KENYA & FOOD INFLATION

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ABSTRACT

Inflation in developing and developed countries is a serious problem that is caused not only by one factor but several factors, and this factor lies on the private sector as well as the government and the policies that are adopted in a given economy to slow down inflationary rate. Inflationary rate jumps when there is instability in the government, and also natural factors like drought, flood and human intervention like climate change which is affecting the Eco- system.

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INTRODUCTION

Food prices have risen due to refugees who fled from Somalia to the Dadaab refugee complex in the northern east Kenya, the world's (UN) declares a famine in five regions of Somalia and predicts it may spread across the country's southern region and persist until at least December. According to World Bank global food prices are close to the peak of 2008 and are contributing to humanitarian emergency in the horn of Africa. The Word Bank's food price index sugar and wheat jumped.

Kenya's food inflation accelerated for the ninth month in July to 15.5 percent driven by a 24 percent surge in food prices. This has led to 13 percent decline in the shilling this year. The central bank aims to keep inflation it from 3 percent to 7 percent target range. Growth in east Africa's biggest economy is expected to slow to 5.3 percent this year from 5.6 percent in 2010.

Due to poor weather there is a reduction of supply of sugar and maize, the country's stable food, to the market that has seen the cost of maize flour more than double since December. Two kilograms packed maize flour retailed at sh.136 from sh.130 in June 2011 and sh.70 in December 2010, but prices will fall due to the harvesting season from September. There is a confidence that inflation will slow down in the coming months after being that inflation will slow down in the coming months after being pushed higher by surging demand for food from tens and thousands of Somalia refugee demand for food from tens and thousands of Somalia refugee feeling famine. This is attributed to humanitarian crisis in the horn of Africa rekindled concern over food shortage and worst inflation outlook, hence the cost of corns, Kenya's staple food has begun to decline. The drought in the horn of Africa has been termed as the worst in 60 years.

The cause of inflation doesn't happen in a single flow in any economy. There are various causes which are rooted deeply to the three fundamental patterns:

- The economic policies that have been adopted in our attempt to mould it
- The structure of the economy as we have shaped it.
- The set of tastes and the preferences we are accustomed to as a consuming society

OBJECTIVES OF THE STUDY

The objectives of the study are based upon the following points.

1. To identify the cause of inflation in Kenya.
2. To study the trends of inflation for the last five years.
3. The role of the government to manage inflation.

METHODOLOGY

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. The researcher needs to know the criteria by which they can decide certain problems and others not. Hence, the researcher needs to design his methodology for his problem. Without proper methodology the results are not arrived, without the methods no research can be carried out.

The study is based on secondary data only. The secondary sources have been collected from various journals, reports from Kenya.

Statistical methods are mathematical technique used to facilitate the interpretation of numerical data secured from the samples. Hence , researcher has decided to make use of simple statistical tool like percentage and ratios for applying the research figure to present the data. The data has been collected, tabulated and analyzed by using suitable statistical tools such as percentages, averages and ratios.

THE CAUSES OF INFLATION IN KENYA

There are various sources of inflation, in our study we are going to focus on the major ones that are affecting the country. As per the reports and various publications, inflation in Kenya in the recent years has been and is still the problem to the economy as per the case of 2007 and 2008 when the general inflation was 9.8 percent and 26.2 percent respectively. The uprising of various countries in Africa like Egypt, Libya which are the key producers of products like oil and other product has pushed the price of essential commodities to rise.

The recurrent seasons of failed or poor rains, sustained the increase of food prices, environmental degradation, outbreak of diseases and flood have led to deterioration of food security in Kenya. Interethnic conflict over the access to limited land and water re souses, civil and political unrest including violence were associated with the December 2007 election that displaced more than 350,000 people across the Rift Valley, Western, Nyanza and coast provinces.

Impact of global warming also contributes to agricultural production in various ways;

Higher temperatures affect plant, animal and farmers health enhance pests and reduce water supply increasing the risk of growing aridity and land degradation.

Modified precipitation patterns will enhance water scarcity and associated drought stress for crop and alter irrigation water supplies. They also reduce the predictability of farmers in planning.

The enhance frequency of whether extremes may significantly influence both crop and livestock production. It may also considerably impact or destroy physical intra structure for agriculture.

Enhanced atmospheric concentrations of CO2 may for unlimited period of time, lead to natural carbon fertilization and thus stimulate crop production.

Sea level rise is likely to influence trade infrastructure may inundate producing areas and alter aquaculture production conditions.

This impact of global warming has significant consequences for agricultural production and trade of developing countries as well as an increased risk of hunger. Preliminary estimates for the periods up 2080 show a decline of some 15-30 percent of agricultural productivity in most climate-change exposed developing countries like Africa and South Asia . For some countries in these regions total agricultural production could decline up to 50 percent. The poorest farmers with little safeguards against climatic calamities often live in areas prone to natural disasters. Most frequent extreme events will create both a humanitarian and food crisis (FAO 2009)

TRENDS OF INFLATION IN KENYA

The trend on the average consumer prices in 2007 was 4.3 percent. In 2008 it was 16.2 percent, 2009 it was 9.3 percent and 2010 it was 4.2 percent. Over the past quarter, inflation in Kenya began to increase after having a downward trend for most of 2010. At the end of the year, headline inflation in East Africa's largest economy stood at 4.5 percent.

