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Second Benchmark Study of Smallholder Farmers of Kenya, 2016: Insights on Baseline Changes from 2015

Supported By:



FARMER & FARM CHARACTERISTICS

A sharp increase in poverty



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Demographics

Gender Segregation

Overall	Central	Western
51%	242	269
49%	265	233

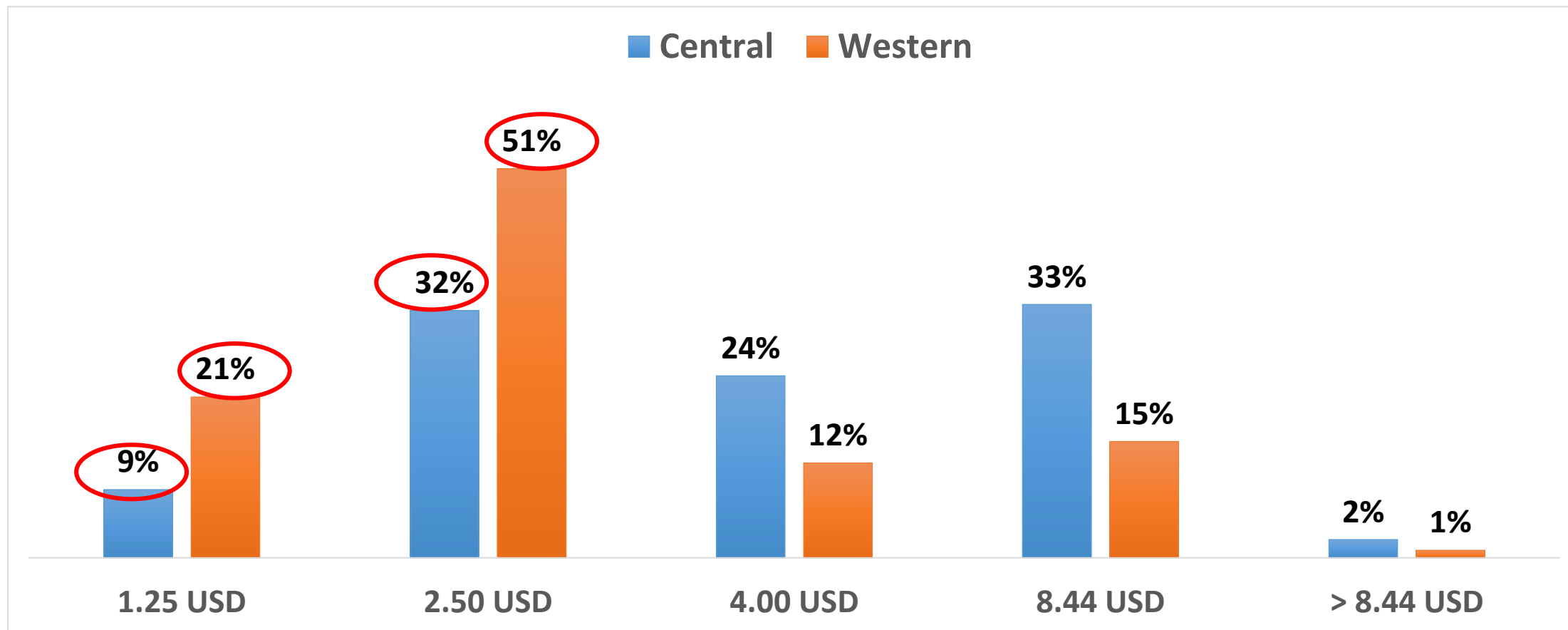


Age Segregation

Age	Central		Western	
	Male	Female	Male	Female
18 - 30 years	18%	14%	23%	34%
31 years and above	82%	84%	77%	65%

A total of 1,009 farmers were surveyed; 506 farmers in 25 villages in Central and 504 farmers in 25 villages in Western Kenya. 51% of the interviewed respondents were females.

A sharp increase in respondents living at or below \$2.50 a day occurred in 2016, especially in Central.



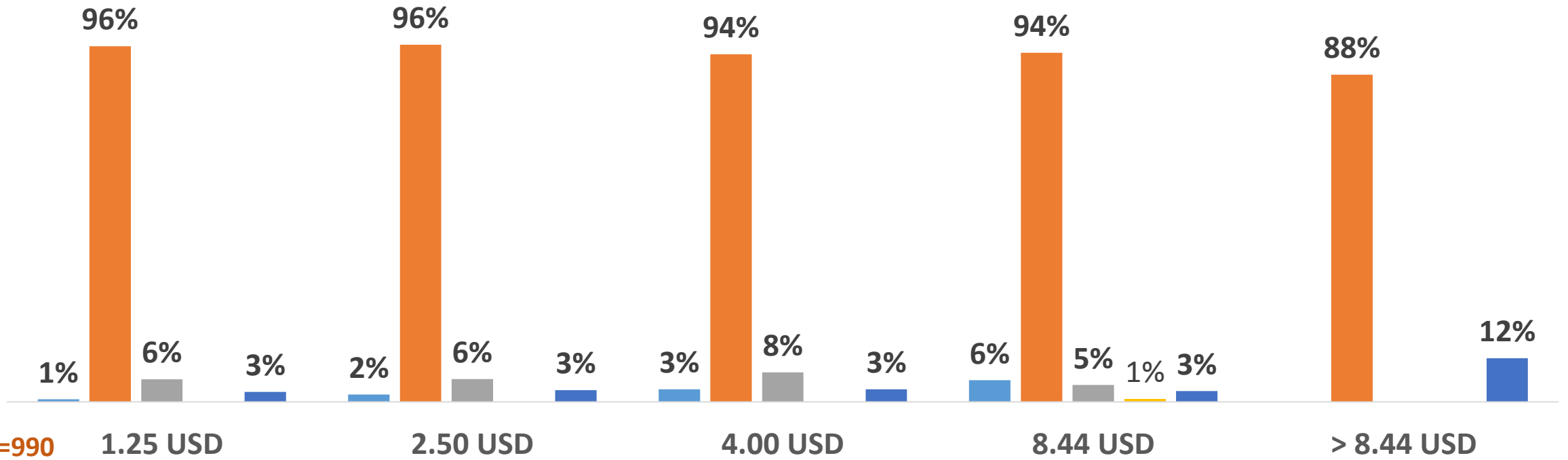
N=1,009

PPI: Progress out of Poverty Index

In 2015 15% in Central and 60% in Western were living at less than USD 2.50 a day.

Regardless of PPI tiers, farmers consistently stated they own the land they cultivate.

- Leased (long term)
- Rented in(short term)
- Land owned by someone else-made available for free
- Land owned
- Communal



N=990

Compared to 2015, there was a drop of more than 50% in the number of farmers renting land, an indicator of a cash strapped year. More than 70% cultivated one parcel.

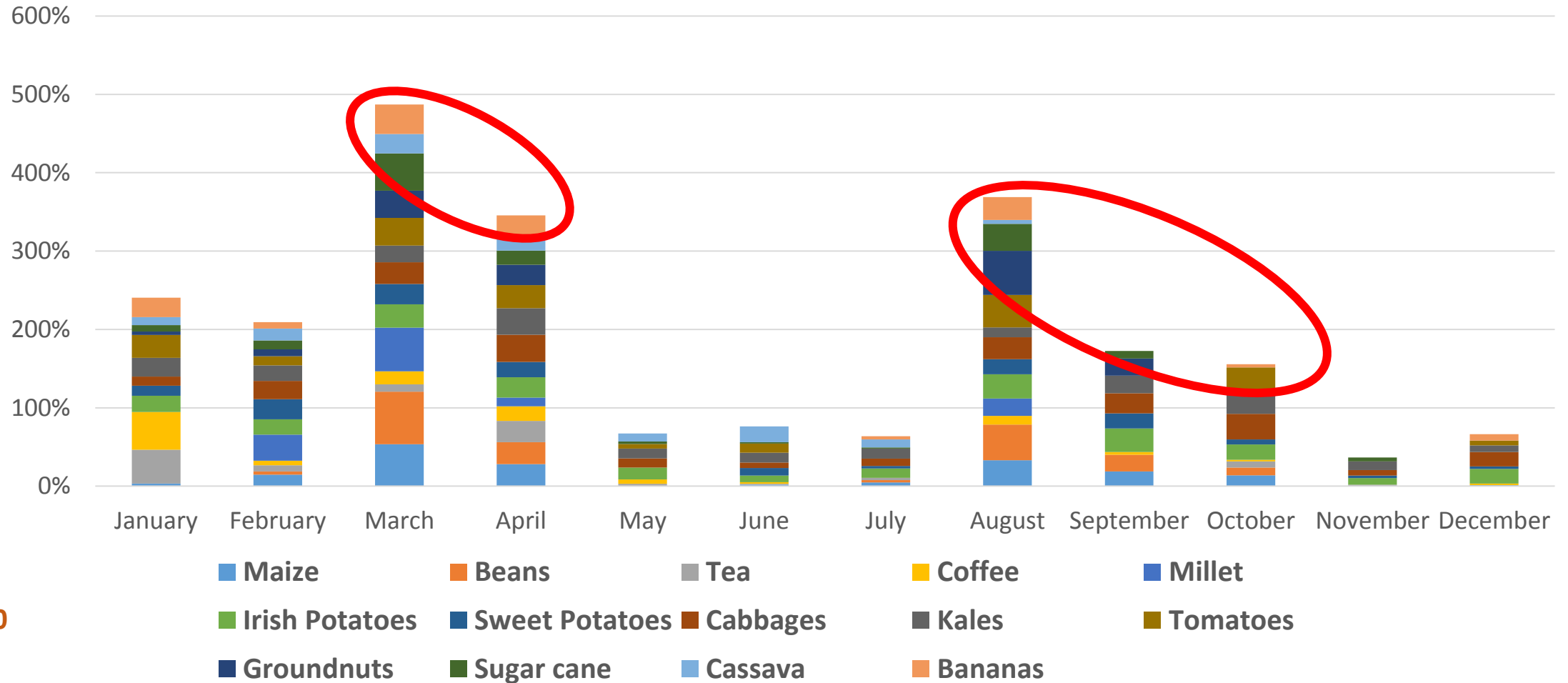
What is the size of land under cultivation?

	Average size of land cultivated in the last 12 months				
		Parcel 1	Parcel 2	Parcel 3	Parcel 4
Age	18 - 30 years	1.25	.85	.86	.79
	31 years and above	1.34	.91	.75	.64
Gender	Male	1.52	1.04	.92	.65
	Female	1.12	.74	.63	.75

N=990

**Males older than 30 cultivate the largest parcels; females under 30 the smallest.
Reported sizes for the first parcel are slightly larger than in 2015.**

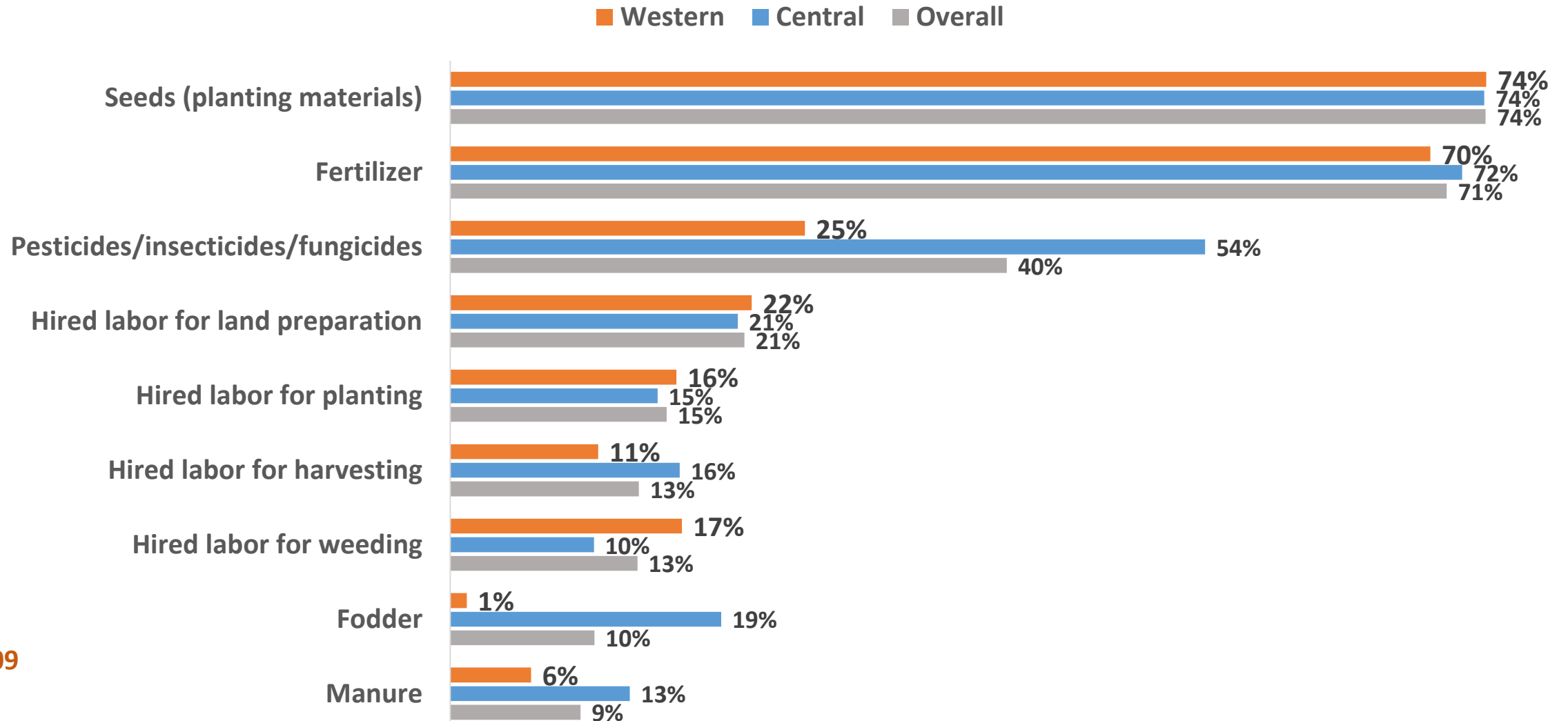
Primary planting season is March/April. The secondary planting season is in August/September/October



N=990

Planting activity in May, June, July, and September, October, November and December was significantly below 2015 levels. In the remaining months planting in 2016 was at par with 2015 levels.

Farm inputs form the highest expenditure for the farmers



N=1,009

The lower planting activity has resulted in lower expenditures for seeds and fertilizer compared to 2015; all categories of hired labor dropped in 2016.



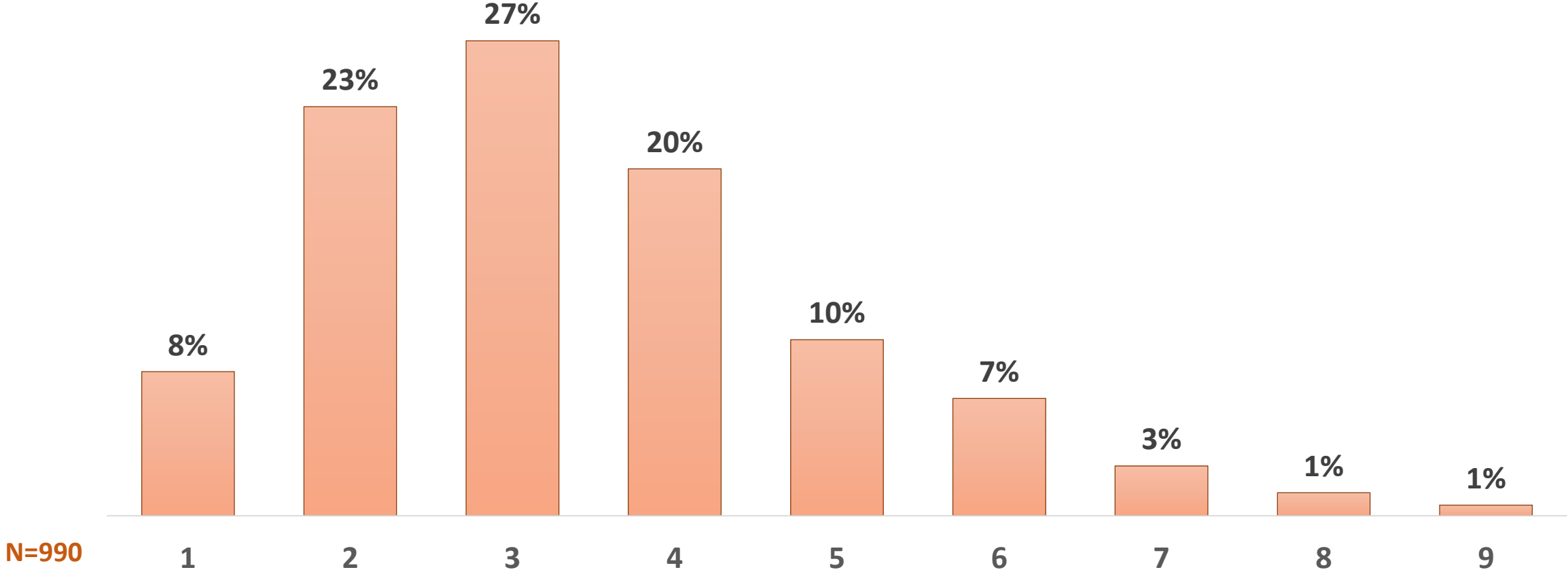
VALUE CHAINS: *Mixed cropping
and the prevalence of Dairy*



