Rising Food Prices in Kenya:

How the Government and its Citizens are Coping, or Not

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**Abstract**

Kenya’s food prices are skyrocketing and the price of Kenya’s staple food, maize meal, is escalating fastest out of all food prices. The global market is experiencing rising food prices; but, Kenyans are paying dramatically more for their food compared to other global citizens. The Kenyan government can confront these rising prices by utilizing various policy change options. Unfortunately, the Kenyan government and Kenyan citizens must confront the causes to exorbitant maize meal prices to address the current food crisis in the country.

**Introduction**

Kenyan citizens, like most global citizens, have experienced a gross increase in the prices of food items within the past few months. Global food prices are nearing the record-breaking peaks set in 2008 and have pushed an estimated 44 million people into poverty[[1]](#footnote-1) (Siringi, 2011). Even though the sudden spike in food prices is not completely understood, there are various policy options that nations can implement to control food prices and avoid further food price disasters. Although global consumers are currently struggling under the weight of rising food prices, Kenyans are especially struggling to provide themselves and their families’ with three meals a day and many are forced to suffice with a single cup of chai.

As of February 2011, the average Kenyan spent nearly half of his income on food and since then food prices continued to rise while wages remained stagnant[[2]](#footnote-2). In less than one year, the prices of basic consumer goods like cooking oil, flour, kerosene, sugar, and wheat products have increased as much as 50% (Siringi, 2011). I wanted to gage the extent of Kenya’s price increases and determine if prices would increase in a 4-week period. Based on my own figures I can ascertain that prices are increasing on a weekly basis and that prices vary between supermarket chain and supermarket location. Maize meal prices experienced the most dramatic price increases, which unfortunately have affected Kenyans the most out of all price surges because maize meal is Kenya’s main staple food and makes up a third of a Kenyan’s diet (Jayne et al., 2002). During the time that I conducted my research, the prices of imported goods like rice and Blue Band maintained their same prices. These observations led me to question the extent that the government and Kenyan agricultural market might artificially be inflating the price of maize meal.

Despite the great support Kenya’s agricultural system receives from multiple players, Kenyans are still agonizing over food prices. The Kenyan government invests more in its agricultural sector than do most other African countries, implements policies to ensure food security, and obtains a substantial amount of international aid to support small farmers. The country is nearly maize-sufficient, but yet maize prices are increasing at the fastest rate within the country. Factors are at play other than rising inflation and increasing oil prices that contribute to Kenya’s rising maize prices, such as government corruption and cartels that control certain markets. But, Kenyans have the ability to unite, educate one another, and pressure the government to lower food prices.

**Background**

***Objectives***

This paper is a journey through global and Kenyan history and policy solutions to rising food prices. This research was triggered by an interest in the USDA statistic that out of all global citizens, Kenyans pay the second most for food products compared to income generated. Not only are Kenyan food prices among the world’s highest, they are also rising at exorbitant rates. The issue came to life for me while listening to a friend, who lives in nearby Kibera, Nairobi, complain that after returning to the same supermarket she noticed a Ksh9 jump in the price of a 2kg bag of maize meal in only a 3 day span. While in Kenya, I have frequently heard statistics about Kenya’s prospering economy, especially when compared to other Sub-Saharan African countries; thus, the knowledge that Kenyans pay 45% to eat and suffering because of it intrigued me.

I hoped to better comprehend Kenya’s rising food prices by conducting my own personal research on the topic. I conducted research on the topic of the global food market and causes and solutions to rising food prices at a broad level. I determined the causes of Kenya’s rising food prices, especially the dramatic increase in maize prices. I wondered what the recent revenue has been like for companies that deal with staple foods. I analyzed my own personal findings as a result of noting price changes at supermarkets. I assessed how the Kenyan government is dealing with the price hikes and how Kenyan citizens can pressure their government for more effective food policy change.

***Rising Global Prices***

Again, the world economy is suffering from a food price crisis as the cost of food is nearing the record breaking levels set by the 2008 food crisis. According to the most recent Food Price Watch, the food price index rose by 15% from October 2010 and January 2011. The current global food price index is 29% higher than last year’s and only 3% below the index’s peak in 2008 (Siringi, 2011). An example of the extent of the rise in food prices is noted in that wheat prices doubled between June 2010 and January 2011, according to a World Bank Report (Siringi, 2011). Thus, it is to be expected that 44 million recently joined the rest of the world’s 1.37 billion individuals that live below the international poverty line of US$1.25 per day[[3]](#footnote-3) (OneWorld). The reasons to today’s rising global food prices are not, and will never be, fully understood; but, they can be analyzed by comparing them to 2008’s global food crisis.

***Potential Causes for Rising Global Food Prices***

Global food markets are multifaceted and influenced by more factors than it is possible for individuals and organizations to study; thus, the increase in food prices can never be completely explained. Food commodity prices rose rapidly from mid-2007 to mid-2008, at which point they peaked based on the International Monetary Fund’s Food Commodity Price Index after which prices subsequently dropped. Reasons for the 2008 price spike and drop still remain elusive, but the speculation gives insight into the current rising food crisis. The following are assumed to have attributed to the global food problem of 2008: high prices of energy, high prices of fertilizer, banned, increased use of biofuels, low grain stocks, and speculative activity (Lustig, 4). All of these assumptions still apply to the rising food prices experienced today.

Oil plays contributes a significant portion to foodstuffs’ value as it must be transported various times as well as refined in factories, all of which require substantial amounts of energy found today in oil. In 2008, the oil market bubbled rendering all global services to suffer from higher prices. From the beginning of 2007 to the middle of 2008, oil prices steadily climbed until they eventually reached their peak in July of 2008. In July of 2008, a barrel of oil cost over US $140 when it had only cost US $60 in June of the previous year. By the end of 2008, the price of a barrel of oil fell to US $40 (Khan, 2009). These price changes were partly due to the shrinking US economy.

