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SOME ASPECTS OF THE REPORT OF THE KENYA MAIZE COMMISSION OF ENQUIRY, 1966 (1)

By

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"The laws concerning corn may everywhere be compared to the laws concerning religion. The people feel themselves so much interested in what relates either to their subsistence in this life, or to their happiness in a life to come, that their governments must yield to their prejudices . . . . It is upon this account, perhaps, that we so seldom find a reasonable system established with regard to either of these two capital objects". Adam Smith 1776.

Broadly speaking, there are two basic issues affecting maize production and distribution in Kenya. The first one relates to the official policy of the Government, and this is that Kenya should be self-sufficient in maize production. The Government has never felt it necessary even to examine the desirability or otherwise of this policy: in fact over the years the justification for such a policy has been taken for granted since Kenya is an agricultural country and maize is the staple food of the majority of the population in the country. In 1957 it was asserted, inter alia: " . . . . Further it would be fundamentally bad policy for a country such as Kenya, with an economy based on agriculture, to rely on importing a staple food from overseas" (2). Similarly the 1964-70 Development Plan states that "Maize is the staple food in Kenya and it is important that the whole of the country's requirements should be produced internally" (3)

The second issue arises out of the operation of the institutions through which the Government has attempted to implement the policy of self-sufficiency. The first serious attempt to impose controls over the distribution of maize dates from 1942 when the Maize Control was brought into existence with a monopoly over the purchase of maize in the country. This was replaced in 1959 by the Maize Marketing Board with similar powers over the disposal of maize in the country. It had exclusive powers over the import and export of maize; the movement of maize between districts in Kenya had to be authorized by the Board, and all maize millers had to be registered with it. This Board has now been amalgamated with the Agricultural Produce Marketing Board.

It must be pointed out that some of the shortcomings of the Maize Marketing Board are inherent in any attempt to implement a policy of self-sufficiency. It has, for instance, been my contention that, questions of principle apart, a policy of self-sufficiency in maize production would be very difficult to implement (4). The difficulty of implementing such a policy arises mainly from the lack of information regarding maize production in the former non-scheduled areas which normally contribute 95% of total production. The Commission itself confirms this, and its findings in this respect are extremely illuminating. It starts off chapter 2 entitled: The Shortage of Statistics' by stating that "If adequate statistics had been available many of the events which gave rise to the appointment of this Commission might never have happened". They go on to quote Mr. A.T. Brough, Chief Statistician in the Ministry of Economic Planning and Development which reads: A full and adequate consideration of the maize problem in Kenya is impossible because of the lack of statistical data relating to particular aspects". Mr. Brough specifically pointed out in his evidence that the Maize Marketing Board "is not so organized as to make an adequate assessment".

It is no little disappointment, therefore that the Commission did not use an opportunity to point out that it was not practicable to pursue a policy of self-sufficiency successfully, and therefore that the pros and cons of that policy ought to be examined.

It is important to stress that this aspect of the Board's "inefficiency" is independent of the integrity or otherwise of the particular individuals responsible for the Board's activities. The Commission's report reveals that there has been a lack of integrity on the part of certain highly placed officials connected with the Board, and in addition reveals serious limitations on decision-making within the machinery of government in dealing with the last maize crisis. The Commission deserves lots of congratulations for its candour and painstaking efforts to piece together this information. In this respect it is a historic landmark for the countries of East Africa. It should act as a warning to enthusiasts of control measures, fond of suggesting that every drawback of underdevelopment could be cured overnight if only enough control bodies were set up. These not only divert skilled manpower from where they are needed most but their operation where nepotism and corruption are widespread is subject to serious constraints. The memorandum submitted by the Kenya Police to the Commission, for instance, states: "More instructions have been sent from police headquarters to officers in the field concerning offences under this Act (the Maize Marketing Act) than in connection with any other type of crime . . . ." (Appendix E). In addition the Board employs its own investigation staff to check some crimes committed under the Act. This looks like an extravagant use of skilled manpower which perhaps could be utilised more efficiently elsewhere in the economy.

