to turn agricultural by-products into profitable, clean-energy enterprises.

The human impact of this initiative is its most crucial benefit. Smallholder farmers produce up to 80 percent of the food supply in some African nations, yet



remain highly vulnerable to climate change.

"Forging stronger partnerships is key to unlocking the potential of regenerative agriculture for smallholders. Producing more while restoring more is at the heart of regenerative agriculture, but it requires a concerted effort to support farmers already impacted by climate change," noted Kilimo Trust Chairman Dr. Bruce Scott.

Furthermore, the Centre will act as a regional think-tank, driving a much-needed technology-led metamorphosis in the sector.

"To secure Kenya's agricultural future and build resilience among smallholder farmers and pastoralists, a shift toward climate-smart agriculture is critical. This center will promote anchoring of climate smart solutions in agricultural practices," stated Kilimo Trust CEO Dr. Birungĩ Karutaro.

The initiative has also garnered strong legislative backing, ensuring that research translates into regional policy.

"As Chairperson of the Departmental Committee on Agriculture and Livestock I support this initiative, which seeks to establish a renewable energy-driven, resilient food system that promotes sustainable farming practices, increases farmers' incomes, and enhances livelihoods," affirmed Dr. John Kanyuithia Mutunga.

Ultimately, the Regional Center of Excellence is far more than a research facility; it is a catalyst for regional food security, offering East Africa a practical blueprint for a resilient, productive, and sustainable agricultural future. **I|AB**

## THE NUMBERS

### Project Cost (Phase 1)

**Sh40 million** – First phase funding for the Regional Center of Excellence

### Timeline

**3 years** – Duration from initiative conception to groundbreaking

### Countries Served

**6** – Kenya, Uganda, Rwanda, Tanzania, Burundi, South Sudan

### Smallholder Food Production

**Up to 80%** – Proportion of food supply produced by smallholder farmers in some African nations

### Key Partners

**Departmental Committee on Agriculture and Livestock** – Policy backing from Kenyan Parliament

· N E W S ·

# Kenya Unveils Science-Driven Plan to Revive Ailing Cashew Sector

New roots for an old crop. Science-driven recovery aims to transform Kenya's cashew sector from underperformer to economic powerhouse.

**For decades, the vast cashew plantations along Kenya's Coast have symbolized untapped economic potential. Aging orchards, weakened by disease and poor agronomic practices, have steadily eroded national output, leaving production at a fraction of the country's installed processing capacity.**

Agriculture Cabinet Secretary Mutahi Kagwe has unveiled a targeted sector recovery strategy anchored on the rollout of high-yielding, disease-tolerant cashew varieties developed by the Kenya Agricultural and Livestock Research Organisation (KALRO). The intervention is designed to restore productivity and reposition the cashew sub-sector as a viable contributor to the national economy.

Currently, Kenya produces approximately 13,000 tonnes of cashew nuts annually, well below its processing capacity of 45,000 tonnes. This shortfall has not only constrained industrial utilization but has also forced the country into the paradoxical position of importing a crop for which it has ideal growing conditions.

Speaking during an extensive tour of farms and processing facilities in Kilifi County early this year, Kagwe underscored the urgency of reversing this trend, questioning the logic of continued imports amid idle land and struggling farmers.

The sector's decline is rooted in multiple structural challenges. According to the Agriculture and Food Authority



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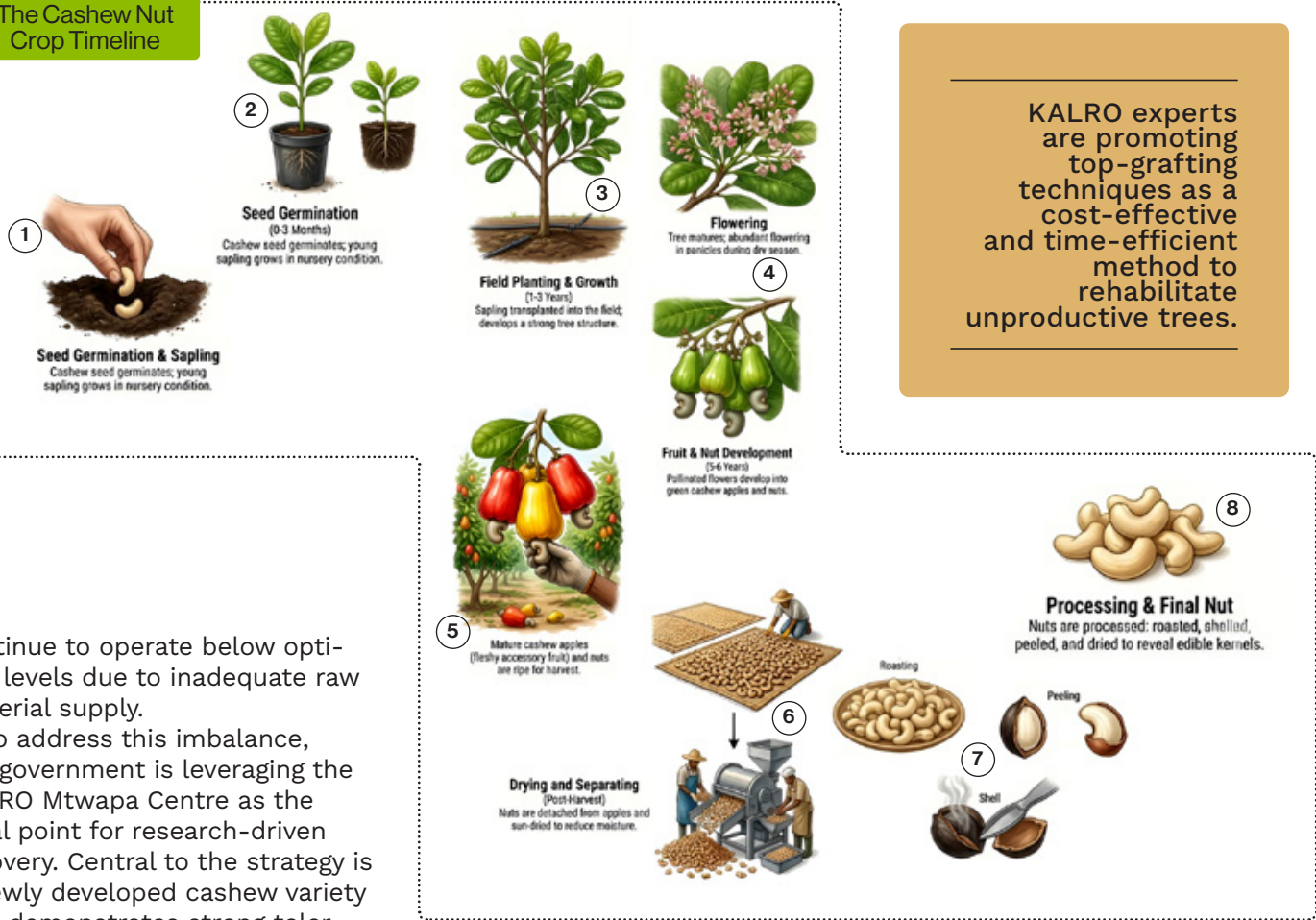
**Kenya produces approximately 13,000 tonnes of cashew nuts annually, well below its processing capacity of 45,000 tonnes. Closing the production gap could contribute over Sh30 billion to the national GDP and generate up to 350,000 jobs.**

(AFA), years of underinvestment have left farmers grappling with severe disease pressure and declining yields.

Efforts to rejuvenate orchards have yielded limited success; despite the distribution of two million seedlings since 2017 through a five years European Union Funded project. Even subsidised seedlings priced at Sh30 have proven unaffordable for many smallholders, while weak extension systems have hindered effective last-mile delivery of improved planting materials.

The result has been a fragmented and inefficient value chain. Processors such as Nuts and More Processing (EA) EPZ Ltd, operational since 2023, possess the capacity to process up to 7,000 tonnes of raw cashew, which is expandable to 15,000 tonnes, but

**The Cashew Nut Crop Timeline**



KALRO experts are promoting top-grafting techniques as a cost-effective and time-efficient method to rehabilitate unproductive trees.

continue to operate below optimal levels due to inadequate raw material supply.

To address this imbalance, the government is leveraging the KALRO Mtwapa Centre as the focal point for research-driven recovery. Central to the strategy is a newly developed cashew variety that demonstrates strong tolerance to prevalent diseases and has the potential to significantly improve yields.

Kagwe confirmed that 20,000 seedlings are ready for immediate distribution ahead of the long rains, with four additional improved varieties expected to be released within the next six months.

The intervention also incorporates practical solutions for farmers with aging orchards. KALRO experts are promoting top-grafting techniques as a cost-effective and time-efficient method to rehabilitate unproductive trees, enabling farmers to restore yields without waiting for new plantings to mature.

Beyond seed distribution, the recovery plan emphasises improved agronomic practices. Farmers are being encouraged to adopt optimal spacing of 10 by 10 metres and to integrate climate-smart intercropping systems combining cashews with coconuts and mangoes.

According to AFA estimates, closing the production gap could

contribute over Sh30 billion to the national GDP and generate up to 350,000 jobs across the value chain, spanning farming, logistics, and processing.

Recognising the scale of the challenge, Kagwe called for a coordinated, whole-of-government approach involving national and county administrations, research institutions, and private investors. He announced plans for a high-level stakeholder forum to develop a fast-tracked master plan aimed at stabilizing supply and restoring investor confidence in the sector.

For Kenya's Coast region, the renewed focus offers a tangible pathway to revival, driven by science, supported by policy, and anchored in the promise of transforming a long-underperforming crop into a cornerstone of economic growth. **||AB**

**THE NUMBERS**

**Current Annual Production**

**13,000 tonnes** – Well below capacity

**Installed Processing Capacity**

**45,000 tonnes** – Shortfall of 32,000 tonnes

**Nuts and More Processing Capacity**

**7,000 tonnes (expandable to 15,000)** – Operating below optimal levels

**Seedlings Distributed (2017–2022)**

**2 million** – EU-funded project over five years

**Potential GDP Contribution**

**Sh30 billion** – If production gap closed

**Potential Jobs Created**

**350,000** – Across farming, logistics, processing



· N E W S ·

## Restoring Productivity: Nakuru Pushes Conservation Agriculture Agenda

Nakuru County champions conservation agriculture to restore soil health, cut costs, and boost yields.

**For decades, both large-scale and smallholder farmers across Kenya have cultivated their land season after season with little regard for soil health, a practice that is now taking a visible toll on productivity. Declining yields, coupled with the mounting pressures of climate change and rising input costs, are forcing a rethink of traditional farming methods.**

In Nakuru County, a shift is underway. The county government

is actively promoting Conservation Agriculture (CA) as a sustainable pathway to restore soil fertility, reduce production costs and boost yields. The approach is gaining traction as farmers seek resilience in the face of erratic weather patterns and diminishing returns.

According to County Executive Committee Member (CECM) for Agriculture, Livestock and Fisheries, Leonard Bor, conservation agriculture offers a stark departure from conventional farming systems.

Unlike traditional methods that rely on repeated ploughing using disc ploughs, CA employs specialized tillage equipment that minimizes soil disturbance while consolidating multiple operations into fewer passes.

“This practice ensures that there is minimal soil disturbance or burning of crop residues. It enhances microorganism activity in

the soil and builds organic matter, resulting in improved nutrient uptake by crops,” Mr Bor said.

He was speaking during an agribusiness field day in Nakuru recently themed “Climate-smart technologies and practices for sustainable food systems,” organised in collaboration with the East Africa Grain Council (EAGC) and the Kenya Agricultural and Livestock Research Organisation (KALRO).

Mr Bor noted that Kenya, like much of Africa, is experiencing rapid degradation of agricultural land, largely due to unsustainable practices. Conservation agriculture, he explained, is anchored on three core principles: maintaining permanent soil cover, minimizing soil disturbance, and practicing crop rotation.