Similarly, 2011 has experienced a dramatic increase in the price of oil. Turmoil in the Middle East and North Africa has led to a sudden decrease in the world’s available supply of oil because these regions produce more than a third of the world’s oil supply. As violence and uncertainty increased, foreigners fled revolutionary countries, employees fled to the streets to protest and oil factories were left vacant (Bacon, 2011). Due to such situations, Libya’s oil output halved. Luckily, the price of a barrel of oil is not yet at 2008 levels; but in February of 2011 a barrel cost US $120 (Bacon, 2011). Global fertilizer prices experienced similar changes to oil prices, resulting in higher food prices. The global economy is interconnected and changes in oil supply from Libya and global fertilizer prices affect food prices in Kenya.

International monetary institutions and corporations preach that banning exports or stifling a nation’s export industry is a guaranteed way to raise global food prices. The World Banks estimates that defensive trade policies significantly led to global food prices of staple crops in both the 1974 and 2008 food crises (Redfern, 2011). At the end of 2007, developing nation’s implemented policies that limited their countries’ exports, which resulted in a smaller supply of food commodities in the international market leading to higher prices (Lustig, 11). Countries recently implemented similar policies; for example, Kenya is no longer exporting maize.

Developed countries are producing more biofuels, which subsequently results in an increased demand of maize. Nations are producing more maize because demand is rising, but the majority of increased maize yield is used as biofuels for developed countries. Although animal feed is the predominant use of maize, 70% of the global markets’ increased maize yield from 2004 to 2007 was used for the production of ethanol (Lustig, 5). Thus, an increased demand in maize for biofuels limits the global supply of maize for countries that do not produce biofuels and that would use maize to feed animals or people. In the United States and Europe, new policies were enacted to subsidize the production of biofuels, restrict their imports, and mandate their use (Delgado, 2). This trend of increased maize use for ethanol production is continuing today. In 2008/09, 31% of the fuel that the United States’ used was ethanol and in 2010/11 it is estimated that the United States will base 40% of its fuel consumption on ethanol (World Bank, 2011). A limited supply of maize because demand for biofuel inputs is rising results in higher prices especially as populations increase.

Currently, countries are experiencing low harvests due to global climate irregularities. Prolonged droughts in Australia contributed to both the 2008 and 2011 food price crises because wheat yield has been low. There have also been droughts in southern Africa, floods in West Africa, unusually cold weather in China, and unusually warm weather in Europe (Time, 2011). Unfortunately, bad weather has affected multiple agricultural markets in various countries.

The perfect storm of events resulted in the food price surge of 2008; but, what is less comprehendible is the sudden price drop that immediately followed the world market’s peak prices. Possible causes for the price drop are “macroeconomic factors such as the depreciation of the dollar and lower interest rates in the United States, speculation, and interventionist policies on the part of developing countries since mid-2007” (Lustig, 8). Similarly, today the U.S. dollar is depreciating as it was in 2008, and this may result in less American dollars invested in foreign businesses and a declined American demand in foreign imports. The falling dollar in 2008, affected more than interest rates and imports and exports. The depreciating United States’ dollar, caused in part by the sub-prime lending disaster and failure in the financial sector, led investors to invest their money outside of traditional institutions, especially as the Federal Reserve lowered interest rates. Thus, investors may have turned to food commodities speculation to look for greater returns (Lustig, 9). As a result of increased investment, food commodities may have become overvalued resulting in a food price bubble. Countries also intervened in markets restricting imports and exports, changing the previous regularities in the market. These ideas are mere speculations demonstrating the near impossibility at understanding the food market’s volatility.

***Potential Solutions for Rising Food Prices***

There are five ways a national government can adjust its agricultural policies to encourage food security: implement short-term policies that lower domestic food prices and stimulate domestic food production, involve the national government in the market, provide safety nets, appreciate a nation’s currency, and liberalize its market. An increase in public spending in the agricultural sector results in a multi-tier effect where individuals in multiple fields benefit. Studies show that there is a correlation between the growth of the agricultural industry and poverty reduction: for every percentage of agricultural growth there is a corresponding reduction in the number of people living under US$6 a day by 6% (Guthinga, 2011, 17)[[4]](#footnote-4). But, agricultural economic growth must be done with certain policies in place so that food insecurity is reduced as opposed to benefiting the already wealthy. History demonstrates that pure market-driven growth without policy restrictions results in wage disparities. For example, in 1980, “the average chief executive officer of a large U.S. corporation earned 42 times that of the average U.S. worker; but by 1999, market-driven growth had raised that inequality to a point where the average CEO was making 475 times what the average worker earned” (Danaher, 2001, 31). Governments must plan targeted growth as well as accountability mechanisms to guarantee that its policies’ are successful.

By utilizing short-term policies, the federal government can lower its domestic food prices or stimulate domestic food production. The government can lower domestic food prices by reducing tariffs and other taxes on food staples, provide consumer subsidies, or increase its national control of food (Delgado, 2008, 3). The government can stimulate food production through short-term policy options such as price ceilings, export restrictions, subsidation, or forcible procurement (Delgado, 2008, 3).

Direct government involvement in the market materializes as publicly owning businesses, providing agricultural information, improving infrastructure, and enhancing mechanisms that facilitate producer response to demand. When the national government intervenes in a market it can then use its supply as a buffer stock that buys when supplier prices are low and sells when selling prices are high (Minot, 2010, 1). Also, the government can increase producer and consumer awareness of the food market by encouraging the dissemination of information. The government can do this by creating or improving systems that timely and effectively provide market information about projected yields, price movements, stock levels, and public buffer stock purchases and releases so that middlemen cannot control the market (Delgado, 2008, 3). The government can also educate its agricultural sector on the best ways to mitigate negative climate changes (World Bank, 2011). If governments had better prepared for climate changes, some yield failure could have been mitigated this past year. The government can develop and improve infrastructure, which will lower the costs of transportation, thus lowering prices and increasing exposure to new markets (Guthiga, Paul et al., 2011, 82). Examples of ways that the government can create an efficient market where suppliers effectively meet demanders’ needs are by enhancing customs facilitation, logistics performance, and efficient grain storage (Delgado, 2008, 3).

Safety nets are generally targeted for a country’s most needy. Examples of safety net programs are cash or near-cash transfers, which entail criteria like low-income, location, occupation, or an action like attending school, food-for-work, and emergency food aid distribution (Delgado, 2008, 3).

