

Agricultural Commercialisation in Meru County, Kenya: What are the Policy Implications?

Policy messages

1. Large farms typically have less potential than small- and medium-scale commercial farms to bring about broad-based rural economic growth through local multipliers.
2. Policies aimed at commercialising agriculture should aim to expand opportunities for smallholder and medium-scale commercial farmers through the provision of farm input, subsidised credits, market information and other services.
3. The revival of Kenya's coffee sector through the emergence of medium-scale commercial coffee farms has had positive effects on rural employment and stimulating a dynamic rural non-farm economy.
4. Policy should target the improvement of working conditions on small- and medium-scale farms that are often invisible to

enforcement agencies responsible for labour inspections.

5. There is a need to improve local capacity in land governance and land administration in Meru in order to secure the assets of the poor, to facilitate market transactions and to regulate land concentration.

Background

Kenya's highlands have a long history of agricultural commercialisation, from colonial times to the present.¹ Policies from 1895 to the 1930s were aimed primarily at developing European settler agriculture, which formed the backbone of Kenya's colonial economy.²

The first major land reform took place on the eve of Kenya's independence in the mid-1950s. Famously known as the Swynnerton Plan, this colonial agricultural policy intended to create an African middle class of commercial farmers through land consolidation that would pioneer an agrarian transformation based on cash-crop agriculture.³

The second major land reform, the Million Acre Scheme, was implemented soon after independence and focused on land redistribution with the overall aim of expanding opportunities for smallholder farmers to become involved in commercial production of cash crops such as coffee, tea and horticultural crops.⁴

Through these major agricultural policy reforms, although occurring at different stages of Kenya's history and under different political and socio-economic circumstances, emerged a very complex agricultural sector in Kenya which is characterised by mixed types of agricultural commercialisation, often existing in close proximity and interacting in much more complex ways.

Contemporary processes of agrarian change tend to favour larger-scale, more consolidated farms over smallholders,⁵ while Kenya's agricultural policy tends to promote export-oriented commercial farming.⁶

These tensions, evident in different ways over time, raise important policy questions. What are the most advantageous forms of agricultural commercialisation? What scale and capital-intensity in agricultural investment are appropriate? These questions in turn feed into the debates about alternative pathways of commercialisation and the role of different farming 'models'.⁷

These debates are highly contested in policy circles, with some arguing for the efficiency of smallholder production,⁸ while others argue for large-scale, modernised commercial agriculture.⁹ Some point to emerging patterns of land consolidation, and the growing significance of medium-scale farms,¹⁰ while

others argue for integration between large estates and smallholder farmers through contract farming arrangements.¹¹

Our study aimed to engage these debates. The study was carried out in Kenya's Meru County and examined three agricultural farming models: outgrowers, medium-scale commercial farms and a plantation. This was part of the 'Land and Agricultural Commercialisation in Africa' research project conducted in Ghana, Kenya and Zambia.

The study provides a comparative perspective across the models on land, labour, employment, livelihoods and economic linkages. It used a mixed methods approach, including qualitative and quantitative methods and detailed life histories.

Introduction to the 'models'

The three case studies are located in different areas with distinct agrarian structures, histories and varying degrees of concentration of landholdings.

The **plantation** case study is Kisima Farm, a 6000ha estate located in the north-western part of Meru County. This is an area that was affected by the post-independence land redistribution policies; in contrast to this large farm, surrounding holdings average less than 1ha. The farm focuses on cereal production (wheat, maize and barley) and has diversified into potato seed, horticulture and floriculture.

The **medium-scale commercial farming** case study addresses the cluster of commercial coffee farms located to the southeast of Meru town. While there exists no particular commercial coffee growing area, there are a number of

medium-scale farms that, while not necessarily contiguous, dominate the economy of this area. The commercial coffee farmers can be categorised into three groups, in order of prevalence:

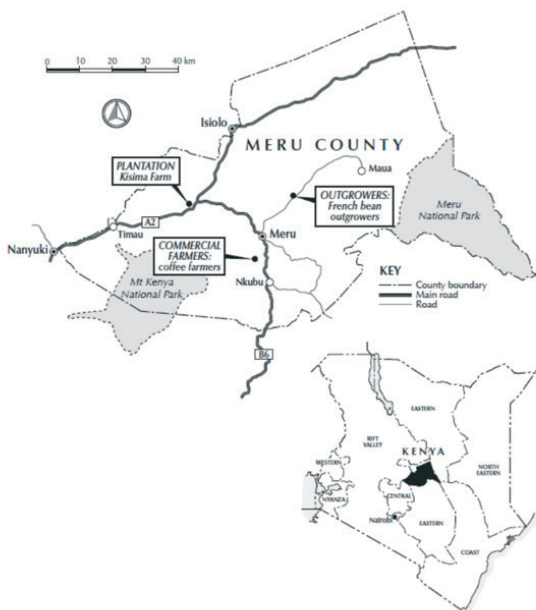
- 1) Full-time commercial coffee farmers;
- 2) Part-time commercial coffee farmers, mainly civil servants and university employees who farm only on weekends or after business hours; and
- 3) Absentee commercial coffee farmers, mainly businesspeople based in Nairobi.

The **outgrower** model case study focuses on smallholders, mostly women, whose landholdings average about 0.5ha and who grow French beans on contract in Meru's Kithoka

location. They operate on informal terms based on mutual trust and casual verbal arrangements with companies, without a written or binding contract. Meru Greens, Frigoken, VegPro and Finlays (formerly Home Grown) are the main companies involved in French bean contract farming arrangements, and our study focused on farmers supplying Frigoken and Finlays. These companies do not have nucleus estates in the Meru area but have instead established buying centres to which outgrowers bring their French beans.

The commercial and outgrower case studies are located in Meru Central, which was affected by the colonial agricultural policy known as the Swynnerton Plan, primarily designed to create medium-scale accumulating 'yeoman' farmers through processes of land consolidation.

Figure 1: Location of farming models in Meru County



Findings: What are the relative pros and cons of different forms of commercialisation of agriculture in Meru?

Here we summarise the findings from the analysis of our quantitative survey and qualitative research.

Land: coexistence of landed and (semi-)landless classes

The emergence of medium-scale commercial farming has prompted growing competition over land – more than in the areas affected by the plantation and outgrowing. This dynamic may in the long term lead to local land dispossession with wider and deeper impacts on land access and relations. Commercial coffee growing is driven by a process of land consolidation, as those with capital purchase plots and consolidate these into single operations – even where they are not contiguous. Opportunities for such accumulation have been seized by those with access to external sources of income, notably from off-farm professional jobs in the public and private sectors. In contrast, those employed as farm workers either on the plantation or on the commercial coffee farms continue on a downward path towards landlessness. This has been prompted by increasing land fragmentation through inheritance and the lack of financial capital to acquire land through the market, not least because of rising land prices.

Land ownership is also highly gendered, with most land held formally by men. This is the case almost uniformly among the emerging commercial coffee farmers. However, among the outgrowers, some of the women who have engaged in growing and selling beans have

managed to acquire land in their own right by investing their proceeds from contract farming into leasing small plots. In this way, commercialisation may provide a route to land access for the poor.

Labour: highly diverse scale and quality of employment across the three farming models

The plantation employs more permanent workers, offers better working conditions and employs more highly-skilled people than the commercial coffee farms or the outgrowers. But the limited skilled permanent employment opportunities generated by the plantation are mostly taken up by men, often from outside the local area. By contrast, the commercial coffee farms employ more people but the employment that they generate is highly casualised, seasonal, insecure and poorly paid. Outgrowers tend to rely mostly on family labour and self-employment, with some hiring temporarily and with poor pay.



Photo: A child watering the family's plot in the outgrower area (C. Hakizimana, 2015)

Livelihoods: Evidence of accumulation 'from above' in the coffee sector

Although the commercial coffee farming sector is widely diverse in terms of scale, full- or part-time farming and availability of off-farm income, there is evidence that the accumulation among the commercial coffee farmers is mostly driven by investments from non-farm income streams. This is what is enabling land expansion and diversification of crops (including into tree crops). By contrast, opportunities for accumulation of wealth, and increased productivity, are limited among the outgrowers and other smallholders who often have a diversified portfolio of livelihood activities, including growing a variety of crops, livestock production and off-farm work. However, the outgrower sector was found to be an important livelihood strategy for women.