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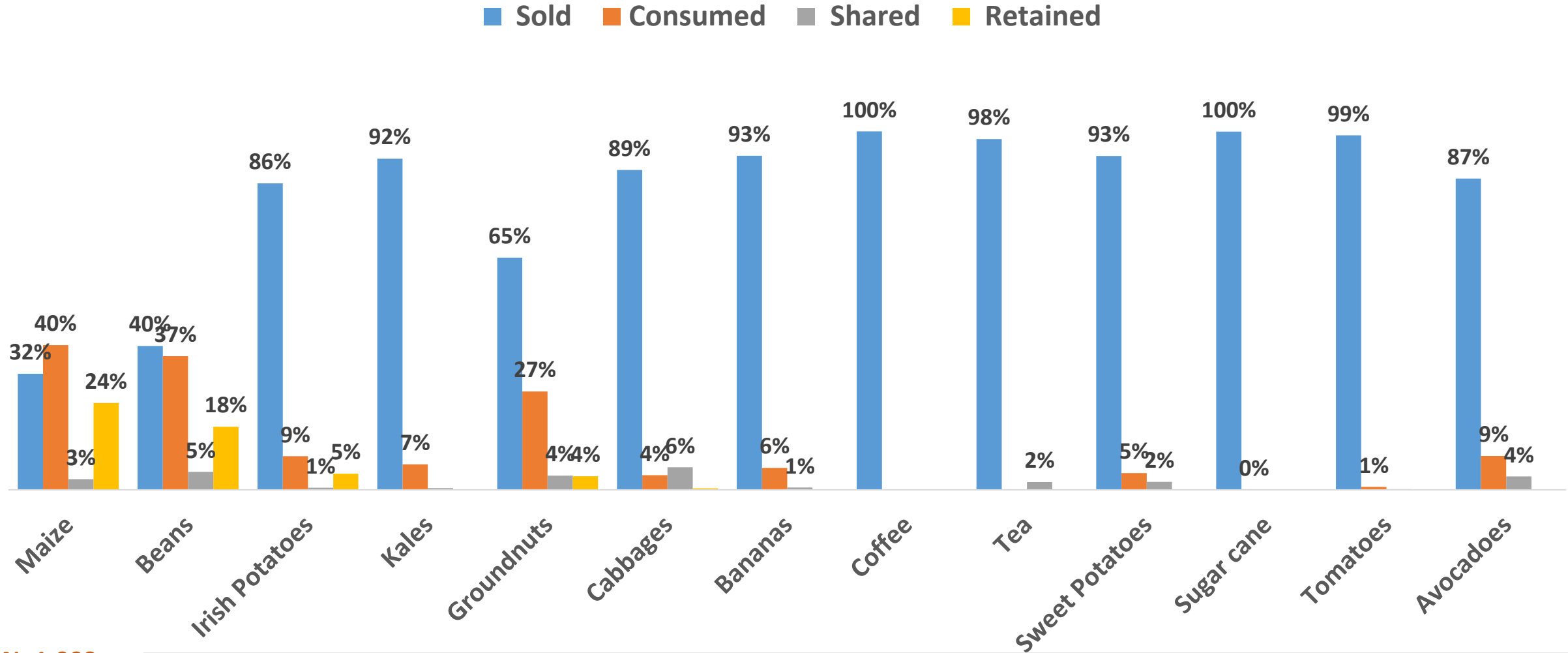
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Farmers are involved in multiple value chains



Mixed cropping & livestock raising are very common among the interviewed farmers

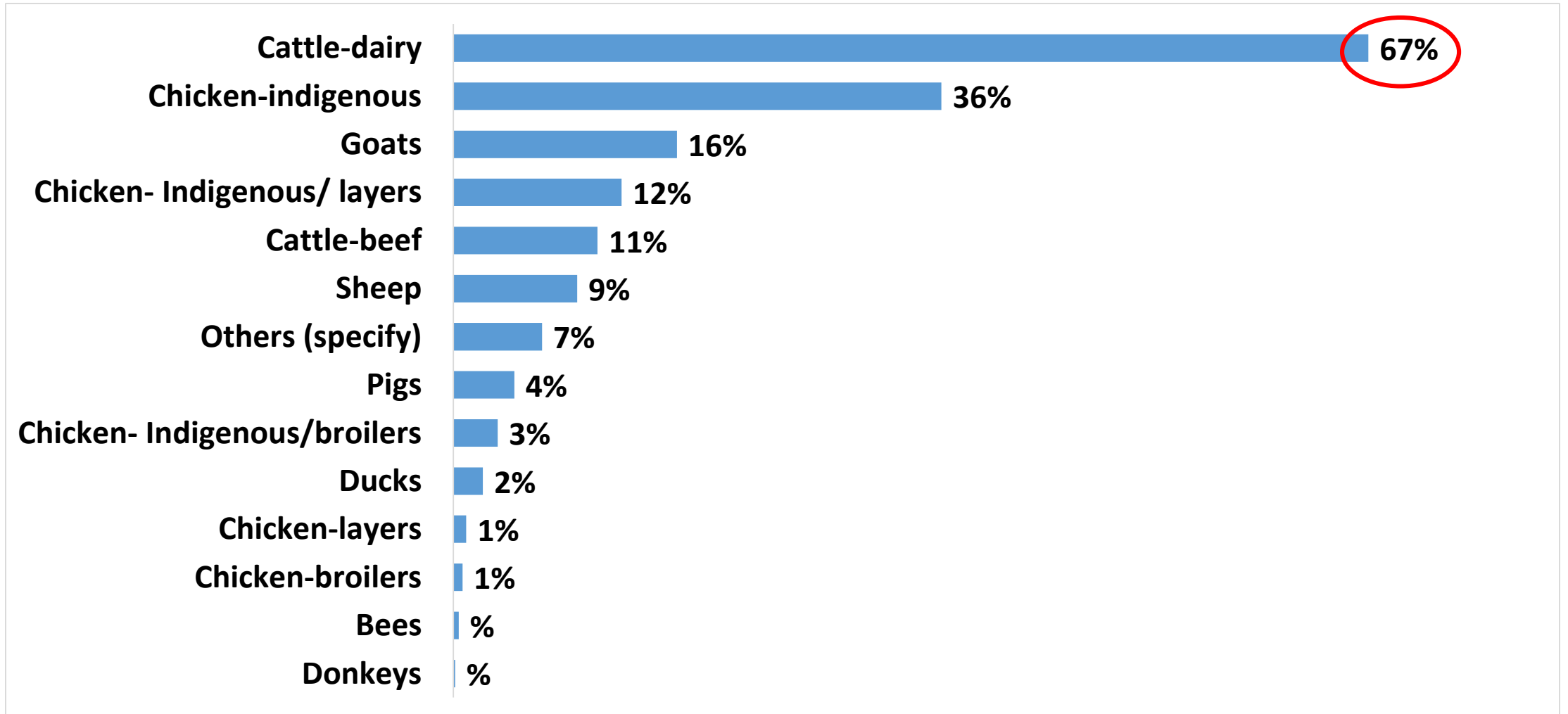
Small holders farm crops for consumption, selling and saving



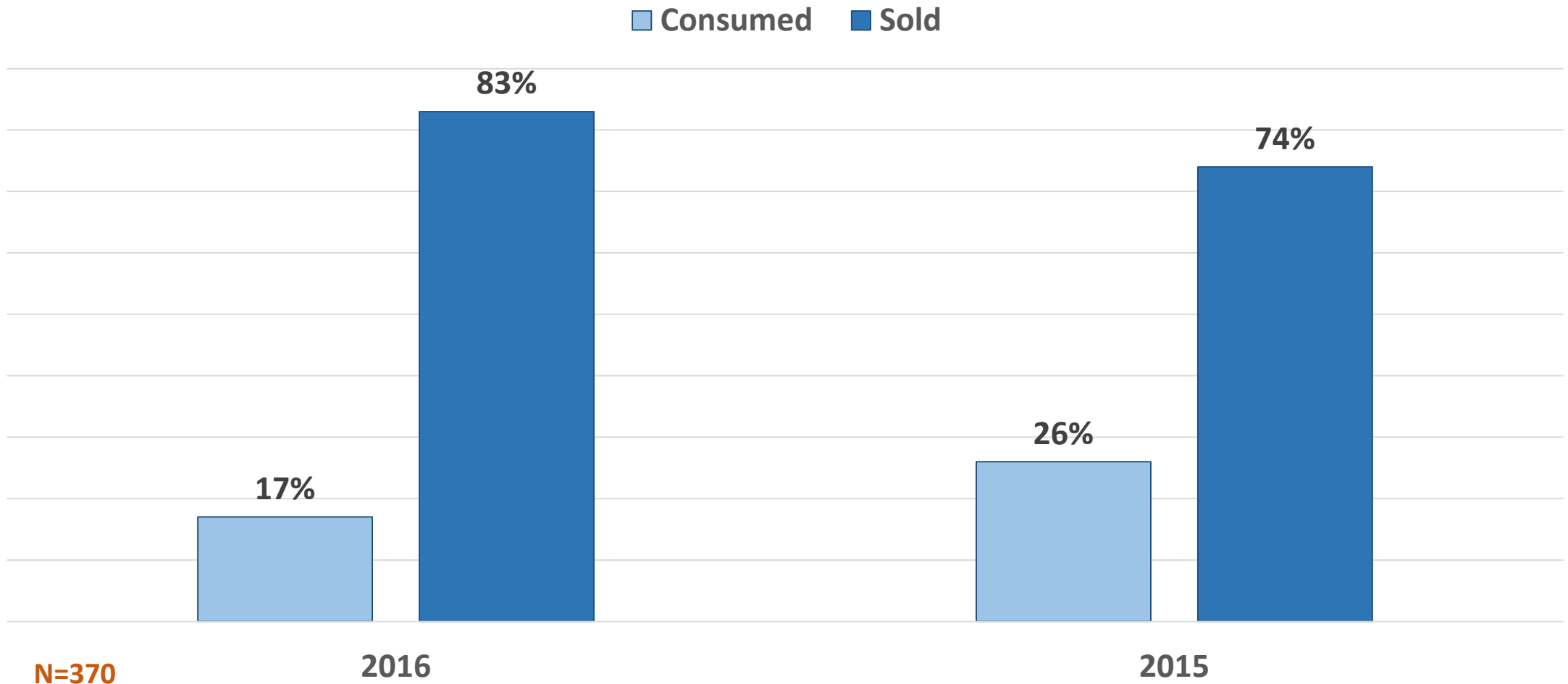
N=1,009

Selling of maize is down & consumption of maize is up, and most of the other crops are about the same.

Farmers who reared livestock in the last 12 months

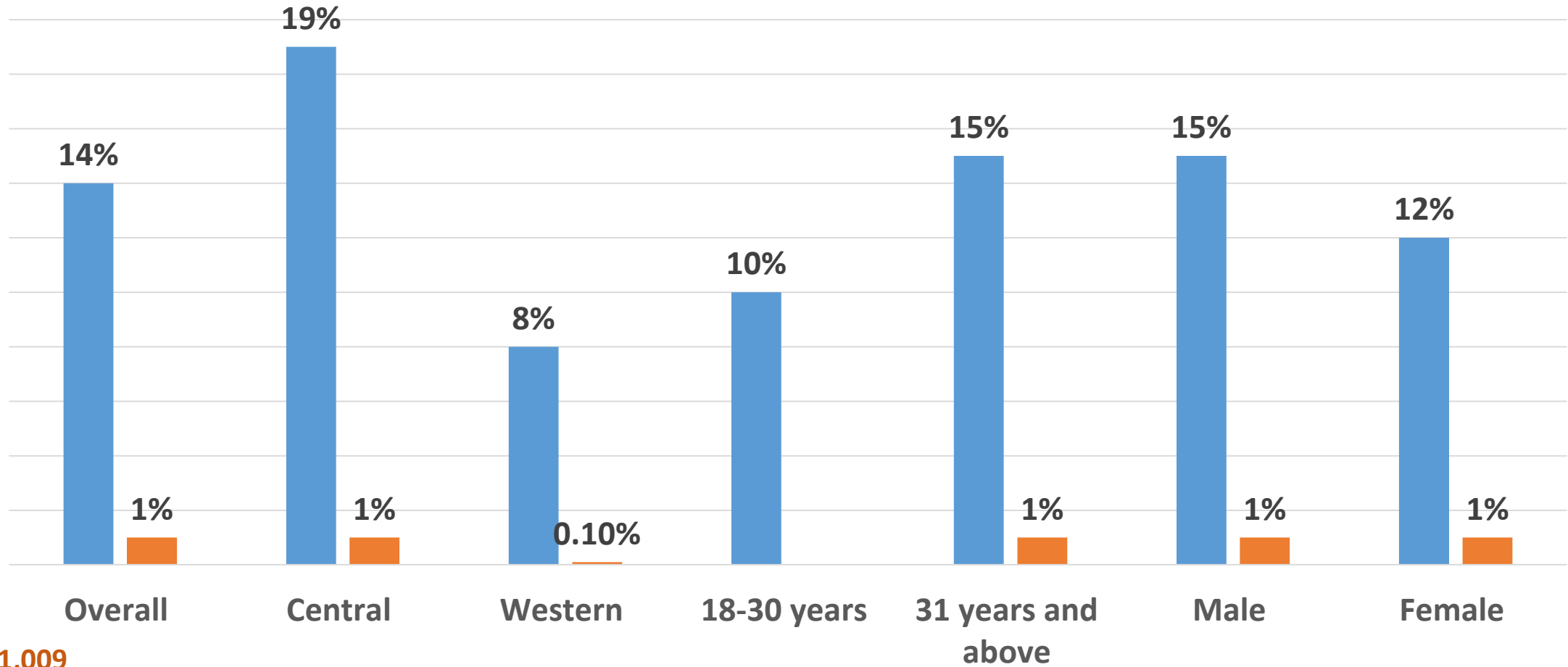


Farmers consumed less and sold more milk in 2016, possibly to offset losses in other crops because of drought



Fewer farmers are selling fewer poultry products in 2016

■ Poultry farmers ■ Sell poultry products



N=1,009

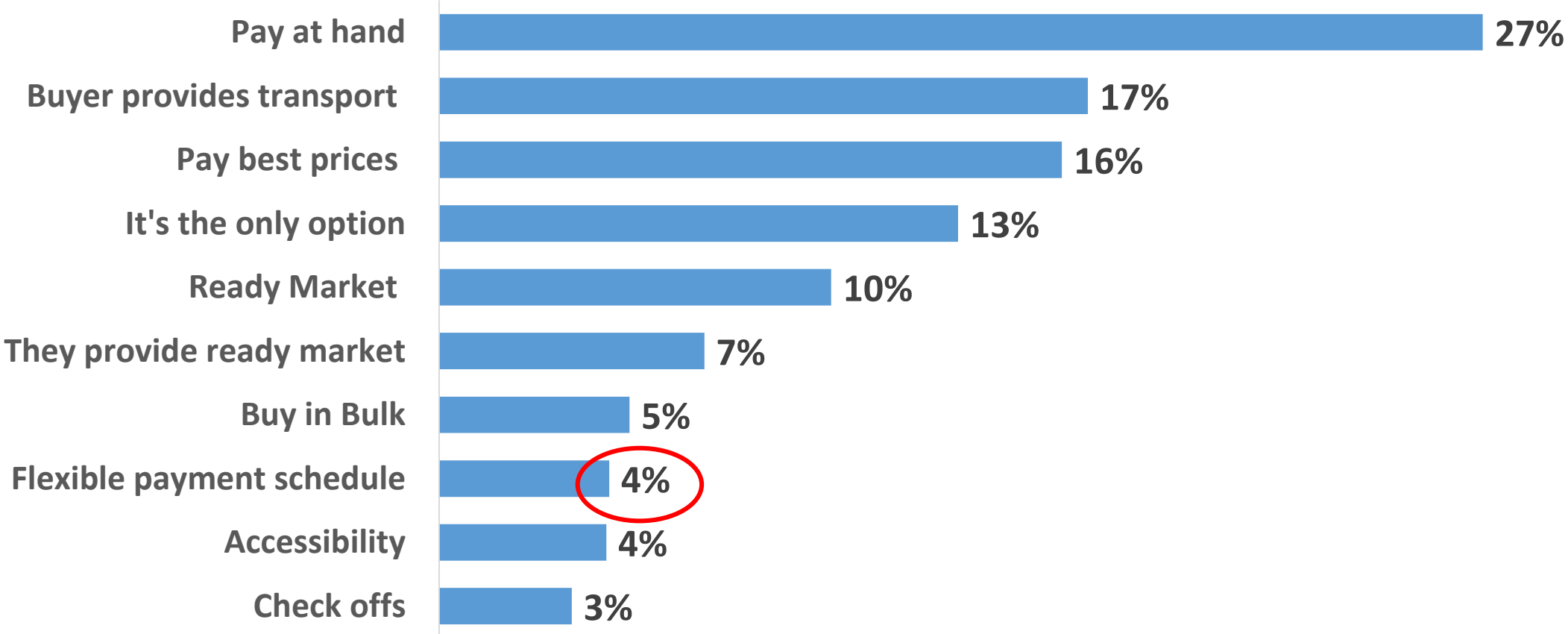
Where do you sell your produce and how are you paid?

Buyers of farm produce	Channel of payment					
	Cash	Cheque	Mobile money transfer	Account transfer (EFT)-bank branch	In kind	Other (Specify)
Trader/ brokers/ travelling merchant- at farm gate	98%	0%	1%	1%	0%	0%
Local market –retail	100%	0%	0%	0%	0%	0%
Farm gate-neighbor	100%	0%	0%	0%	0%	0%
Trader/ brokers/ travelling merchant- at aggregation point	65%	0%	0%	35%	0%	0%
Processor	30%	21%	6%	42%	0%	0%
Local school	65%	3%	0%	0%	26%	6%
Local market- wholesale	100%	0%	0%	0%	0%	0%
Co-operative	20%	60%	0%	20%	0%	0%

N=702

Cash is still king as it was in 2015, but more buyers are using EFTs.

Not How but When: Why do you prefer to sell to this buyer?