A nation’s fourth solution to mitigate the effects of rising food prices is an appreciation in currency. Often, increasing domestic food prices reflect increasing international prices. Only countries with large international reserves should take this route when it is certain that the rising food prices are not a mere bubble. Appreciating a nation’s currency will harm its trading and macroeconomic sector (Lustig, 2009, 4). Also, it is unnecessary to adjust a country’s currency if food prices are exacerbated by a temporary price bubble.

Different international players encourage market liberalization as key to providing affordable food goods. The World Bank stresses the importance of maintaining a competitive global market to ensure that prices are their lowest (Danaher, 2001, 2). The Comprehensive African Agriculture Development Program insists that if trade restrictions were obliterated, especially in East Africa, the region would be completely food self-sufficient (Guthiga, Paul et al., 2011, 82).

***Rising Food Prices in Kenya***

Even though global citizens are noticing rising food prices, Kenyans are especially suffering under the weight of the cost of food. Within the last year, global food prices have risen by 15%, but the prices of Kenyan staple foods have risen by up to 50% (Andae et al., 2011; Siringi, 2011). To emphasize that Kenyans are struggling to pay for food more so than other global citizens, a United States Department of Agriculture report, which was released in February of 2011, announced that the average Kenyan family spends 45% of its total household budget on food. This is comparison to 6% spent for an average American family. Kenya’s income per food cost ratio is 2nd highest in the world next to Pakistan where the average family spends up to 46% of its income on food (Siringi, 2011). These statistics slightly differ from the ratios found by USAID in 2009 while conducting similar research about income to food expenditure ratios; but, both reports demonstrate that Kenyans spend nearly half of their income on purchasing food. USAID found that the average Kenyan spends 51% of his income on food, the average rural Kenyan spends 62%, and the average urban Kenyan spends 40%[[5]](#footnote-5) (Guthiga, Paul et al., 2011, 73).

Apart from being simply costly, Kenyan food prices are also increasing at rapid rates. One study estimated that within six months[[6]](#footnote-6), the amount of people that need food assistance rose by 50% (Jamah, 2011). The constantly increasing food prices are particularly worrying Kenyans. Two Kenyan mainstream news stations on local channels feature reports about rising food prices in the country. The weekly segments compare the prices of staple food among the nation’s different supermarkets. That these programs exist emphasizes the profound effect that rising prices have on Kenyan citizens and the constant influx of prices at supermarkets across the country.

Kenyan citizens have a history of battling to survive in the face of looming food prices, especially regarding that a near majority of Kenyans are impoverished and barely have the means to pay for food as it is. Kenya has a population of 40 million people[[7]](#footnote-7) and 46% of the nation is impoverished[[8]](#footnote-8). 78% of these citizens live rural lifestyles, and 50% of rural residents live in poverty compared to 34% of urban residents that live in poverty (Guthiga, Paul et al., 2011, 60). These statistics demonstrate the country’s desperate need to repair its food policy and feed its people.

**Methodology**

I decided to travel to supermarkets to compare prices between store locations and compare the prices over a 4-week span. Unbeknownst to me, at the same time, Citizen TV started a new weekly segment called “Price Watch,” which provides similar information comparing prices of food goods among different supermarkets to help its viewers make the most economical decision possible.

I obtained the majority of the information I used to comprehend this topic through newspaper and journal articles. I also interviewed y individuals that play different roles in the food market sector to pick their knowledge and obtain their opinions about the matter of rising food costs in Kenya. I interviewed Douglass from the Nairobi chapter of Food Not Bombs, a Nairobi resident, two floor managers at Uchumi, two duka owners, and the head of USAID’s food security program.

**Discussion and Analysis**

***Supermarkets***

Throughout the country, Kenyan customers can note changing prices during their weekly visits to the same supermarket. Samuel Njenga and Simon Maundu, Uchumi Adam’s customer service and floor supervisors, recounted the changes that one Uchumi branch has undergone during the current food crisis. A customer’s purchasing power has dropped: “Before customers could fill an entire chopping cart with Ksh1000, but today you can carry a Ksh1000 worth of food in your hands,” said Njenga. The supermarket receives that same amount of costumers that it previously had, but now they buy less, pick the cheapest out of similar products, and skip buying luxury items like pasta. The supervisors mentioned that previously their branch would receive price change memos from Uchumi’s head office sporadically and never frequently. Now, the branch raises its products prices nearly daily, especially for fast moving commodities like maize meal, vegetable oil, and sugar (Maundu, 2011).

After comparing prices of goods for a month, I noticed that in fact, the trend is that Kenyan staple foods’ prices are increasing the most dramatically. Traditional Kenyan food relies on vegetable oil and maize meal. The prices of both of these items, no matter the brand, steadily increased over the past month. Depending on the family, vegetable oil can be used at every meal in Kenya. At Nakumatt Junction, a 1lt. jug of Ufuta vegetable oil rose by Ksh9, and at Uchumi Adam’s Rina oil rose by 17 shillings. One difference between vegetable oil and other fast moving food commodities, is that vegetable oil is substitute to the country’s 16% food tax. Basic goods like maize meal, produce, and milk are not taxed. But, the food tax has remained at 16% for a long while and has not recently added to consumers’ food price woes. Maize meal is used to cook ugali, a food prepared with boiled water and eaten with your hands along with vegetables or meat. Within a 5-week period, a 2kg bag of Soko maize meal increased by 21 shillings, from Ksh77 to Ksh98 in Uchumi Adams and Pembe maize meal increased by 19 shillings from Ksh79 to Ksh98 in Tusky’s Adams. The maize meal produced in Mombasa, Ndovu, is generally cheaper than maize that comes from the Rift Valley and refined in Nairobi, like Jogoo and Pembe. These products suffer from extremely volatile prices that consumers can not anticipate.

