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Heike Höffler “Implications of Food Market Liberalisations in Developing Countries: Empirical Evidence from the Kenyan Dairy Sub-sector”

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Summary

In the past two decades, many developing countries have reformed their food markets. Since liberalisation was the most common measure, this thesis approaches the issue with a compilation of the reasons for reforms, of expected impacts and of common results. Considering some general lessons learnt from food market liberalisations, a set of questions is derived, which forms the framework for the Kenyan case study. The assessing of the immediate experiences for the involved actors suggests that the short-term effects after liberalisation in 1992 were different from the medium term implications. A Structure-Conduct-Performance-analysis is carried out to investigate the economic conditions that determined the development of competition in the Kenyan dairy market after liberalisation. The analysis is based on secondary data from literature, which was supplemented by a survey carried out during April and May 2001.

During the nine years after market liberalisation, the Kenyan dairy sub-sector shows higher efficiency and better performance than immediately after liberalisation. This was mainly achieved by a large and active informal raw milk segment and by higher competition at the processing stage. Several private and co-operative processors were established and engaged in the market. They diversified the production, improved quality and introduced innovation. Although technical and operational efficiency improved, total milk production did not increase because not all actors benefit from the gains of competition. Dairy processors seem to realise relatively high marketing margins. The whole sub-sector suffers from poor infrastructural conditions.

Since the private sector has responded to market reform, the public sector, however, lags behind the market development. The government neglected to redefine its role in a liberalised market and thus failed to adjust the legal and institutional framework. That hampers the realisation of more gains from market reform. Mainly with the unexplained question about the role of the public sector in a liberalised market, the Kenyan case study shows general constraints of food market liberalisation in developing countries so that the Kenyan experience can be of interest in other country cases to avoid similar mistakes.