

# **INTEGRATED ASSESSMENT AND PLANNING (IAP) FOR ORGANIC AGRICULTURE IN KENYA.**

**Draft Country Report By:**

**Bridge Africa**

# Project Update : Key Milestones

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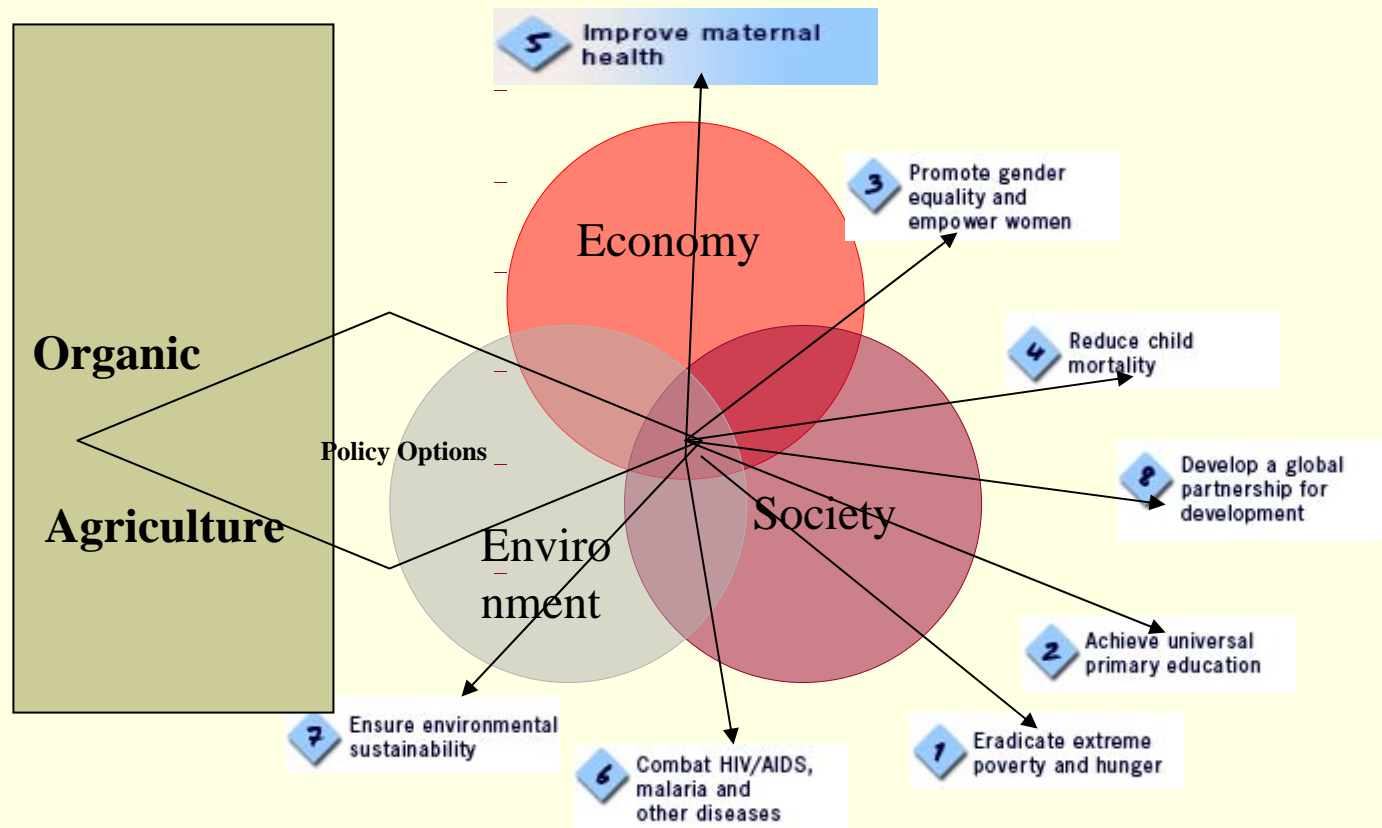
- NIT established in September 2005 and has held several meetings.
- Formation of NSC
- Preparation of IBD
- 1<sup>st</sup> NSW- Presentation of IBD
- Framework for Assessment developed and presented at Arusha meeting
- Draft Country Assessment Report presented at 2<sup>nd</sup> NSW- Nov 2006

