

# Role of the National Cereals & Produce Board (NCPB) in Producer Price Stabilization in Kenya

By David M. Nyameino

CEO: Cereal Growers  
Association:- Kenya

Experience Shared at an  
ACTESA / COMESA  
Workshop on 6<sup>th</sup> August  
2010 at Crossroads Hotel,  
Lilongwe Malawi.

## Presentation Outline

- NCPB'S Vision
- Historical Background
- Reason for Establishment
- Is the objective being achieved
- Reforms Undertaken
- Current Roles & Situation
- Lessons Learnt
- Suggested Way Forward

## NCPB's current Vision...

**“Be a leading agricultural commodity management and trading organization in East & Central Africa”**

Will this be achieved? Follow the slides....

3

## NCPB: Historical Background

- Traced back to 20<sup>th</sup> century (to colonial farmers who formed committees)
- Committees developed into regional boards to assist in:-
  - >Input procurement
  - >Market Information
  - >Marketing the produce
  - >Lobbying for better prices

**1939:-** Colonial Government formed the Maize & Produce **Control** Board

**Reason:** To regulate the operations of the regional marketing boards.

4

## Hist. background cont'd...

- **1967:-** The new independent Government formed the **Maize & Produce Board** (excluding Wheat Board)
- The aim was to consolidate by merging the maize & Produce Board with all regional marketing boards
- This outfit experienced challenges
- **1979:-** Govt. established NCPB by merging Maize & Produce Board with Wheat Board (NCPB Act, Cap.338)
- NCPB became a **monopoly of grain marketing**
- Why was it created.....?

5

## Why was NCPB established?

- > **To maintain food self-sufficiency & security within Kenya's borders.**  
**How was this to be achieved ?**
- Procure all produce from farmers
- Procure @ Govt. set prices (to stimulate production)
- Establish storage facilities
- Distribute grain throughout the country (social role)
- Maintain quality of the grain
- Import grain during deficits
- Export grain during surplus
- Control movement of grain (thro' movement permits)

6

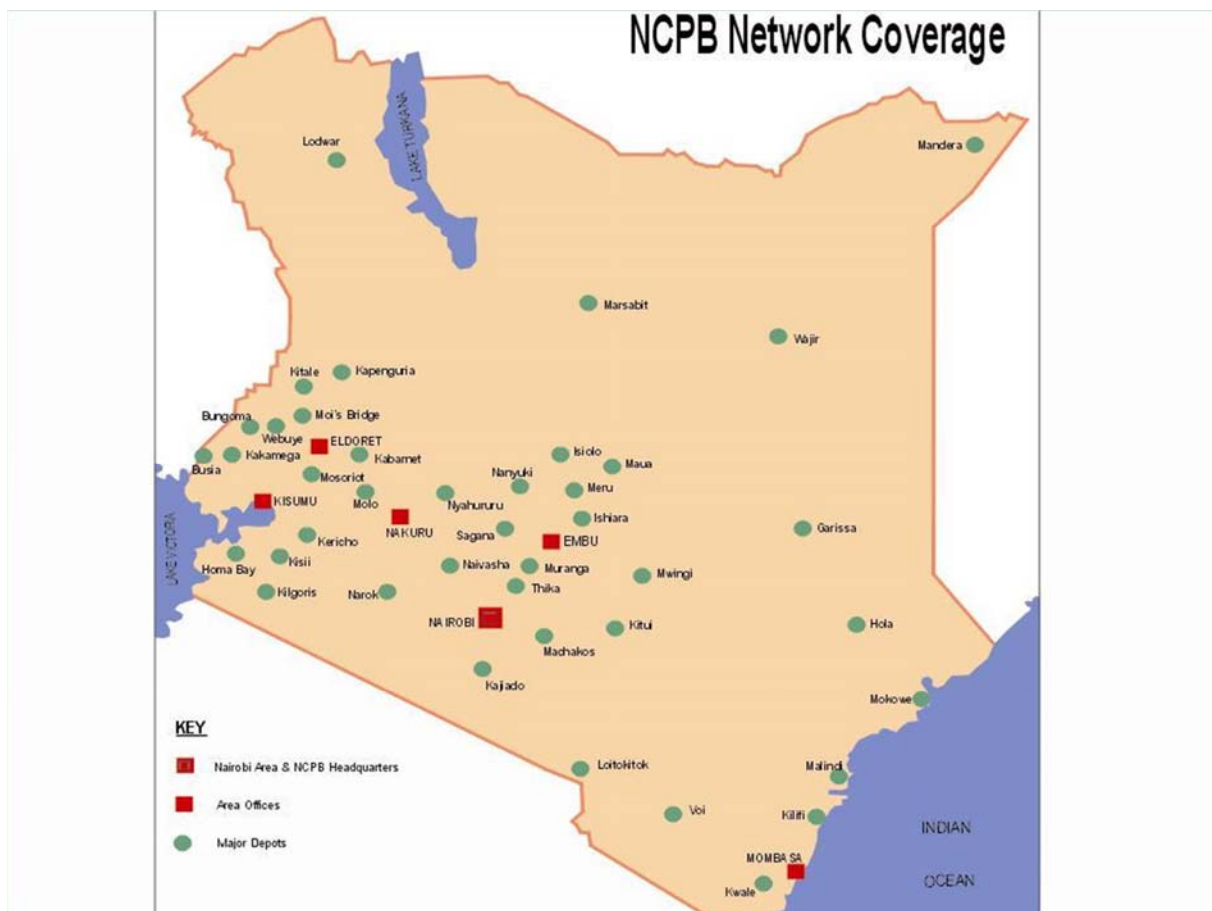
# Has the objective been met?