Permanent soil cover, achieved through mulch or cover crops, helps retain moisture and build humus, while minimal disturbance reduces erosion and preserves soil structure. Crop rotation, particularly between cereals and legumes, replenishes nutrients such as nitrogen and prevents depletion caused by continuous mono-cropping.

Declining soil fertility and compaction, often linked to excessive ploughing, have significantly contributed to reduced yields. Compacted soils hinder water infiltration, leading to increased runoff and erosion during rains. However, new-generation tillage equipment designed for CA can help reverse this trend by improving soil porosity.

“The country’s food security goals can only be realized through widespread adoption of conservation agriculture. In the era of climate change, this approach aligns closely with climate-smart agriculture,” Mr Bor said.

Mr Bor expressed concern over the persistent loss of fertile topsoil through erosion, describing it as “unforgivable.”

“

**The country’s food security goals can only be realized through widespread adoption of conservation agriculture.**

He pointed out that soil degradation is not limited to sloped terrain but affects all agricultural land, exacerbated by the formation of hardpans from outdated tillage practices.

Beyond resilience, CA also offers significant cost savings. Conventional farming typically requires multiple rounds of ploughing, each

costing approximately Sh3,000 per acre, driving up production expenses. In contrast, CA reduces the need for repeated tillage, lowering labour and machinery costs.

The county government is also encouraging complementary practices such as the use of certified seeds, proper crop management and appropriate fertiliser application to maximise yields.

Ultimately, conservation agriculture represents a shift towards sustainable intensification—producing more from the same land while preserving its health. It integrates practices such as agroforestry, crop-livestock systems and soil conservation structures to enhance long-term productivity.

Mr Bor affirmed that CA promotes farming in harmony with nature, noting that modern direct seeding technologies require significantly less labour and energy compared to conventional systems. With the potential to increase yields by up to four times, he said, conservation agriculture could make farming more attractive to young people and play a critical role in securing Kenya’s food future. **I|AB**



## THE NUMBERS

### Conventional Ploughing Cost

**Sh3,000 per round** – Multiple rounds required per season

### CA Tillage Passes

**Fewer passes** – Reduced labour and fuel costs

### Yield Increase Potential

**Up to 4 times** – Compared to conventional methods

### Partners

**EAGC, KALRO** – East Africa Grain Council, Kenya Agricultural and Livestock Research Organisation

- N E W S -

# Sh650 Million Solar Expansion Set to Revamp Ahero Irrigation Scheme

Power from the sun, water for the land. Sh650 million solar expansion breathes new life into Ahero Irrigation Scheme.

**For years, farmers within the Ahero Irrigation Scheme in Nyando, Kisumu County, have operated below their productive potential, constrained by structural inefficiencies and high input costs.**

This challenge is unfolding against the backdrop of a national rice deficit estimated at 700,000 metric tonnes annually. Ironically, the Nyanza region alone holds the capacity to produce up to 420,000 metric tonnes, yet only 40 percent of its irrigable land is currently under utilisation—highlighting a significant supply-side gap.

The underperformance is largely driven by systemic bottlenecks that have locked farmers into a low-productivity, high-cost cycle. Dependence on the national grid to power outdated and inefficient pumping systems has resulted in unsustainably high operational expenses, eroding margins and limiting reinvestment.

Compounding this are climate-related risks associated with unreliable rainfall, as well as persistent infrastructure deficiencies, including backflow from Lake Victoria, which has rendered substantial tracts of arable land unproductive. Collectively, these

**“Transitioning the Ahero pumping station to a 500-kilowatt-peak solar-powered hybrid system will significantly reduce energy costs.”**

**“Gross revenues of approximately Sh250,000 per acre per season... Sh250 million annually for the local economy.”**

factors have suppressed output and undermined the scheme’s commercial viability.

In a strategic intervention aimed at unlocking this latent potential, the Government of Kenya, in partnership with the Republic of Hungary, has committed Sh650 million towards the rehabilitation and expansion of the scheme.

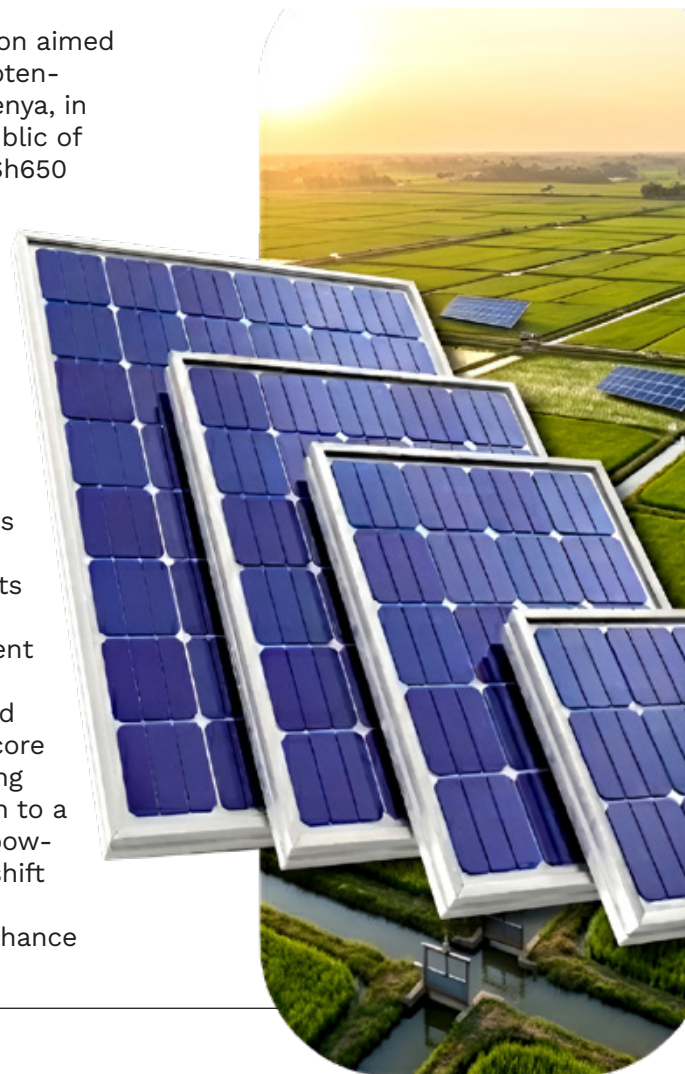
The project targets the development of an additional 1,000 acres in Kobong’o and is financed through a \$5 million tied-aid credit facility. With a 26-month implementation timeline, the project is already 40 percent complete, with key components such as solar panels and modern pumping equipment delivered on site.

The initiative is designed to address the scheme’s core cost drivers by transitioning the Ahero pumping station to a 500-kilowatt-peak solar-powered hybrid system. This shift is expected to significantly reduce energy costs, enhance

operational efficiency, and stabilise water supply.

Complementary investments include the installation of high-capacity pumps, rehabilitation of river intake infrastructure, and implementation of riverbank protection measures, all aimed at ensuring consistent and reliable irrigation.

Beyond cost optimization, the intervention is structured to deliver measurable economic returns. The first phase, covering 625 acres, is projected to generate gross revenues of approximately





**Ahero Irrigation Scheme spans thousands of acres, but structural inefficiencies have long suppressed output.**

Sh250,000 per acre per season, translating into an estimated Sh250 million annually for the local economy. The project will directly benefit 240 households, while catalyzing broader economic activity through the creation of 5,000 direct and 10,000 indirect jobs.

Crucially, the availability of reliable irrigation is expected to de-risk agricultural production and enable a transition from subsistence to commercially oriented farming. With improved water security, farmers will be better positioned to diversify into higher-value horticultural crops, thereby enhancing income streams and market competitiveness.

To ensure sustainability, the partnership incorporates a capacity-building component, with Hungary providing technical training to equip local farmers and technicians with the skills required to operate and maintain the new systems independently. This knowledge transfer is critical

**“Knowledge transfer is critical in safeguarding long-term operational efficiency.”**

in safeguarding long-term operational efficiency and maximising return on investment.

Overall, the Kobong’o expansion represents a high-impact infrastructure upgrade that directly addresses long-standing production constraints. By lowering input costs, improving resource efficiency, and unlocking idle land, the project is poised to reposition Ahero as a commercially viable and scalable model for irrigated agriculture—transforming it into a key contributor to regional food security and economic growth.

**||AB**

THE NUMBERS

**National Rice Deficit**

**700,000 metric tonnes annually** – Gap between demand and production

**Nyanza’s Potential Production**

**420,000 metric tonnes** – If fully utilised

**Current Land Utilisation**

**40%** – Of irrigable land in Nyanza

**Project Investment**

**Sh650 million** – Government of Kenya + Republic of Hungary

**Additional Land Developed**

**1,000 acres** – In Kobong’o area

**Financing Mechanism**

**\$5 million tied-aid credit facility** – Hungary partnership

**Implementation Timeline**

**26 months** – Already 40% complete

**Solar System Capacity**

**500 kilowatt-peak (kWp)** – Hybrid solar-powered pumping



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• N E W S •

# New FIYMA Programme Targets Agribusiness Growth in Uasin Gishu

The County Government of Uasin Gishu County has launched the Financial Inclusion for Youth and MSMEs in Agriculture (FIYMA) programme to expand access to financing and support services for farmers, particularly youth and women.

The initiative targets key value chains including dairy, livestock, poultry, fisheries, Irish potatoes, pulses, fruits and vegetables, to boost productivity, strengthening food systems and increasing household incomes.

Speaking at the launch in Eldoret recently, Governor Jonathan Bii described the

programme as a timely intervention to transform agriculture into a modern, profitable and inclusive sector. He noted that limited access to affordable credit and technical support has long hindered youth and women from fully participating in agribusiness.

FIYMA Programme Manager Monica Gachucha said the initiative goes beyond financing, focusing on building resilient enterprises capable of withstanding market and climate shocks. Beneficiaries will receive training, advisory services and market linkages to

enhance productivity and value addition.

The five-year programme is implemented by Micro Enterprise Support Programme Trust and East Africa Market Development Associates in partnership with NCBA Bank and Mastercard Foundation.

By addressing financing gaps and equipping participants with skills and tools, FIYMA is expected to promote inclusive growth and create sustainable livelihoods across the county. **IJAB**

· N E W S ·

# Middle East Tensions Sever Key Fertilizer Route, Threatening Food Security in Africa

Strait of Hormuz – Geopolitical tension

A recent United Nations report warns that East and Southern African nations face severe fertilizer shortages and a looming food price surge triggered by military disruptions in the Strait of Hormuz.

According to the United Nations Conference on Trade and Development (UNCTAD), the disruption stems from rising military tensions in the Middle East, where a February 28 attack by the United States and Israel on Iran prompted Tehran to shut down the strategically vital waterway.

This move has effectively severed a key global supply route, not only for oil, of which the Strait carries about 20 percent of global trade, but also for fertilizers, an often overlooked yet critical commodity for agricultural economies.

In its report titled “Strait of Hormuz disruptions: Implications for global trade and development,” UNCTAD underscores that roughly one-third of global maritime fertilizer trade, equivalent to about 16 million tonnes, passes through the Strait. For East and Southern Africa, this disruption is particularly severe due to the region’s heavy reliance on imports routed through the Persian Gulf.

The data paints a stark picture of exposure. In 2024, more than half of Sudan’s fertilizer imports, 54 percent, transited through the Strait, while Tanzania accounted for 31 percent, Somalia 30 percent, Kenya 26 percent, and Mozambique 22 percent. This heavy

**"Of the 16 million tonnes of fertilizer imported via the Strait in 2024, 67 percent was urea, a critical input for smallholder farmers, especially those cultivating maize in countries such as Kenya and Tanzania."**

dependence places these countries squarely at the center of the unfolding supply chain shock.

The implications for consumers are profound. The region is already contending with climate-related stresses, including persistent droughts in the Horn of Africa and destructive cyclones in Mozambique.