# Key Topics in Draft Country Report

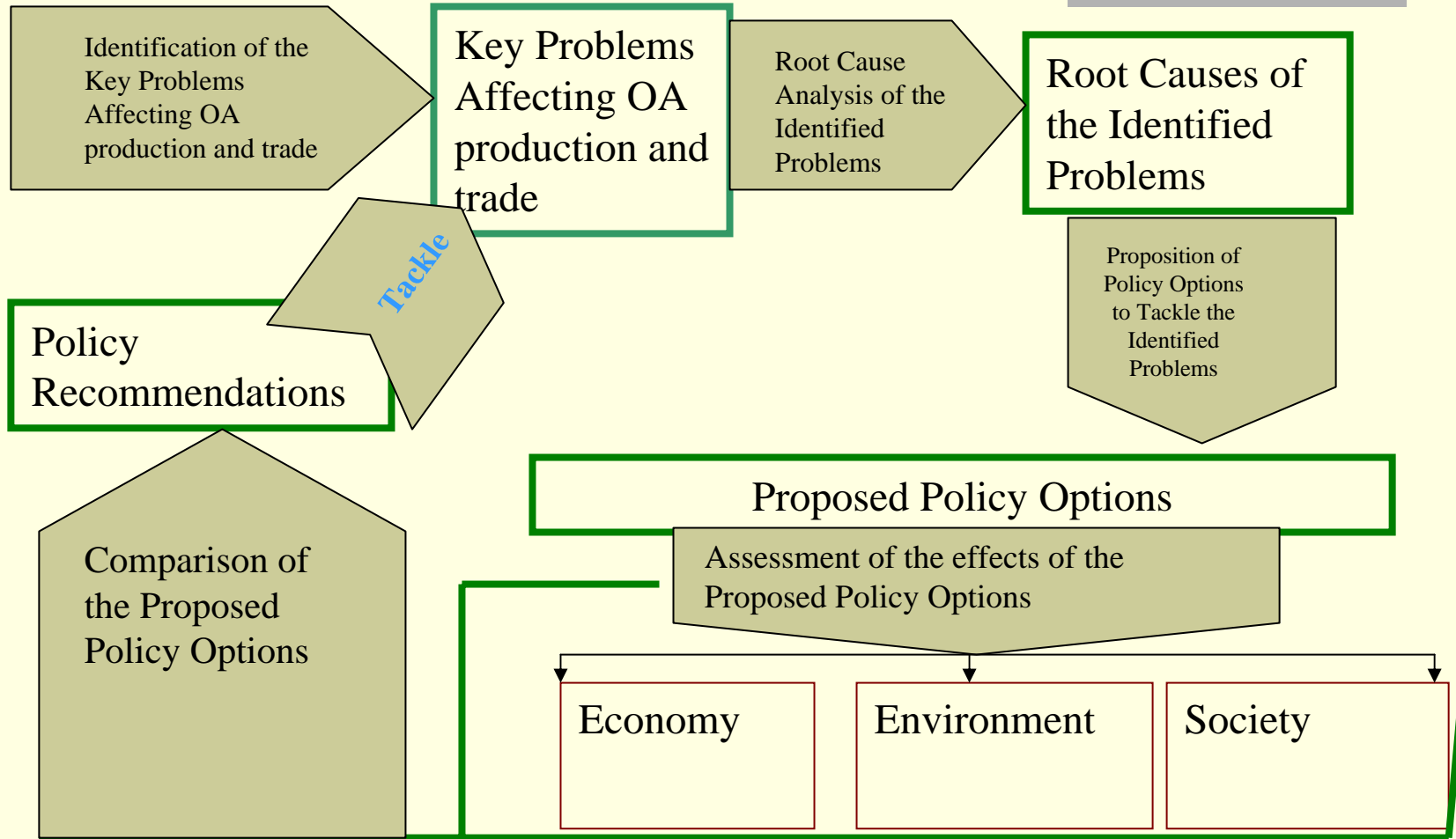
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- **Description of overall economic and trade situations regarding agriculture**
- **Key issues in organic agriculture**
- **Problem analysis**
- **Policy Assessment**

# Analytical framework



# Conceptual framework



# Methodology

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- Secondary data collection and review
- Key informant interviews and FGDs with different stakeholder groups
- Focus on macadamia nuts and herbs and spices but results extrapolated to entire OA sector
- Root Cause Analysis
- Assessment of Policy Effects on S-E-E thro' selected indicators
  - Economic [level of income, market potential]
  - Social [poverty reduction, food security]
  - Environmental [water pollution, level of biodiversity]
- Expert opinion mainly due to lack of quantitative data

# Key Problems - Supply side

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- Low conversion rate due to:
  - High cost of conversion. The process of converting into organic production is an involving and costly process.
  - [High cost of certification. Very high costs are charged for certification by the existing certifiers]
- Poor marketing. Undeveloped national markets for organic produce.
- Low levels of research and development. Extension services for organic production are lacking leading to among other things poor organic crop husbandry.
- Low levels of awareness. This low level of awareness manifests itself in various dimension but key among is the ignorance by farmers on the benefits of organic agriculture and low level of consumers awareness on organic produce.