N=702

In 2016 a smaller percentage of farmers preferred flexible payments, a probable sign of a need for immediate cash

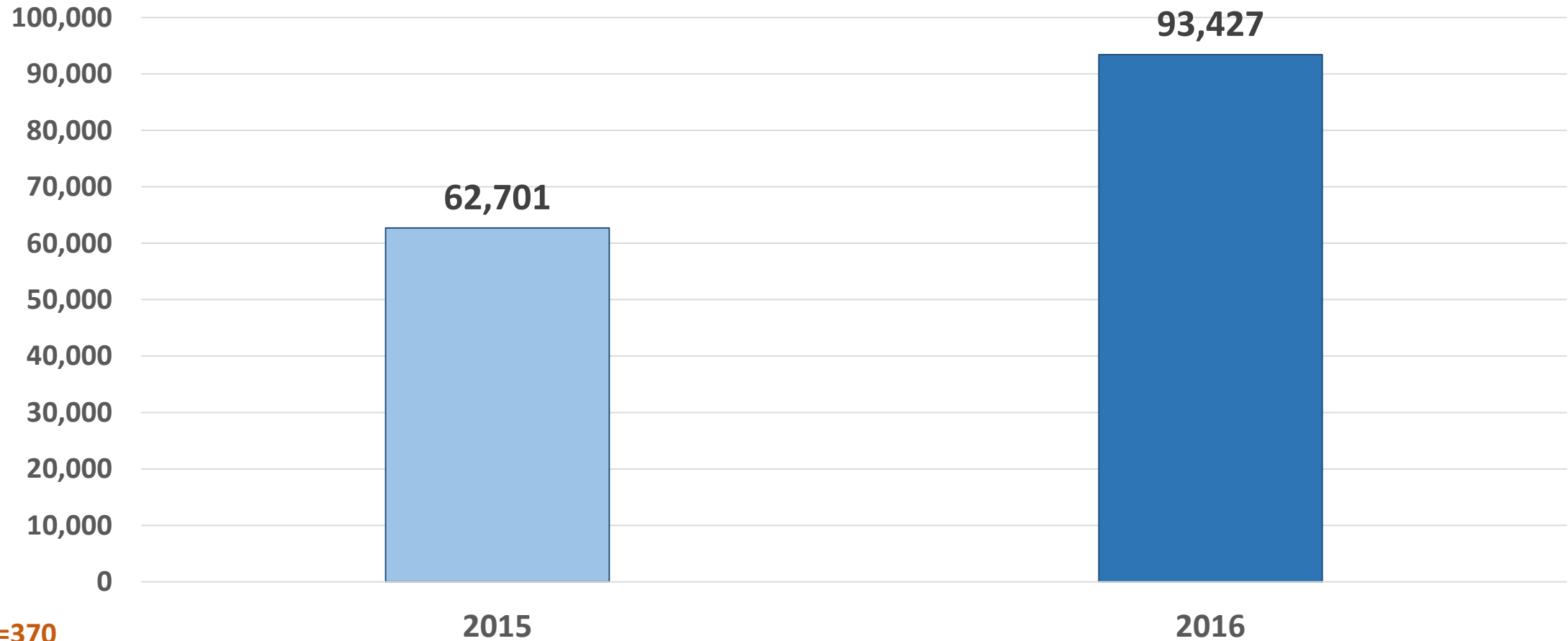


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INCOME SOURCES AND REMITTANCES
Fewer sources and smaller values

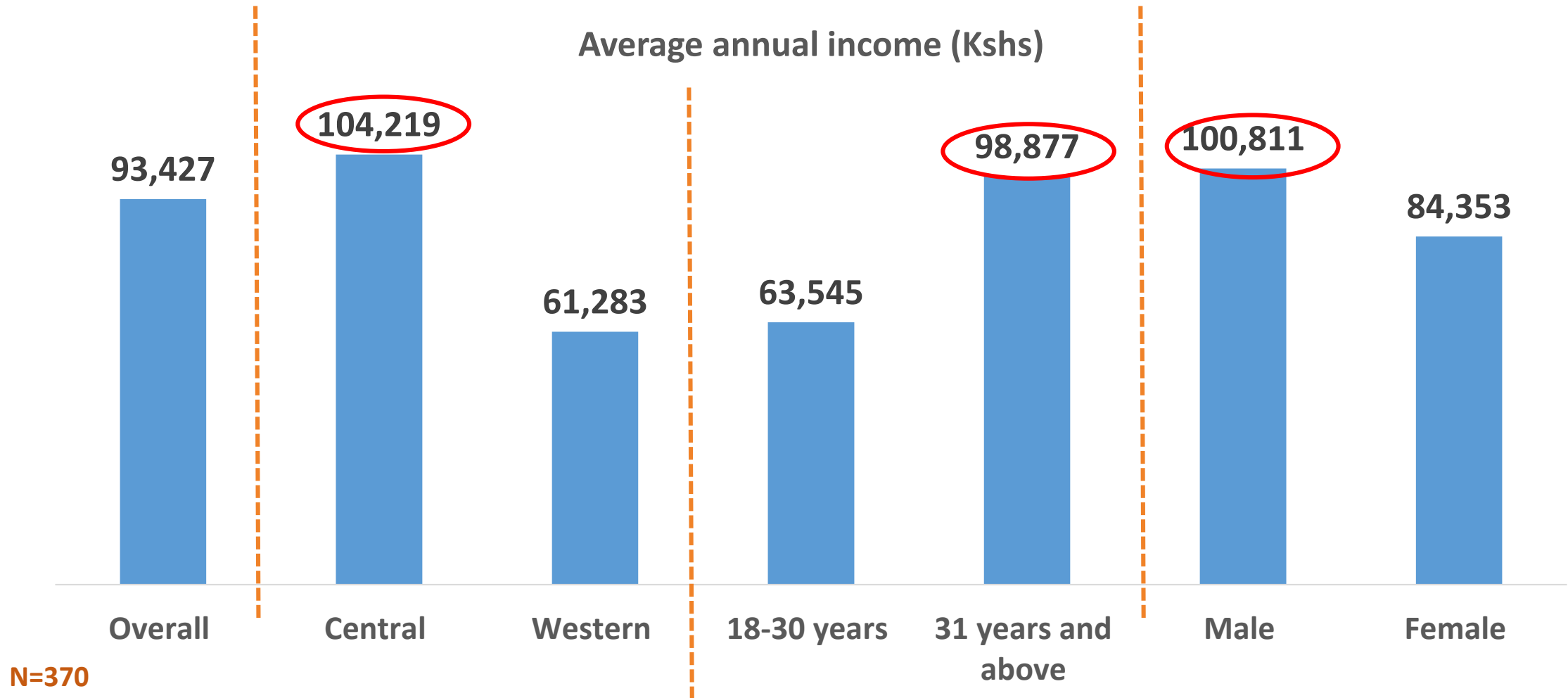
Average annual income from dairy farming increased in 2016

Average annual income (Kshs)



N=370

Central farmers earn more from dairy farming than Western farmers

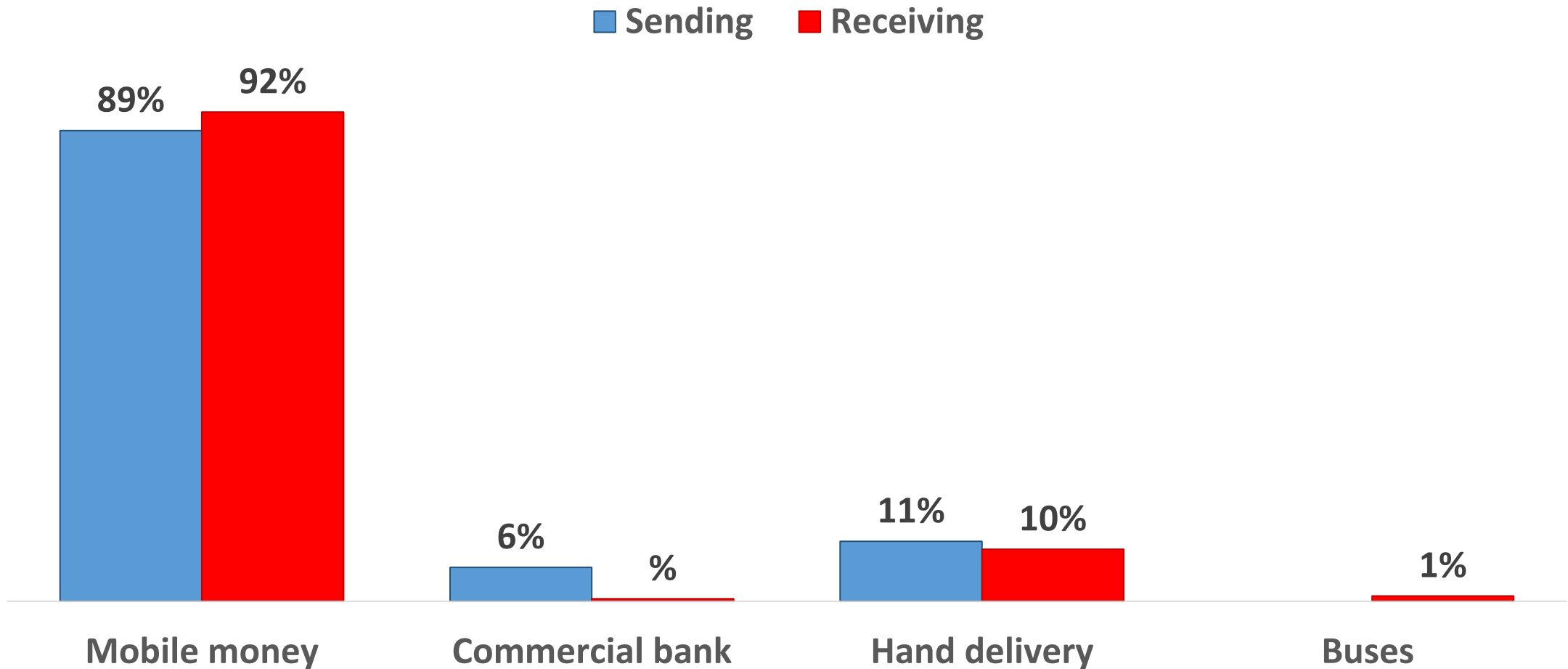


Only 9% of farmers report multiple sources of wage income in 2016 compared to 2015 when 16% reported multiple sources of wage income

	Activities	Average monthly income (Kshs)	Payment channels
Self employed	Kiosk [25]	9,740	Cash Mobile money transfer EFT
	Transport [10]	12,000	
	Hardware [6]	29,000	
Regular jobs	Government employee [5]	17,950	Cash EFT Cash Deposit Mobile money transfer
	Farm worker [2]	2,354	
	Construction [3]	6,027	
	Carpentry [2]	5,729	
Seasonal jobs	Construction [29]	5,000	Cash
	Farm casual worker [26]	6,127	

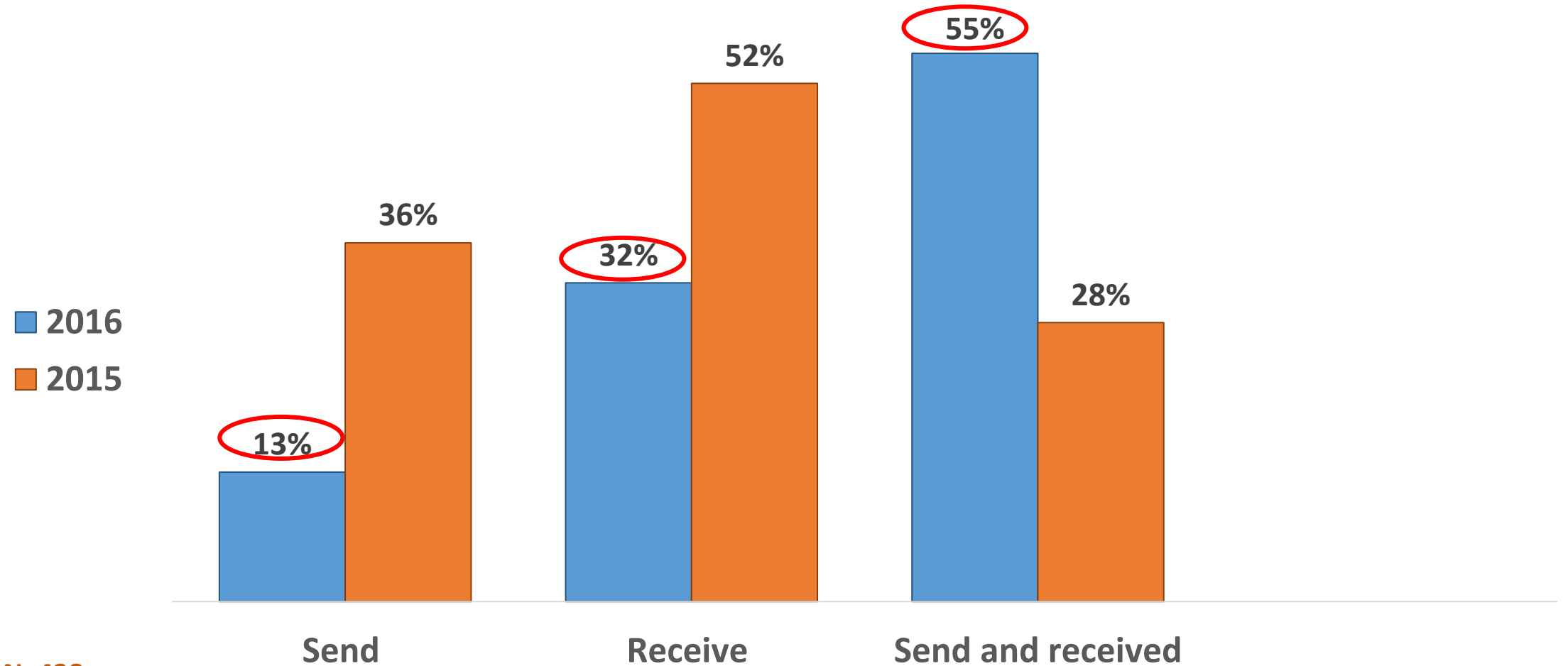
N=91

Mobile money is the main channel for sending and receiving money regardless of respondents age



N=438

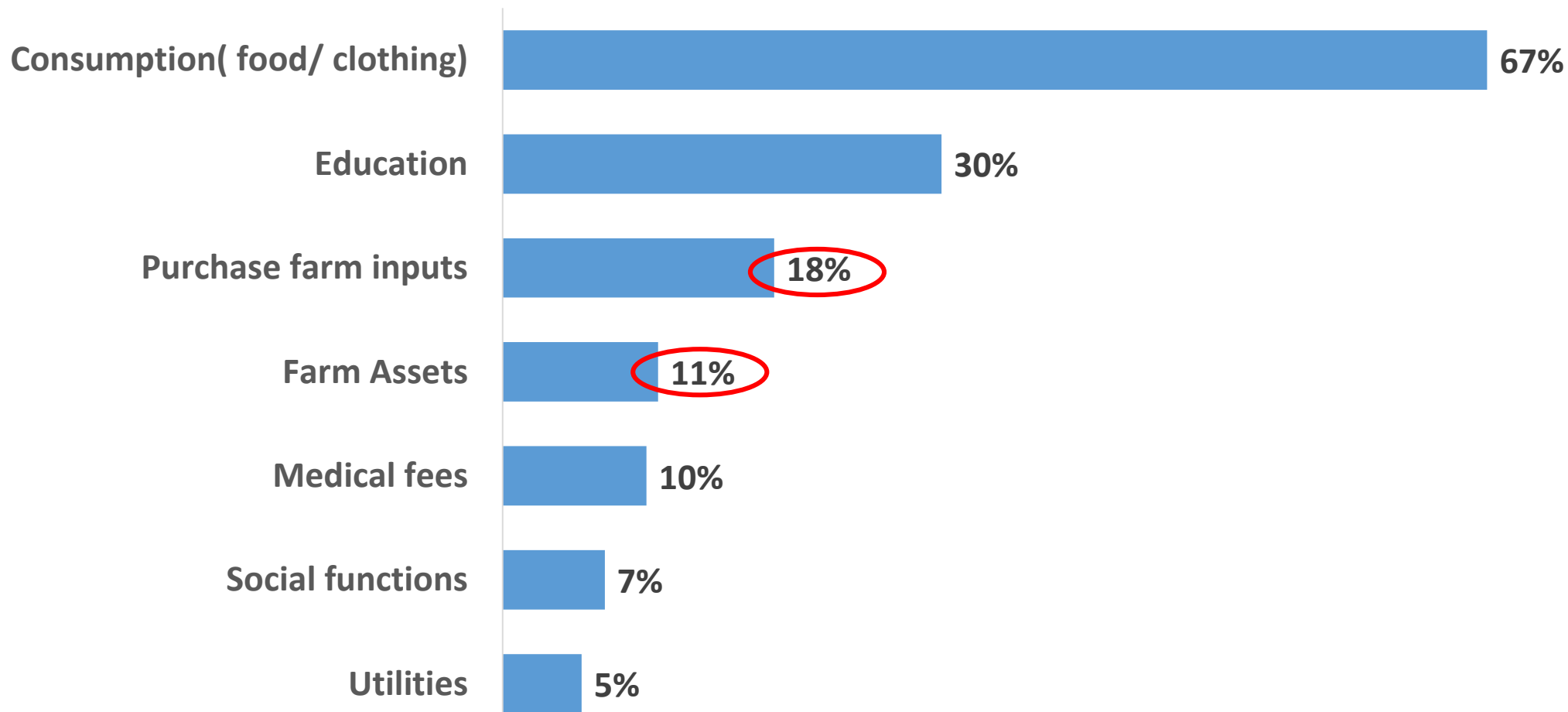
More farmers are both sending and receiving remittances, but those “receiving only” are considerably less....