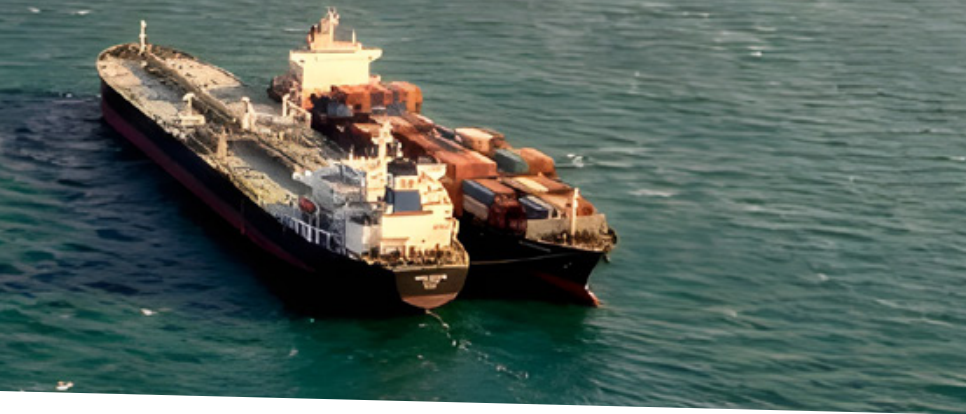
A sudden disruption in fertilizer supply threatens to sharply reduce agricultural productivity, particularly for staple crops such as maize, thereby driving food prices upward and placing them beyond the reach of many households.

UNCTAD warns that the effects of the crisis are already rippling through global markets. The Gulf region is not only a critical transit corridor but also a major producer

“

**Roughly one-third of global maritime fertilizer trade, equivalent to about 16 million tonnes, passes through the Strait.**

*United Nations Conference on Trade and Development (UNCTAD)*



of key inputs such as sulphur, used in phosphatic fertilizers, and natural gas, the primary feedstock for nitrogen-based fertilizers. As instability pushes up energy prices, fertilizer production costs rise in tandem, setting off a chain reaction that ultimately feeds into higher food prices.

The report highlights a well-established economic linkage: increases in gas prices tend to drive up fertilizer prices. Compounding the problem are rising transport-related costs, including freight charges, maritime fuel prices, and insurance premiums, all of which contribute to a broader escalation in the cost of living, especially for vulnerable populations.

“

**“Increases in gas prices tend to drive up fertilizer prices... ultimately feeding into higher food prices.”**

Particularly concerning is the disruption of urea supplies, the most widely used nitrogen fertilizer in East and Southern Africa. Of the 16 million tonnes of fertilizer imported via the Strait in 2024, 67 percent was urea, a critical input for smallholder farmers, especially those cultivating maize in countries such as Kenya and Tanzania.

An additional 20 percent consisted of diammonium phosphate (DAP), while 9 percent consisted of ammonium dihydrogen phosphate, both of which are essential

for root development and early plant growth.

Early signs of strain are already visible, with nitrogen-based fertilizer prices recording significant increases on global markets, alongside more modest but notable rises in phosphatic fertilizers.

Beyond the immediate supply shock, the UNCTAD report also highlights a structural vulnerability: the high concentration of fertilizer trade. Gulf countries account for 13 percent of global nitrogen exports and 9 percent of phosphate-based fertilizer nutrients, leaving importing regions highly exposed to geopolitical disruptions.

With no clear resolution to the Middle East conflict in sight, governments across East and Southern Africa face difficult policy choices. They may be compelled to identify alternative supply routes, likely at significantly higher costs, or implement targeted subsidy programmes to cushion farmers and consumers.

Failure to act decisively risks triggering a sharp escalation in food prices, potentially undermining fragile economic recoveries and worsening social and economic instability across the region.

**IJAB**

## THE NUMBERS

### Global Oil Trade Passing through Strait

**20%** – Geopolitical significance

### Fertilizer Trade through Strait

**One-third (~16 million tonnes)** – Annual volume

### Urea Share of that Volume

**67% (~10.7M tonnes)** – Most critical for maize

### DAP Share

**20% (~3.2M tonnes)** – Essential for root development

### Kenya Exposure

**26%** – Fourth in East Africa

### Gulf Global Nitrogen Exports

**13%** – Production concentration

### Gulf Global Phosphate Exports

**13%** – Production concentration

### Date of Attack

**February 28** – Trigger event (US/Israel on Iran)

· N E W S ·

# Cropnuts Pioneers Data-Driven Agriculture, Elevating the Role of Soil Testing in East Africa

From guesswork to precision – how East Africa's leading soil testing lab is transforming farm productivity.

**As Kenya intensifies efforts to boost food security and climate resilience, soil testing is rapidly emerging as a critical tool in modern agriculture, placing Crop Nutrition Laboratory Services Ltd (Cropnuts) at the centre of a quiet but transformative shift in how farmers manage their land.**

“Farmers can no longer afford to rely on guesswork in an era of climate uncertainty and rising input costs; soil testing is becoming as essential as seed selection,” says an agronomy expert familiar with the sector.

Founded in 1998 as a small laboratory, Cropnuts has grown into East Africa's leading agricultural testing and agronomy advisory firm, offering scientific solutions that are increasingly shaping farm productivity across the region. The company's rise mirrors a broader transition from traditional, experience-based farming to precision agriculture driven by data and laboratory insights.

For decades, many Kenyan farmers relied on guesswork to determine soil fertility, often resulting in declining yields, soil degradation, and rising input costs. Today, experts say soil testing is helping reverse that trend by enabling farmers to apply the right nutrients in the right quantities.

Cropnuts provides a wide range of laboratory services, including soil, water, crop, fertilizer, and animal feed analysis, as well as food safety testing and environmental monitoring. However, it is the growing demand for soil testing that is positioning the

company as a critical player in the country's agricultural transformation.

“Laboratory results are only useful if they translate into better farming decisions,” the firm notes, underscoring its focus on advisory services alongside testing.

Through its advisory arm, Cropnuts works with both smallholder and large-scale farmers, translating complex laboratory data into practical recommendations tailored to specific soils and crops. Its agronomy team, comprising soil scientists, agronomists, and plant health experts, supports farmers in improving yields while reducing unnecessary input costs.

The company is also leveraging technology to deepen its impact. Advanced tools such as satellite imagery, Geographic Information Systems (GIS) and land suitability mapping are being used to guide precision farming practices. These innovations allow farmers to understand variations within their fields and manage them more efficiently.

Industry stakeholders say such services are becoming increasingly important as farmers confront erratic weather patterns, soil exhaustion and tightening profit margins.

Cropnuts' partnerships with international research organisations such as the International Institute of Tropical Agriculture and the World Agroforestry Centre have further strengthened its scientific base, helping promote



integrated soil fertility management and sustainable farming systems.

Analysts note that independent advisory services, where recommendations are not tied to the sale of farm inputs, are gaining trust among farmers seeking unbiased guidance. Cropnuts says it does not profit from the sale of fertilizers or other products, allowing it to focus solely on optimal agronomic outcomes.

“With better data on soil health, farmers are not only increasing yields but also protecting their land for future generations,” James Kimari, a regional agricultural policy analyst notes.

With over two decades of field trials and research-backed recommendations, the firm is increasingly seen as part of the solution to Kenya's productivity challenges, particularly among smallholder farmers who form the backbone of the agricultural sector.

As the country pushes for higher yields and safer food systems, the role of soil testing laboratories like Cropnuts is expected to expand. Experts argue that widespread adoption of soil analysis could significantly improve fertilizer efficiency, reduce environmental harm and enhance long-term soil health. **||AB**

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# Kenya's Coffee Sector Enters a New Era with the Coffee Act 2023



**Henry Kinyua**

A new standalone Act creates dedicated institutions, a 2.5% levy, payment safeguards, and four marketing channels – but farmer representation in implementation remains critical.

“

**A 10% cap on cooperative deductions places a legal ceiling on charges imposed on farmer earnings.**



» A new law in hand, a fairer future in sight. The Coffee Act 2023 gives Kenya's growers dedicated institutions, payment safeguards, and a voice.

**If laws were coffee varieties, the Coffee Act 2023 would be the sector's new high-yield hybrid designed to fix weaknesses of the past while improving productivity across the entire value chain.**

Recently assented to as law, the Act Moved by Kirinyaga Senator Kamau Murango in 2023 and signed into law by the president, represents the most comprehensive legal overhaul of Kenya's coffee sector in decades, replacing the previous framework, which relied on subsidiary regulations under the Crops Act of 2013.

Under the earlier system, coffee was governed largely through Legal Notice 102 of 2019, administered by the Agriculture and Food Authority (AFA) through the Coffee Directorate. The new law elevates coffee governance into a standalone Act of Parliament, consolidating regulation of production, marketing, research, finance, and dispute resolution into one comprehensive framework structured across twelve Parts.

One of the most significant reforms is the creation of two independent statutory institutions dedicated exclusively to coffee. The Coffee Board of Kenya replaces the AFA Coffee Directorate as the sector's primary regulator, giving coffee its own dedicated oversight body rather than sharing governance with multiple crops.

The Board operates as a full corporate entity with its own board of directors, chief executive officer, budget, and audit responsibilities. Alongside it, the Act establishes the Coffee Research and Training Institute, which takes over the coffee research mandate previously held within the Kenya Agricultural and Livestock Research Organization (KALRO). The institute will oversee research, training, and the protection of Kenya's coffee genetic resources, including custody of the national coffee genome.

The Act also simplifies Kenya's licensing structure. The Second Schedule lists 17 licences and permits, clearly allocated among the Coffee Board, county governments, and the Capital Markets Authority (CMA).

Coffee trading pathways are also expanded. The law formally recognizes four marketing channels:

- **Auction trading** through a licensed exchange
- **Direct sales** between growers and buyers
- **Trading** through international exchanges
- Any **additional mechanisms** that may be approved by the Cabinet Secretary

This flexibility reflects the evolving nature of global coffee markets while preserving regulatory oversight.

To support long-term development of the sector, the Act introduces a 2.5% levy on the export or import value of coffee. The funds are distributed through a structured formula designed to address key sector priorities:

- **30%** – Coffee Research and Training Institute
- **25%** – County governments in coffee-growing areas
- **20%** – Price Stabilization Fund
- **15%** – Coffee Board regulation and oversight
- **10%** – Coffee marketing and promotion

This marks the first time Kenya's coffee industry has a legally defined funding mechanism dedicated to research, market development, and price stabilization.

The Act formally entrenches the Direct Settlement System, requiring coffee proceeds to pass through a Central Settlement

**“Direct Settlement System requires coffee proceeds to pass through a Central Settlement System before being paid to growers within 14 days.”**



» Fourteen days. Not months. The Coffee Act guarantees farmers payment within two weeks – and caps cooperative deductions at 10%.