There are other foods that experienced a sudden price increase, but whose prices have failed to increase continuously. Bread, margarine, and baking flour are frequently bought by Kenyan families, but are seen as luxury items. On March 3 2011, Mini Bakeries, the supplier of the Kenyan favorite, Supa Loaf, raised its’ whole sale price attributing the change to the price increase of raw materials (Mini, 2011). I don’t know what Supa Loaf’s selling price for a 400g loaf was before this date, but I do know that the price of a 400g loaf of Festive Bread increased by 7-8 shillings[[9]](#footnote-9) between the middle of 2010 and the beginning of 2011. One week after Mini Bakeries changed the price of Supa Loaf, the margarine companies Blue Band and Prestige similarly hiked up their prices. Depending on the store and the brand, the prices of a 1kg tub of these two brands of margarine increased by up to 35 shillings. Baking flour is used for such Kenyan foods as chapati and mandazi. The price of baking flour fluctuated between days, even within the same store, but its price change was rarely dramatic. The price of a 2kg bag of Exe baking flour rose by 9 shillings from Ksh118 to Ksh127 within 3 days, afterwards maintained its latter price, and then fell by 1 shilling at Tusky’s Adams. Pembe baking flour rose by Ksh5 within a month’s time at Tusky’s Adams. All of these proved to be trends found at all multiple other supermarkets and their various branches.

Many have claimed that the prices of all Kenyan foodstuffs are going up, but the prices of some goods remained stagnant during the entire month of data collection. Imported items, such as rice and mchuzi mix maintained their prices. Kenya’s climate does not permit it to produce much rice and imports the majority of what it consumes. The prices of various companies’ 2kg bags of rice held their same price during the month within different supermarkets. The South African companies of Royco and Ongo have embedded themselves into Kenyan culture as Kenyans use this meat-flavored powder to their broths, whether for meat or sukuma wiki. The prices of mchuzi mixes never changed, not even between supermarkets. It is surprising that despite rising global oil prices and increased pirate premiums, the prices of these two imported goods have not been affected. The possibilities lie in that Kenya’s various supermarkets bought an ample supply before gas price increases and this current supply was not affected by rising oil prices; or, that rising oil prices do not play such a major role in the country’s increasing food prices as many have presumed.

Like imported items, some domestically produced products have not undergone price changes within the past 5-weeks either, unlike maize meal and vegetable oil. Prices of Kenyan produced black teas, tomato sauce, sugar, and milk remained stagnant. Domestically produced black tea, whether Fahari ya Kenya, Melvins, or All Time, kept stagnant prices that also only varied slightly within different supermarkets. Similarly, a 2kg of Kenyan produced Mumias Sugar sat at Ksh190 apart from slight increases at a few supermarkets. A 400g of Kenylon’s tomato sauce held a relatively stable price, varying slightly among stores and sometimes increasing or decreasing its prices by a shilling or two over time at one specific supermarket location. Similarly, the price of milk fluctuated by a shilling or two among different supermarkets and their different locations. For the past year, it has been the trend of domestically produced milk to hover around the same price (Maundu, 2011). Despite for differences in changes that affect raw materials, these domestically produced products have experienced the same market volatility as maize meal and vegetable oil, but have not experienced similar price changes. One Uchumi supervisor mentioned that the higher the demand, the quicker companies were to take advantage of costumers by rising food prices. For example, Njenga mentioned that the price of baking flour has been increasing at a slower rate than maize meal because there is less of a demand for baking flour, and that if demand falls further, then prices will likewise discontinue rising. This concludes that the larger market factors of inflation and rising oil prices affect the price of food less than factors that influence individual markets.

Different supermarkets earned different reputations for how much they sell the same good compared to other supermarkets. Nakumatt generally inflates its selling price more than other supermarkets do; but, there are some products that are relatively cheaper at Nakumatt. Nakumatt seems to refuse to ever have the lowest selling price out of its competitors, Tusky’s, Uchumi, Ukwala, and Naivas, but will sometimes have the second cheapest price of maize meal. Blue Band is the only product that is dramatically cheaper at some Nakumatt locations, selling for 11 shillings less than at other supermarkets. Tusky’s, Uchumi, Ukwala, and Naivas all dance around prices, sometimes selling at better rates than other supermarkets and sometimes not. These supermarkets’ head offices control product pricing.

Market instability has greatly impacted the livelihood of Kenyans as they do not know what they will or will not be able to afford the next time they enter a supermarket. Programs like Citizen TV’s “Consumer Watch” aid shoppers in making economic decisions by comparing the prices that supermarkets are selling the same products for. Although consumers are suffering, supermarkets seem to be faring well during this food price crisis. In spite of rising food prices and a declining rate in consumer purchases, Uchumi’s revenue has increased in the past year and its stock value seems to steadily be headed upward. The Kenyan government has the ability to guarantee food security for its citizens so that all of their income is not swept away by rising food prices.

***Kenyan Government’s Attempts to Contend Rising Food Prices***

The Kenyan government has taken many routes to ensure that it adequately provides its citizens with affordable food. The country’s new constitution even assures its citizens that all are entitled to plentiful and fairly priced food. To guarantee food security, the federal government has implemented various policy decisions: it has committed itself to a framework suggested by African leaders, controlled the market by owning businesses involved in the agricultural sector, liberalized the market, implemented short-term policy solutions, guaranteed to steer away from dependence on foreign oil, and relied on the financial support of international donors.

*Regional Agricultural Development Plan*

In 2003, a group of African leaders and key stakeholders in the African agricultural sector developed the Comprehensive African Agriculture Development Program (CAADP). Kenya is now one of nine African countries that have completed the process of signing the CAADP compact, which Kenya signed in 2010. This framework is based on the belief that agricultural development plays a major role in achieving the Millennium Development Goal of halving poverty and hunger by 2015 because studies show that there is a correlation between the growth of the agricultural industry and for every percentage of agricultural growth there is a corresponding reduction in the number of people living in poverty (Guthinga, Paul et al., 2011, 17). The CAADP framework insists that African countries that sign-on to the Program grow their national agricultural sector annually at a rate of 6%, allocate 10% of its national budget to the agricultural sector, improve its nation’s policy efficiency through peer review and accountability, and develop comprehensive growth in the agricultural sector by forming governmental and private partnerships (Guthiga, Paul et al., 2011, 2). The CAADP hopes to improve living conditions in African countries as well as create a self-sufficient African food market.

*Publicly Owned Businesses*

After Kenyan independence in 1965, the Kenyan government embraced the idea of state-controlled food markets. Similar to the other Sub-Saharan African countries of Zimbabwe, South Africa and Zambia, the Kenyan government was skeptical of the free market due to the effects seen by a some-what liberalized market supported by African colonizers. Also, the Kenyan government formed parastatals because of the prevailing ideology of socialism at the time and the appealing incentive to maintain business power in the hands of a select tribe (Jayne, et al., 2002). These parastatals dominated their particular markets and determined the buying and selling of certain goods. Although the Kenyan government does not maintain complete control over businesses today, as it previously had, it still plays a major role in determining the nation’s food supply through such organizations as the National Cereals and Produce Board (NCPB) and the National Seed Company.