*Yes & No.*

## The Yes Results:-

- Constructed 110 Silos & depots countrywide of 1.84 million MT capacity (20.4 m x 90kg bags)
- Developed grain quality standards
- Developed grain management capacity
- Defended its monopoly position (thro' movement permits...stifled private sector dev.)

7



## ...Storage construction achieved

From this .....



.. To this...good for warehousing<sub>9</sub>

## Achievement cont'd....

### The No Results:-

- Intervention to procure all grain not attained
- Stores constructed but less than 30% utilized
- Price intervention did not stimulate production
- Large network = high cost of management (4,000+ employees) = resulted to exchequer burden
- Poor grain maintenance (lack of funds)
- Grain distribution = inefficient
- Import / export intervention = losses...inefficiencies
- **Challenges increased Reforms were necessary...**

# Reforms undertaken @ NCPB

## 1988:- Cereal Sector Reform Program (EU)

The objective of the Program:-

- Initiate partial liberalization by allowing limited unlicensed maize trade &
- Increase the quantities moved thro' permits
- Restructure NCPB's balance sheet
- Phased closure of un-utilized stores
- Write off debts to clean the balance sheet
- **Reforms set basis for a free cereal marketing....**

11

# Reforms ... cont'd

## December 1994: Full liberalization of the cereal sector

- NCPB role limited to buyer and seller of last resort
- However, the role was not well defined
- NCPB continued buying at Gov't directed prices
- Government prices often higher than market prices.
- Payments to farmers delayed (lack of funds)
- Market share declined to 15%
- Faced a financial crisis
- **Necessitated yet another reform ....**

12

# Reforms ... cont'd

## **1996-1998:- Commercialization of NCPB**

WB project conducted by local & external consultants recommended the following:-

- Government to clean NCPB balance sheet
- Sale or closure of more storage facilities
- Retrench staff & re-engineer management
- Create regional business centres & decentralize management (top heavy)
- Appointment of directors to include private sector with relevant qualification

13

# Has commercialization Worked? Yes & No

## **The Yes Results:-**

The reform has achieved the following:-

- Reduction of staff from 4,000 – 1,000
- Diversification of business to include branded rice & input supplies (is it core business??)
- Leasing of excess storage

14

# Commercialization results Cont'd....

## **No results:-**

- Balance sheet not clean yet
- Contradictory policies = business dilemma - SGR vs. market prices (two diff. prices same time same institution?)
- Recommendation to sell excess stores not done
- Operational costs high
- Long chain of commercial decisions (political interference) = business opportunities lost
- High staff turn off - (5 MDs since 2002)
- **Further reforms desired.....**

15

## *What Next?* Mother of all reforms in the pipeline... WRS & Commodity Exchange

- NCPB plans to implement Warehouse Receipt System (WRS)
- Some of their stores have been certified
- Aims to start with large, commercial farmers
- Want to provide own receipts, however there are challenges:-
  - WRS legal framework?
  - Who is the WRS regulator?
  - NCPB contradictory roles (commercial & social)
  - NCPB image

16

# Current (Contradicting) Roles

- Government arm to intervene & stabilize grain market (@ Gov't set prices)
- Buy & maintain SGR = 0.36 million MT (4.0 - 90 kg bags)
- Buy, maintain & distribute Famine Relief Stocks (FRS)
- Distribution of farm inputs
- Commercial grain trading?? @ what price?

17

# Lessons learnt

- Despite many reforms @ NCPB, its mandate of price stabilization has not worked well
- NCPB has however, succeeded in infrastructure development (storage construction)
- Developed capacity in grain management & handling
- It has stifled private sector investment
- Interventions have jeopardize emerging market systems
- Ineffective interventions = disincentive to production
- Interventions have been costly to the economy
- Business as usual will cost country more

18

# Suggested way forward

- Policy – a clear NCPB role (social vs. commercial)
- Re-launch NCPB based on a clear mandate
- It can be done with partnership with private sector
  - If commercial Role:
    - Create viable semi-autonomous regional business units
    - Devolve management to regions
    - Involve private sector in management (thro' regional committees)
    - Ownership – partial share-holding
    - Plan for eventual divestiture
  - If social:
    - Procure for Government through the emerging market systems such as warehouse receipt
    - Procure @ competitive market prices

19

## Quote:

"It is not the impossible which gives cause for despair, but the failure to achieve the possible." - Louis Michel



**"Can't do it alone, pull together"**

*Asante sana! God bless you!*

20