“

**The sector now has its own dedicated engine – designed to keep Kenya’s famous beans competitive while ensuring farmers receive a fairer share.**

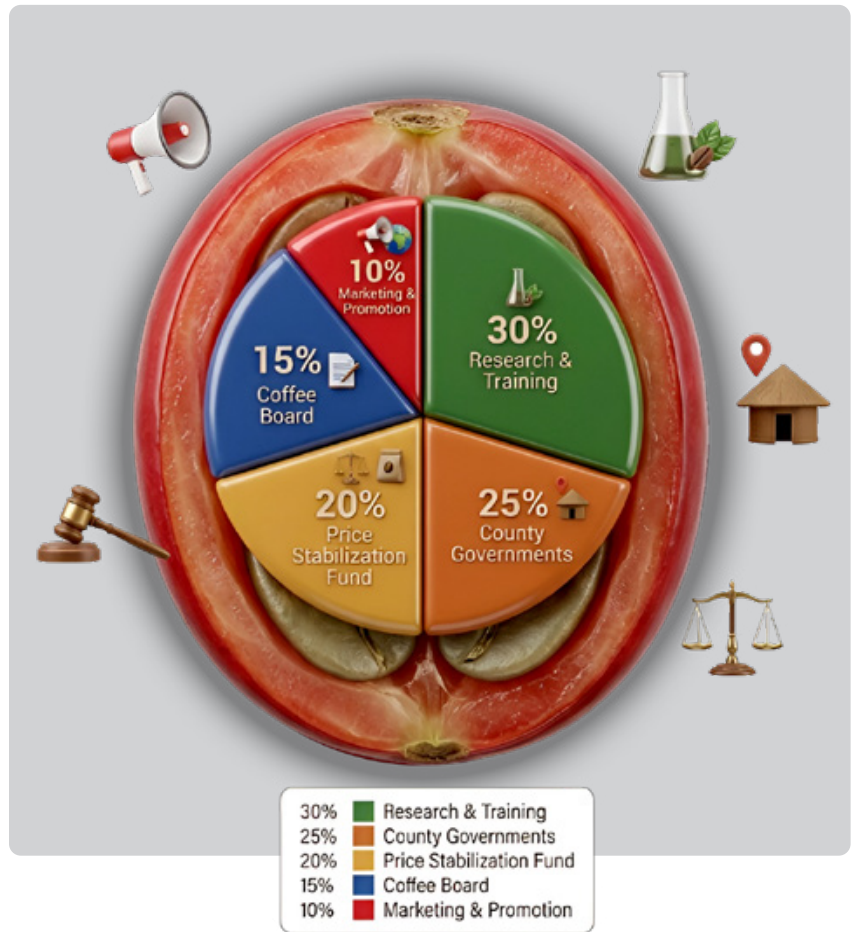
System before being paid to growers within 14 days.

In addition, the law introduces a 10% cap on cooperative deductions, placing a legal ceiling on the charges that cooperatives may impose on farmer earnings. A Price Stabilization

Fund, financed through the levy, is also created to cushion farmers during periods of volatile international prices.

The Act introduces a structured dispute resolution system by requiring each licensing authority to establish an ad hoc Dispute Resolution Committee. These committees must make determinations within 30 days, with appeals directed to the High Court. This provision aims to resolve sector disputes faster and reduce costly legal delays.

Taken together, the Coffee Act 2025 represents a generational shift in the governance of Kenya’s coffee sector. By establishing dedicated institutions, strengthening research, introducing predictable sector financing, and protecting farmer incomes through payment safeguards and cooperative caps, the law directly tackles many of the structural challenges that have troubled growers for decades. In simple terms, the reform signals that Kenya’s coffee industry is no longer running on borrowed legal frameworks. It now has its own dedicated engine — one designed to keep the country’s famous beans competitive in global markets while ensuring the farmers



» Every shilling counts. The 2.5% levy on coffee exports and imports is distributed to research, counties, price stabilisation, regulation, and marketing – building a stronger, fairer coffee sector from bean to cup.

**“Next steps: developing regulations and gazette notices – farmers must be represented in every step.”**

who grow them receive a fairer share of the value.

And if the reforms work as intended, the next time Kenyan coffee travels the world — whether through auctions, direct sales, or international exchanges — it will carry not just its famous flavour, but also a stronger system behind every bean. Next steps is developing regulations and gazette notices from the CS to operationalize the ACT and I hope farmers will be represented in every step. **I|AB**

»» Henry Kinyua writes on *Agricultural Policy and Trade*.

# Macadamia Industry: Navigating the Path from Meteoric Rise to Critical Crossroads



**Charles Muigai**

From 15,000 to 60,000 tons – but 70% of Kenya's macadamias sell at a discount. Can quality save the industry?



» 12% vs 30% – Kenya's sound kernel recovery lags far behind South Africa. The result: 70% of our harvest sells at a discount.

Kenya boasts an installed cracking capacity exceeding 100,000 metric tons, but this infrastructure is threatened by the influx of substandard produce, which tarnishes the country's reputation for quality. Over the past decade, the Kenyan macadamia sector has undergone a stunning transformation. Nut-in-shell output is projected to surpass 60,000 tons by 2026, a massive increase from roughly 15,000 tons in 2014, representing nearly a fivefold surge.

This significant growth has been largely fueled by the introduction of superior, high-yielding tree varieties; notably, the Murang'a 20 variety, which has become a favourite among farmers due to its reliability and ability to thrive in local climates.

However, the story now has a troubling side. The industry stands at a critical

moment where past gains are at risk. Poor-quality, immature nuts, harvested too early due to farmers' urgent need for cash, is crippling the processing sector.

Additionally, bans on exporting raw nuts, meant to support local processing, have sparked smuggling and increased theft. The Agriculture and Food Authority (AFA) has stepped in with seasonal bans, such as the one set for December 2025 to February 2026, to curb the flow of inferior nuts, warning that license

## Sound Kernel Recovery

**(SKR)** measures the percentage of whole, undamaged kernels after cracking. Higher SKR means higher value.

“

**The industry stands at a critical moment where past gains are at risk.**

revocations await those who violate these strict harvest periods.

Despite these regulations, brokers continue to wield significant influence, often sourcing immature nuts and mixing them with high-quality produce. This adulteration leads to poor cracking yields and increases the likelihood of shipment rejections by premium markets in the US and EU. Over the past five years, many Kenyan processors have faced severe financial distress, with some facing auctioneers due to debts worsened by global competition dynamics.

Mr. Johnson Kihara, Chairman of the Nut Traders Association of Kenya (NUTAK), highlights a painful contradiction: despite bumper harvests, financial returns are dismal. He identifies the premature harvesting of nuts as the main culprit for this lost value, creating a market flooded with low-quality goods.

Kihara points to poor post-harvest handling, exploitative brokerage, and regulatory loopholes as factors driving this downward spiral. He advocates for urgent market discipline and credible regulatory regime to salvage the industry before irreversible damage occurs.

Ann Gikonyo, the immediate Director of the Nuts and Oil Crops Directorate, explains that “key remedial actions include strict harvesting schedules, training on pruning and fertilizer usage, and promoting farmer group models for better post-harvest results.”

Conversely, Mary Wanjiru, a macadamia broker, argues that these regulations are easier to draft than to implement. She claims there is little on-the-ground action to support sustainable production.

She asserts that “processors are opportunistic and only come to action during harvest time and disappear till the next season.” Furthermore, she notes that “AFA only appears at season time with little support towards crop production,” highlighting a disconnect between policy and the farmer's daily reality.

The global market is just as intricate. Kenya is projected to produce 60,000 tons in 2026. Meanwhile, Australia expects a crop of 59,080 tons, and South Africa forecasts just over 83,000 metric tons (a slight decline due to agronomic factors). Together, these

three nations will supply half of the world's macadamias.

Ms. Jillian Liang, CEO of the World Macadamia Organization (WMO), offers a broader forecast, predicting global output will reach between 459,000 and 559,000 tons by 2030.

This raises questions about the sustainability of current pricing. While the market is expected to grow to USD 11.71 billion by 2033, it currently faces low prices, high inventory, and volatility. New orchards in China, South Africa, and Kenya are boosting production, but inflation in regions like Europe has dampened demand, making nuts less affordable.

Although demand is showing signs of recovery, the market struggles with an oversupply of lower-grade nuts (halves and pieces), whose prices have dropped by 8.7% to roughly \$9.04/kg. Conversely, demand for premium whole kernels remains strong, with prices rising by 4.4%. This disparity highlights the mismatch between the surplus of lower-grade nuts used in processed foods and the demand for premium kernels in snack markets.

Kenya is particularly vulnerable to this disparity because its Sound Kernel Recovery (SKR) averages only 15%, far below South Africa's 30%. This creates an asymmetrical pricing structure that lowers

average prices for Kenyan kernels. According to processors, about 70% of Kenya's yield is classified as lower-grade halves and pieces, with only 30% meeting the premium whole standard.

The ban on exporting raw, in-shell nuts, intended to boost local processing, remains controversial.

Farmers and brokers want the ban lifted to access higher prices from foreign buyers. Meanwhile, processors strongly oppose the export of

**“A glut of poor-quality, immature nuts... is crippling the processing sector.”**

high-quality in-shell nuts to Asia, arguing it threatens the entire value chain.

Mr. Pally Muthathai of Tropical Macs EPZ Ltd describes the export of premium in-shell nuts to Asia as a potential "death knell." He argues this could destroy local processing capacity, leading to factory closures and a loss of skills. He emphasizes that local processing is crucial for long-term resilience and employment. Muthathai advises against hoping for a return to previous highs, suggesting that short-term profits must come from efficiency improvements rather than price recovery. He predicts significant consolidation between 2026 and 2030, with some companies exiting the market.

He believes supply growth will stabilize by 2032, leaving a smaller, stronger group of processors focused on quality and efficiency, investing in modern equipment and sound financial management. Efficiency, rather than bold investment or innovation alone, will drive future growth. The focus must shift to operational improvements, including enhancing farm-level quality and efficient procurement. In processing plants, maximizing kernel recovery and reducing waste are vital. Technology will play a key role, with digital systems becoming common. Additionally, developing new markets and innovative products, though slow, is essential to expand demand and improve margins.

Central to this strategy is consistent quality. "Being able to supply big volumes of high-quality macadamia kernels will give the market confidence, which will in turn bring stability to prices as the world

## “Export of premium in-shell nuts to Asia could be a ‘death knell’ for local processing.”

*Maina Muhara*



» Macadamia milk, cheese, butter – the plant-based revolution is opening new doors for Kenyan nuts beyond the kernel.

heads towards huge crop increases,” Muthathai notes.

Mr. Johnson Kihara of Nut Traders Association of Kenya (NUTAK) acknowledges these risks but supports a binary framework allowing both in-shell and kernel exports, agreeing that while in-shell exports can offer temporary relief, they should not become the primary focus.

“Farmers require access to experts on the ground to assist with technical advice for maximizing tree productivity, nut quality, and increasing sustainability,” says Kihara. He emphasizes that uniformity and consistency are key to building buyer confidence. Farmers need to prioritize quality, as high-quality nuts will always sell, even in a high-volume market.

Finally, the industry must adapt to external shifts. China is increasing competition through large-scale plantations in Yunnan, potentially shifting from a major buyer to a significant supplier, which could lower export prices. There is also a widening price gap between South African and Australian kernels, with lower prices for halves and pieces affecting processors with lower-quality output. **I|AB**

» *Muigai is an agricultural value chain consultant at Mazao Pesa Ltd and a former Chief Executive Officer at Nut Processors Association of Kenya (NutPAK)*

# Turning UK Trade Theory into Kenyan Export Reality for SMEs



» Armed with clarity, not just ambition. For Kenya's 80%, the SMEs that form the backbone of agri-business, the new UK-Kenya EPA Sector-Based Trade Guide translates complex trade law into a step-by-step pathway to British shelves.



A guide where theory meets the tarmac. The UK-Kenya EPA Sector-Based Trade Guide turns diplomatic agreements into step-by-step export success for Kenya's 80% – the SMEs.

**Understanding that a trade agreement is only as good as the trader's ability to utilize it, a critical intervention is currently underway to address a glaring market failure.**

Small and Medium Enterprises (SMEs) play a crucial role in Kenya's economy, commanding an overwhelming share of the business landscape, accounting for approximately 80% of all businesses.

Within this dynamic sector, agri-business stands as the undisputed cornerstone, representing a massive portion of SME activity and driving rural livelihoods. Yet, these vital agri-business SMEs are severely affected by a lack of access to the lucrative UK market,

primarily due to a profound lack of knowledge on export requirements.

To bridge this crippling information gap, the British Chamber of Commerce Kenya (BCKK), in conjunction with TradeMark Africa (TMA) under its REDIT Programme and the UK Department for Business and Trade (DBT), has initiated a comprehensive process to review the export Guide.

Last month, this vital initiative invited key stakeholders for an intensive validation workshop dedicated to the final, structured review of the UK-Kenya EPA Sector-Based Trade Guide before it is published at scale. Bringing



together senior representatives from regulatory agencies, industry associations, SME exporters, and UK-based trade partners, the workshop was meticulously designed to address the EPA's structural deficiencies head-on.