The initial purposes of the NCPB and National Seed Company are to enhance agricultural production and to always guarantee that the Kenyan market is supplied with sufficient grains and reasonable prices. The NCPB has played the role as an intermediary in buying and selling maize and has also operated in maintaining the government’s strategic grain reserve. The Kenya Seed Company is mandated to research, promote, and facilitate the production of high yielding and better quality certified seed to farmers and stakeholders (Njau, 2011). There are multiple other businesses that exist today that initially were a part of the public sector.

*Market Liberalization*

In the 1980s and 90s, foreign development and financial institutions pressured the Kenyan economy to privatize and liberalize. The first step towards market liberalization that Kenya took was joining the World Bank’s Agricultural Sector Adjustment Program in 1986 in which the government agreed to loosen its control over the agricultural sector. Kenya was propelled to accept a deal with international lenders because the country was experiencing tremendous debt due to its publicly-funded policies, such as its markets (Jayne et al., 2002). Foreign institutions insisted that in order to have a thriving economy and guaranteed well-being for Kenyans, the government must privatize and open-up its markets.

*Short-Term Policy Solutions*

The Kenyan government frequently utilizes short-term policy options in the hope of increasing food security. In 2009, the government implemented the following safety net programs: cash transfers, food for work and food for training, food ration/stamp, voucher, and school feeding. Policy oriented around food supply and food trade included: increased supply of grain reserve stocks, increased supply through importing, reduced taxes on food, reduced tariffs and custom fees on food imports, and restricted or ban exports. Food security that addressed agricultural production included subsidized agricultural inputs like fertilizer and seed, increased prices for producers, incentives for expanding production (credit), and lowered import tariffs for inputs like fertilizer (Guthiga, Paul et al., 2011, 16). These policies have not been effective enough to mitigate food insecurity in Kenya and the federal government today is scrambling to address increasing food prices, especially as the international press has obtained information that 5 Kenyans have died within the past month of hunger (Odulla, 2011).

As Kenyan citizens demonstrate and international journalists write columns, the Kenyan government is attempting to solve the food price crisis by implementing various policies. Initially, the Minister of Finance, Uhuru Kenyatta, announced in early April that taxes on diesel and kerosene will be lowered by 20 and 30% respectively as the first response to the increasing cost of living for Kenyans. This announcement was met with public outrage and demonstrations because the tax change was only in response to record breaking high prices of diesel and kerosene. The public had their way, and at the end of April, the Prime Minister assured Kenyans that diesel and kerosene taxes would be waived (Ndegwa et al, 2011). In the same address, the Prime Minister, Raila Odinga, promised that import duties on maize and wheat would also be waived because Odinga hopes to open the Kenyan maize and wheat market to international competition. The previous import duty reduction on wheat by 25% had no effect on prices, which causes one to wonder whether the free market can actually work its magic when a select few within Kenya set the prices of food goods (Ndegwa et al, 2011).

The Kenyan government also mentioned that it will implement safety nets to protect the country’s most needy from food insecurity. In drought-stricken areas, the federal government plans on waiving secondary school fees. Also, the federal government will increase the beneficiaries of relief food from the current 2.4 million to four million people. A government food subsidy pilot program recently ended successfully and the government hoped to expand the idea to poor households in informal settlements in Nairobi, Mombasa and Kisumu where households will receive Ksh2,000 per month. But, unfortunately, this bill did not pass Parliament because the Prime Minister was accused of favoring certain ethnic tribes over others.

*Reduce Dependence on Foreign Oil*

Since the beginning of the year, the Kenyan government has attributed the majority of the rising food prices to the increase in the cost of fuel due to the revolutions in the Middle East. For example, Kenya’s Energy Minister attributed the nation’s increasing cost of living to an increase in the price of crude oil (HNA, 2011). The correlation between food and oil prices is indisputable, because in the same given year food prices rose by 15.1% and the price of transport rose by 15.89% (Andae and Ng’etich, 2011). Thus, the Prime Minister is hoping that the country will be able to stop using imported oil and instead be able to produce its own clean energy sources (Odula, 2010). Although a reduction in dependence on foreign oil is a reputable attempt, it cannot be blamed as the predominant cause in increasing prices. In the past year, the price of a 500ml bag of KCC milk has only increased from Ksh29 to 30; but, milk also has to be processed in plants powered by oil and transported by vehicles. Thus, the government should investigate how milk producers have been able to circumvent escalating oil prices on its business.

*Donor Assistance*

Kenya’s agricultural sector receives more foreign aid than that of most other countries. International bodies are optimistic that the Kenyan agricultural sector can blossom and Kenya is now the recipient of many benevolent donors. Kenya is one of a select group of countries that receives support from USAID’s Feed the Future program. The Feed the Future program seeks to invest foreign aid in Kenya’s fragmented rural agricultural sector. Often aid offers only temporary relief, like in the form of relief food supplies, but hopefully program like USAID’s will help develop long-term growth in Kenya’s agricultural arena.

***Reasons for Maize Price Increases in Kenya***

Maize flour constitutes a third of the average Kenyan’s diet and because of this maize flour price increases have a tremendous negative impact on Kenyan consumers (Jayne et al., 2002). In the middle of March, 2011, Betty Othiambo, returned to the flour aisle of Tusky’s on a Monday shocked to see that a 2kg of maize meal increased by Ksh9 over the weekend (Othiambo, 2011). The price of maize flour rose tremendously in Kenya in a short period of time; a World Bank report claims that maize flour increased by 27% from February to April 2011 and another reports claims that a 2kg bag of maize flour rose by 44% in four months, from Ksh67 in December to Ksh97 in April (HNA, 2011; Njau, 2011).