N=438

...suggesting farmers are sending and receiving smaller amounts in larger volumes

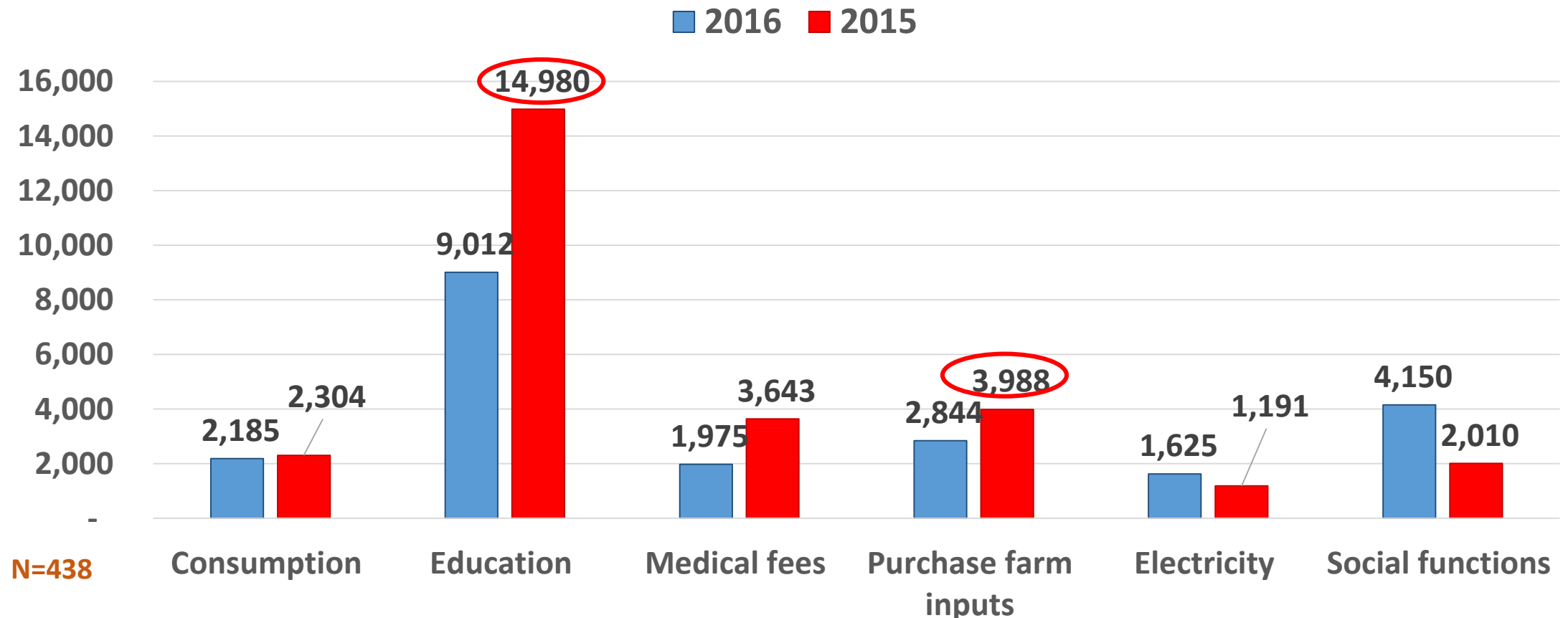
Remittances are used primarily for basic consumption



N=438

But volume for school fees and purchase of farm inputs & assets are also high

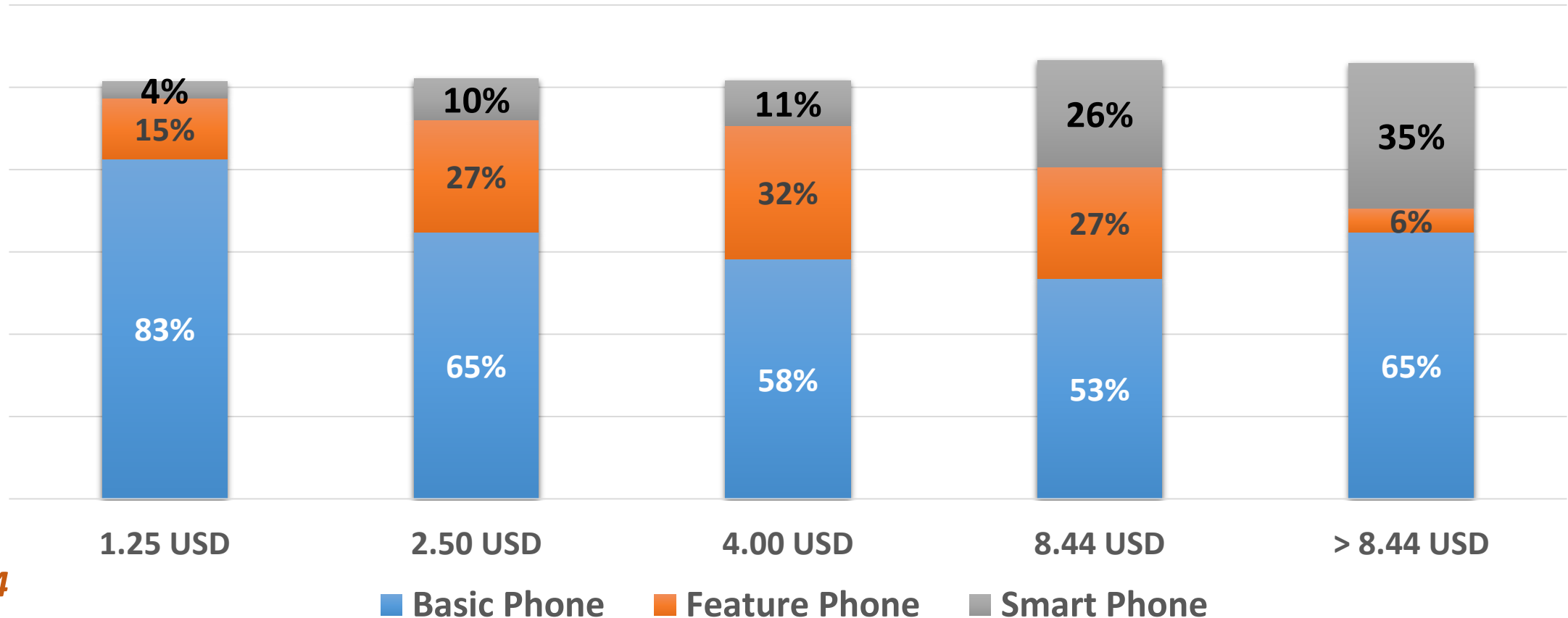
Average value amounts (Kshs) sent & received decreased in 2016



But highest value amounts remain for school fees followed by farm inputs

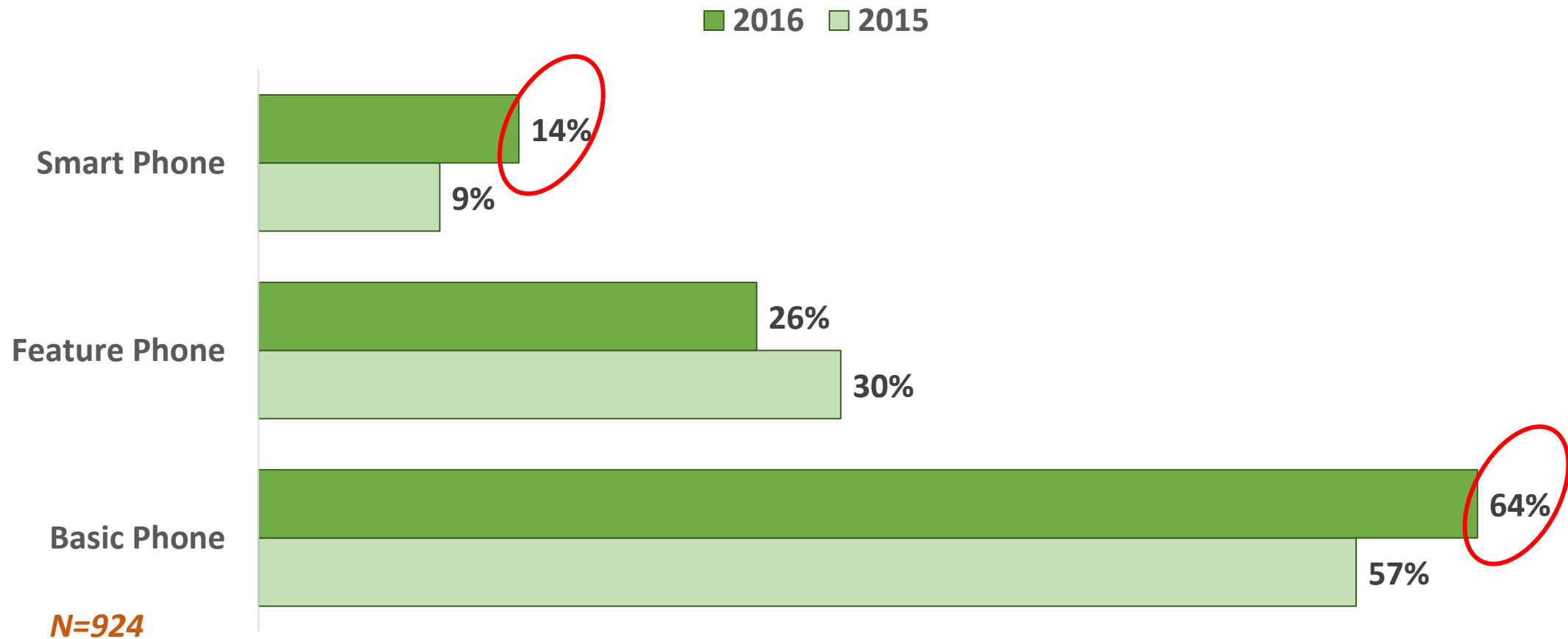
USE OF MOBILE TECHNOLOGY

What type of phone do you own? 2016



With increasing income, smart phone ownership and ownership of multiple device types increases

What type of phone do you own?



While the number of basic phones owned is still increasing, smart phones take over from feature phones and presumably become more widespread.

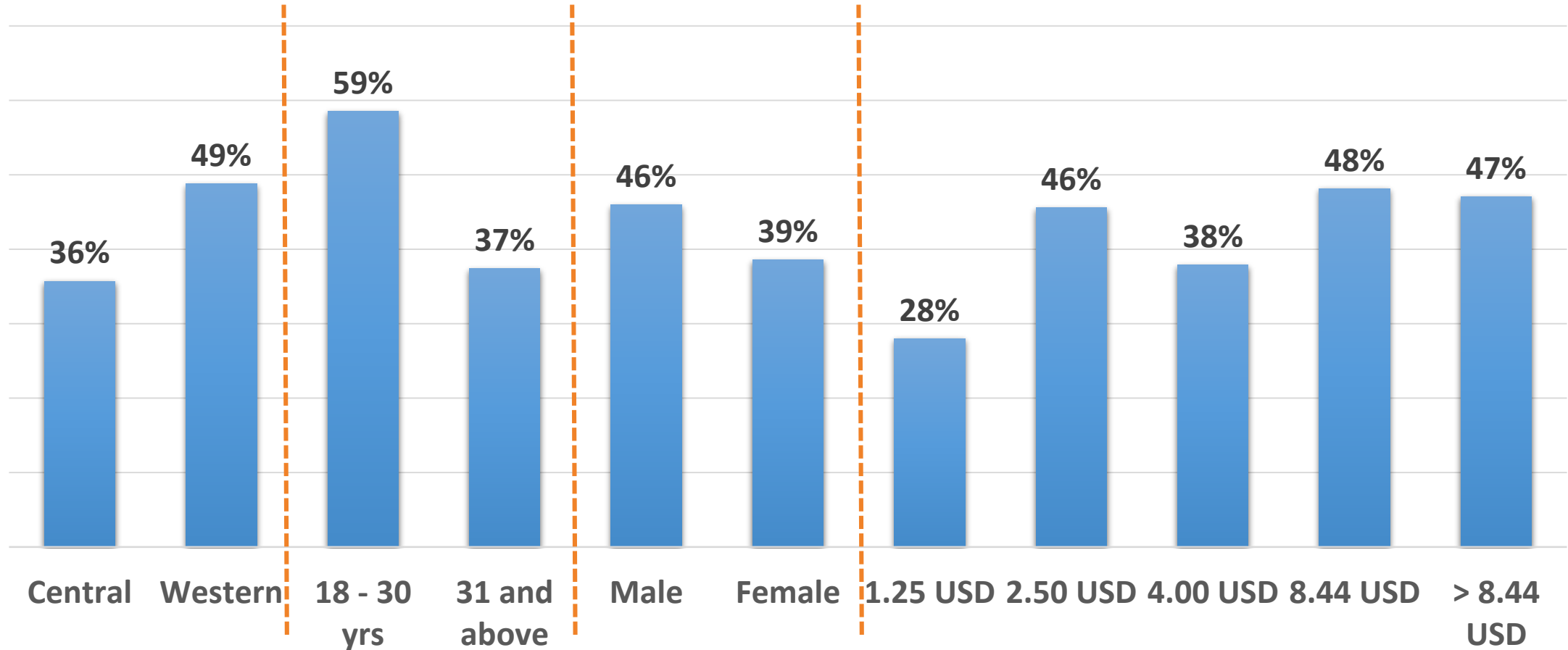
What type of phone do you own? 2016

Type of phone	Central	Western	18-30 years	31 years and above	Male	Female
Basic Phone	66%	61%	52%	67%	62%	65%
Feature Phone	22%	30%	31%	24%	26%	26%
Smart Phone	17%	10%	23%	11%	17%	11%

N=924

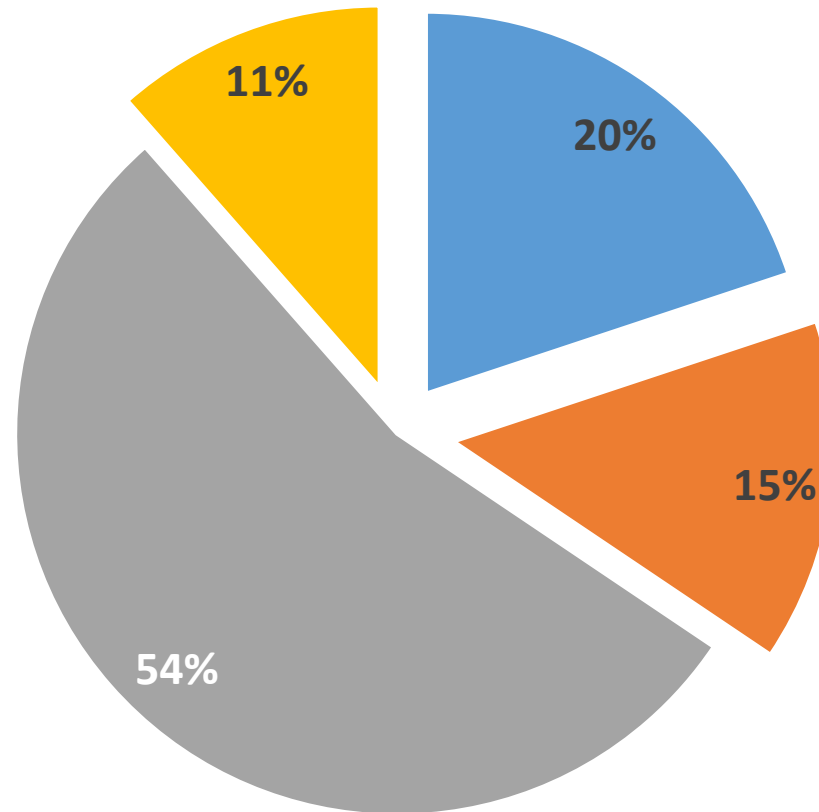
Young male farmers in Central own more smart phones and more often own more than one device type than other categories of farmers.

Are you planning to acquire a new phone in the near future (Yes responses)?



N=1,009

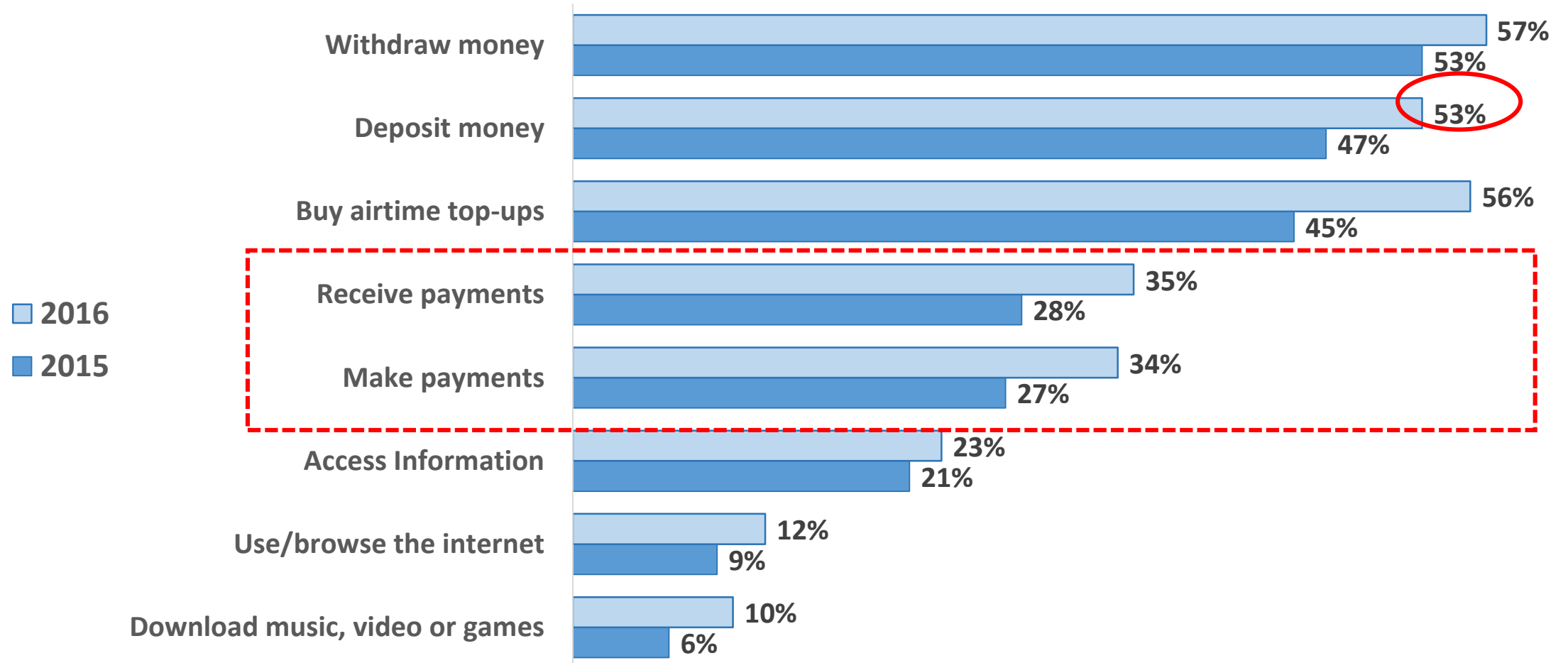
What type of phone are you planning to acquire?



N=427

■ Basic phone ■ Feature phone ■ Smart phone ■ Not Decided

Are you comfortable performing the following using your phone (yes responses)?

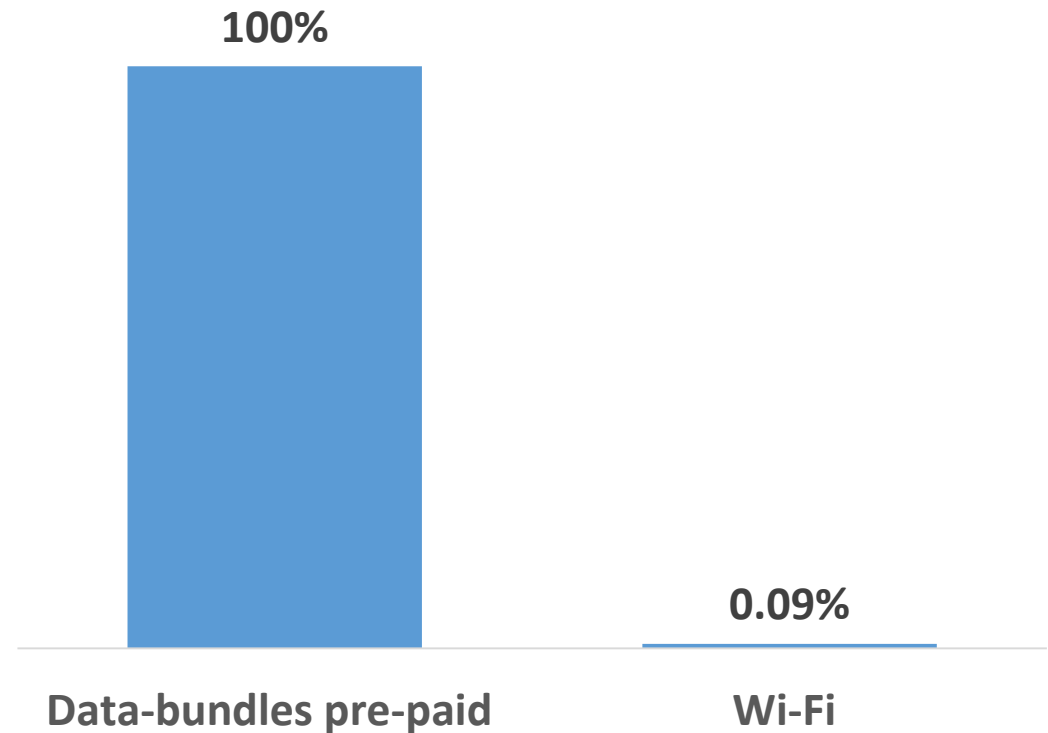


How do you access internet using your phone?

