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Kenya Crops & Dairy Market Systems

By
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Activity Snapshot



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About the KCDMS activity

- The Kenya Crops and Dairy Market Systems Activity (KCDMS) is a five-year (Oct 2017– Sept 2022) program of the United States Agency for International Development (USAID).
- It is funded as part of Feed the Future, the U.S. Government's global hunger, and food security initiative that helps to increase agricultural production and reduce poverty and malnutrition in Kenya.
- KCDMS activity operates in 12 counties and is designed to spur competitive, resilient market systems in Kenya's horticulture and dairy sectors.



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Project Partners

- The Kenya Crops and Dairy Market Systems Activity (KCDMS) is implemented by Research Triangle Institute (RTI)
- Other partners supporting the implementation process include:
 1. Busara Center for Behavioral Economics
 2. East Africa Market Development Associates (EAMDA)
 3. Farm Input Promotions (FIPS)
 4. International Livestock Research Institute (ILRI)
 5. Making Cents International
 6. Open Capital Advisors (OCA)



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Value chain crops of focus

Dairy

1. Dairy Production
2. Fodder and Feed



Horticulture

1. Mango
2. Passion fruit
3. Banana
4. Avocado
5. Pineapple
6. Sweet Potato
7. ALV



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KCDMS works to support five priority areas:

KCDMS's approach combines simultaneous **pull** market interventions to reduce business risk and **push** productivity interventions to reduce production risk. Interventions have been categorized into five priority areas including;



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Counties of operation-where we work

SA2- Eastern Region

1. Kitui
2. Makueni
3. Taita Taveta

HRI- Nyanza Region

4. Homa Bay
5. Migori
6. Kisii
7. Kisumu
8. Siaya



WESTERN / NYANZA



EASTERN

HRI- Western Region

9. Kakamega
10. Bungoma
11. Busia
12. Vihiga



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KCDMS integration of cross cutting activities

To implement a nutrition-sensitive approach, underpinned by three pathways linking agriculture to nutrition: production, income, and women's empowerment. To increase farmer productivity and production of nutritious foods.



Nutrition

Natural
Resource
Systems



Intensification of farming systems to include fodder production, for example, offers opportunities for productive fallowing and crop rotation that reduce environmental pressure on shared pastures and protected areas. Importantly, these climate-smart practices result in improved yields and income.

To build Kenyans' capacity to survive and thrive after climactic, financial, or other shocks. Promotion of climate-smart practices and diversification of production to spread risk, paired with savings and insurance products to protect producers from crop or revenue loss.



Resilience

Social Inclusion
(Women and Youth)
Empowerment

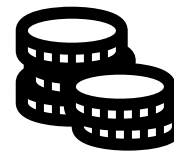


Implement strategies to overcome women's barriers to participation, ensuring equitable access to and benefit from all KCDMS activities. Employ efforts to converge around support to women's leadership networks to provide business mentoring, improve access to information, and strengthen their roles in dialogue



Position young Kenyans to the forefront of agricultural innovation and investment. Our interventions will harness the demographic advantages (education, digital literacy, etc.) of young people to leverage their energy as dynamic entrepreneurs, constructive employees, and cultural trailblazers

Access to finance is a key constraint to farmers adopting new technology and to other market actors improving efficiencies in the value chain. KCDMS will develop a Financial Services Strengthening Plan



Financial
Access

CLA



CLA approach builds in flexibility for localized adaptations through after-action reviews, seasonal debriefs, quarterly reviews, stakeholder surveys, and strategic assessments