# The case for policy intervention

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- A key reason for policy interest in organic agriculture lies in the increasing coincidence of organic farming goals and policy goals with respect to the environment, resource use sustainability, food safety, nutrition and human health, financial viability and social justice.
- Organic farming is recognised as delivering environmental and other benefits to society that society wants. These benefits are public goods, which would not be delivered in sufficient quantities without [government] intervention.
- Overall, the organic sector is still too small to benefit from economies of scale and can be regarded as an “infant” industry, support for which can be justified in terms of expanding consumer choice and allowing the industry to develop to a point at which it is able to be independent and compete in established markets and make a positive contribution to rural development.
- The challenge is to develop a mix of policies that can make effective use of the market base which the organic community has developed, while at the same time allowing organic agriculture to maximise the broader benefits to society as a whole.

# OA and MDGs

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- There may be an almost direct link between possible price premiums on certified organic crops and the *reduction of poverty and hunger* (MDG 1) on smallholder farms. Several case studies and surveys have shown that the farms can increase their income after the conversion period
- The increased income from certified organic crops may in itself improve the food security of the family because of larger purchasing power.
- The extent to which conversion to OA increases food supply and HH food security depends on a number of factors including local agro-ecological and socio-economical conditions and the type of farming systems, which are converted

# OA and MDGs (2)

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- There may also be a direct linkage between conversion to OA and improved *environmental sustainability* (MDG no. 7; e.g. increased on-farm diversity of both cultivated and wild species, improved soil fertility and non-use of pesticides).
- Documented environmental benefits of organic farming include lower resource use, environmental protection, reduced energy use, preservation of biodiversity and landscape values
- These benefits are however mostly related to the conversion of high-input farming systems dependant on agro-chemicals. In a context of non-industrialized agriculture, valid evidence on these benefits is fragmented

# OA and MDGs (3)

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- Organic farming may also directly *promote gender equality and empower the women* (MDG no. 3).
- In some cases organic production might increase women's possibilities for participation in cash crop production leading to greater involvement in training and marketing.
- The trained women have more capability and they can also earn more money, by this way, they can gain respect and empowerment in the Household (HH).

# OA and MDGs (4)

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- **A number of the MDG's are indirectly linked with organic agriculture. However, some of the indirect relations between OA and MDG's may not be detectable on the level of the individual farm.**
- **For example, theoretically, the combination of improved knowledge and human capacity and improved food security on the smallholder farms may lead to an improved diet for women and children.**
- **This again could lead to improved health and to reductions in child mortality. On a general level, if development efforts in relation to poor farmers' result in agriculture which increases diversity of food and makes more resources available to manage childhood illnesses then this contributes to reduced child mortality (MDG 4).**
- **The same relation may be found between improved agriculture and improved maternal health (MDG 5) and the combat of diseases such as HIV/AIDS and malaria (MDG 6).**
- **In this context we assume as a hypothesis that development of organic farming is a special case of this dynamic relation. Thus, there is a potential and direct link between organic farming and health is the improved diets, which may be the result of a more diverse agro-ecosystem.**

# OA and MDGs (5)

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- For MDG no. 8, *global partnership for development*, when the organic products are exported to foreign countries, the organic farming will directly contribute to a global partnership for development.
- Due to different organic rules, collaboration between institutions across borders will be enhanced, different requirements and knowledge will be transferred to the organic operators. For the international markets, the traders have to access to the internet for more information.

# Some policy options

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- Zero rating/ reduction of VAT on organic production
- Direct financial support to organic production

# Zero rating/reduction of VAT

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- A VAT reduction implies for consumers that they have to pay a lower price for organic products and for farmers that they receive a higher price for their products.
- Consumers and producers benefit from a VAT reduction. Due to lower prices consumption of organic products is expected to grow.
- Additional supply will be available if higher prices are paid. This implies that organic producers also benefit.
- This will also motivate more farmers into organic production and hence increased conversion. Increased conversion implies higher incomes to the farmers, higher output of the sector and better health for the environment.
- Consumers are likely to respond to lower prices by buying more organic products.

# Financial support to organic production

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- Support for organic farming is one of the accepted activities for promoting production and trade in organic agriculture
- Growth of the organically farmed area would be spurred significantly if the budget for organic farming schemes would be established.
- Some feasible options would be direct income payments for conversion, irrigation.

# Comparison of different policy options

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- The main advantages of a VAT tariff of 0% compared to direct payments that it impacts primarily on the demand side, while the latter impact on the supply side, at the risk of creating an oversupply of organic products.
- Secondly, the instrument explicitly targets organic agriculture, while it remains to be seen if and what percentage of the revenues of for direct payments will be used for organic farming.
- The main disadvantages of a VAT tariff of 0% compared to direct payments are that its effect on the organic area may be relatively small and unevenly distributed within the country.
- Secondly, the price decrease for consumers can be eroded by farmers, food processors or retailers, for example in case of shortages of organic products, or when processors or retailers use the VAT reduction to increase their profit margin on organic products.

# Challenges

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- Data, particularly disaggregated data!!!!!!

# Next Steps

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- Revised Assessment Report – 15<sup>th</sup> Dec
- 3<sup>rd</sup> NSW – 2<sup>nd</sup> week of January 2007
- Final Country Report, January 31<sup>st</sup> 2007
- Closure of project