Do you access internet using your phone?

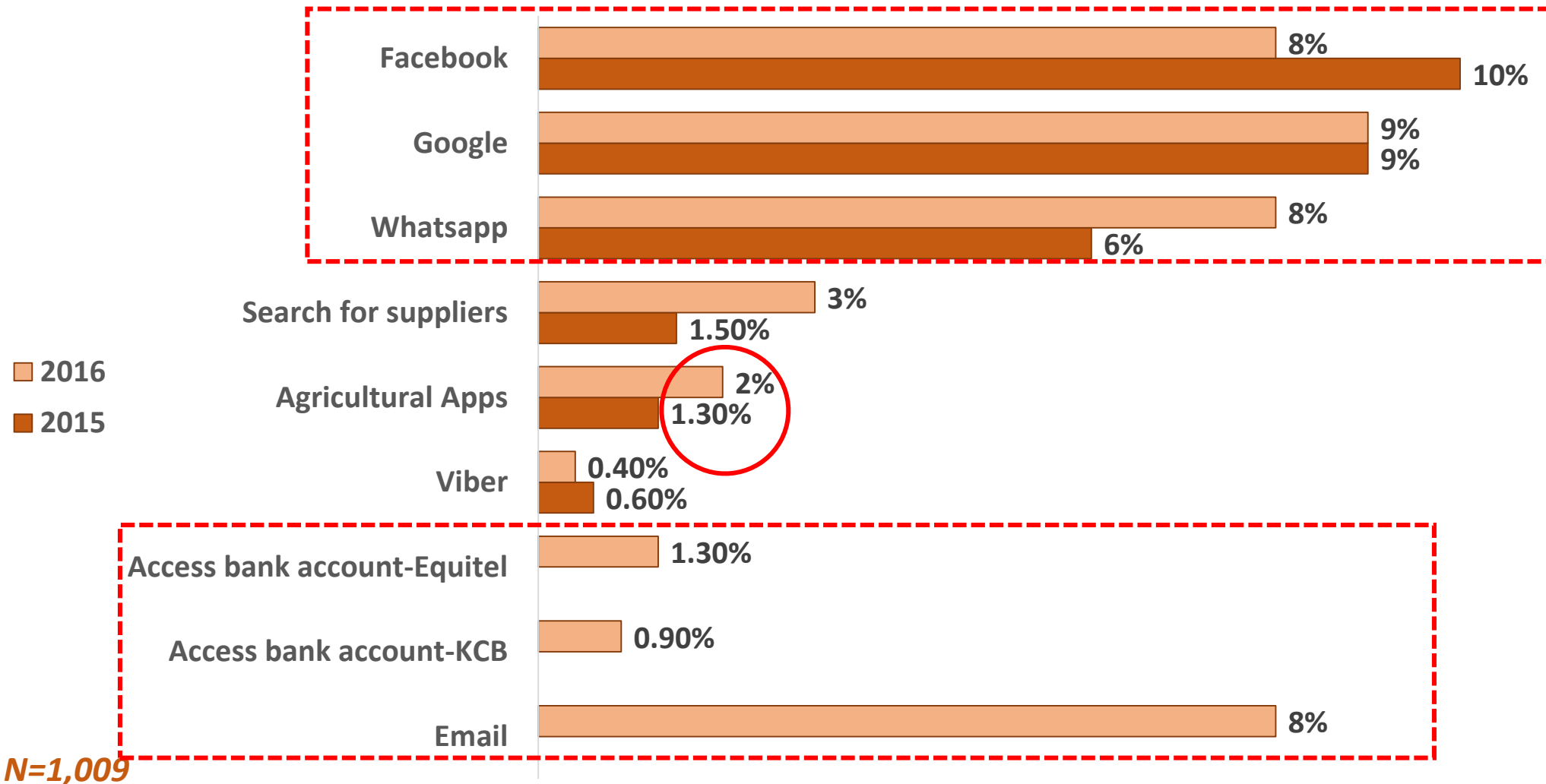


How do you access internet using your phone?



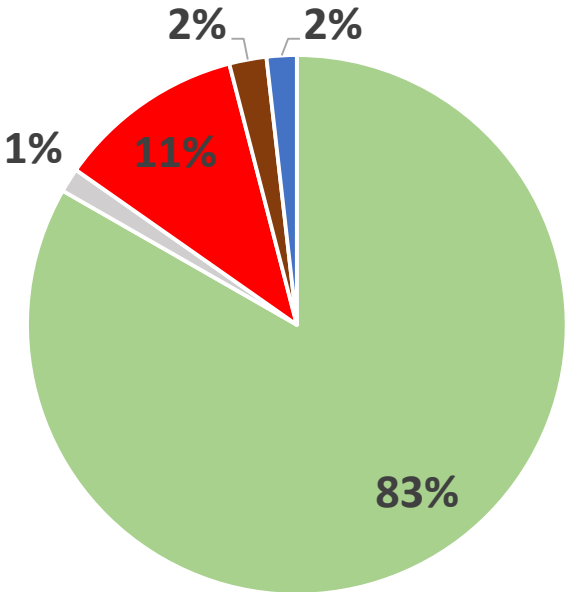
N=1,009

How do you use on the internet with your phone?

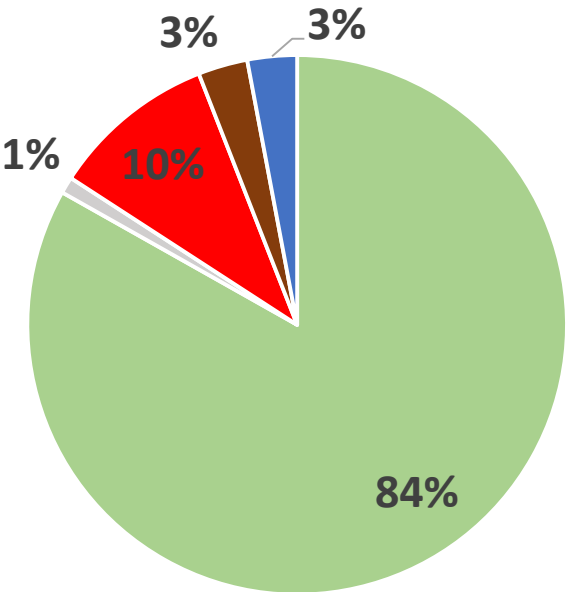


Market share for farmers across providers for 2015 and 2016

Market Share 2015



Market share 2016

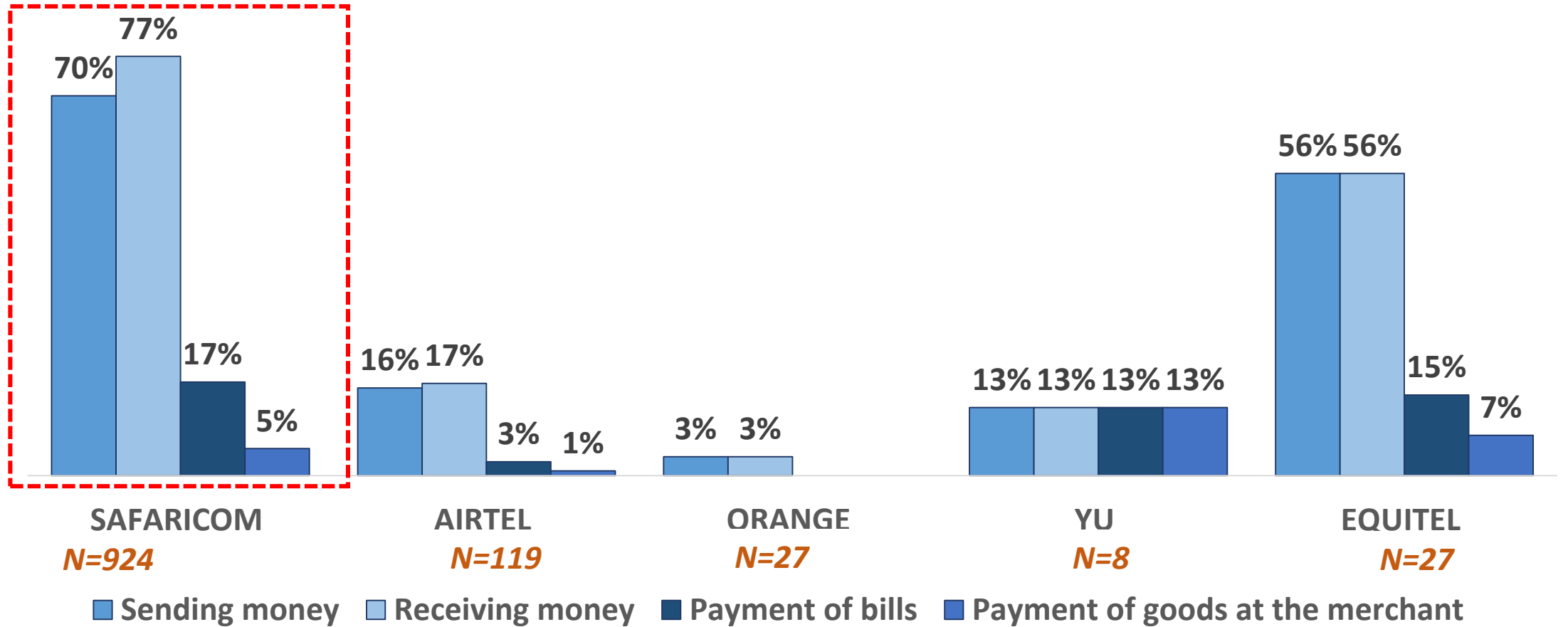


■ Safaricom ■ Yu ■ Airtel ■ Orange ■ Equitel

■ Safaricom ■ Yu ■ Airtel ■ Orange ■ Equitel

N=924

How do you use your sim card(s) for mobile money payments?

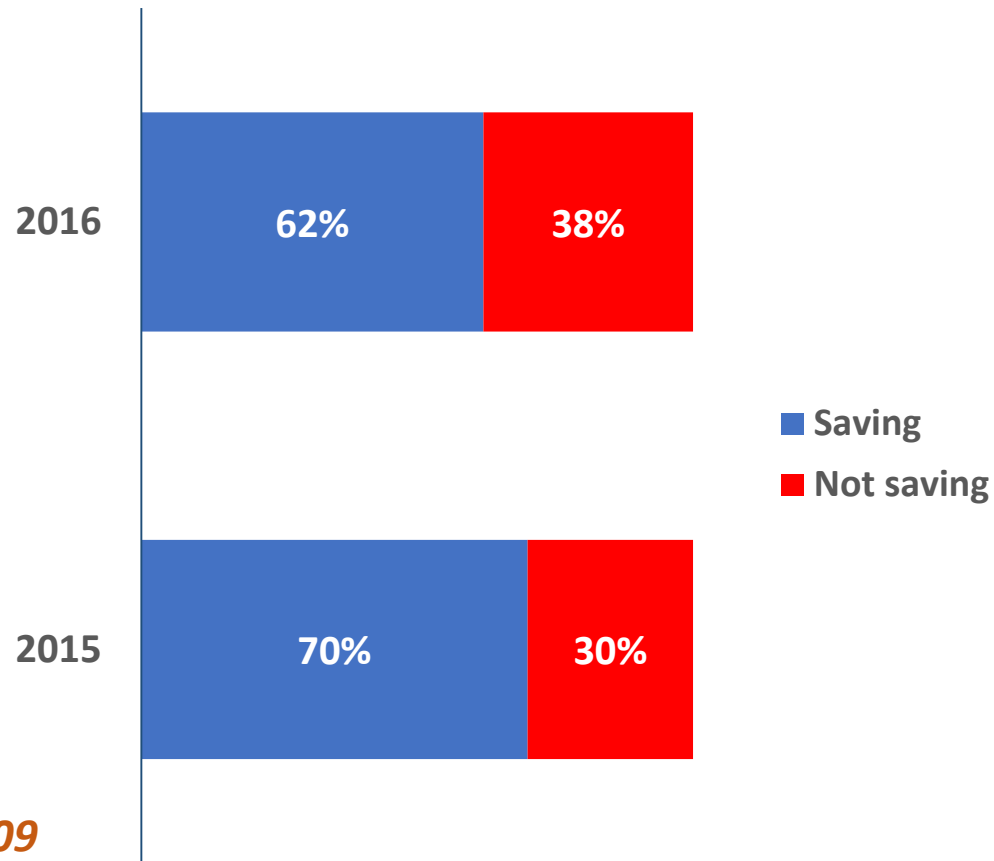




FINANCIAL SERVICES

Saving less but still borrowing

Do you save? If not, what prevents you from saving?

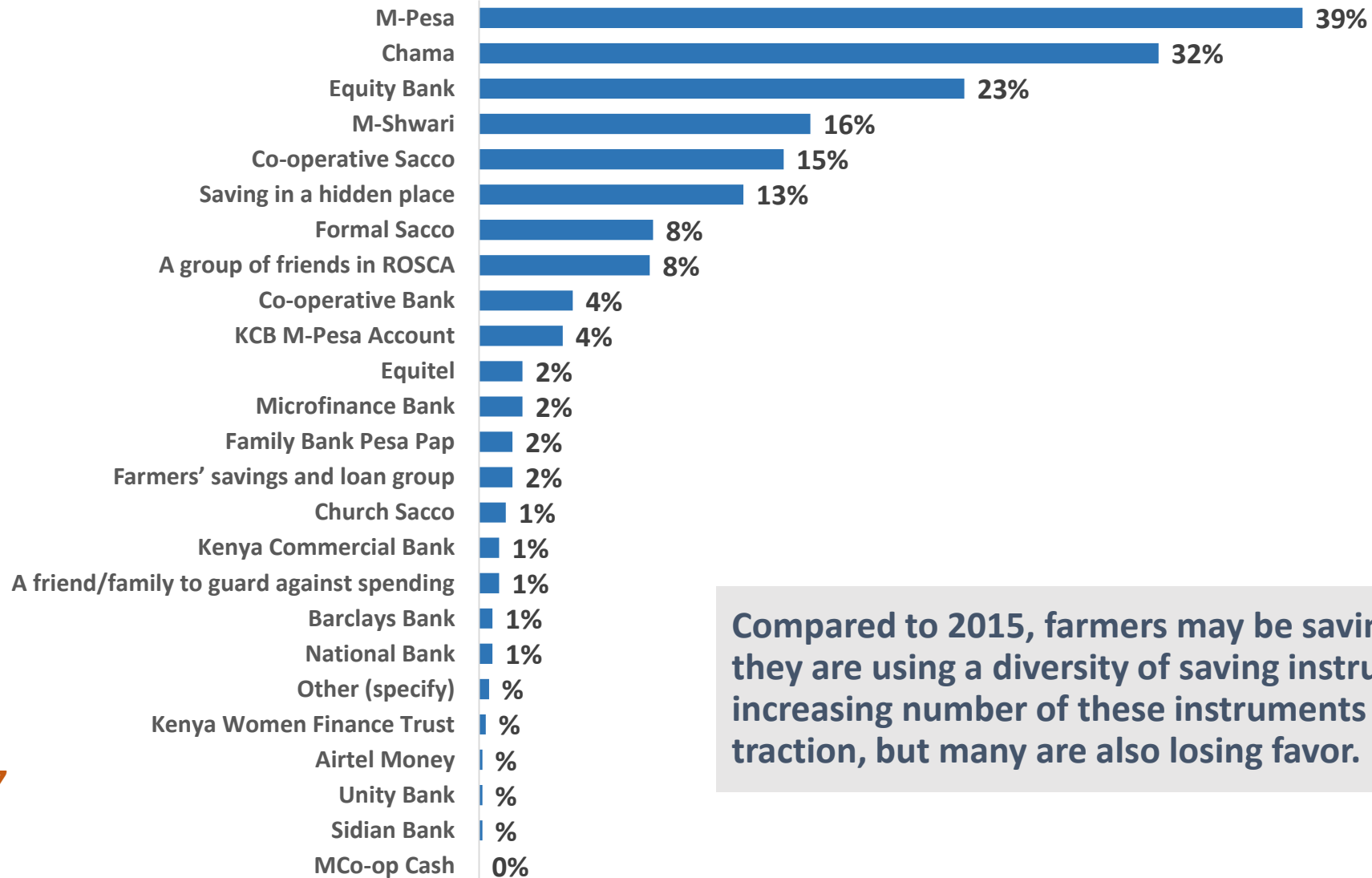


N=1,009

What prevents you from saving?	%
Lack of additional income for saving	85%
Lack of information about saving products	10%
Lack of useful saving products	8%
Saving institutions are not accessible	4%
Available saving products are not affordable	2%
Lack of access to saving products	1%

Compared to 2015, 8% of farmers are saving less, because they do not have additional income.