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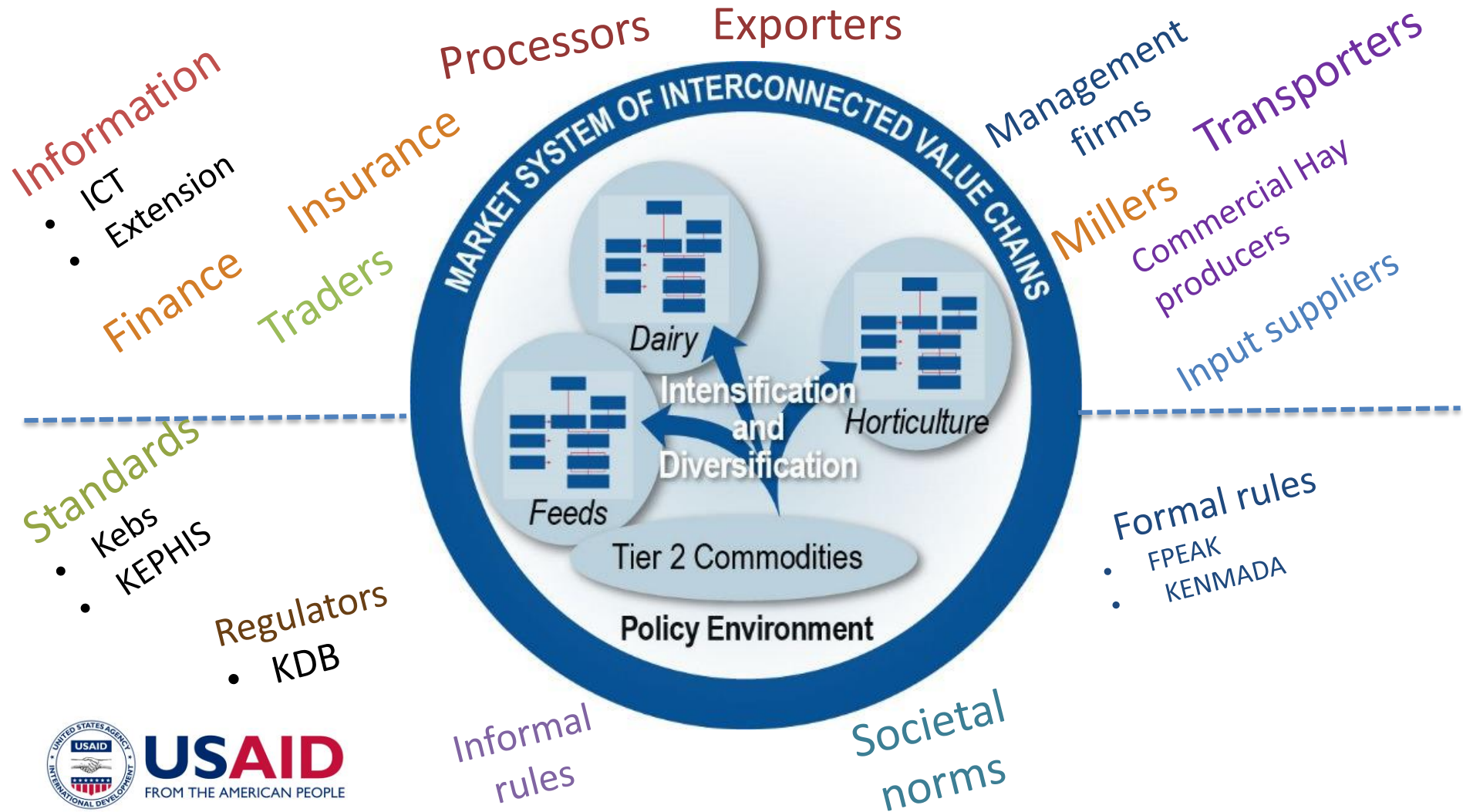
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All Actors are candidates to the change process



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KCDMS Co-investment plan is through a Partnership Innovation Fund

KCDMS provides the Partnership for Innovation competitive grant fund as a key mechanism for facilitating partnerships and co-sponsoring value chain activities. Through annual program statements (APS) and requests for applications (RFA),