The review process was built on four primary objectives. First, to verify absolute technical accuracy, ensuring that current tariff data, compliance procedures, documentary requirements, and crucial agency contacts are operationally sound.

Second, to rigorously identify gaps and omissions, guaranteeing that no material compliance step or UK import requirement has been missed, deliberately replacing generalized EPA text with specific, actionable corrections.

Third, and perhaps most crucially for the agri-business sector, to test usability. The guide will be judged on a strict metric: can an SME exporter, specifically a small-scale agri-business owner without

the luxury of a trade lawyer, follow the step-by-step pathways, checklists, and compliance maps to successfully complete a first shipment to the UK?

Finally, the workshop aimed to secure formal institutional endorsements from regulatory bodies to ensure the guide's widespread, trusted distribution through established stakeholder networks.

The necessity of this guide becomes glaringly obvious when contextualized within the broader UK-Kenya economic relationship. When the UK and Kenya ratified their Economic Partnership Agreement (EPA) in March 2021, it was heralded as a post-Brexit masterstroke.

The agreement provided a vital lifeline, ensuring continuity for Kenyan exporters by protecting them from abrupt tariffs and establishing a framework for duty-free, quota-free market access to the United Kingdom.

On paper, the partnership is

---

**“The EPA suffers from structural deficiencies that are actively stifling the very SME exporters it purports to empower.”**

robust, culminating in a renewed 2025-2030 Strategic Partnership signed by President William Ruto and Prime Minister Keir Starmer in July 2025, which ambitiously aims to double bilateral trade volumes over five years.

The traded volumes underpinning this modern relationship are undeniably impressive and growing. Annual bilateral trade

currently exceeds £2.1 billion. The UK stands as a major foreign investor in Kenya, with over 150 British companies actively operating in the country and a foreign direct investment stock valued at £2.2 billion channeled through InvestKenya.

“

**Annual bilateral trade currently exceeds £2.1 billion.**

The financial architecture is further bolstered by the monumental £17 billion Africa Green Industrialisation Initiative (AGII), designed to accelerate green energy and sustainable infrastructure, including the transformative Nairobi Railway City project.

Yet, beneath these towering macroeconomic figures, billion-pound funds, and high-level diplomatic handshakes lies a deeply fractured reality. Despite the guarantee of duty-free, quota-free access, the UK-Kenya EPA suffers from severe structural deficiencies that are actively stifling the very SME exporters the agreement purports to empower. Because SMEs command such a vast share of the agri-business sector, these deficiencies act as a stranglehold on Kenya's primary economic engine.

The most glaring flaw in the EPA is the absence of specific, actionable guidance. While the legal agreement dictates the terms of trade, it fundamentally fails to provide the ground-level mechanics. For an average Kenyan agri-business SME, there is a conspicuous lack of trade facilitation or logistics guidance within the EPA framework.

Furthermore, there is minimal mention of Rules of Origin, the complex criteria required to definitively prove that a product is genuinely Kenyan and therefore eligible for tariff concessions. Without clear Rules of Origin documentation, an SME's perishable agricultural shipment can be delayed, heavily taxed, or turned away at a UK port entirely.

Compounding this regulatory maze is a complete vacuum

of market intelligence. Beyond strict regulatory compliance, export success hinges on a nuanced understanding of market dynamics, shifting consumer trends, and the ability to find and secure reliable buyers.

The existing Department for Business and Trade (DBT) framework does not cover this essential marketing guidance, leaving exporters navigating entirely blind once their valuable goods leave the busy port of Mombasa for the first time.

These structural barriers hit specific, high-potential agri-business sectors incredibly hard. Fresh and frozen horticultural produce, which sees exceptionally strong SME participation in mixed vegetables, moringa, avocados, and dried mangoes, requires meticulous, unbroken cold-chain logistics guidance that is completely absent from the EPA text.

A slight temperature fluctuation or a missed phytosanitary certificate means the tragic difference between realizing a profit and facing a rotting cargo hold.

The nascent edible nuts industry, which stands to gain the highest utility from a proper operational guide, is similarly handicapped. Value-added tea and specialty coffee represent the highest value SME upgrade pathways.

Additionally, textiles, apparel, and leather goods offer massive

potential. Leather goods possess high SME viability but are severely bottlenecked by complex UK chemical safety requirements and strict labelling guidance that the EPA entirely fails to demystify for an ordinary business owner.

The benefits of this ongoing guide review cannot be overstated. If successful, the Sector-Based Trade Guide will effectively serve as an operational prosthetic for the EPA's structural deficiencies. By translating abstract diplomatic agreements into granular, step-by-step compliance maps, the guide will democratize access to the lucrative UK market.

It will permanently remove the prohibitive costs of hiring export consultants, thereby leveling the playing field for micro, small, and medium agri-enterprises. By explicitly detailing Rules of Origin and providing the missing logistics, cold-chain, and labelling frameworks, the guide will drastically reduce the risk of expensive customs rejections and devastating border delays.

Moreover, by embedding market intelligence and buyer-connection strategies directly into the sector-specific modules, the guide will shift the export paradigm from mere compliance to active, profitable market penetration, finally allowing Kenya's SMEs to reap the rewards of the agreement.

**||AB**



» From legal text to loaded container. The Sector-Based Trade Guide acts as the missing operational bridge – transforming abstract EPA provisions into actionable checklists, cold-chain protocols, and market intelligence for Kenyan SMEs.

## THE NUMBERS

### SMEs share of Kenyan businesses

**80%** – Agri-business is the largest segment

### Annual bilateral trade (UK-Kenya)

**£2.1 billion** – Current volume

### UK FDI in Kenya

**£2.2 billion** – Through InvestKenya

### Africa Green Industrialisation Initiative (AGII)

**£17 billion** – Includes Nairobi Railway City

### Trade doubling target (by 2030)

**Implied £4.2B** – Under 2025-2030 Strategic Partnership

### EPA ratification date

**March 2021** – Post-Brexit continuity

### Strategic Partnership signed

**July 2025** – Ruto and Starmer

### Number of UK companies in Kenya

**150+** – Active investors

# PELUM Driving Grassroots Organic Farming Revolution in Kenya

How PELUM Kenya is building trust, training youth, and pushing for policy change to mainstream organic agriculture.



» Not land, but knowledge. Young Kenyans learn to produce bio-fertilizer and organic inputs – creating value without owning acres.

**In Kenya, the organic farming movement is steadily gaining ground, but it still operates within a largely conventional agricultural system dominated by synthetic inputs.**

While awareness is growing among farmers and a segment of urban consumers, organic food remains underutilized, often perceived as a niche or premium choice rather than a mainstream necessity. This slow uptake reflects deeper structural challenges, including limited consumer knowledge, weak certification visibility, and insufficient policy support.

At the national level, the Kenya Organic Agriculture Network (KOAN) continues to anchor the organic sector by coordinating stakeholders, advocating for supportive policies, and promoting standards that enhance credibility.

According to Samuel Ndun'gu, KOAN Project Manager, the sector has made notable progress, but critical gaps remain.

“We have seen increased interest in organic farming across the country, but the missing link is still strong consumer awareness and a clear policy

framework. Without these, organic agriculture will continue to grow, but below its full potential,” he says.

Ndun'gu notes that KOAN has been instrumental in pushing for the recognition of organic agriculture within Kenya's broader food system, while also supporting market development and farmer capacity building. However, the absence of a dedicated national policy continues to slow down sector-wide transformation.

It is within this evolving landscape that Participatory Ecological Land Use Management Kenya (PELUM) has emerged as a key driver of grassroots transformation.

Working as part of a wider network across Africa, PELUM Kenya promotes agroecology as both a principle and a practical farming approach, one that eliminates synthetic chemicals while prioritizing ecological sustainability and farmer resilience.

A central pillar of PELUM's work is strengthening Participatory Guarantee Systems (PGS), a community-based certification model that builds trust between producers and consumers.

In counties such as Isiolo County, Busia County, Machakos County, and Kiambu County, the organization is actively supporting PGS farmer groups by facilitating certification processes,

improving market access, and enhancing product visibility.

According to Bethsheba Ratemo, a programme officer at PELUM, these systems are transforming how smallholder farmers engage with markets.

“PGS is not just about certification, it’s about building trust, reducing costs, and empowering farmers to take ownership of quality standards. This is especially important for smallholders who cannot afford third-party certification,” she explains.

Beyond certification, PELUM is investing heavily in awareness creation and market development. The organization is actively sensitizing consumers on the benefits of organic food, shifting the narrative from price to health, environmental sustainability, and long-term well-being.

Ratemo emphasizes that this is key to

strengthening farmer capacity through training in natural soil fertility management, ecological pest control, and the preservation of indigenous seeds through community seed banks. In Kiambu, practical demonstrations are already showing results on the ground.

At the CSHEP Farm in Ndeiya, founder Esther Kagai has been working closely with farmers and youth to promote agro-ecological practices.

“What we are demonstrating here is that organic farming is not just about avoiding chemicals, it is about building a complete system that works for the farmer, the consumer, and the environment,” she says.

Kagai adds that hands-on exposure is critical in changing mindsets. “When farmers come here and see the

**“Organic farming is not just about avoiding chemicals, it is about building a complete system that works for the farmer, the consumer, and the environment.”**

*Esther Kagai*

unlocking demand: “We cannot talk about scaling organic farming without addressing the consumer. When consumers understand what they are eating and its impact on their health, demand naturally follows.”

At the production level, PELUM is

results for themselves, healthy crops, reduced input costs, and access to niche markets, they begin to appreciate that organic farming is not a risk, but an opportunity.”

A notable innovation in PELUM’s approach is its focus on youth engagement through



value addition. The organization is targeting the training of 40 young people in key agribusiness value chains, including poultry, vegetable production, animal feeds, and bio-fertilizer production.

By emphasizing value chains rather than land ownership, PELUM is opening opportunities for youth who may not have access to farmland but can still participate meaningfully in the organic economy. The broader goal is to train up to 400 farmers while creating sustainable income pathways.

To strengthen market systems, PELUM is organizing farmers into groups to establish organic shops and local markets, complemented by digital marketing through social media and mainstream platforms. The long-term ambition is to reach at least 2 million consumers in Kenya and beyond, expanding the footprint of organic products and making them more accessible in everyday markets.

Despite these gains, significant challenges remain. Chief among them is the lack of

consumer awareness, which continues to limit demand for organic products. Without informed consumers, the incentive for farmers to transition remains weak.

Stakeholders are also calling on the government to create a dedicated policy and institutional framework that would formalize standards, support certification systems like PGS, and integrate organic farming into national food security strategies.

As Kenya grapples with food safety concerns, environmental degradation, and rising health risks linked to chemical exposure, organic farming presents a viable pathway toward a more resilient and sustainable food system.

Through the combined efforts of KOAN, PELUM, and practitioners on the ground, the sector is gradually shifting from the margins toward the mainstream, but its full potential will depend on how quickly awareness, policy, and market systems can catch up. **IJAB**

# A Bitter Brew or Sweet Redemption?

Coffee Act Walks the Tightrope Between Reform and Red Tape



"If it simply adds layers of red tape to a struggling industry, it will be judged as a missed opportunity – **a bitter harvest from a well-intentioned seed.**"

**Githua Kihara**  
Editor-in-Chief

**In a ceremonial stroke of the pen that has sent ripples through the highlands of Central Kenya and the trading floors of Nairobi, President William Ruto enacted the Coffee Act of 2023, dismantling the existing regulatory architecture of one of Kenya's most storied export sectors.**

The legislation, born from Senate Bill No. 10 of 2023, represents the most significant institutional overhaul of the coffee industry in decades, aiming to arrest a decades-long decline in production that has seen the country's global market share wither.

While the government hails the Act as a necessary surgical intervention to excise bureaucratic rot and restore the sector's former glory, a deeper analysis reveals a complex tapestry of high-stakes gambles. The new law offers a compelling vision of specialized governance and financial injection, yet it simultaneously risks suffocating stakeholders under the weight of new levies and a fragmented regulatory web involving multiple state agencies and county governments.