The price of nearly all Kenyan commodity goods is increasing, but the price of maize meal is rising exorbitantly compared to the others. During the same period that maize meal increased by 44%, baking flour and bread increased by 33%, from Ksh90 to Ksh120 and Ksh40 (Ndegwa et al., 2011). The rising price in all consumer goods, including maize, can be attributed to the depreciating shilling, rising gas prices, pirate premiums, and lack of liberalization. The specific dramatic price increases in maize are not completely known, but they can be attributable to government corruption, maize-market cartels, bad weather, and increased demand.

*Depreciating Shilling*

Rising inflation has played a major role in the rising maize prices in Kenya. Kenyan purchasing power is declining drastically as inflation is rising and wages remain stagnant. The annual average inflation of 2010 was 3.96%, 9.2% in March of 2011, and 12% in April (Githinji, 2011; Ondari, 2011). One small businesswoman reported that her average monthly budget ballooned from Ksh5,000 to Ksh15,000 within the start of the year, and this is in spite of frequently skipping meals (Ondari, 2011). Purchasing power will most likely only decline as Kenya’s inflation is expected to reach 15% by the end of the year (Ondari, 2011). The Kenyan shilling is experiencing an all-time low even though it reached its peak only a little while ago in September of 2010 (Githinji, 2011). The depreciating shilling has affected food prices because the prices of imported input materials have increased. Inflation has resulted in a greater inability to import oil especially as the price of a barrel of oil increases.

The Central Bank of Kenya should be held accountable for the depreciating shilling. The current inflation rate of 12.05% is more than double the CBK’s target inflation rate of 5%. This suggests that the policy instruments used to manage the nation’s economy are either not adequate or properly executed (Ondari, 2011). The Central Bank of Kenya initially refused to respond to the depreciating shilling because “It would signal that the country was exposing itself to a specultative attack on its foreign reserves,” said the CBK Governor, Ndung’u (Anyanzaw et al, 2011). It took months for the CBK to adjust its policies after Kenyans had long been suffering under the weight of increasing prices. In early April, the CBK raised its lending-rate from 5.75 to 6% in an attempt to stabilize the exchange rate and protect economic activity (Questions, 2011). So far, the lending-rate has yet to manifest in positive price changes for Kenyans.

*Pirate Premium*

Another place of blame for the rising commodity prices is the increased attacks on cargo ships by Somali pirates. The average ransom paid for hijacked cargo ships has increased from $3.4 to $.5.4 million from 2009 to 2010. Businesses are then charging Kenyan consumers higher prices to guarantee a safety net for themselves to pay the higher ransom fees. This explains a rise in price of the goods that Kenya imports: crude oil, maize, wheat, motor vehicle parts, iron, and steel (Oyuke, 2011).

*Lack of Market Liberalization*

Although Kenya has taken continued initiatives to privatize its markets, successful businesses remain in the hands of only a few individuals. Even though Kenya supposedly liberated its grain market in 1986, in 1986 the NCPB still set buying floor and selling ceiling prices of maize and closed trading barriers and, thus, the government still controlled the maize market (Jayne et al. 2002). Compared to other business leaders around the world, Africans complain in particular that business start-up and growth is hindered due to a lack of knowledge about new rules and regulations (Jayne et al., 2002). In Kenya’s case, entrepreneurs might not have much of a competitive edge because many businesses are either aided by the country’s powerful politicians or owned by them. Organizations such as the World Bank and the International Monetary Fund attribute closed and publicly owned markets to rising food prices. But, as long as the government and cartels control the market, an open market will not affect Kenyan prices.

*Government Corruption through Its ‘Parastatals’*

The National Cereals and Produce Board has yet to be completely privatized and the government still maintains a lot of control over the organization. The NCPB ultimately is supposed to guarantee maize security in the country; but, the Board has also been the cause of severe maize shortages in Kenya. Although government officials blame inflation and rising input prices for rising food prices and international financial organizations attribute food insecurity to closed and public markets, a large part of the blame of rising maize seed prices is due to corruption within the NCPB.

The largest known folly of the NCPB is termed the 2009 Maize Scandal. In 2009, news reached the press that in a government attempt to provide food security to Kenyans, the government ultimately lost 80,000 bags of maize valued at Ksh150 million of its supply of 100,000 bags the previous year (Okwembah, 2009). At the time, Kenyans were paying Ksh120 for a 2kg bag of maize flour, and the government hoped to introduce a two-tiered milling structure where the poor would pay Ksh52 for a 2kg bag of maize and the non-poor Ksh72 to address the escalating maize prices. To provide the cheaper maize meal prices, the NCPB contracted out its maize to millers to refine the maize. In doing so, the government signed contracts with millers, many who were ultimately businessmen posing as millers that had had inside connections with the forces controlling the NCPB (Siringi, 2011). These businessmen then sold the maize in neighboring countries of Uganda and Sudan for higher returns than they would have in Kenya.

Today, the country is experiencing a maize seed shortage due to the fault of the Kenyan government. The Kenya Seed Company is experiencing a 15% maize seed deficit, which is a gross shortage considering the quasi-public company usually maintains a 40% surplus to cushion the market when supply is low and demand is high (Bartoo, 2011). The head of the Kenya Seed Company’s public relations attributes the shortage to a rising demand in maize seed from neighboring countries Tanzania and Uganda and a large Government purchase of seed last year. The Kenyan government bought maize seed as a security measure for the country’s arid and semi-arid land, but it seems that a seemingly benevolent policy resulted in only harming the Kenyan people, similar to the 2009 Maize Scandal. Today it is unknown how middlemen managed to get a hold of the public supply of maize seed; but, the seed has been sold outside of the Kenyan market to neighboring Uganda, Tanzania, Rwanda, and Burundi (Andae and Ng’etich, 2011). Thus, another factor that has caused rising maize prices is due to increased demand from foreign markets. Other businessmen that chose to not sell the maize seed out of the country are currently hoarding the maize seed and raising the prices of a stock initially reserved for the Kenyan people (Bartoo, 2011). The government has taken advantage of publicly owned businesses to fatten their own pockets and the pockets of their friends instead of using them to aid the Kenyan people.

*Cartels*

Privately owned businesses have cheated the Kenyan people from an affordable supply of maize meal as have publicly owned businesses. Imported goods generally cost the same price as domestically produced goods. One would assume that due to the depreciating shilling, increasing oil prices, and the pirate premium, imported goods would cost dramatically more than domestic goods. This is a result of cartel-like tendencies that exist within Kenya where companies in a market unilaterally increase prices (Njau, 2011). The Central Millers Association is one of these organizations and has most likely driven up the price of maize in Kenya.