Land commercialisation also has significant intergenerational implications. While the children of commercial coffee farmers and those of the highly skilled permanent workers at Kisima Farm are given the best education that will allow them to access better-paid off-farm employment in the future, the lack of available land means that young people from the labourer households across the models are increasingly stepping out of agriculture or are combining farming and wage employment.

Economic linkages: Outgrowers are much more integrated in the local economy

The plantation's effects on the local economy are more limited than the French bean outgrowers and commercial coffee farmers. The plantation's linkages are mostly outside the local economy. Though its Corporate Social Responsibility scheme includes the local



Photo: A mansion owned by a local commercial coffee farmer (C. Hakizimana, 2015)

provision of some social infrastructure and services, the farm operates as a high-value enclave, largely delinked from local markets. Rather, it connects to distant input and output markets, often employing permanent staff from outside the area. In contrast, the commercial coffee farms are dynamically integrated into the local economy. Commercial coffee growers have multiple economic linkages, buying locally from agro-dealers and generating demand for labour, inputs and services, all of which are sourced locally. However, compared to the other two farming models, the outgrower model tends to have the strongest and most localised economic linkages both in input acquisition as well as markets – as they sell into local markets as well as, via large companies, into global markets. But the overall impacts of the French bean outgrowers are limited by their small scale of production.



Photo: off-loading of farm inputs for the local 'Agrovets' shops (C. Hakizimana, 2015)

Policy recommendations

Policymakers should be aware of the plantation model's spin-off limitations.

Our study shows that large farms may indeed increase aggregate agricultural output and improve local infrastructure through Corporate Social Responsibility initiatives. However, given their local disembeddness in terms of input and output markets their economic multipliers in the local economy are very limited.

Policymakers need to address the growing land consolidation, particularly in Kenya's horticultural sector, in which smallholders are gradually being squeezed out by medium- to large-scale farms.¹² Downward pressures on smallholder farmers are being driven primarily by processes of change in agro-food supply chains resulting from the tightening of food standards in the European retail sector. Policymakers should attend to ways in which smallholders can respond and adapt to these pressures, and pursue the expansion of markets that are accessible to them.

The government should support the smallholder sector.

Our study in Meru shows that, half a century later, the beneficiaries of the 1960s land redistribution are independent successful smallholder producers who employ hired labour, as well as selling their labour at times, and produce for the market. The government disengagement from the sector following the policy shift in the era of neoliberal economic policies that began in 1980s has crippled the sector and significantly reduced its importance in Kenya's agricultural economy. The government's suspension of the provision of key farm inputs and subsidised credits has negatively affected small producers, who struggle to get these in the conventional markets. In our study, smallholder producers across the three farming models identify the lack of farm inputs and financial capital as the major hindrances to their success.

State support in the form of farm inputs, subsidised credit, market information and other services is needed to expand opportunities for smallholder farmers to become involved and more profitable in the production of commercial crops such as coffee, tea and various horticultural crops.

Policy should facilitate the access of the commercial coffee farmers to the export market.

Given the importance of the emerging commercial coffee farms, the government should create a conducive and enabling policy environment that will allow the commercial coffee farmers to market their coffee directly to the international market via coffee auction in Nairobi.

Policy should target the improvement of working conditions, particularly for casual farm workers.

The working conditions for casual and temporary workers were found to be highly precarious across the three farming models. The small- and medium-scale farms are not visible to government officials, and poor working conditions on these farms go unnoticed and unchallenged by labour inspectors. The improvement of working conditions, particularly on the commercial coffee farms, should be given policy priority given the pace at which the sector is growing.

There is an urgent need to improve capacity in land governance and administration.

The emergence and rapid expansion of commercial farms in Meru could have disastrous results in the longer term, given the current context characterised by weak local institutions that deal with land administration and titling. Some among the older generation of smallholders reported that they are yet to receive the title deeds for their plots due to inefficiencies and corruption in land titling and registration offices. The younger generation are less enthusiastic to register the plots that they acquire through inheritance, partly because of ignorance but also because of the costs associated with the process. Building capacity for local land governance and administration is absolutely essential to create rural local land markets which can facilitate the land-based investments in which smallholders are able to benefit on their own terms through land sales or leases. Securing land rights for women should also be a policy priority.

End Notes

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