Inflation had previously fallen from a peak of 31.5 percent in May 2008 due to gradual recovery from temporary price shocks associated with post election violence, drought and higher international commodity prices.

In recent months inflation pressure has been caused by increasing food and fuel prices. As food crop price have edge up on international markets, domestic prices have also been forced up by the twin factors of dry weather which has hindered supply and because of the holiday season which expands the demand.

Prices and food and non-alcoholic beverages which comprise 36 percent of CPI basket were 7.8 percent higher in December 2010 than the previous year. The increase was only on milk, beef and cooking fat. Similarly, increased price of fuel such as kerosene and cooking gas had direct effect (by edging up the housing, water, electricity, gas and other fuel index) and indirect effect. (Through increased transport and business costs).

The impact of price war in the telecommunication market continues to be seen. Index in December 2010 was down 23,4 percent on the same stage in 2009 .

The inflation rate in Kenya was last reported at 15.5 percent In July 2011 compared to last quarter of March 2011 in which inflationary rate stood at 9.19 percent.

Below is a table showing the inflation rate in Kenya from March 2006 still the quarter of March 2011.

Table. 1 The inflation Rates from 2006 to earlier 2011

Quarterly (months)	(Year) 2006	(Year) 2007	(Year) 2008	(Year) 2009	(Year) 2010	(Year) 2011
March	19.1	5.9	21.8	14.6	4.0	9.1
June	10.9	11.1	29.3	8.6	3.6	N.A
September	13.8	11.7	28.2	6.7	3.2	N.A
December	15.6	12.0	27.7	5.3	4.5	N.A

From the above figure, inflation rate changed drastically in the year 2008 compared to other years because of the post election violence late December 2007. This year's inflationary rate seems to change because of drought in other parts of the country and part of East African countries. The above figures show that there is a significance change compared to previous years. This is due to the various measures the government of Kenya has taken, and the stability of the country.

THE ROLE OF THE GOVERNMENT

The government of Kenya recognizing the seriousness of the evolving food shortage on January 9, 2009, declared a food emergency, stating that about 10 million Kenyans about 25 percent of the population will be risk of food shortage. The 10 million include estimated both those who have financial resources to purchase food locally and those who can buy food if available at reasonable prices. In an effort to bolster the food supply at reasonable prices, the government of Kenya recently requested the USDA to secure GSM-102 credit guarantees for the purchase of U.S. white corn, rice or wheat. The government designated the National Cereal and Produce Board (NCPB) the importer to U.S.A central imported under GSM – 102 programs. Given the current global economic crisis and Kenya's declining balance of payment if the request is granted and the NCPB executes it properly, the program will help keep foods supply and at affordable prices.

LONG TERM – FOOD SECURITY CONCERN

Trade restriction

The government of Kenya announced that as a result of the current food crisis, it will work zero (eliminate) ad- valorem tariffs ranging from 35 to 70 percent on imports of all Agricultural commodities and food items. In addition the government has indicated that it will temporarily non- tariff barriers, such as very low moisture content restrictions, that are not health related in an effort to permit commodity imports. The action will ensure the availability of corn, wheat and rice.

Fracturing in the potential trade enhancing effects of GSM – 102 credit guarantee program for Kenya US producers would be in position to help Kenya traverse these tough food- insecurity times.

Biotechnology

Kenya's corn yields have reminded flat over the past two decades, in spite of many well intentioned efforts, short of biotechnology, to find solutions. It is estimated that corn stem borers infect 20 to 40 percent production loss in Kenya and elsewhere in East Africa. In comparison, South Africa began adopting Agriculture technologies to control corn stem borer and parasitic plant inflation similar to those notes in East Africa region, Hence South Africa corn farmer's record higher production than their counterpart Kenya.

The government recognizing the advantage passed a bill of biosafety for agricultural biotechnology in Kenya. With the powerful tool, Kenya needs to produce enough corn to feed the country's food insecure population.

Others

In line with strategy of revitalizing Agriculture and vision 2030, the government is undertaking policy legal framework to create an environmental conducive for enhanced agricultural production and encouraging investment.

Enhancing knowledge and skills to farmers and extension through training and sharing knowledge this is aimed to empower farmers to take and appreciate faming as business.

Transforming agriculture from low- income, efficiency and low-technological sector and a vibrant modern sector supporting value additional through scientific and technological innovation improved extension services, credit and insurance programs. This will be implemented by establishing more agro – processing industries in rural areas.

Support the establishment crop and livestock insurance.

Expand the strategic food reserves to include other food product like pulses, milk, fish and meat products besides maize.

SHORT TERM FOOD SECURITY CONCERN

Continue meeting the basic food needs of resettled families and IDP who might be in the camp.

Fast track efforts in supporting the resettled families as well as neighboring families with farm inputs such as seedlings, fertilizers and equipments.

Enhancing peace building, reconciliation and provide psychosocial support in order in order to rebuild trust among the communities and in particular farming and pastoral communities.

Develop and support business development services to link affected farm families, fishermen, livestock farmers and trade with financial institution and access market.

CONCLUSION

The study reflects that inflation in developing and developed countries is a serious problem that is caused not only by one factor but several factors, and this factor lies on the private sector as well as the government and the policies that are adopted in a given economy to slow down inflationary rate.

The study shows that inflationary rate jumps when there is instability in the government, and also natural factors like drought, flood and human intervention like climate change which is affecting the Eco- system.

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