The Policy of Self-sufficiency

Since 1942 there have been seven full-scale enquiries into the production and distribution of maize in Kenya - that is roughly an average of one enquiry every 3½ years. None of these enquiries, however, has ever been given the vital job of analysing and advising the Government on the advantages and disadvantages of self-sufficiency in maize production: in almost all cases the terms of reference have been framed in such a manner that self-sufficiency was taken as a basic policy on which the commissioners' views were not needed.*

Not one economist would be opposed to a policy of self-sufficiency for its own sake; what he has a right to demand is that the economic implications of any such policy be spelled out in full and compared to some other alternative policy. On the other hand stating such a policy as an axiomatic truth implies that the Government is commited to self-sufficiency whatever the cost to society. One hopes that this is not what is intended in the case of Kenya.

It must be pointed out that in times of war or military blockade a policy of self-sufficiency commends itself automatically because there are no alternative sources of supply, and starvation would be the lot of many unless food supplies were procured internally. In normal times, however, alternative sources of supply exist, and so it is important to weigh the cost and benefits to society of each alternative.

Arguments relating to self-sufficiency relating to a staple foodstuff did not, of course, orginate in Kenya. In the first half of the nineteenth century there was a raging debate in Great Britain over the provisions of the Corn Laws which protected British farmers from competition of the new lands in the Americas and Australia. In this debate it was emphasized that protection acted against the interests of the townspeople, and in favour of the landlords and farmers. An eminent economist of this period, David Ricardo also pointed out that the high wages which had to be paid to labour because of the high cost of food militated against profits, and therefore against investment. He was convinced about the ill-effects of the Corn Laws that he went so far as stating that: "the interest of the landlord is always opposed to the interest of every other class in the community"(5)

* The terms of reference of the 1966 Commission were, however, sufficiently vague to warrant an expression of views on this point, as no basic policy was stipulated therein. Unfortunately this was not attempted, and as one reads the Report one gets the impression that the Commissioners were required to take this policy for granted. They even went so far as to endorse it in paragraph 267 without having examined some of its most serious disadvantages.

The Corn Laws were subsequently abolised in 1846 amid acute famine conditions in Ireland occasioned by the failure of the potato crop. This abolition did not doom British agriculture to disaster as some pessimists had feared: for many farmers there was a switch of resources from wheat production to a new type of farming which subsequently came to be called 'high farming'. This type of agriculture was more specialised in the production of horticultural and vegetable products for the rapidly expanding London market.

Subsequent events have also shown that the rapid rate at which Britain increased her manufacturing sector was in no small measure due to her free trade policy, and the abolition of the Corn Laws was a major act underlying this policy. In the second half of the century Britain stood out as the champion of free trade, and she was able to obtain concessions in other countries for her manufactured exports. Nevertheless, even industrialists and traders had been opposed to the Corn Laws: in 1838 manufacturers and merchants in Manchester formed an Anti-Corn League because of the difficulty they were experiencing in selling their textiles to the Continent of Europe since there was protection against the Continent's corn in Britain.

While these historical events may not be applicable to Kenya in their entirety, they nevertheless contain important lessons to be taken seriously There is very strong evidence to suggest that the farmers in the former scheduled areas supported the policy to self-sufficiency because it was in their pecuniary interest. They even got the Government to get committed to such a policy as a basic policy without further analysis of the facts although this policy does not serve the interests of the majority of the population of Kenya. It does not seem to be realised that commitment to a policy of self-sufficiency is not the only means of ensuring food supplies to the African population although it is definitely the most expensive way of doing so. Highly-placed officials of the Maize Marketing Board such as a former General Manager have categorically stated that protection was needed in Kenya because the importation of cheap maize from Uganda would kill the industry in Kenya (6). He was primarily concerned with the industry in the large-farm sector where farmers could in fact switch to other products such as wheat, and Mr. MacArthur has given evidence to the effect that this is being done (Appendix D of the Report).

High prices of maize have adversely affected the development of the pig industry - pig producers have to go through a process of red-tape before obtaining their maize at lower prices. Some plantation owners have been forced to cultivate small plots of maize on the side in order to feed their labour force on land which is only marginally suitable for maize production. The high price of maize must also act as a deterrent for African farmers to specialize on the production of cash crops: they feel more secure if they have a plot of maize in the backyard The consumers in the towns also suffer from these high prices. It is in fact difficult to avoid the conclusion that the only beneficiaries of the policy are a small group in the large-farm sector. Even the 1966 Commission admitted that maize could be imported more cheaply from Tanzania and Uganda than could be produced at home.