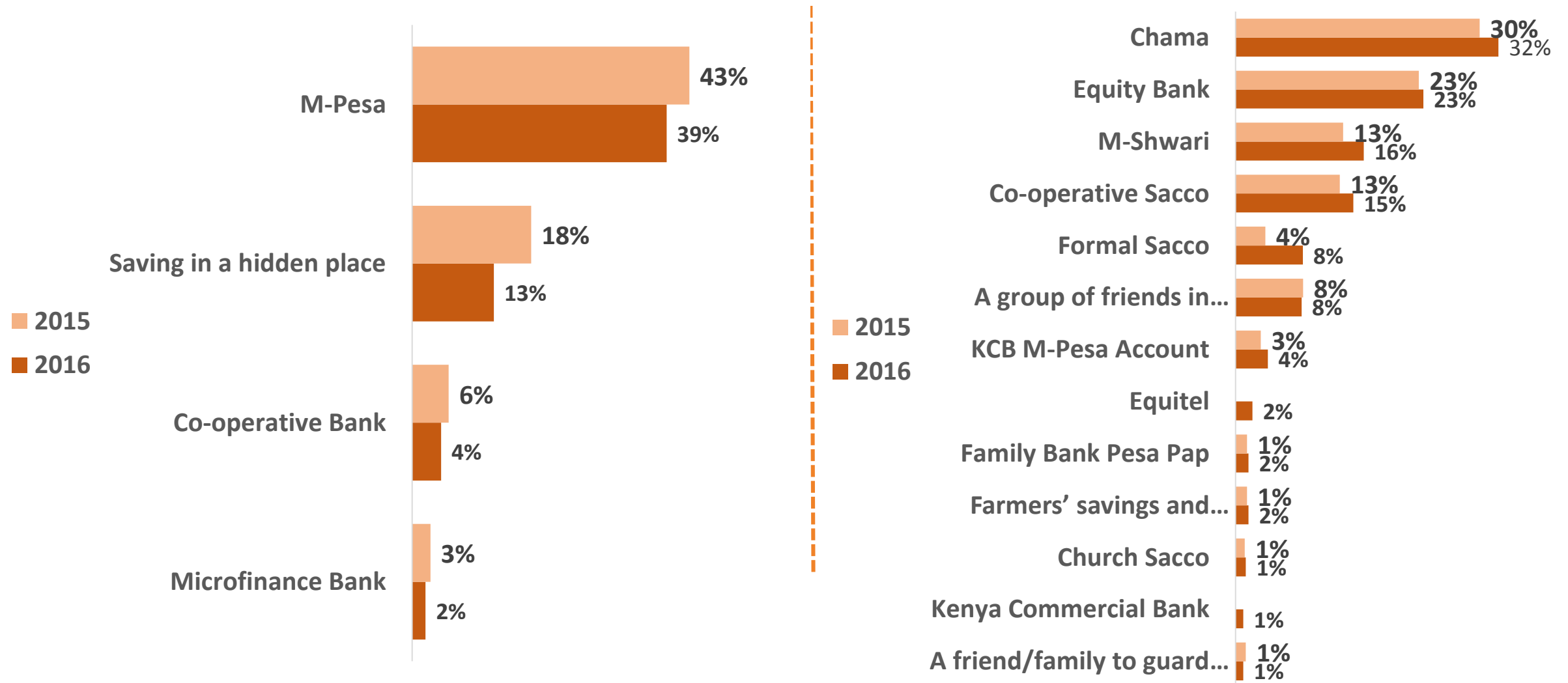
What saving instruments are you using? 2016



N=627

Compared to 2015, farmers may be saving less but they are using a diversity of saving instruments. An increasing number of these instruments are gaining traction, but many are also losing favor.

Comparison of saving products used by farmers in 2015 and 2016



Why do you save with the named saving method?

	Easy access to savings	Low cost on savings	Accessibility of saving products	Easy access to loan/credit	Other (specify)
M-Pesa	59%	4%	31%	4%	2%
Chama	57%	1%	22%	16%	3%
Equity Bank	33%	8%	42%	12%	5%
M-Shwari	55%	2%	22%	20%	1%
Co-operative Sacco	30%	3%	41%	19%	8%
Saving in a hidden place	69%	3%	28%	0%	0%
A group of friends in ROSCA	41%	2%	35%	20%	2%
Formal Sacco	50%	4%	31%	15%	0%
Other (specify)	33%	13%	33%	10%	10%
Co-operative Bank	39%	4%	32%	7%	18%
KCB M-Pesa Account	32%	4%	36%	20%	8%

N=427

Different aspects of convenience and possible access to credit are the main choice drivers for saving methods.

Why do you use multiple saving products?

	Central	Western	18 - 30 yrs	31 and above	Male	Female
Ease in accessing loans	83%	17%	42%	67%	67%	50%
Ease in accessing saving products	12%	22%	21%	13%	18%	12%
Security	5%	26%	5%	15%	13%	12%
Diversify Risk	2%	22%	21%	4%	3%	19%
Ease in accessing savings	7%	4%	0%	9%	8%	4%
Save more	0%	13%	11%	2%	3%	8%
Favorable interest rates on loans and savings	2%	4%	5%	2%	5%	0%
Convenience	2%	4%	5%	2%	0%	8%

N=427

Convenience, easier access to loans and risk mitigation are the drivers for using multiple saving methods.

How do you access your saving product(s)?

	Region		Age		Gender	
	Central	Western	18 - 30 years	31 and above	Male	Female
Mobile money withdrawal	43%	60%	57%	49%	55%	46%
Over the counter at bank branch	58%	21%	28%	46%	50%	31%
Face to face at my savings group	35%	42%	38%	39%	26%	52%
ATM	33%	16%	19%	28%	33%	17%
Bank agents	12%	11%	10%	12%	15%	8%
Sell asset like a cow	3%	14%	7%	8%	9%	7%
Bank website	1%	1%	2%	1%	1%	1%

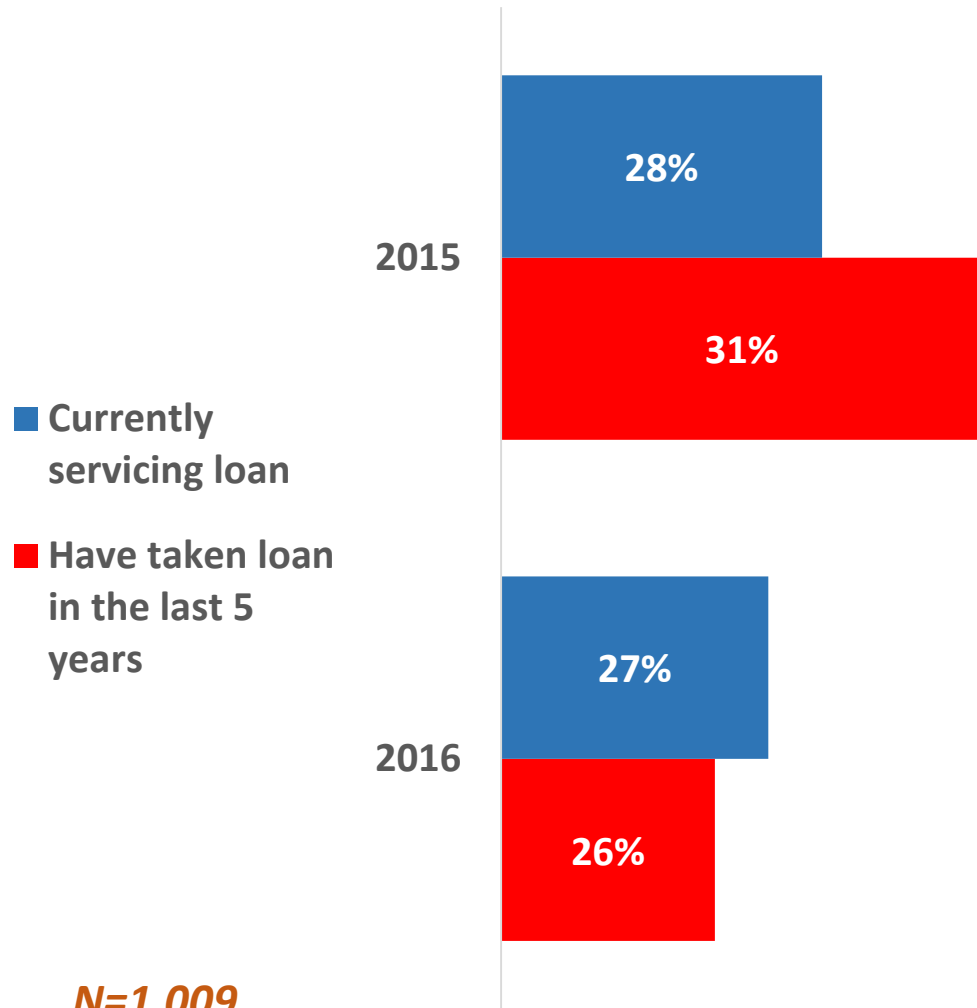
N=627

Have you made any of the following payments in the last 12 months (yes responses) and how did you do it?

	Cash Payment	Deposit Cash	Bank Agent	Mobile Money Agent	Mobile Money	Other (specify)
Farm inputs(seeds, fertilizers, pesticides/insecticides)	96%	0%	0%	2%	%	2%
School fees	75%	13%	8%	6%	1%	4%
Farm labor	90%	%	0%	4%	1%	7%
Medical bill	96%	2%	0%	3%	0%	2%
Livestock feeds	93%	1%	%	3%	0%	4%
Electricity bill	47%	1%	1%	50%	11%	1%
Water	78%	3%	1%	24%	2%	0%
Government bill, including tax, fine or fee	93%	1%	0%	7%	0%	3%
Farm machinery	90%	0%	0%	10%	0%	0%
Insurance cover, includes NHIF	59%	14%	0%	14%	8%	8%
TV/cable/satellite bill	34%	0%	0%	53%	19%	0%

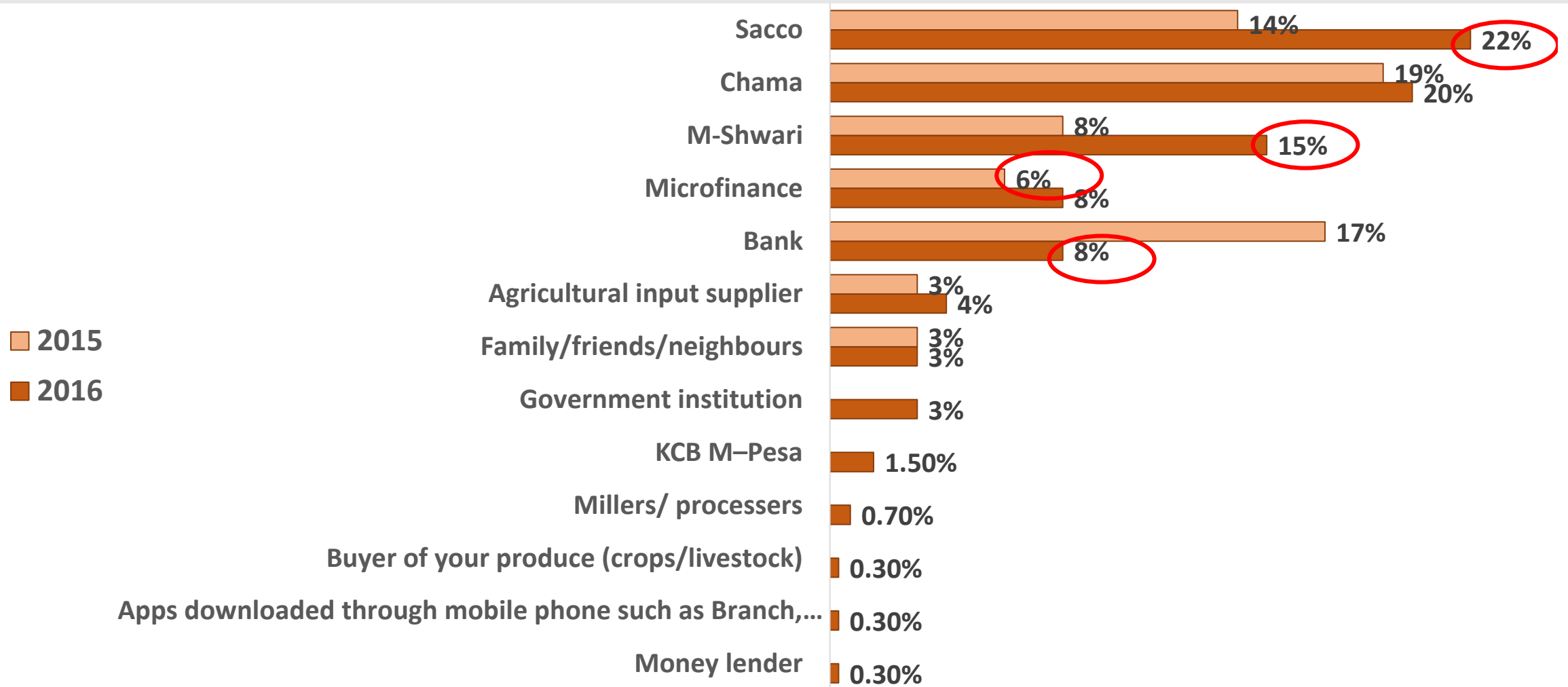
N=1,009

Uptake of formal and informal loans by farmers



What prevents you from taking a loan?	%
High cost of interest rate	45%
Lack of proper information about credit products	22%
Lack of appropriate credit products	11%
Loan institutions are not accessible	10%
No need for loan	8%
Lack of income/ funds to service the loan	7%
Not Interested in taking loan	5%
Fear the consequences of not servicing/repaying the loan	4%

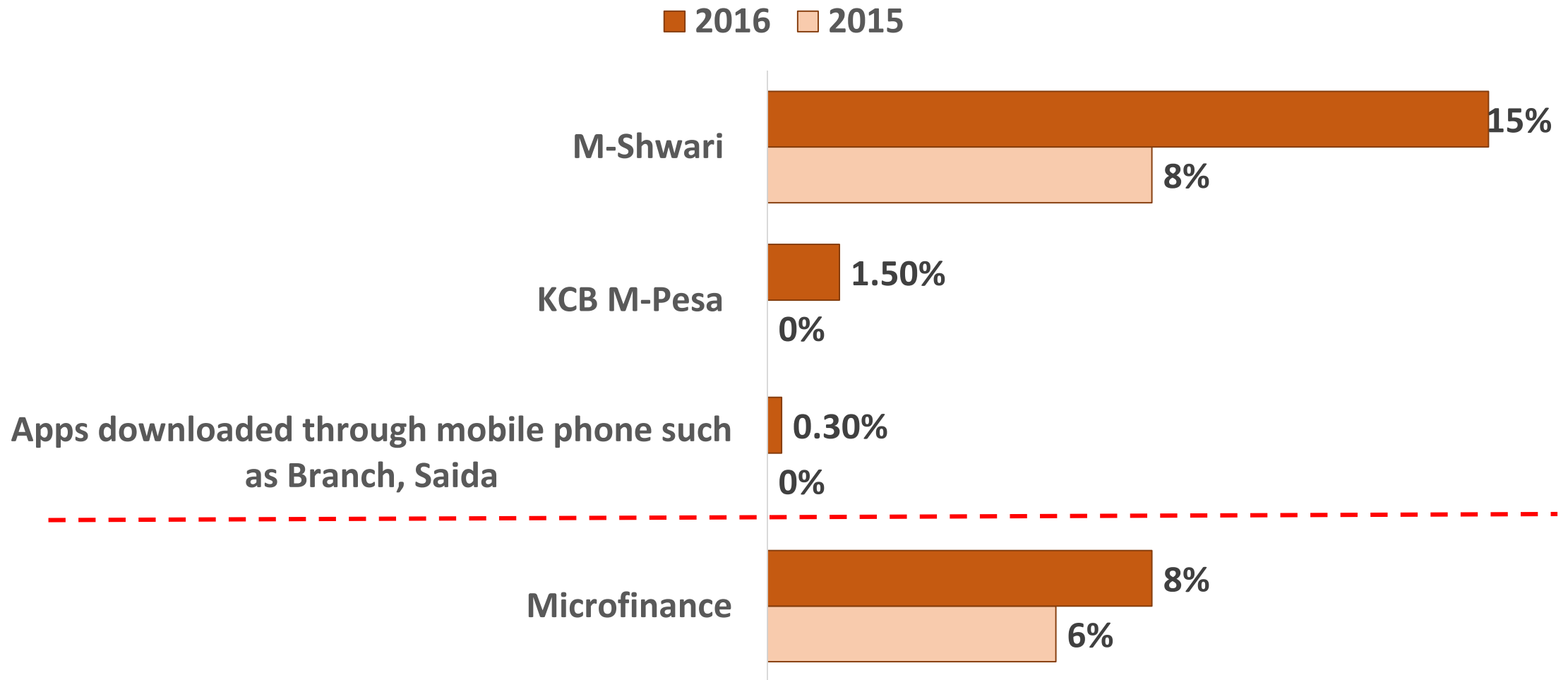
More farmers prefer loans from Saccos, Chamas and M-Shwari in 2016



N=1,009

Use of M-Shwari almost doubled; BUT use of banks decreased by more than 100%

Use of financial digital products for credit increased by 9% in 2016, and use of microfinance increased only 2%.



Why is this your preferred loan provider?

	Timing	Costs	Accessibility	Loan term	Location	Other (Specify)
Bank	19%	13%	65%	50%	3%	6%
Sacco	13%	23%	62%	57%	3%	5%
Chama	24%	24%	52%	50%	7%	2%
M-Shwari	33%	20%	75%	28%	0%	0%
Microfinance	5%	14%	62%	52%	5%	0%
Agricultural input supplier	36%	27%	73%	73%	27%	0%
Family/friends/neighbors	0%	25%	50%	38%	25%	0%
Government institution	0%	14%	57%	29%	0%	14%

N=272

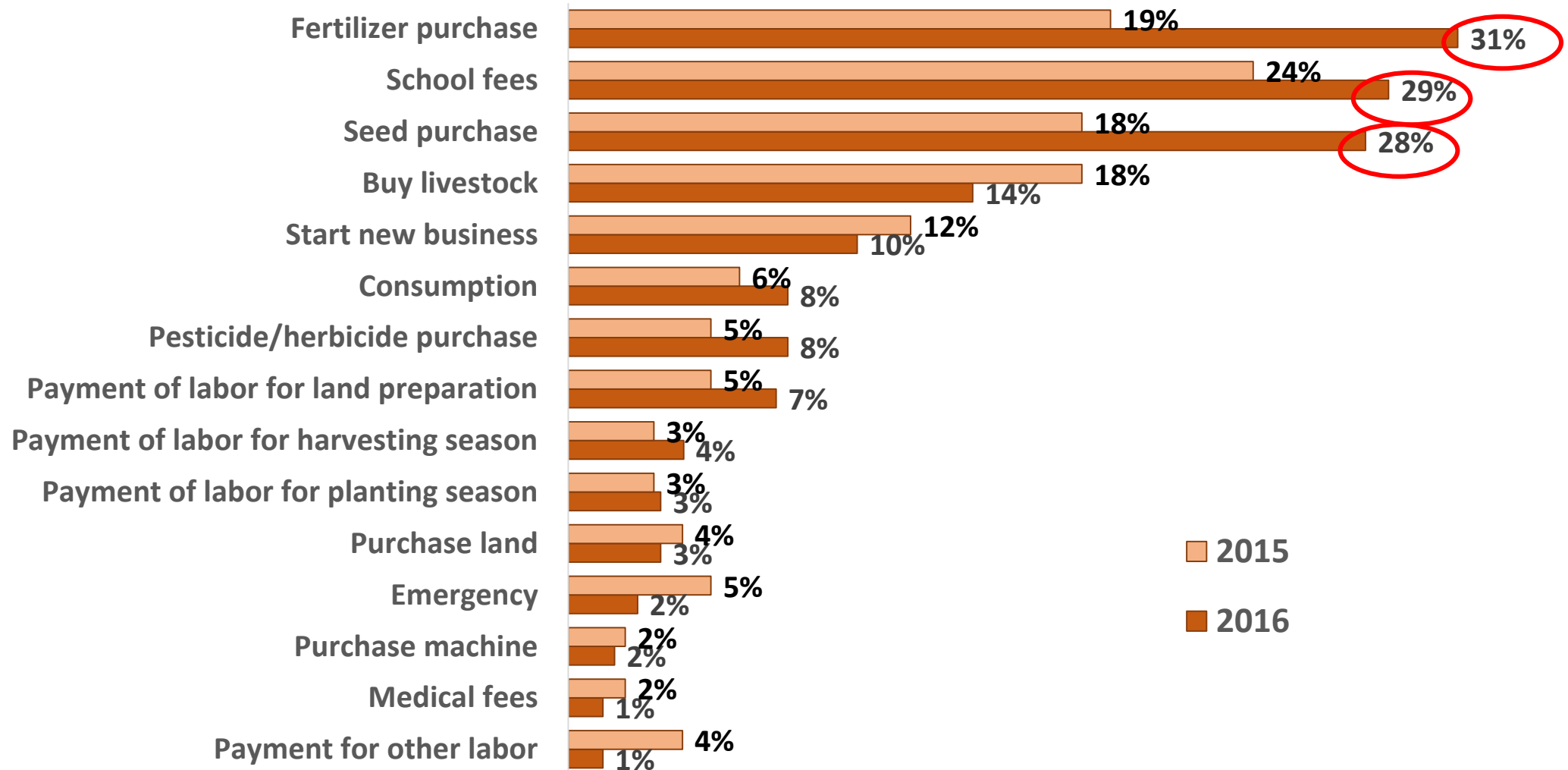
What factors do you consider before taking a loan?

