

COVID-19 PANDEMIC AND ITS IMPACT ON AGRICULTURE AND FOOD SECURITY



Policy Response for Kenya

Kenya, a regional travel hub for East Africa, announced the first confirmed case in Nairobi on March 3, 2020. Kenya has registered 107 deaths as of June 17 while the number of confirmed cases continues to rise as the number of tests increase.

Impact of COVID-19 in Kenya

The Kenya economy will be affected by the COVID-19 pandemic. The extent of the impact is dependent on many variables and is currently difficult to quantify – but it will likely take a significant toll. While the authorities have taken decisive action to mitigate the health and economic impact of the pandemic, the sudden shock is likely to leave Kenya with significant fiscal and external financing needs. In early May 2020, the International Monetary Fund (IMF) Board approved \$739 million to support the government response to the pandemic.

Impact on GDP and economic growth

Various institutions are making different simulations on the likely impact of the pandemic on the economy. The Central Bank of Kenya revised its growth estimates for 2020 from 6.2% to 3.4%. McKinsey & Company have placed growth expectations for Kenya at 1.9% in a recent report analyzing the impact of the virus on Africa. The International Food Policy Research Institute (IFPRI) estimates that national GDP will fall by 22% during the 7-week lockdown resulting in approximately \$2.8 billion lost in GDP. IFPRI (May 2020) estimates also indicate that the national poverty rate will increase by 13 percentage points during the lockdown period – resulting in 6 million more people temporarily living below the \$1.90-a-day poverty line. The agri-food systems GDP is estimated to decline by 10%. The upside of this is that the economy will likely recover as some restrictions are eased and more people return to work, but the economic losses will remain, even with a fast recovery.

Agriculture as a sector will see its share of the impact

The government lockdown policies such as closing businesses, restricting travel, as well as global shocks, will have direct impacts on the operation of certain sectors, mainly agriculture. This will also generate some indirect impacts on other sectors involved in supply chains, mainly input suppliers and downstream users as well as agro-dealers and farmers. It is important to remember that Kenya is also dealing with a locust invasion this year; the impact has not been fully confirmed, but is expected to affect agricultural output. The government has noted that the locust invasion has been controlled and the impact will be minimized and re-evaluated closer to the next harvest period. For the current period, the tussle between maize growers and the government also means that Kenya is likely to import more bags of maize to maintain supply lines of crucial commodities such as maize flour and manage food security.



Increasing Food Security


Kenya experienced excessive rainfall starting in October 2019 that continued during its crop harvest period, followed by a devastating desert locust invasion starting in February 2020 before the COVID-19 pandemic began in March 2020. This increased food insecurity. The Kenya National Bureau of Statistics estimated based on the Integrated Household Budget Survey 2015-2016 that about 12 million people do not have enough income to enable them to consume enough calories for a healthy lifestyle and are food poor. More than 66% of Kenyans live in rural areas and about 84 percent of Kenya's total workforce is employed in the informal sector. The coronavirus outbreak resulted in the government issuing movement restrictions, daily dawn to dusk curfews, and the closing of produce markets. The restrictions, curfews and closing of markets has limited rural farmers' access to markets to buy inputs and sell products, and has hampered the ability of urban households to earn income in the informal sector. These curfews and restrictions are reducing household food access, especially in urban areas. Kenya's food system is heavily dominated by small, independent transporters who link producers and consumers; the curfews and restrictions are also constraining the transport of food commodities and market operations. This traditional informal system accounts for about 90% of the food market activities. In the long term, the impact on market supply will likely result in increases in above-average staple food prices, further reducing household purchasing power, and increase food insecurity.

To mitigate the adverse economic effects of COVID-19, the government announced a 53.7 billion Kenya shilling (KES) (\$503 million) stimulus package to support businesses that have been hit by the coronavirus pandemic and plans to reduce income tax, reduce turnover tax for small and medium businesses, and reduce value added tax from 16 to 14 percent; allocate 10 billion KES to the elderly, orphans and other vulnerable members of society through cash-transfers by the Ministry of Labor and Social Protection to counteract the loss of other income sources; and implemented food distribution through the national response fund.

Government Response

The government introduced nine potential interventions and one enabler to increase food security during the COVID-19 crisis. These include:

1. **Maintain flow of produce from production to markets.** Maize is available until end June 2020. There are plans to import rice and wheat as Kenya's production does not meet demand. Digitizing the current process for trucks to allow owners flexibility to switch among a list of drivers who can then have access to the pass is underway; the Ministry of Trade has been looped into the conversation.
2. **Ensure minimal disruption to markets and access of population to food and water.** 90% of markets tracked (45 in 28 counties) are operational. Closed markets are being relocated to open stadia.
3. **Manage pricing spikes.** Data from 20 counties indicate that prices of key commodities have increased (20% for maize grain, 15% for rice).
4. **Maintain sufficient stocks.** Data shows that the country has enough stocks to sustain the country until the end of June.
5. **Maintain support of inputs/extension.** There are sufficient stocks of seeds (most produced locally) and fertilizers for the next season. Agrochemicals will need to be imported or blended locally (~59K MT available vs ~137K MT requirement).
6. **Support farmers in mitigating the impact of the locust invasion.** Plans are in place to increase the aircraft fleet to 20 if needed (currently 9 in 6 bases), increase vehicle-mounted sprayers by 10; 208K liters of pesticide are available (vs demand of ~200K liters).

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7. **Support on-going operations of large farms and processing.** Farms and agro-processors have remained working uninterrupted, and raw materials (seeds, fertilizers, animal feeds and grains) supply chains are functional.
 8. **Limit disruptions to export market access.** 1,300 tons transported weekly (vs demand of 3,500 tons) because of insufficient cargo space and high rates of cargo space (+50% increase in cargo rates).

The government has developed strategies and guidelines to smooth the supply of staple nutrition at effective prices for most of the population. Furthermore, there are plans to import maize and monitoring status of markets, levels of food stocks, prices and distribution systems to ensure that the government can step in where the market mechanisms fail. But the pandemic has also disrupted global food supply systems. The government has responded by announcing plans to continue providing support to producers to improve the food supply.

Policy Response Package for Kenya

The government requires support to increase agricultural productivity and profitability especially for smallholder farmers, generate marketable food surpluses, increase food availability, incomes and lift households out of poverty.

This requires expanded public investments in irrigation to reduce reliance on rainfed agriculture production, agricultural research, technology development, extension and agricultural input supply systems to increase farmers' adoption and use of high quality seed of improved varieties and hybrids, fertilizers, agrochemicals, agricultural machinery and farm equipment, post-harvest technologies and agricultural output market intermediaries, transport and logistics, processing, wholesale and retail markets, infrastructure, build resilience of farmers against the effects of climate change and variability.

The pressure of the COVID-19 pandemic will be felt even after the pandemic has been contained. Kenya will continue to require support to increase agricultural productivity, profitability, food production, availability and affordability. Kenya also requires support to ensure adequate safety nets for food security for households that will be devastated economically.

For further information about costs, please contact:

Apollos Nwafor, Vice President, Policy and State Capability on [anwafor\[at\]agra.org](mailto:anwafor@agra.org)