At the heart of the new legislation is a decisive shift away from the umbrella oversight of the Agriculture and Food Authority (AFA). For years, critics argued that housing coffee regulation under the broad mandate of the AFA diluted the specific attention required by the

complex, high-value crop. The establishment of the Coffee Board of Kenya as the sector's principal regulator marks a return to specialized governance—a move widely viewed as a benefit by industry veterans.

By centralizing licensing, policy implementation, and market intelligence within a dedicated board, the Act attempts to impose administrative order on a landscape historically marked by fragmentation. The Board is tasked with maintaining national registers, overseeing licensing for a diverse array of actors—from warehouse operators to cupping

laboratories—and coordinating development strategies.

Proponents argue that this focused approach allows for nuanced policy-making. Unlike the AFA, which juggled diverse agricultural interests, the new Board is singularly devoted to coffee. This specialization is expected to translate into faster dispute resolution and more agile responses to market dynamics.

Furthermore, the Act empowers the Board to lead promotional campaigns designed to expand the market presence of Kenyan coffee abroad, a critical

**"The legislation represents the most significant institutional overhaul of Kenya's coffee industry in decades."**

function for a brand that punches below its weight in the global marketing arena despite its reputation for quality.

A glaring shortcoming of the sector in recent years has been the stagnation in agricultural innovation. The new Act addresses this through the establishment of the Coffee Research and Training Institute.

This scientific body is mandated to bridge the gap between laboratory work and farm-level production. With climate change altering growing conditions and diseases becoming more severe, the Institute's mandate to develop climate-resilient varieties and sustainable farming systems is a clear benefit.

By coordinating research activities nationwide and providing technical advisory services to county governments, the Institute aims to revitalize the agricultural foundation of the industry. The logic is sound: without a scientific renaissance at the farm level, regulatory changes are merely rearranging deck chairs on the Titanic.

To fund this renaissance, the Act introduces a controversial, yet potentially transformative, financial mechanism: the 2.5% Coffee Development and Marketing Levy. Applied to the value of coffee exports and imports, this levy creates a dedicated funding stream, insulating sector institutions from the vagaries of the national exchequer. The proceeds are earmarked for development initiatives and strengthening market promotion, offering a financial lifeline to a sector that has long suffered from underinvestment.

However, the introduction of the levy underscores the central tension of the new law: the trade-off between development and cost. While the funding is necessary, a 2.5% levy on export value is a significant imposition on an already burdened value chain. In a global market where margins are tight and competition from producers like Vietnam and Brazil is fierce, additional costs can render Kenyan coffee less competitive.

There is a palpable risk that this levy could be passed down the chain, eventually eating into the meager earnings of smallholder farmers. Critics argue that while the intention is to revive the industry, the immediate effect may be a reduction in net returns for growers, potentially discouraging production further. The question remains whether the "development" funded by the levy will yield a return on investment significant enough to justify the deduction from exporters' bottom lines.

Perhaps the most contentious aspect of the new Act is its attempt to balance national oversight with devolution. The law mandates that growers, millers, roasters, and cooperative societies register with their respective county governments. On paper, this brings

a wide array of actors under a formal regulatory registry for the first time, promising transparency and order.

In practice, however, this devolution of registration duties poses a monumental shortcoming: the variance in county government capacity. Kenya's 47 counties differ vastly in their administrative efficiency and technological infrastructure. A cooperative society in a county with a digitized, efficient registry may thrive, while one in a county plagued by bureaucratic inertia and corruption could face debilitating delays.

Furthermore, the split jurisdiction creates a potential for a "regulatory gap." With county governments handling registration and the national Coffee Board handling licensing, there is a danger of duplication of roles or, conversely, a vacuum where responsibility is compromised. The administrative burden of navigating two tiers of government—registering locally to operate and then seeking national licenses—could be a daunting prospect for small-scale players, potentially driving some into the informal market.

Adding another layer of complexity, the Act brings certain financial market functions under the jurisdiction of the Capital Markets Authority (CMA). The CMA will now issue licenses related to coffee exchanges and brokerage activities. This is intended to professionalize the trade, introducing the rigour of financial markets into the commodity exchange.

The benefit here is transparency. The coffee trade has historically been opaque, with farmers often kept in the dark about the final destination and price of their produce. By subjecting exchanges to capital markets regulations, the Act aims to instill confidence, attract investment, and ensure

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**The variance in county government capacity poses a monumental shortcoming.**

that trading is conducted on a level playing field.

Yet, the shortcoming lies in the cultural shift required. The coffee industry is deeply rooted in cooperative traditions and personal relationships. Transitioning to a system governed by the stringent, often rigid frameworks of the CMA may alienate traditional players who lack the financial literacy or legal resources to navigate capital markets regulations. There is a fear that this could inadvertently consolidate power in the hands of large corporate players who can afford compliance, squeezing out the small and medium-sized enterprises that form the backbone of the industry.

The enactment of this law comes against a backdrop of contradictory market signals. Recent data indicates that Kenya's coffee exports declined slightly in volume in 2025, falling to 41,562 metric tons from 44,871 metric tons the previous year. This volume drop occurred even as export prices surged, averaging US\$7.21 per kilogram compared with US\$4.90 in 2024.

This economic paradox, falling volumes amidst rising prices, highlights the urgency of the Act. The price surge offers a window of opportunity, but the declining volume is an alarm bell signaling production distress. The benefits of the new Act, specifically the research institute and dedicated funding, are designed to address the volume crisis. However, the shortcomings, the financial burden of the levy and the bureaucratic entanglements of devolution, could exacerbate the very problems they seek to solve.

President Ruto's Coffee Act is a bold statement of intent. It refuses to accept the slow decline of a national treasure. By establishing a dedicated Board and Research Institute, it builds the scaffolding for a modern, resilient industry. Yet, by imposing new levies and intertwining national and county

**“The trade-off between development and cost lies at the heart of the new law.”**



» Promise and procedure, growth and governance – the new Coffee Act balances them on a knife's edge. Whether the scale tips toward revival or regulation will be decided not in the text of the law, but in the hands of those who implement it.

jurisdictions, it constructs a bureaucratic obstacle course that may trip up the very stakeholders it aims to lift.

Ultimately, the success of this legislation will not be found in the text of the statute, but in its implementation. If the Coffee Board operates with efficiency, if the counties streamline their registration processes, and if the levy funds are transparently managed to boost yields, the Act will be remembered as the turning point for the sector. If, however, it simply adds layers of red tape to a struggling industry, it will be judged as a missed opportunity—a bitter harvest from a well-intentioned seed.

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»» Githua Kihara is the Editor-in-Chief of *Agribusiness Monthly*

# Capacity Without Throughput: The True Cost of African Agro-Processing Inefficiencies

Idle machines, empty silos, and the 40% utilisation trap – why Africa's agro-processing revolution is stalled by inefficiency, not investment.

3.75 million litres of dairy capacity, but only 40% used. **A continent-wide failure of alignment** between production and processing.

**Across the African continent, a quiet paradox is unfolding within the agro-processing sector. Inside sprawling industrial complexes, state-of-the-art processing machines sit idle for hours, sometimes days. Outside, the demand for food, driven by a booming population and rapid urbanization has never been higher.**

According to Charles Muigai, an agriculture value chain consultant, this paradox reflects a deeper structural failure rather than a temporary market imbalance.

“What we are witnessing is not a lack of demand, but a failure of alignment between production systems and industrial capacity. Africa has built the factories, but not the ecosystems required to feed them,” Muigai argues.

This is the central finding of a sweeping baseline study commissioned by the African Union Development Agency (AUDA-NEPAD) and conducted by Charles Muigai of Mazao Pesa Ltd.

The report, titled Baseline Study on the Operational Performance and Threshold Operational Optimisation of 20 Medium to Large-Scale Agro-Processors in Africa, paints a sobering picture of

an industry operating significantly below its potential.

Muigai notes that the findings expose a systemic disconnect between agriculture and industry—two sectors that should be symbiotic but instead operate in silos.

“Capacity without throughput is economically meaningless. When plants run at 40 or 50 percent, they are not just inefficient, they are eroding value across the entire supply chain, from farmer to consumer,” he says.

Focusing on the dairy and maize milling sectors in Kenya, Malawi, Nigeria, and Ghana, the investigation reveals systemic inefficiencies that cut across national boundaries.

The data exposes a “structural paradox”: processing plants with the capacity to fuel economic growth are suffocating under the weight of supply chain disruptions, infrastructural deficits, and operational mismanagement.

## The Dairy Dilemma: A Thirst Unquenched

The dairy industry in Kenya, Malawi, and Nigeria stands at a critical juncture. Consumer preferences are shifting rapidly toward



long-life milk, yoghurt, cheese, and fermented products.

Supermarket shelves in Nairobi, Lilongwe, and Lagos are increasingly stocked with diverse dairy brands. Yet, beneath this veneer of growth lies a persistent weakness: the inability of processors to secure adequate volumes of high-quality raw milk.

In Kenya, East Africa's dairy powerhouse, the statistics are telling. Despite an installed processing capacity of approximately 3.75 million litres per day, the

national utilization average hovers around a mere 40%.

Some plants operate at as low as 50–60% capacity. The story is similar in Malawi, where processors operate at roughly half their installed capacity due to low milk production and fragile infrastructure.

Nigeria, Africa's most populous nation, presents the most complex scenario. Strong consumer demand coexists with a heavy dependence on imported milk powder, valued at over \$500 million annually. This reliance leaves local processing facilities fragmented and chronically underutilized.

"The inability to consistently secure adequate volumes of high-quality raw milk is the single greatest bottleneck," the report notes. "Inconsistent supply, seasonal fluctuations, and stiff competition from informal traders continue to undermine formal processors."

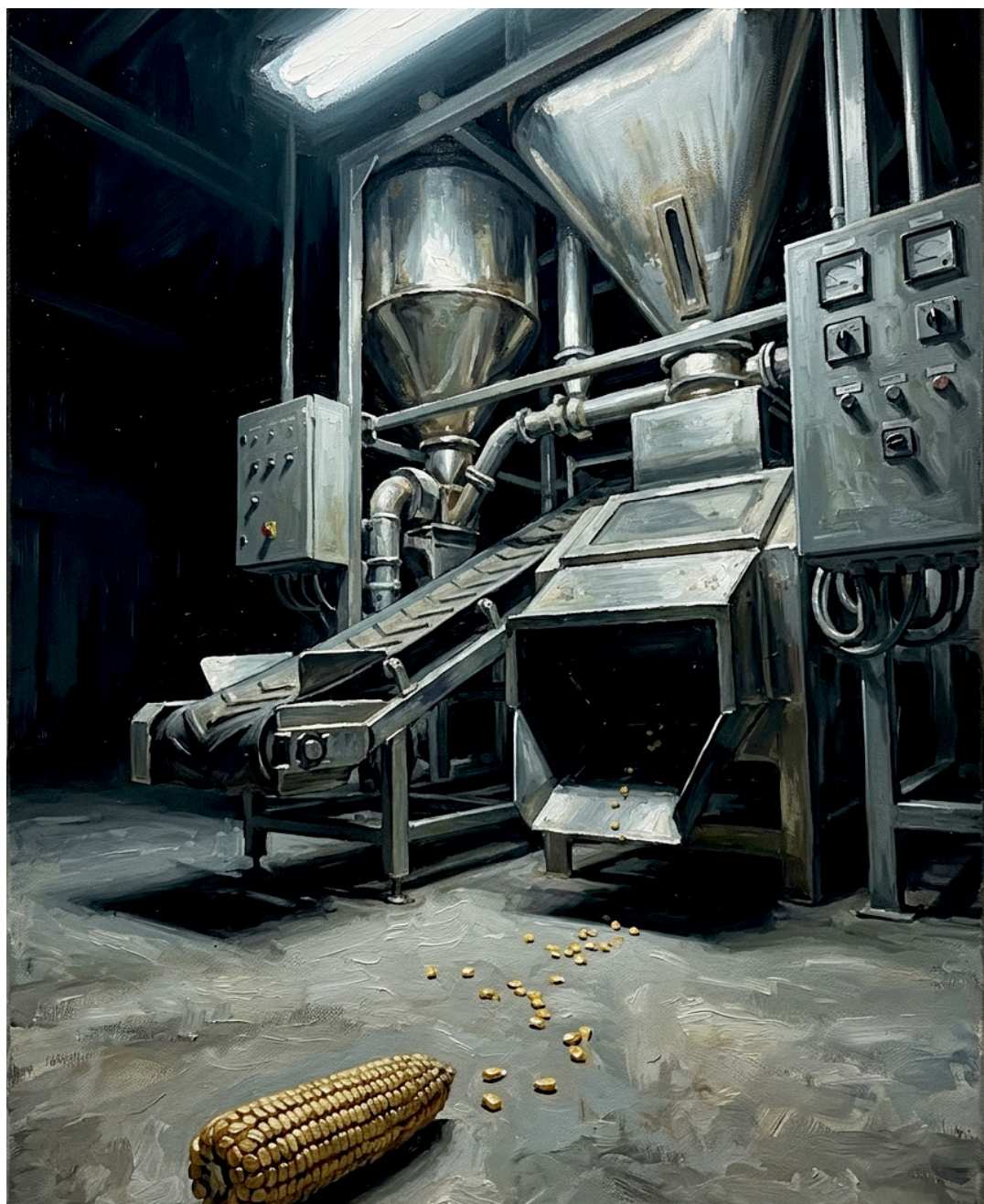
Muigai points to structural weaknesses in primary production as the root cause.