	Central	Western	18 - 30 yrs	31 and above	Male	Female
Repayment duration	35%	50%	46%	41%	40%	44%
Interest rate	34%	21%	33%	27%	26%	31%
Grace period	11%	11%	8%	12%	14%	8%
Institution reputation	12%	8%	2%	12%	9%	11%
Fixed amount to be paid	6%	8%	12%	6%	9%	5%

N=272

Repayment duration and interest rates are the most important determinants

How did you use the loan you acquired in the last 12 months?



N=272

How did you hear about the loan product?

	Family	Friends	TV	Radio	Brochures	Agro dealer	Other farmers	Extension officers	Other (specify)
Bank	44%	56%	3%	8%	5%	0%	10%	0%	16%
Sacco	33%	63%	0%	0%	2%	2%	23%	13%	5%
Chama	37%	83%	0%	4%	0%	0%	7%	0%	4%
M-Shwari	50%	65%	30%	48%	10%	0%	0%	0%	3%
Microfinance	10%	48%	5%	14%	0%	5%	10%	14%	10%
Agricultural input supplier	27%	45%	0%	36%	18%	18%	27%	0%	9%
Family/friends/neighbours	50%	88%	0%	0%	0%	0%	13%	0%	0%
Government institution	0%	57%	0%	0%	0%	0%	0%	0%	43%

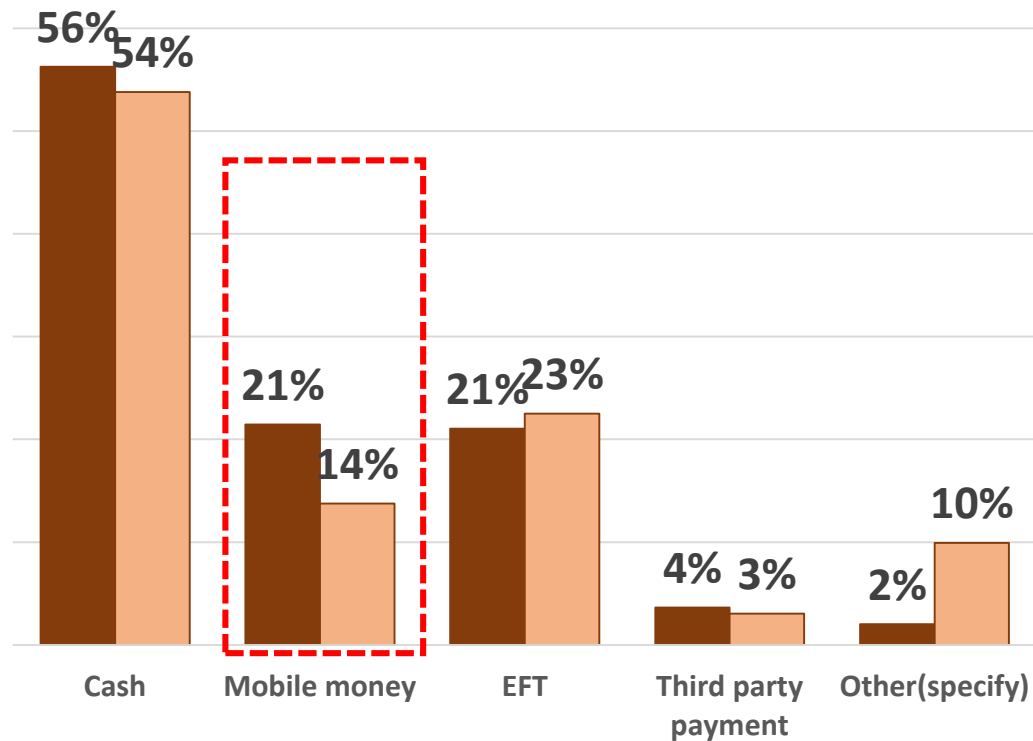
N=272

Word-of-mouth from family and friends is the main source of information on loan products, though M-Shwari's marketing spend on radio and TV is effective.

How was the loan disbursed? And what is the repayment method?

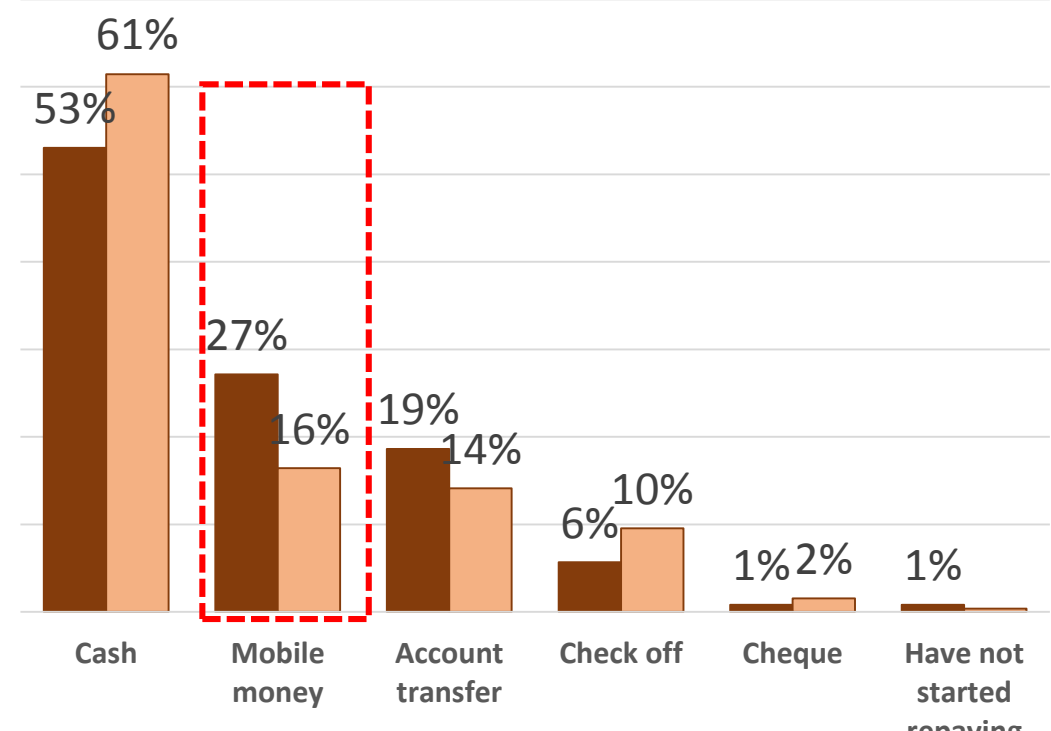
Disbursement

2016 2015



Repayment

2016 2015

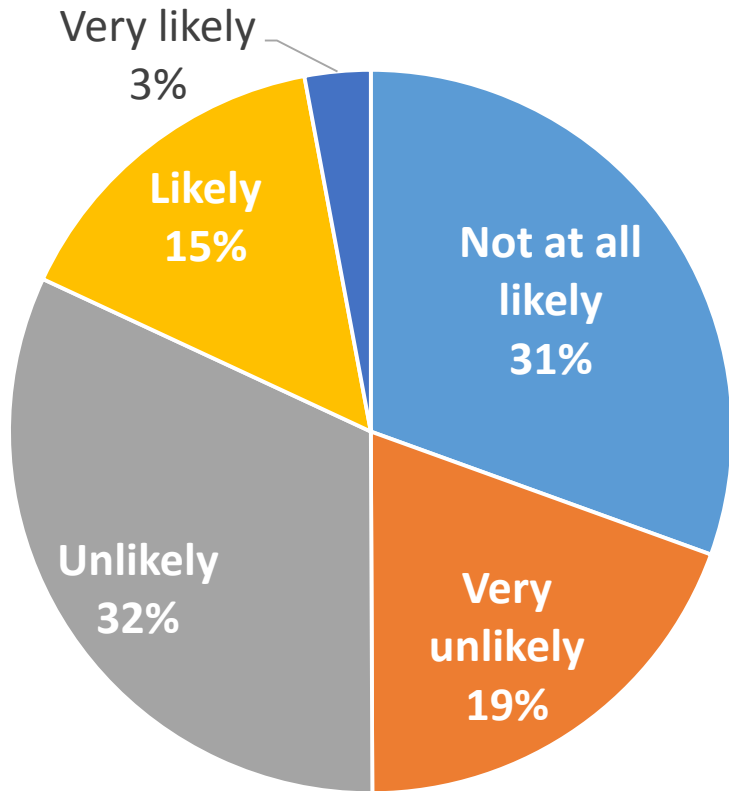


N=272

Increased usage of mobile money is probably due to increase in M-Shwari loans

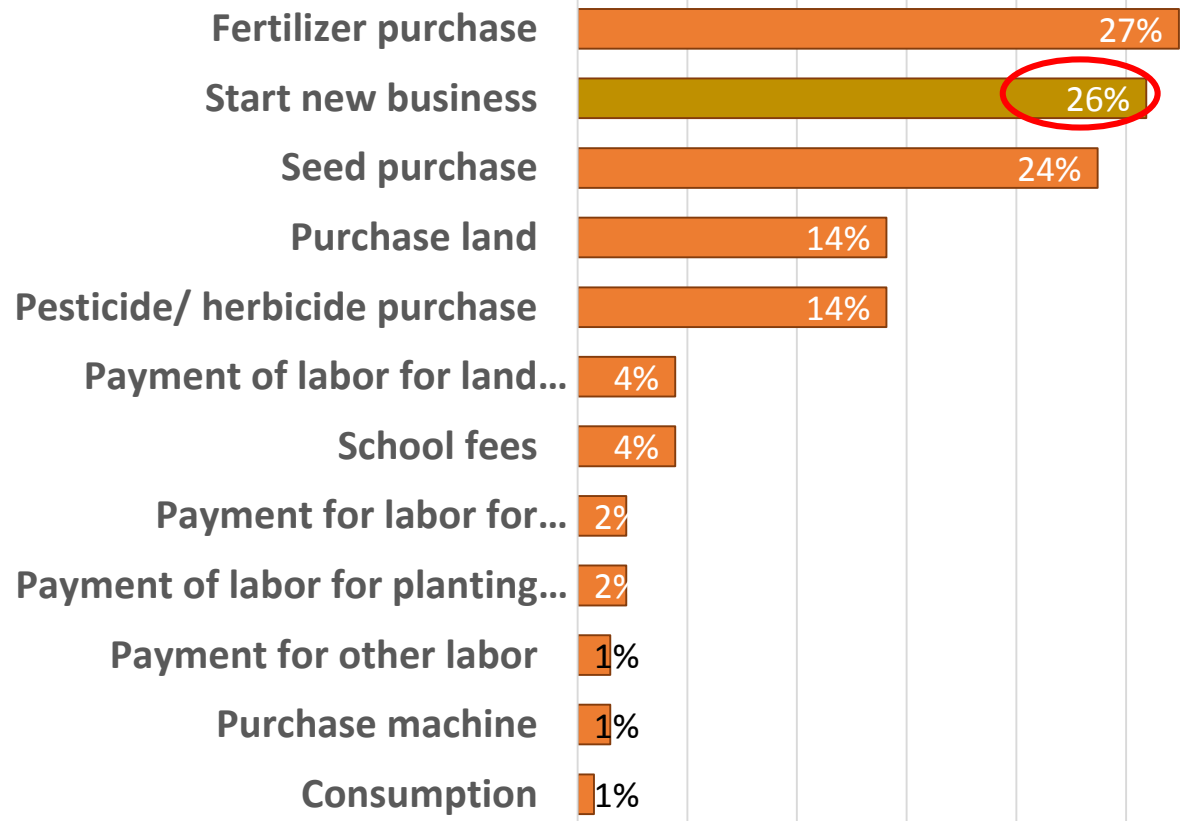
Likelihood of taking loan in the future? Only 18%

How likely are you to take a loan in the future?

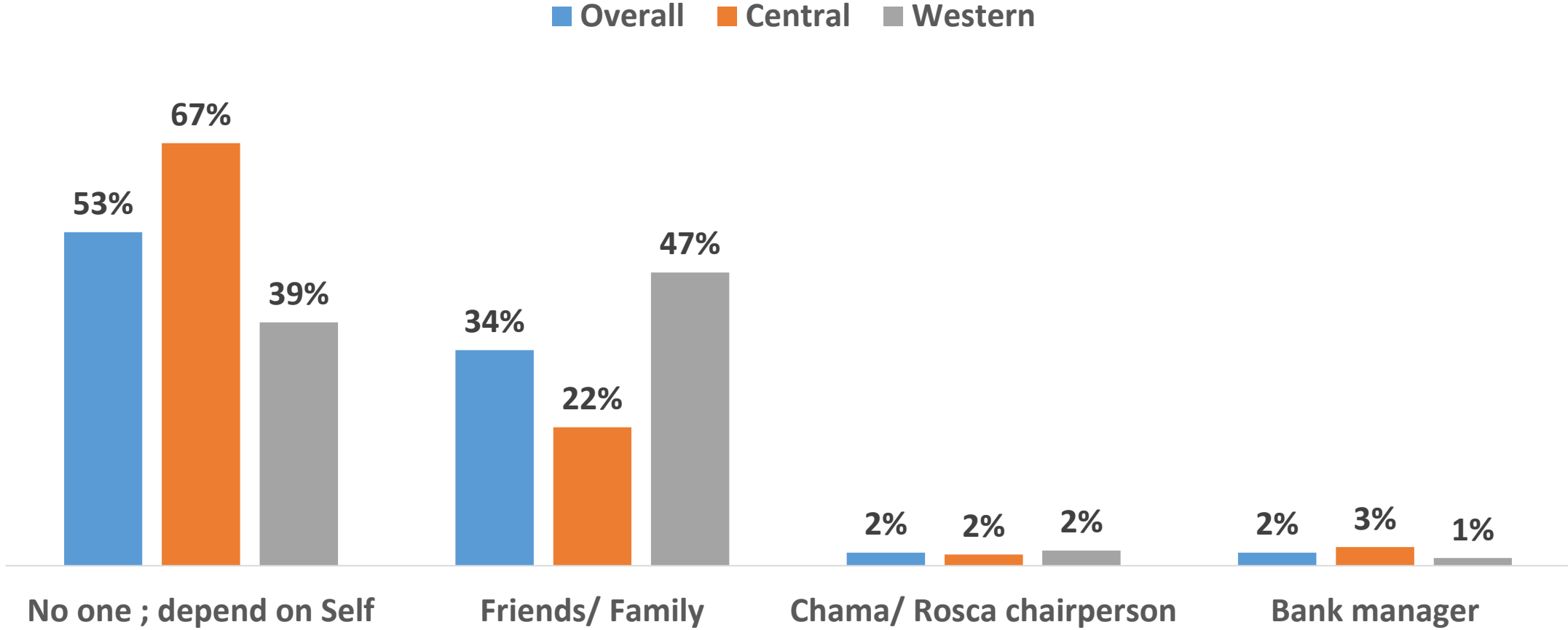


N=747

How will you use that loan?

