



Institute of African Families

INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA

4th FINANCIAL MANAGEMENT SEMINAR FOR THE AGRICULTURAL SECTOR

Towards Viable Agribusiness: Experiences and Challenges .

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14th July 2016

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Agribusiness – Background

- ❑ The move towards conducting agriculture on commercial principles has been with us for a while now.
- ❑ The move which is also a departure from substance farming to agribusiness has been driven by
 - Market demand
 - Individual interests /hobbies
 - Observed successes
 - Government and Non-state actors involvement

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Government role

- ❑ Has been a major player
- ❑ It is aware of potential in the industry that can not only reduce poverty but also create wealth.
- ❑ It has a vision well spelt out in Kenya Vision 2030, that identifies agriculture as one of the key economic sectors expected to drive the economy that is to grow at 10 percent annually by the end of next one and half decade.
- ❑ The sector is therefore central to the achievement of Vision 2030.

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Agri-business – a valuable sector

- ❑ We must remind ourselves and appreciate the role of agriculture in Kenya
 - Statistics show it accounts for over 25% contribution to GDP
 - It contributes up to 65% or thereabout for our exports
 - Over 70% of informal employment in the rural setting is through agriculture
 - Therefore, the agricultural sector continues to be a fundamental pillar for sustainable development and poverty reduction.
 - It is the most important economic activity the folks in the rural areas rely on for a livelihood.

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Commercial Viability

- ❑ We do acknowledge we are heading to a better future considering the changes that are taking place
 - Attitude is changing howbeit slowly – it is no longer a preserve of “low in status”, women and children, uneducated etc.
 - There is tremendous government good will and involvement as observed through various agricultural development strategies
 - The evolving technology that is pro agribusiness
 - Entry of working class into sector has added impetus
 - Success stories are emerging.
 - Improved infrastructure

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Experiences

- ❑ It is 2010
- ❑ I and a friend decide to venture into commercial agriculture
- ❑ We lease twenty acres in Ndabibi Naivasha
- ❑ We start with planting maize and beans (anticipate harvesting 25 bags an acre in total 500 bags)
- ❑ We buy right seeds and plant.
- ❑ We get a contact person for updates
- ❑ There was shortage on rainfall
- ❑ Beans perform below average
- ❑ It rains heavily during harvesting season

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Experiences cont.....

- ❑ No storage facility after harvesting
- ❑ We put a tent in the shamba
- ❑ After harvesting we take them to Kitengela for drying and storage
- ❑ The good friend is hindered by the rains and therefore keeps the maize in nylon sacks for up to a week.
- ❑ The over 200 bags go to waste
- ❑ At the end, we take home massive loss and give up on the investment altogether

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experiences cont....

Where do we go wrong

- ☐ We never took time to understand the entire production cycle (plough, planting, harvesting, storage, preservation and eventual marketing)
- ☐ We did not sufficiently study and conclude maize growing was the best we could invest in.
- ☐ The weather worked against us
- ☐ We abrogated the role of managing to the investment to “a good neighbor”
- ☐ We had no finances to reinvest
- ☐ We closed the investment

NB: The above is depicts an emerging trend among

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Challenges

- a) farmers are still struggling to access right information (seeds, disease outbreaks, breads, weather pattern, pests, storage, preservation, marketing)
- b) Misinformation: Sometimes they get info from unqualified sources such vendors, manipulations and unscrupulous individual
- c) Relics of negative attitudes: Commercial agriculture is associated with people who cannot access white collar jobs

Agribusiness are not attractive to most youth, and in some communities social cultural orientations view agriculture and related enterprises as non-commercial venture

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challenges cont—

- d) Access to markets is still a challenge e.g. no proper information system on the when and where to sell their products, role of middlemen etc.
- e) Reservations towards co-operatives and farmers organizations
- f) Size and fertility of the land
- g) Uptake of modern technology is still low e.g. modern science, information technology
- h) High cost of production vs expected returns
- i) Poor quality of inputs e.g. adulterated products

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challenges cont—

- J) Overdependence on labor intensive technologies which increase cost of production and reduce enterprise margins
- K) Financiers remain highly cautious noting the erratic nature of the sector
- I) Fragile resource base: Overreliance on rainfed agriculture
- I) Inability to attract skilled labor in agribusiness due to low returns that cannot sustained skilled wages

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Way forward

- a) Provision of right information to farmers: Government has a key role to play. information on weather, alerts on right time to release their produce where applicable.
- b) Encourage uptake of information to minimize on frustrations
- c) Embrace technology
- d) Continued improvement of infrastructure
- e) Personalized trainings e.g. visits to farmers

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Way forward cont...

- f) Improved market access locally , regionally and globally
- g) strengthen farmers organizations and co-operatives - trainings and incentives
- h) More innovation by financial institution to support agribusiness
- I) Tighten standards to ensure quality
- j) Sensitization/awareness to attract especially the youth into agribusiness

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Thank you

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The end

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