Another lesson to be learnt from the experience of Britain is that Kenya's maize policy must contribute to the hardening of attitudes in East Africa when trade matters are being discussed. When famine conditions are threatening Kenya rushes to Uganda and Tanzania to buy some maize, but at other times this trade is not encouraged, Since Kenya has a large favourable trade balance with both Uganda and Tanzania it would have been in her own interest to encourage imports from the other two countries to reduce this imbalance. It is not in the interests of industrialists in Kenya that maize imports from Uganda and Tanzania are restricted. The removal of these restrictions would not only benefit the Kenya consumers, but would also constitute a gesture in the right direction.

Implementation of Self-sufficiency

The second basic issue concerning maize in Kenya is that the policy of self-sufficiency is impossible to implement successfully under present conditions. One aspect of this is pretty obvious: serious shortages of maize still occur in the country. The 1966 Commission stated that shortages occur every four to five years (commissions of enquiry take place even more frequently).

It has also been pointed out at the beginning of this article that Kenya authorities are convinced that the kind of information necessary to enable the Maize Marketing Board to run a policy of self-sufficiency at all adequately is not available. This policy cannot be carried out at all adequately unless information about the future demand and supply of maize and close substitutes is available. On the demand side it is necessary to forecast the demand for maize not just for one year ahead, but for a number of years. This is because ~~the policy~~ instruments which need to be used in order to adjust supply to demand must be allowed time to work, and, most important, must have a certain degree of consistency as between one year and another. Some of the policy instruments available to the Government such as subsidies or taxes, credit facilities to farmers and prices to farmers take time to affect production; at the same time they should not be varied abruptly as between one year and another. But the choice of policy instruments to use depends on the response expected from the farmers, and it is here that our information is most deficient with respect to the major sector of the industry.

One gets the impression that the object of declaring some crops essential or scheduled under the 1955 Agriculture Ordinance was to enable the Government to adjust the supply of such crops to the demand by guaranteeing prices and minimum returns per acre to the farmers. In the case of wheat it is obvious that the industry is concentrated in the large-farm sector, and therefore Government measures to affect production have a chance of affecting the bulk of producers. The anomalous position with maize has been that these measures were designed for only a small proportion of the industry i.e. the large-farm sector producing only 5% of total output. Admittedly, guaranteed prices for maize have recently been extended to all farmers, but the African farmers outside the former scheduled areas are not guaranteed a minimum return per acre nor do they have easy access to credit. It is well-known, and the Commission itself points it out, that an appreciable shift in the small-farm sector may be disastrous: a small fall of 6% in the output of the small farm sector can only be offset by a rise of 100% in the output of the large-farm sector.

The fact that these policy instruments are designed primarily to suit conditions of only a small part of the industry, coupled with a lack of economic data about the bulk of the industry, makes it extremely difficulty to forecast supplies, and was at the root of the recent maize muddle. For instance, on 11th March 1964 the maize shortage was estimated by the Board at 48,000 bags; this was raised to 80,000 a month later and was later estimated at 208,000 bags on 17th June 1964. A week later this estimate was raised by another 20,000 bags. This is a reflection on the kind of information available to the Board, but one may ask if it is possible to pursue a policy of self-sufficiency with such estimates. As it is this information would not even be adequate to enable one to take short-term measures in time such as importing food from overseas, let alone inducing the farmers to produce more. Yet it is on the basis of such information that prices to farmers are fixed and production orders issued.

The Commission itself has had this to say concerning the implementation of the Government's maize policy: "With sharp annual fluctuations in the level of marketed production and an inelastic demand, the administration of such a policy is like walking along a tight-rope where the slightest mistake will involve a fall." (para 61)*. The Commission was commenting on the Government's policy of self-sufficiency without a deliberate policy of producing for export. They realized the difficulties of exactly matching demand and supply, and they made it clear that a policy of self-sufficiency was unworkable. This is the most serious indictment of this policy by the

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* Since the whole operatinn of maize control in Kenya depends largely on guesswork it is difficult to say when a particular act is or is not a mistake.