"The dairy crisis is fundamentally a supply chain crisis. You cannot industrialize milk processing when your upstream system is fragmented, informal, and vulnerable to climate shocks," he explains.

### Kenya: The Cooperative Giant with Feet of Clay

Kenya's dairy sector contributes approximately 3–4% of the national GDP and supports millions of smallholder farmers. It is often hailed as a model of cooperative integration. Giants like Brookside Dairy, New Kenya Cooperative Creameries, and Githunguri Dairy Farmers Cooperative have diversified into high-value products, responding to urban demands for convenience.

However, even these established firms are not immune to volatility. Climate variability affects fodder and yields, creating seasonal gluts that



» Across Africa, maize mills run at barely half their capacity – not because the equipment fails, but because supply chains fracture, power falters, and the invisible losses of downtime, reduced speed, and process defects accumulate. The hidden factory of inefficiency is the true barrier to food security.

overwhelm chilling infrastructure during rains, followed by acute shortages during dry spells. Muigai cautions against complacency despite the country's regional leadership.

"Kenya is often celebrated as a dairy success story, but beneath that narrative lies a fragile system—over-reliant on smallholders, exposed to weather volatility, and constrained by inconsistent supply," warns Muigai.

### Maize Milling: The Food Security Crisis

While dairy struggles with quality and volume, the maize milling industry faces a crisis of food security

and profitability. Maize is the staple for millions, yet the study reveals that mills across the continent are running on fumes.

Muigai describes the sector as caught in a cycle of volatility and underperformance.

“Maize milling should be the backbone of food security, yet it operates like a distressed industry—high input costs, erratic supply, and thin margins. That is not a recipe for resilience,” he says.

The survey found that large-scale maize milling operations run at an

average capacity of 62 percent, while medium-scale mills lag behind at just 52 percent. This inconsistent production not only erodes profit margins but threatens regional food stability.

In Kenya, the industry is a critical pillar of the food system. Large industrial players like Unga Group and Mombasa Maize Millers dominate, but they grapple with volatile maize prices and high energy costs.

### The Hidden Factory: Unlocking OEE

The report introduces a critical metric often overlooked in policy discussions: Overall Equipment Effectiveness (OEE). This measures the percentage of manufacturing time that is truly productive. Muigai emphasizes that the issue is not merely about raw material availability but also about operational discipline.

“Even where maize is available, inefficiencies within the plant, downtime, energy disruptions, poor maintenance, continue to suppress output. This is where the concept of OEE becomes critical,” Muigai says.

He highlights OEE as a largely ignored but transformative metric.

“OEE is the hidden factory. It tells you how much of your installed capacity is actually working for you. Most African processors are leaving 20 to 30 percent of their potential on the table.”

Across all case studies, from dairy plants in Nigeria to maize mills in Kenya, the gap between actual OEE and the world-class benchmark of 85% is staggering. The report identifies the “six big losses” driving this gap: equipment breakdowns, setup and adjustments,

idling and minor stops, reduced operating speeds, process defects, and reduced yield.

“Most underperforming plants operate single shifts, leaving significant idle capacity,” the report states. “Transitioning to multi-shift or 24/7 production schedules would immediately enhance asset productivity.”

On the widespread reliance on single-shift operations, Muigai is particularly blunt:

“Running an industrial plant for eight hours a day is a misuse of capital. These are high-investment assets that should be operating continuously. Anything less is a structural inefficiency.”

However, he acknowledges that scaling to 24-hour production is not simply a mana-

gerial decision—it requires systemic support.

“You cannot talk about 24/7 production in an environment where power is unreliable, roads are poor, and supply chains are unpredictable. Optimization must go hand in hand with infrastructure,” Muigai advises.

But the shift to 24-hour operations is impossible without addressing the root causes of downtime. Energy reliability is paramount. The study cites unreliable electricity as a direct drag on OEE. When the power fails, the milk spoils, and the mill stops. Investment in renewable energy and water recycling systems is not merely an environmental gesture; it is a commercial imperative.

### The Informal Sector Drag

A recurring theme across all four countries is the dominance of the informal market. In Kenya, roughly 65% of milk is channeled through informal markets. In Nigeria, the pastoral system remains largely informal and disconnected from industrial hubs.

While informal traders provide livelihoods, they also divert raw materials away from formal processors, starving the industrial sector of the volume needed to achieve economies of scale. Muigai adds that the dominance of informal markets, while socially important, continues to undermine formal processing.

“Informality is not the enemy, but unmanaged informality is. When 60 percent of milk bypasses formal channels, processors are left competing for scraps instead of building scale,” he observes.

The report calls for deepening farmer processor collaboration via cooperative and out-grower models to stabilize supply and build trust.

“Without stronger integration between agricultural production and industrial processing, plants will continue to operate below potential,” the authors warn.

Muigai also stresses the importance of backward integration and stronger farmer–processor linkages.

“The future of agro-processing in Africa lies in integration. Processors must move upstream—invest

**“Most African processors are leaving 20 to 30 percent of their potential on the table.”**

in farmers, secure supply, and build trust. Without that, capacity will remain idle.”

### **The Path Forward: From Potential to Performance**

The AUDA-NEPAD report is not merely a diagnostic; it is a manifesto for reform. It outlines a series of coordinated interventions required to unlock the sector’s potential.

First, supply chain stabilization is paramount. This involves improving cattle breeds, developing fodder systems, and investing in veterinary services. For maize, it means investing in silo storage to mitigate seasonal fluctuations.

Second, technological investment is crucial. Upgrading milling equipment, adopting digital traceability for milk, and implementing predictive maintenance systems can drastically reduce the “six big losses.”

Third, policy alignment is necessary. Governments must streamline regulatory frameworks, enforce fortification standards consistently, and invest in the backbone of the economy—rural roads and cold storage facilities. On policy, Muigai calls for a shift from expansion to optimization.

“For too long, the focus has been on building new factories. The real opportunity now is to make existing factories work better. Optimization is cheaper, faster, and far more impactful,” he argues.

Finally, human capital cannot be ignored. A shortage of trained operators and engineers constrains efficiency. Comprehensive training in best practices is essential to boosting OEE.

**“The tragedy is not that we cannot produce enough food, but that we already have the capacity and are simply not using it.”**



### **Conclusion: The Promise of a Fed Continent**

The dairy and maize industries of Kenya, Malawi, Nigeria, and Ghana illustrate the broader promise and peril of Africa’s agro-processing transformation. The installed capacity exists. The consumer demand is rising. The entrepreneurial momentum is evident.

Yet, the paradox remains. Factories stand half-empty while the continent spends billions importing what it can produce. The report by Mazao Pesa Ltd serves as a clarion call: the solution does not lie solely in building more factories, but in optimizing the ones already standing.

Ultimately, Muigai frames the challenge as one of execution rather than potential.

“Africa does not lack potential, it lacks coordination. The tragedy is not that we cannot produce enough food, but that we already have the capacity and are simply not using it.”

By bridging the gap between installed capacity and actual output, by moving from single shifts to 24-hour cycles, from informal trading to structured cooperatives, and from ageing equipment to digital efficiency, Africa can reduce import dependence, improve

rural incomes, and build resilient food systems.

And in a closing reflection that captures the essence of the report’s findings, Muigai concludes

“The agro-industrial revolution will not be stalled by lack of investment, but by inefficiency. Fix the inefficiencies, and the revolution will accelerate itself.”

The machinery is ready. The market is waiting. The time to optimize is now.

**I|AB**

# The Myth of a Safe East: A Strategic Reality Check for Kenya's Horticulture Exports

Between missiles and MRLs – Kenya's fresh produce exports face a double jeopardy.



"The belief that the 'East' is a safer, lower-risk destination for Kenya's fresh produce is increasingly **proving to be a myth.**"

**Hosea Machuki**

*CEO of the Fresh Produce Exporters Association of Kenya (FPEAK)*

**For years, Kenya's horticulture exporters have deliberately shifted toward Middle Eastern and Asian markets in response to tightening European regulations, especially around Maximum Residue Limits (MRLs) and high cost of freight.**

These eastern markets offered what seemed like a practical alternative: fewer regulatory hurdles, shorter transit times, and relatively predictable logistics. This pivot was both strategic and necessary for sustaining export growth.

However, the ongoing Iran-Israel-U.S. tensions have disrupted this assumption in fundamental ways. The belief that the "East" is a safer, lower-risk destination for Kenya's fresh produce is increasingly proving to be a myth.

What is unfolding is not just a regional geopolitical crisis, but a

systemic shock affecting logistics, payments, insurance, and overall market stability. Most importantly, it has introduced deep uncertainty, making it difficult for exporters to plan with confidence.

Although Kenya is not yet structurally overexposed to eastern markets, the risk is growing. The Middle East has become a critical growth frontier for Kenyan horticulture, but it is now simultaneously a geopolitical hotspot. This convergence of opportunity and instability is creating discomfort for businesses that had come to rely on the region as a buffer against European regulatory pressures.

The current crisis does not abruptly dismantle Kenya's export strategy. Rather, it highlights a broader global trend: geopolitical



» Walk east, face missiles. Walk west, face inspectors. The only way out is to change the product itself – from fresh to processed, from perishable to preserved.

instability is spreading into key trade corridors that were previously considered reliable. The issue is not that diversification was a flawed strategy; it is that global risks are evolving faster than Kenya's export framework has adapted, particularly under the National Export Development and Promotion Strategy.

One of the most immediate impacts of the conflict has been on logistics. The Red Sea, a vital global shipping route, has become increasingly insecure. Major shipping lines are avoiding the route, leading to reduced traffic through the Bab el-Mandeb Strait. For Kenya, this has translated into



» The East was meant to be a refuge from regulation. Now, geo-political storms are just as costly.

higher sea freight costs and significantly longer transit times.

For perishable goods like fresh produce, such delays are devastating. Exporters are facing spoilage risks, reduced product quality, and missed market windows. Even shipments destined for Europe are being affected, illustrating how interconnected global logistics systems have become.

While the Port of Mombasa remains operational, shipping reliability and frequency are under strain. Additional transit time, higher insurance premiums, and war-related surcharges are now embedded in the cost structure.

Air freight, traditionally used for high-value perishables such as flowers and vegetables, is also under pressure. The Middle East functions as a key global air cargo hub, and disruptions in the region have reduced capacity, increased costs, and made scheduling unpredictable. What exporters are experiencing is not a localized problem but a system-wide squeeze affecting capacity, speed, and reliability across the logistics chain.