It is not known whether the government is directly involved in the functioning of these ‘cartels,’ but, it is understood the government is compliant to these industries and lets them operate without competition. The Price Control Bill, which would have assured that essential goods did not rise above reasonable prices, was shot down by both the Prime Minister and the President with the reasoning that the market should determine prices (Ndegwa et al., 2011).

*Decrease in Stock due to Bad Weather*

Some factors contributing to rising maize prices are controllable and others are not. Bad weather has reduced Kenya’s maize yield thus affecting the country’s stock and increasing prices. Kenya’s maize yield declined by 6% from 2000/02 to 2006/08 (Guthiga et al., 2011, 38). Due to drought the production of maize seeds has also dropped. According to the managing director of Kenya Seed Company, Willy Bett, the Company has 25% less seed this year as it did last year.

***Effects of Rising Food Prices in Kenya***

Kenyans’ lifestyles are changing due to rising food prices. Kenyan consumers are finding the cheapest ways to feed themselves, malnourishment is likely to increase, and Kenayns have to look for more ways to supplement their income. Shoppers are buying less and they are buying the cheapest options available, according to two of Uchumi Adam’s supervisors (Njenga and Maundu, 2011). One alternative to shoppers is buying a 2kg bag of whole maize from informal markets, like Toi market, for Ksh70-80 and taking it to a local, small-scale mill and refining the maize into flour themselves for Ksh6. Compared to a Ksh100 bag of maize meal, the extra work to purchase the maize and refine it yourself is worth it; this type of maize meal is also considered to be more filling (Maundu, 2011). As food prices increase, consumers buy less and it becomes more likely that more people will become malnourished. As of 2005, 30% of the population was undernourished, and this is at a time when food prices were not skyrocketing (Guthiga, Paul et al., 2011, 71). As mentioned earlier, 5 Kenyans have already supposedly died of starvation and, considering that many Kenyans now resort to drinking only one cup of chai a day because they cannot afford decent meals, this count will surely rise. The rising cost of food will cause Kenyans to seek extra sources of income. Many that are employed formally are taking on informal, side jobs. For example, Betty Othiambo and Benson Koyo, two Kibera, Nairobi residents, leave their day jobs to work informally. Betty makes baked goods to sell at her office job the next day and Benson works as a driver for a successful businessman. These two have found legal ways to supplement their income; but, it is likely that crime will also escalate as people become more desperate. In late April, a 16-year old boy in Fort Jesus, Kibera was harassed, beaten up, and threatened by three older men desperate to find money. These types of incidents, which used to be infrequent, are becoming more likely as individuals sweat to provide themselves and their children with food.

***Solutions to Maize Price Increases***

Kenya has the ability to be maize-self sufficient, and certain policies can rectify Kenya’s maize crisis. Kenya produces 32 million bags of maize per month and consumes between 33 and 34 million bags per month, according to the CEO of the Cereals Growers Association, David Nayameino[[10]](#footnote-10) (Andae et al., 2011). Even in the current maize crisis, one journalist claims that it is possible to mitigate maize deficit problems, which the government claims to be inevitable:

With national population standing at 28.7 million people and a consumption rate of 3.5 million bags per month, 24.8 million bags would give us seven months of comfortable consumption until September. If the rains are good or near average, the first harvest of long rain season would start by August. This would cushion the dwindling supply in late September/early October and ensure we make it without a single maize import, to November/December’s main harvest in the North Rift, the nation’s grain basket” (Owuor, 2011, 15).

There are policy solutions that can address all of these causes for the rising price in maize.

*Increased Investment in Agriculture*

The government vowed to increase the amount of its budget it spends on its agricultural sector to 10% in accordance with the contract it signed with the CAADP. Currently, the Kenya government only spends 1.9% of its total budget on agriculture, so the government has plenty of areas to invest in to provide an ample supply of reasonably priced food for its citizens (Guthiga, et al., 2011, 18, 32). Compared to other countries in Sub-Saharan Africa, Kenya’s agricultural sector is severely lacking: Kenya has the 9th lowest per capita food supply per capita per year in SSA (Guthiga, Paul et al., 2011, 43). Thus, it is critical that the government invests in the country’s food system to provide that its people do not go hungry. The federal government should also invest in agriculture because growth in this sector will also most likely contribute to the nation’s overall GDP because the agricultural sector accounts for 29% of the country’s GDP (Guthia et al., 2011, 32)

The public sector can intervene to ensure that bad weather has less harmful effects on food security in the future. The government can attempt to avoid food yield failure by advising and providing farmers with appropriate seed; this ultimately is the task of the publicly owned Kenya Seed Company. Also, Bett suggests that improved irrigation can avoid future maize seed shortages (Andae et al., 2011). The Kenyan government should invest in irrigation to provide food security in times of drought because, as of 2003, only .4% of Kenya’s agricultural land is irrigated (Guthiga et al., 2011, 41).

The government should also specifically invest in rural agricultural areas to reduce poverty within Kenya and enhance food security. As mentioned earlier, there is a positive relationship between the growth in the agricultural sector and poverty reduction. As of 2008, 78% of the population lived rural lifestyles and according to 2006 statistics, half of these residents lived under the poverty rate, this compares to 34% of Kenya’s urban dwellers (Guthiga, Paul et al., 2011, 60). Dr. Nwanze, President of the International Fund for Agriculture Development said that investment in rural smallholder farmers is crucial to food security (Jamah, 2011). This is most likely because the majority of farmers in Kenya are subsistence farmers that do not produce large-scale yields.

*Growth of Regional Agricultural Market*

It is possible for both the continent of Africa and the East African region to become food self-sufficient. If countries harmonized their markets and eliminated trade barriers, Kenya, as well as other countries, would be more food secure.