KCDMS proposed Sweet Potato Interventions

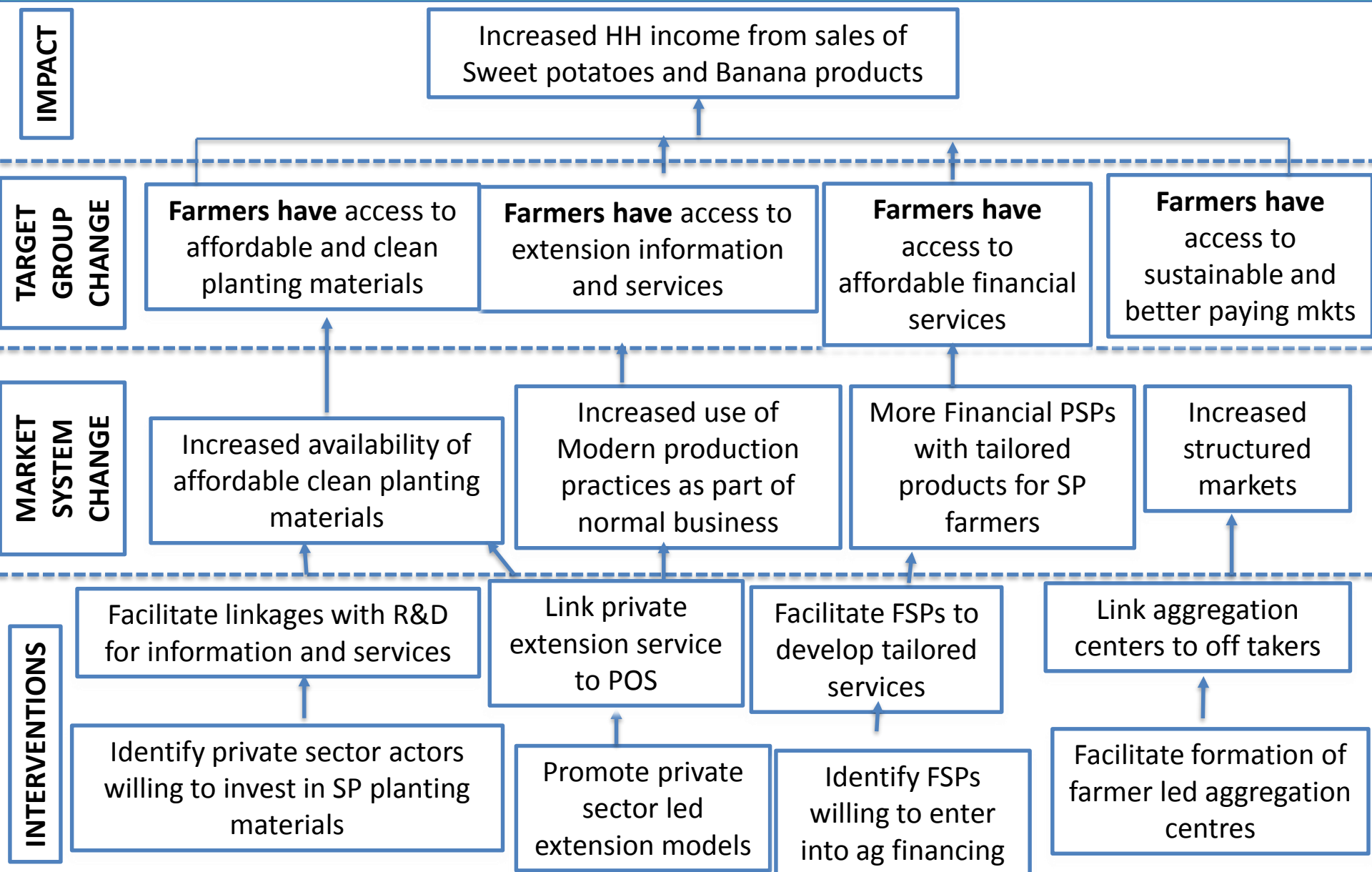
- Facilitate increased access to quality inputs
- Facilitate improved market structures
- Facilitate increased access to market information for producers.
- Support the development and promotion of post-harvest handling technologies
- Facilitate increase in demand for SP and SP-based products
- Facilitate improved access to finance
- Facilitate supportive and inclusive policy formulation



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KCDMS proposed Sweet potato ToC





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Lenders struggle to adapt their products to the unique risk profile of ag. players

Agricultural borrowers often...	... which means FSPs must have
Operate in remote regions	More bank branches or agent networks
Have limited documented track record	An ag-focused credit scoring process, high collateral requirements or high interest
Have seasonal cash flows & price fluctuations	Flexible (or cyclical) servicing and repayment
High risks due to weather, pests, etc..	Short loan tenors or work with ag insurances
Lack formal ownership of land	Alternative collateral
Work in unstructured supply chains	A focus on structured supply chains



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Various interventions available to support increased lending to players in the agricultural sector

Intervention	Key success factors	Challenges to success
Bank guarantees	<ul style="list-style-type: none">• Reduced exposure to excessive risk• Effective only if it leads to changes in the credit approval process	<ul style="list-style-type: none">• Increased defaults if borrowers are aware of guarantee• Guarantee doesn't lower a bank's credit requirements e.g. collateral
Results-based financing (RBF)	<ul style="list-style-type: none">• FSPs can expand consumer lending	<ul style="list-style-type: none">• Clear outputs and outcomes that are measurable• Mechanisms need incremental progress targets, and gradual• phase-out
Subsidized interest rates	<ul style="list-style-type: none">• Ideal where SHF activities have low profitability• Support SHF to achieve profitability enabling them to borrow at commercial term	<ul style="list-style-type: none">• Can hinder rationalization of production towards more efficient value chains by sustaining unprofitable farming activities





Work in progress in Sweet Potato Value Chain

1. Super Loaf:

Engagements on using sweet potatoes in their pastries/cookies.

Confirmed willingness to procure 1000 bags of flour per month from processors

Challenge: The ability of processors to manage these volumes

2. Khwisero and Siwongo agro-processors

Engagements through B2B Meetings for linkages with aggregators

3. Creadis Ltd: Currently processing sweet potato flour and baking bread and cakes

4. Safe produce Ltd

Contract farming with farmers in Migori for fresh roots and processing





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