This evolving situation forces a critical comparison between two types of risk: regulatory compliance risk and geopolitical logistics risk.

Historically, exporters targeting Europe have been most concerned about MRL-related rejections, which can result in losses of between €50,000 to €70,000 per container due to testing, destruction, and reputational damage. While insurance may cover part of these losses, it is often limited.

Today, however, geopolitical disruptions are creating losses that rival or even exceed these figures. Delays, rerouting, spoilage, and emergency shifts to expensive air freight can push losses close to €50,000 per container. For exporters heavily reliant on Middle Eastern routes, the financial exposure is becoming comparable to the high risks they sought to avoid in Europe.

**“This has created a ‘double jeopardy’ scenario, particularly for Kenya’s vegetable sub-sector.”**

This has created a “double jeopardy” scenario, particularly for Kenya’s vegetable sub-sector. In response to strict EU regulations, many exporters shifted to Middle Eastern markets such as the UAE, Saudi Arabia, Qatar, Oman and Yemen. These markets offered lower compliance barriers and relatively affordable logistics, with air freight costs averaging about \$1.6 per kilogram. They became a crucial safety valve for the industry.

If access to these markets becomes too costly or unreliable, exporters cannot quickly shift back to Europe or establish new markets. Building compliance systems, logistics networks, and buyer relationships

**“**  
**What exporters are experiencing is not a localized problem but a system-wide squeeze.**

takes time. Without rapid diversification and stronger resilience, exporters may be forced to scale down production or exit the market altogether, threatening sector-wide earnings.

Importantly, not all horticultural products face the same level of risk. Crops like avocados, pineapples, and mangoes are more resilient due to their longer shelf life and flexibility in transport. In contrast, flowers and vegetables are highly perishable and extremely sensitive to delays. Even minor disruptions can result in substantial losses.

This disparity signals a shift in how production decisions must be made. Traditionally, growers focused on yield and market value. Now, logistics resilience must be a central factor. A product's ability to withstand delays, rerouting, and storage challenges is becoming just as important as its price or demand.

In this context, value addition emerges as a critical strategy. Investments in processing, packaging, and preservation, such as drying fruits, freezing vegetables, or producing processed avocado products, can extend shelf life and create a buffer against disruptions.

This “risk-absorbing layer” allows exporters to maintain revenue streams even when fresh export channels are compromised. Additionally, growers and exporters have been forced to stock pile inputs like fertilizer and fuel in order to cushion uncertainty in availability.

While private sector adaptation is essential, government intervention is equally important. Kenya cannot control geopolitical conflicts, but it can take targeted steps to cushion exporters from their effects.

One key measure would be the establishment of a government-backed war-risk insurance pool or guarantee scheme. This could help reduce the rising cost of insurance premiums, easing the financial burden on exporters operating in high-risk corridors.

Additionally, partial freight subsidies for perishable exports could help maintain competitiveness, especially for products affected by rerouting or longer transit times. Such support would be particularly valuable for high-value exports like flowers and vegetables.

Liquidity support is another urgent need. Exporters facing delayed shipments and rising

## “Diversification is not a one-off solution. It is an ongoing process that must evolve alongside global dynamics.”

costs are likely to encounter cash flow challenges. The government could work with commercial banks to provide short-term, low-interest financing tailored to the export sector. Ensuring timely VAT refunds and export duty reimbursements would also improve liquidity.

Beyond financial measures, improved coordination between public and private stakeholders is critical. Streamlined customs procedures, fast-tracked logistics solutions, and real-time information sharing can help exporters respond more effectively to changing conditions.

The goal is not to eliminate risk, that is impossible, but to manage and mitigate it in ways that preserve the competitiveness of Kenya's horticulture sector.

The stakes are high. Without timely and targeted interventions, exporters risk cascading losses, shrinking market share, and potential business closures. This is happening despite strong demand in destination markets and existing trade agreements.

The key lesson is clear: diversification is not a one-off solution. It is an ongoing process that must evolve alongside global dynamics. The assumption that any region, whether East or West, can serve as a stable refuge is increasingly outdated. In today's interconnected world, risks are fluid and widespread.

Kenya's horticulture sector has shown resilience and adaptability in the past. What is needed now is a strategic re-calibration, one that acknowledges shifting global risks and responds with agility, innovation, and coordinated action.

Only by doing so can diversification fulfill its true purpose: not as a simple hedge against risk, but as a dynamic and responsive strategy for navigating an increasingly uncertain global trade environment. **I|AB**

»» Hosea Machuki is the CEO of the Fresh Produce Exporters Association of Kenya (FPEAK). He has over two decades of experience in horticulture trade policy, logistics, and market access.

**“A product's ability to withstand delays, rerouting, and storage challenges is becoming just as important as its price or demand.”**

# Fix the Feed, Fix the Milk: Rethinking Kenya's Dairy Strategy

The fault line beneath Kenya's milk boom is not breeds or buyers – it is fodder.



Why a 30-cent-per-litre cooperative levy could **protect Kenya's dairy sector from drought** – and unlock KES 388 million in milk value.

## David Maina

*Managing Director of Performer, a Development Economist, and a Livestock and Feed Specialist.*

**Kenya's dairy sector has grown large enough to matter to the economy, to nutrition, and to rural livelihoods, yet it remains dangerously exposed to one structural weakness, fodder.**

We often discuss dairy performance in terms of breeds, extension, processors, prices, and markets, but the real fault line lies further upstream. Kenya's dairy economy is still trying to stand on a feed system that is seasonal, underfinanced, and poorly protected against climate shocks. Until that changes, the sector will continue to experience the same cycle, milk gluts in the wet season, painful shortages in the dry season, processor underutilization, unsta-

**“Kenya's dairy economy is still trying to stand on a feed system that is seasonal, underfinanced, and poorly protected against climate shocks.”**

ble farmer incomes, and repeated emergency responses that do little to solve the root problem.

The numbers are too alarming to ignore. Kenya produces about 5.8 billion litres of milk annually, with over 1.8 million smallholder households accounting for about 80 percent of

» Wet season glut. Dry season hunger. Until Kenya finances fodder, the dairy cycle will keep breaking farmers and processors alike.



output. The formal dairy industry includes over 300 cooperatives and over 70 processors, with installed processing capacity of 3.75 million litres per day. Yet much of that capacity is underused. Many chilling centers and factories operate below 50 percent utilization, while only 15 to 25 percent of national milk production enters formal processing channels. This has nothing to do with consumer demand for milk, it is because milk supply remains unstable, and that instability is fundamentally driven by feed and fodder scarcity.

When drought hits, the effect is immediate and devastating. During the 2021–2022 drought cycle, Kenya experienced five consecutive failed rainy seasons. Key dairy zones received only 60 to 75 percent of normal rainfall. Grass and forage failed. Major processors recorded a 27 percent drop in milk collection, and 22 out of 69 large processors shut down their operations. That is nearly a third of the country's major processing base disrupted by a shortage that began right from the upstream of the chain. The damage then spread outward, reduced household incomes, distressed livestock sales, loan repayment problems, stalled investments, and sharper milk price volatility in urban and rural markets alike.

At cooperative level, the picture is even more revealing. Data from six representative dairy

cooperatives showed combined milk revenue losses of KES 2.35 billion during the drought period. One cooperative lost KES 453 million after milk intake collapsed from 62,000 litres per day to just over 8,000 litres. Another lost KES 671 million after production dropped by about half from its peak. Another saw wet-season production of 64,000 litres per day shrink to only 12,000 litres in the dry season. These losses reflect only reduced milk sales. They do not fully capture what drought does to body condition, fertility, herd rebuilding, or farmer confidence in dairy as a viable enterprise.

And here is the uncomfortable question policy makers and sector leaders must now face, if fodder is the largest cost and the main structural constraint in dairy, why is fodder still treated like a secondary issue? Why do we continue to finance downstream actors while leaving the biological foundation of the value chain exposed? The current pattern of credit allocation reveals a troubling

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**If fodder is the largest cost and the main structural constraint in dairy, why is fodder still treated like a secondary issue?**



» Modern machinery, silent belts. When fodder fails, processors run at half capacity – and the losses cascade from farm to factory.

asymmetry. Agriculture receives only 3.6 percent of total lending, despite contributing about 20 percent of GDP. Fodder enterprises, cooperatives, and farmers face lending rates of 15 to 18 percent, often pushed even higher by risk-based pricing. Conventional loan products are poorly aligned with seasonal fodder cash flows, and many producers cannot satisfy collateral requirements. The result is predictable, fodder production remains undercapitalized, and the dairy system remains structurally vulnerable.

What Kenya needs now and urgently is a financing architecture that treats fodder as strategic economic infrastructure. That is why the idea of a Cooperative Fodder Fund deserves urgent national attention.



The logic is simple, each cooperative retains a very small levy from milk payments during the high-production season, for example KES 0.30 per litre, and channels that money into a ring-fenced reserve dedicated to fodder production. Over several wet seasons, the reserve accumulates. The cooperative then uses it to finance forage production, silage making, hay conservation, and local feed supply systems for use during drought periods. In effect, the cooperative converts seasonal milk abundance into dry-season feed security.

The economics of this are striking. One cooperative handling around 23 million litres annually would generate about KES 6.9 million per year from a retention of KES 0.30 per litre. Over three years, that becomes KES 20.7 million. At an estimated silage production cost of KES 40,000 per acre, that reserve could finance about 517 acres of forage. With yields averaging 10 tons per acre, the cooperative would produce about 5,170 tons of silage. At a feed conversion of 10 kilograms of silage supporting 15 litres of milk, that reserve could sustain roughly 7.76 million litres of milk during drought conditions. At KES 50 per litre, that is a milk value of about KES 388 million preserved

from an original retained capital of KES 20.7 million, a value protection multiple of roughly 19 times.

That ratio should force a rethink of how Kenya frames dairy resilience. We have become too accustomed to seeing drought losses as unfortunate but normal. They are not normal. They are a consequence of policy neglect around fodder financing. When a retention of only thirty cents per litre can help protect hundreds of millions of shillings in milk value, then the real issue is no longer whether the mechanism is economically sensible. The real issue is why the sector has delayed giving it the institutional, technical, and policy backing it deserves.

There is also a wider rural development logic here. Localized forage supply chains can sharply reduce transport costs and lower farmer feed expenses. The investment case shows that cooperatives can use nearby land, including opportunities under the Land Commercialization Initiative, to establish local fodder

zones and reduce transport distances from over 150 kilometres to below 20 kilometres in some cases. Hay prices can fall by KES 30 to KES 100 per bale, while silage savings can range from KES 5 to KES 8 per kilogram when supplied locally. For a small-holder feeding two cows, annual savings can reach about KES 146,000. Scale that across 10,000 farmers, and the savings rise to KES 1.46 billion per year. That is not just a dairy efficiency gain. It is a rural income strategy.

For this to roll out smoothly, technical assistance is essential. Cooperatives need support in governance, financial controls, agronomy, irrigation planning, silage and hay production, member mobilization, and feed quality monitoring. This is why the case for fodder financing is also a case for catalytic support from government, development partners, and apex dairy institutions. The purpose is not to permanently subsidize fodder. It is to help build a working model that can prove itself, strengthen confidence, and scale across the country.

Kenya now stands at a burning platform. It can continue treating fodder shortages as a recurring seasonal inconvenience, responding after the damage has been done. Or it can finally recognize fodder financing as a national dairy stabilization instrument. One path guarantees continued volatility. The other creates the basis for predictable milk supply, stronger cooperatives, healthier processors, lower systemic risk, and more stable incomes for rural households. With these numbers, Kenya does not lack evidence. What it risks lacking is urgency.

The dairy sector will not be rescued by milk prices alone. It will be rescued when Kenya decides that protecting milk begins by financing fodder. **IJAB**

»» *David Maina is Managing Director of Perfometer, a development economist, and a livestock and feed specialist. He has advised dairy cooperatives across Kenya on productivity, financial resilience and climate adaptation.*

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