*Kenyan Citizen Involvement*

Kenyans have good reason to be upset with rising prices and the government’s inability to address this pressing issue. Kenya is fortunate in that its economy is prospering compared to other developing countries’ economies and it receives a tremendous amount of foreign aid. Kenya is located in the world’s poorest region, Sub-Saharan Africa. In 2010, the region’s average GDP was 4.7% and its economic growth is expected to rise to 5.3% in 2011 by the World Bank (Seria, McGregor, 2011). But, compared to other countries in the region, Kenya is comparatively economically ahead. In 2010, Kenya’s economic growth was 5% and its expected GDP in 2011 is 5.7% (Duncan, 2011). Kenya has also assisted its agricultural sector substantially compared to other African countries. In 2008, Kenya was only one of eight African countries that spent more than one percent of its agricultural GDP on agricultural research and development (Pietrowski, 2011). The IMF attributes Kenya’s economic growth to its public spending on infrastructure and growth in the Kenyan private sector, which has unfortunately also pushed the nation further into debt (Duncan, 2011). If pressured by its common citizens through demonstrations and lobbying, Kenya should be able to rectify its current crisis.

Kenyan citizens have little political power, as observed by the country’s most recent elections; but when the masses protest in outrage, Kenyans demonstrated that they have some sway over their ‘elected’ officials. Spurred by the Consumers’ Federation of Kenya (COFEK) and the Central Organisation of Trade Unions (COTU), Kenyans have demonstrated to ensure that they are provided for. On April 19, hundreds of Kenyans protested in Nairobi outraged over the rising cost of the price of living. The protestors shouted, “We want ugali, we don’t want condoms” in response to escalating maize meal prices and a recent government attempt to spend resources on the country’s current condom shortage (HNA, 2011). In response to public frustration, the Finance Minister, Uhuru Kenyatta, announced a 20 and 30% tax cut on diesel and kerosene; which COFEK claimed to be “too little, too late” (HNA, 2011). COTU is ready to organize all union employees to strike so that the government increases the federal minimum wage by 60%. On Labor Day of this year, the Kenyan government increased the minimum wage by only 15%; this is not sufficient considering the current inflation rate of 12% and that the government will most likely increase taxes come June. Hopefully continued public demonstrations will bear fruit with the upcoming protest revolving around the augmentation of the minimum wage.

A part from uniting in peaceful protests, Kenyans need to mobilize themselves into like-minded bodies to better secure themselves from being taken advantage of by the government and businesses. Organizations like COTU and COFEK, along with other organizations, need to unite together alongside common Kenyans to mobilize a massive population that is informed about their rights as citizens and consumers. The organizations and citizens can then educate others and create a widespread movement as well as lobby public officials about reforming current food policy. For example, consumers can lobby to ensure that the government enacts legislation that limits the ability for businesses to form cartels that monopolize markets and fix prices. A representative from COFEK acknowledged that this is one of the organisation’s primary roles in the fight to reduce the prices that consumers have to pay.

***Conclusion***

Kenyans are struggling to feed themselves and their families as the prices of basic foods continuously rise. The government has the ability to control the agricultural market and ensure that crises like this one stop and can be avoided. Encouraged by Kenyan citizens, the government can enact policies that aid food producers and consumers. Kenyans are very informed citizens and understand the actions of their government; together they can achieve the changes that they want. One such example that Kenyans can pine for is increased governmental spending in small-scale agriculture, which will also reduce poverty rates. But, Kenya has to balance the direction that it intends on developing. International organization are pushing for more commercialization of farming, which will transform Kenya’s subsistence farming culture. A culture like the Maasai’s should not be lost in the name of eliminating hunger and poverty in Kenya. There are multiple directions the government can go in to increase food security for its people. In the future, if government transparency and efficiency improve, Kenya should be nearly food self-sufficient.

***Appendix***

*Glossary*

Parastatals – Businesses owned by the public sector; also known as state owned enterprises

Strategic grain reserve - A public stock of grain used to meet emergency food requirements, to stabilize food prices, and to relieve temporary shortages while commercial imports or food aid are being arranged

Trade liberalization – The opening of domestic markets to international companies; this generally refers to the import of foreign consumer goods

*Survey Questions*

1. Why do you think Kenyans pay the 2nd most for their food compared to their income in the word?

2. Do you think Kenya can be food self-sufficient?

3. Which goods have experienced the greatest price jumps since the beginning of the year?

4. Do domestic or imported goods set prices?

5. How have Kenyan food buyers habits changed as food prices rise?

6. How do supermarkets determine prices?

7. What is the current food tax and has it played a role in rising food prices?

8. Have supermarkets and other businesses involved in the food market experienced a change in revenue within the past year?

9. Where do dukas buy their products?

10. Can you explain the government’s influence over the NCPB?

11. What do you think of the maize scandal of 2009?

12. How much control does the government have over food prices?

13. What can Kenyans do to change rising food prices?

***Recommendations***

I suggest that others carry out similar research, but go into more detail in one area as opposed to tackling the whole subject of rising food prices in Kenya. For example, I think it would be beneficial to research business cartels and government involvement in the agricultural sector specifically because both groups of people are ultimately responsible for rising maize prices. This is a fun topic and nearly all citizens and multiple organizations have something to say about rising food prices.

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1. Robert Zoellick, President of the World Bank, addressed the global food crisis in mid-February of 2011 and used this statistic. [↑](#footnote-ref-1)
2. On May 1, the Prime Minister announced the minimum wage would increase by 15% in June; so, wages have not exactly remained stagnant. But, considering the double digit inflation rate in Kenya, the wage increase will not have a dramatic positive effect either way. [↑](#footnote-ref-2)
3. This is based on a 2005 statistic [↑](#footnote-ref-3)
4. Thirtle *et al*., conducted this research in 2005 [↑](#footnote-ref-4)
5. These statistics were formulated by finding the average monthly adult expenditure per income [↑](#footnote-ref-5)
6. This is based on a study by the Kenya Food Security Steering Group based on statistics from August 2010 to February 2011 [↑](#footnote-ref-6)
7. Based on 2010 statistics [↑](#footnote-ref-7)
8. Based on 2006 statistics [↑](#footnote-ref-8)
9. A 400g loaf of Festive Bread initially sold for Ksh30 at one supermarket according to an old receipt from June of 2010. While I conducted research, it sold for 37 or 38 shillings afterwards depending on the store. [↑](#footnote-ref-9)
10. 20 million of these bags come from the North Rift Valley and 12 million from South Rift Valley [↑](#footnote-ref-10)