Commission. There is evidence to show, however, that the Commission did not realize this because their conclusions on policy in paragraph 68 completely contradict this view of endorsing self-sufficiency. Were they recommending that Kenya should continue to walk along a tight-rope by stating that the policy of self-sufficiency should be continued?

The second problem arising out of the implementation of this policy is that even if self-sufficiency could be achieved it would still be a most expensive way of procuring maize for the African consumers in Kenya. The Commission's idea of self-sufficiency is that " . . . . it is better to err on the side of over-production than under-production". But they recognised that both over-production and under-production would result in losses. For instance, a loss of Shs 4/50 per bag was incurred on maize from America although that maize was imported under an aid programme. This loss is now being passed on wholly to the consumers in the form of higher prices Conversely, when surpluses occur an export cess is imposed on producers and is deducted from the guaranteed price. This has meant that the final price to the grower is also a function of the level of exportable surpluses, and has in the past resulted in variable prices to the producers rendering a guaranteed price meaningless.

The effect of this unpredictable guaranteed price has been to induce some large-scale farmers to switch from maize production to wheat. In Appendix D to the Report, Mr. MacArthur suggests that the variation and inconsistency of the maize price, rather than the profitability of maize production, has been a major decisive factor in discouraging large-scale producers from maize production.

At present the consumers pay any losses on imported maize, but losses on exports are paid by the farmers. The Commission now has made a recommendation which will have the effect of shifting export losses on the consumers through the creation of a reserve fund.* It is recommended that the present element in the consumer price of Shs 4/50 per bag which represents the losses on American maize should be retained even after these losses have been paid off until a reserve fund of Sh 20 million has been built up. This is a most sweeping recommendation. There is no reason whatsoever why consumers should be made to build such a fund out of which future losses be met: present prices without this element are already too high. The commission does not even find it necessary to justify the creation of such a fund other than the need to subsidize exports.

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* Strangely enough this comes after the Commission's observation that export losses are the responsibility of the growers and should be borne by them (para 108).

It also looks as though the Commission did not fully grasp the practicability of their proposal. Appendix K of the Commission's Report shows that over the past few years export prices, f.o.r. producer's station have fallen short of guaranteed prices on the same basis by about Shs 20.00 per bag. This means that if the levy of Shs 4/50 per bag is retained in order to build up a reserve fund the Board will have to sell nearly five bags on the domestic market in order to offset losses on one bag exported. Theoretically, if the Board handled a crop of 1.8 million bags annually of which 300,000 (16.7%) were exported it would not be able to accumulate any funds under existing export and internal proces*. Yet this seems a fair division of export and domestic consumption if self-sufficiency must have a bias towards export. Even on the most unrealistic assumption that no export losses will be incurred in the immediate future it would take the Board at least three years to accumulate a sum of Shs 20 million with an annual turnover of nearly 1½ million bags. It has now come to light that 500,000 bags of the maize imported from the United States will be surplus to Kenya's requirements - the shortage was over-estimated due to a lack of statistics - and will have to be re-exported with a minimum loss of Shs 20.00 per bag, export losses will amount to Shs 10 million resulting in a total loss of Shs 12,250,000. for having imported too much under conditions of panic. Already the guaranteed price to the farmer for the 1967 crop has been fixed extremely low in anticipation of this situation. If the fund starts with a debit balance it will be some time before the target is achieved.

In the meantime the situation is likely to remain as it has been for a long time now: a fear of maize shortages inducing the Government to announce higher prices for maize while making make-shift arrangements to import maize from outside; higher prices stimulate production to such an extent that exports become unavoidable, and so export cesses are imposed on farmers with lower prices being announced for the following season. Farmers react by reducing their acreage under maize especially in the large farm sector. This is not discovered immediately, but shortages begin to show up somewhere which at first are attributed to profiteers hoarding a staple food and holding the majority of the population to ransom. Gradually it is realised that the situation is more serious than that so high prices for maize are announced; at the same time a commission of enquiry is appointed, not particularly to get at the root of the problem but to reassure everybody that the food problem is under control. This completes the circle.