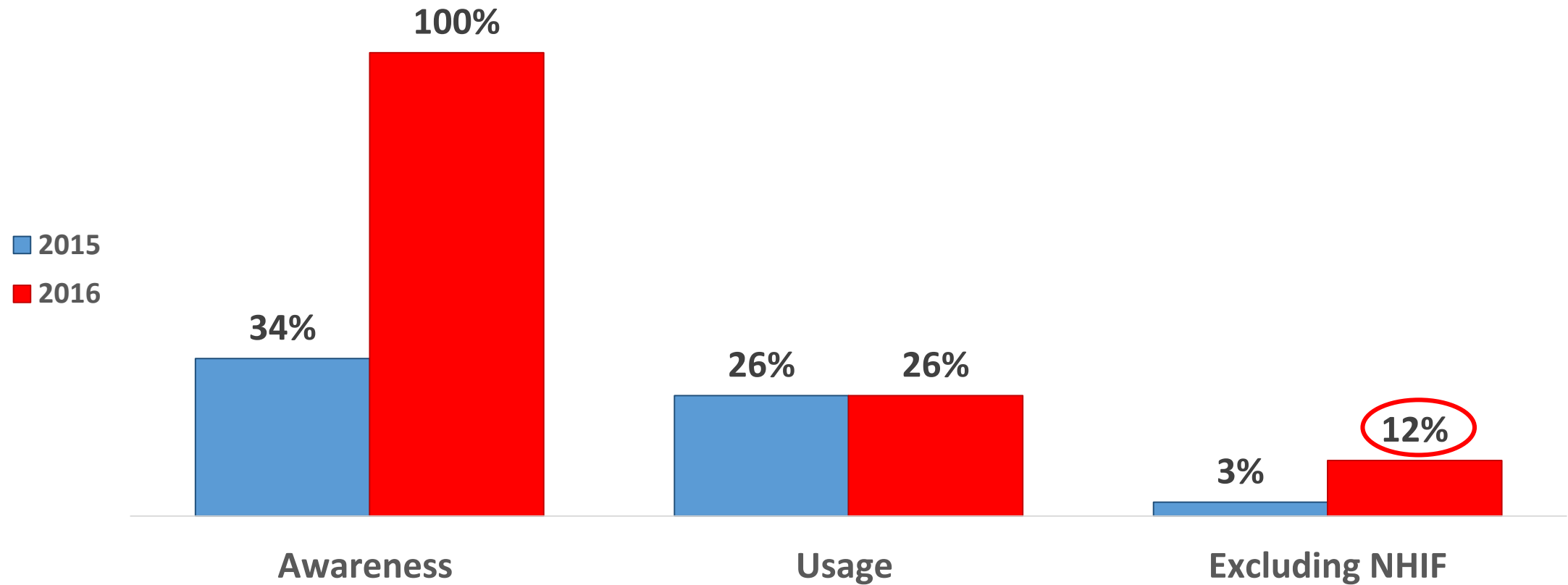


Trusted sources of financial advice



N=1,009

Uptake of insurance by small holder farmers increased in 2016





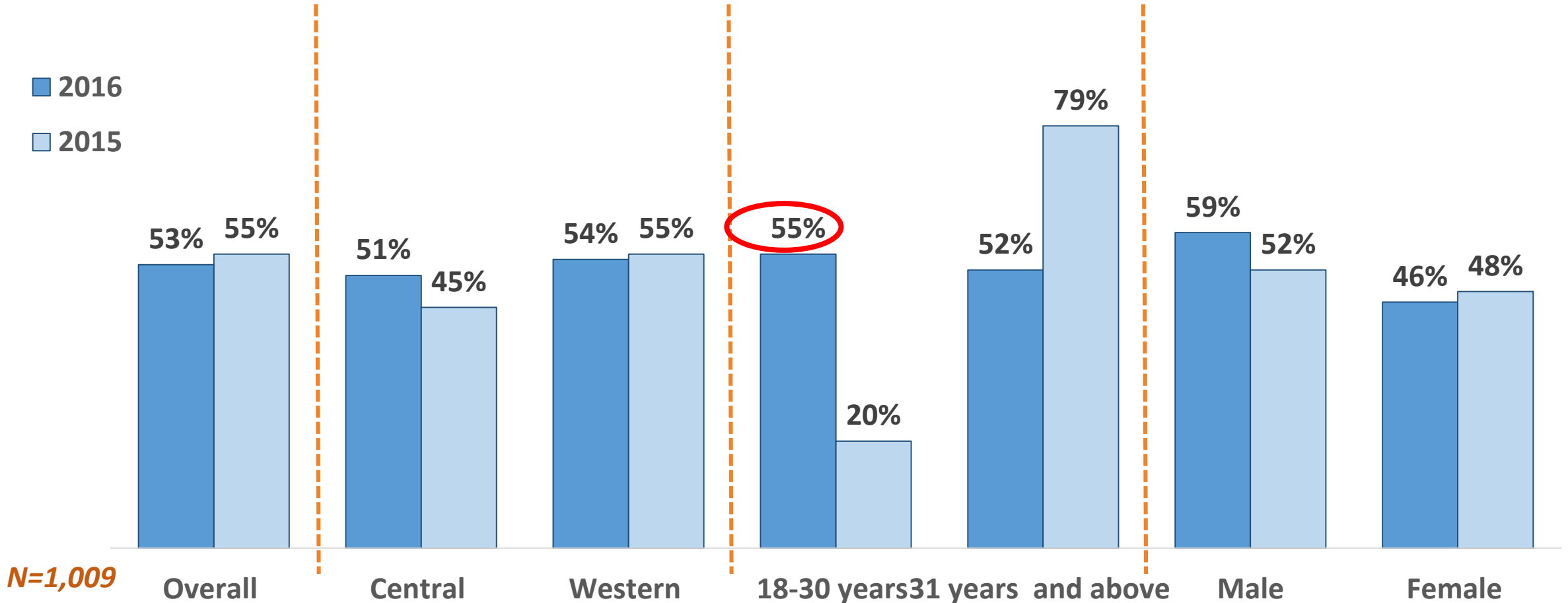
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AGRICULTURAL ADVISORY SERVICES

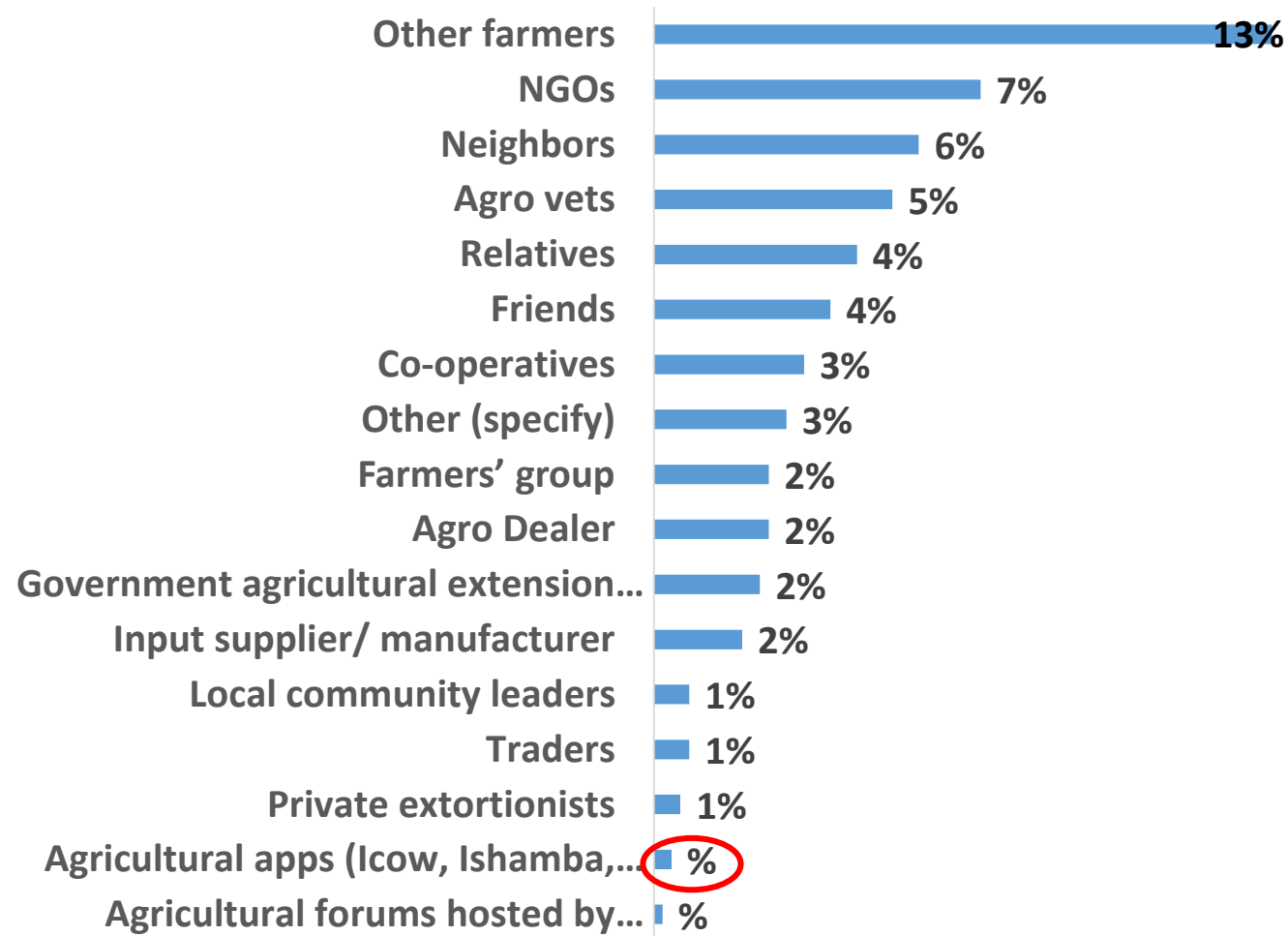
Channels and willingness to pay

Slightly fewer farmers accessed agricultural advisory services in 2016



But young people, however, suddenly have a much higher access rate, and the access rate has gone down for older people

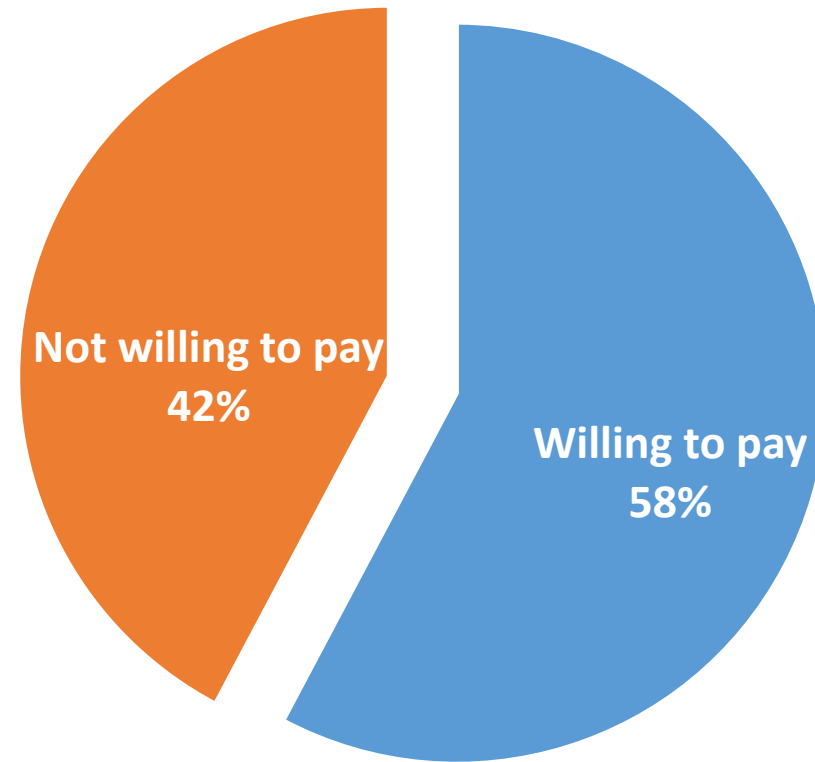
Trusted sources of agricultural advisory services



N=531

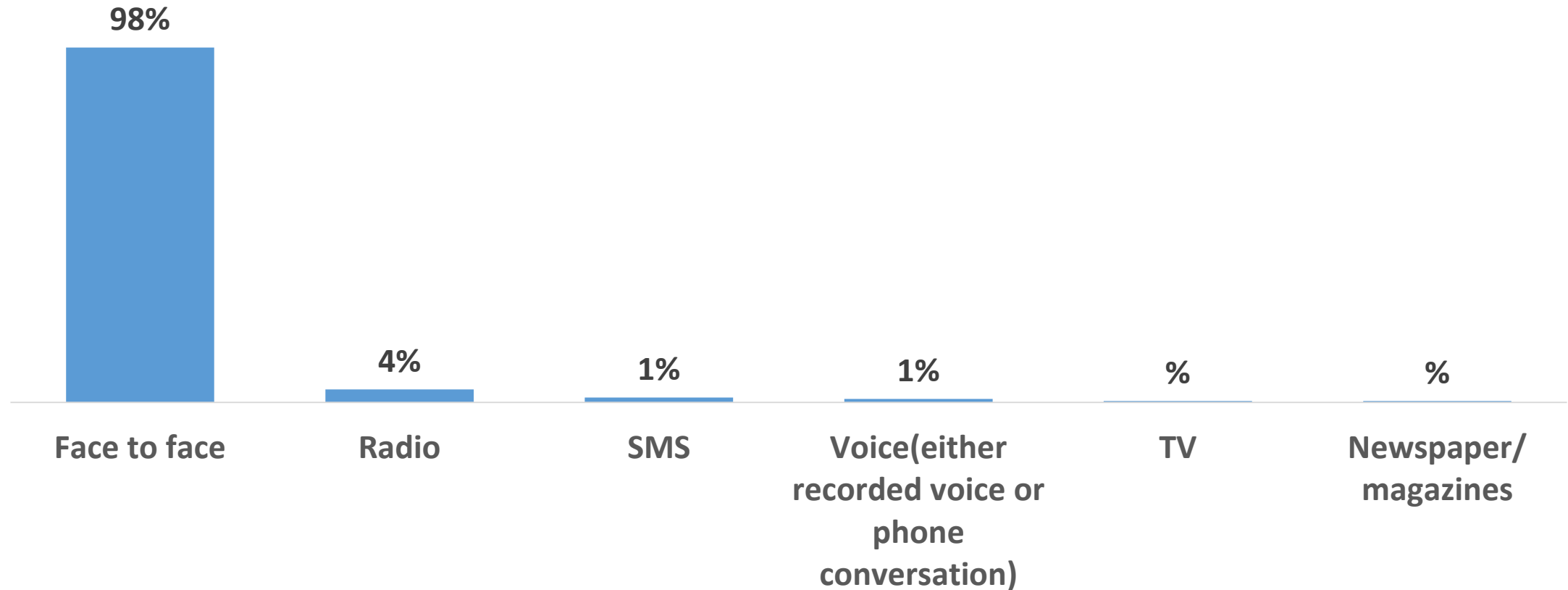
Less than 1% reported trusting mobile apps, however, and government extension workers as a trusted source is down from 2015

More than half of the farmers currently accessing agricultural advisory services say they are now willing to pay for services!



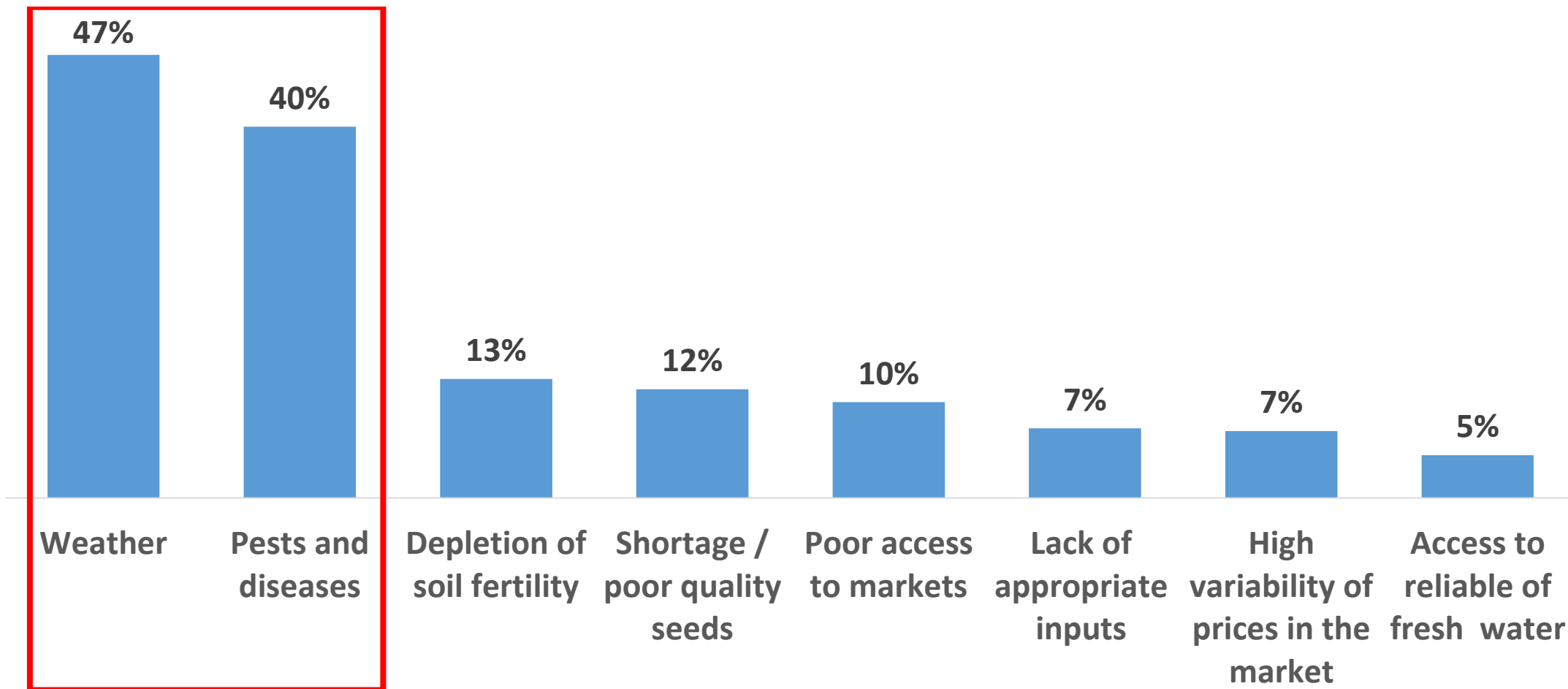
N=531

Which channels are primarily used to convey agricultural advisory services?



N=531

Weather, pests and diseases are the main constraints reported by small holder farmers



N=1,009

Not surprisingly, weather shows up as a main constraint in 2016.

How do you cope with the challenges you face in your farming activities?

	Central	Western	18 - 30 years	31 years and above	Male	Female
Depend on own savings	62%	51%	58%	56%	58%	55%
Friends/Family	18%	29%	27%	22%	21%	25%
No coping Strategy/Do nothing	11%	20%	13%	16%	13%	18%
National Government Agency	11%	1%	6%	6%	7%	5%
Church/Mosque	3%	3%	1%	3%	3%	3%
Spray with pesticides	2%	4%	4%	2%	2%	4%
Proper timing for planting	0%	4%	3%	2%	2%	2%
Community savings group	2%	2%	2%	2%	2%	2%
Bank	2%	%	2%	1%	2%	1%
Uproot the affected crops	0%	2%	1%	1%	1%	1%
Go to all the above	1%	1%	1%	1%	1%	1%
Insurance cover	1%	%	1%	%	1%	0%

N=1,009

How do you cope with the challenges you face in your farming activities?

	PPI_Index				
	1.25 USD	2.50 USD	4.00 USD	8.44 USD	> 8.44 USD
Depend on own savings	39%	48%	63%	75%	94%
Friends/Family	27%	29%	21%	12%	6%
No coping Strategy/Do nothing	17%	19%	15%	10%	12%
National Government Agency	10%	7%	3%	3%	0%
Church/Mosque	3%	3%	2%	4%	0%
Spray with pesticides	6%	3%	2%	2%	0%
Proper timing for planting	5%	3%	1%	0%	0%
Community savings group	2%	2%	2%	2%	0%
Bank	1%	1%	1%	2%	12%
Uproot the affected crops	5%	%	0%	0%	0%
Go to all the above	0%	1%	1%	%	0%
Insurance cover	0%	%	2%	0%	0%

N=1,009

Wealthier farmers depend on savings (and the bank); relatively poorer farmers depend on friends and family (and in Central on the Government).