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* This assumes a differential between internal and export prices of Shs 22/50 per bag. In such a situation export losses would be Shs 6,750,000.00 on 300,000 bags and the internal levy on the remainder would bring exactly the same amount. With a lower differential, say Shs 18.00 per bag export lossess on 360,000 bags would be sufficient to offset levies collected on 1,440,000 bags sold internally i.e. Shs 6,480,000.00

The Commission seems to place too much faith in the introduction of hybrid maize as the solution to Kenya's maize problem. In particular, it has been pointed out that the widespread adoption of hybrid maize will enable the Government to reduce the price paid to the farmer as higher yields can offset the effect of lower prices. This overlooks an important factor, which is that the full potential of improved seed cannot be realized unless certain changes on the farm are effected. These include better husbandry practices, better storage facilities etc. This will be especially true of the small-farm sector where the methods of husbandry at the moment fall short of those necessary to utilise hybrid maize. All these cost money, and have an opportunity cost to the farmer, and in the initial stages it will be necessary to pay high prices to make the adoption of these techniques worthwhile. We must remember that V.G. Mathews who investigated the industry in 1963 predicted a price of Sh 27.00 per bag by 1966 on the assumption that hybrid maize will have been widely adopted by that time. The actual price was Sh 37.00 per bag, and had been higher for the previous two years than his recommended prices.

It is time it was realized that the future of the maize industry in Kenya lies with the former non-scheduled areas; for instance, by raising productivity in these areas by a mere 6% we could afford to dispense with production of maize from the large-farm sector. It is possible to raise productivity by a much higher figure with a minimum of investment in these areas in which case variations in supplies would be taken care of. At present unjustified emphasis is placed on the producers contributing only 5% of total output and one must question the policy which gives rise to such action; because it is only these farmers who produce a sure surplus they are guaranteed a minimum return per acre, given credit facilities to produce the surplus as well as many other forms of encouragement.

The argument that supplies from the small-farm sector are unreliable is as untenable as the argument that supplies from Uganda and Tanzania have been unrealiable. This conclusion is drawn from historical data on deliveries by these sources of supply without an awareness that this data largely reflects the controls being exercised over the industry, and would have been different if these controls and policies did not exist. Small-scale farmers in Kenya operate within a framework of District Council cesses, lack of credit facilities, restrictions on the disposal of their crop etc. These are some of the impediments which are reflected in their deliveries to the Maize Marketing Board, and we have a right to expect different results with a change of policy.

In this connection I wholeheartedly disagree with Mr. MacArthur's observation in his memorandum to the Commission that the small-farm sector cannot be depended upon to provide a surplus, leading to his recommendation that "those responsible for drafting a long-term maize policy would be wise to rely mainly on the large-farm producer for the larger part of estimated requirements". Mr. MacArthur came to this conclusion because he found no reliable relationship between small-farm deliveries to the Maize Marketing Board and the maize price for the previous year in North Nyanza. Farmers' responses to prices can only be measured adequately by correlating acreage figures with prices; another alternative which is not as satisfactory is to work out a correlation between prices and total production, and we should have more observations than just five years to establish the responsiveness or otherwise of the farmers. Adverse weather coming after a year of high prices would reduce production even if the acreage is higher, but this would not prove that the farmers' deliveries to the Maize Marketing Board are in fact complicated by the existence of cesses, smuggling and black marketing. For Kenya as a whole we do not know the actual deliveries from the small-farm sector becuase some maize by-passes the Maize Marketing Board, but for single districts the estimates are even less reliable because of inter-district movements of maize, especially if one does the exercise for a long period. Inter-district movements, legal or otherwise, would tend to vary from year to year and would be reflected in official deliveries to the Maize Marketing Board. In this case there would be no justification for thinking that observations in one district would be typical of the small-farm sector in the country as a whole as Mr. MacArthur would have us believe.

His statement that small-scale farmers are not price conscious also seems to contradict the findings of many scholars in this field. This would not have mattered if he had based his statement on better information than what he actually put forward in his memorandum.

To sum up, the report of the Commission is a big disappointment in that it did not get to the root of the maize muddle, but adopted a judicial approach to matters such as corruption which at best are a symptom of the maize problem in Kenya. This failure to recommend a change in the system of maize production and marketing is a reminder that Adam Smith was not after all, wrong in making the statement quoted at the beginning of this review: he lives with us today.

References

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