PULSES SECTOR
INVESTMENT PROFILE SUMMARY
KENYA

KENYA: AN OVERVIEW

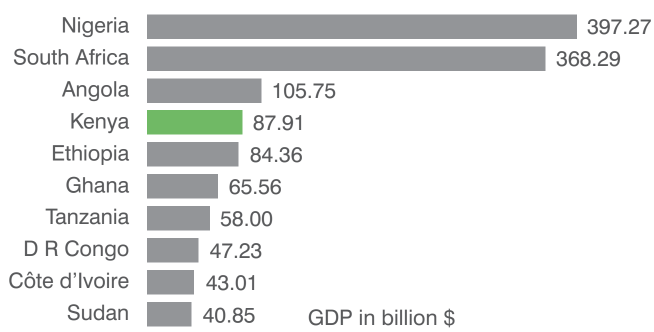
The Republic of Kenya is a low middle-income country with a population of about 47.5 million people, a per capita GDP of about US$1,776 and a young, well-educated and Englishspeaking human resource pool. Kenya also has one of the largest youth populations in Africa, with almost 20.5 million people representing the economically active population. By 2050, it is expected that Kenya's total population will cross 97 million with a working age population of approx. 60 million.

Key facts	
Capital:	Nairobi
Area:	581,309 km^2
Population:	51.4 million (2018)
Literacy Rate	
Male:	*85%*
Female:	*78%*
GDP (nominal):	$88 billion (2018)
GDP growth:	6.3% (2018)
FDI inflow:	$1.4 billion (2017)
Exports:	$6.03 billion (2018)
Imports:	$17.34 billion (2018)
Govt. expenditure:	$29.8 billion (2018)
Govt. revenue:	$18.5 billion (2018)
Currency:	Kenyan shillings (KES)
Language	English, Swahili

**Sources:* AfDB, 2018; KNBS, 2018; International Trade Centre, 2018; Trading Economics, 2018; World Bank, 2018

Kenya has a vibrant banking sector and the trappings of a modern tax system. Legal, regulatory and accounting systems in Kenya are transparent and consistent with international norms. There are no exchange controls after the 1994 liberalization that removed all restrictions. Kenyan banking sector comprised 42 commercial banks, 1 mortgage finance company, 13 microfinance banks, 9 representative offices of foreign banks, 72 foreign exchange bureaus, 19 money remittance providers and 3 credit reference bureaus as at December 31, 2018. There are very few restrictions on foreign ownership of businesses in Kenya. However, restrictions are to be found in aviation, insurance, telecommunications and agricultural land, where the law requires that foreign ownership be restricted to not more than two-thirds.

Kenya is the largest East African and fourth largest Sub-Saharan economy



**Source:* World Bank, 2018

WHY KENYA?

Sector overview

Pulses are the second most important staple food commodity in Kenya after cereals. Pulses are an essential source of livelihood for millions of Kenyans and can play a part in mitigating malnutrition among farmers with limited resources. Some of the most important pulses in Kenya include the common dry bean, green grams and pigeon peas.

Kenya is the seventh largest producer of common beans in the world and the second leading producer in East Africa after Tanzania. Beans are cultivated almost exclusively by 1.5 million smallholder farmers on about a million hectares. The main producing areas for dry beans in Kenya include the Rift Valley, Eastern, Nyanza, Western and Central Provinces. National consumption is estimated at 0.8 million MT against a production of 0.6 million a year. Kenya is a net importer of dry beans. The country imports about 10 times what it exports, but has a huge untapped potential of increasing production, especially through investment in irrigation.

Pigeon pea is Kenya's third most important legume, after cowpea and beans. It is primarily cultivated by smallholder farmers on about 0.24 million hectares in the semi-arid and arid lands (ASALs), predominantly as a source of cash and food. The most important pigeon pea-producing counties in Kenya include Machakos, Makueni, Kitui and the drier parts of Embu County in Eastern Province. The country is the world's fourth largest producer of pigeon pea after the Republic of India, the Republic of the Union of Myanmar and the Republic of Malawi. Annual production is estimated at 196,000 MT against a consumption of 106,280 MT. The surplus production is exported to India, the United States of America, and the United Kingdom of Great Britain and Northern Ireland.

Green grams are one of the popular pulses consumed in Kenya. They are grown in the ASALs, mainly for sale in local and export markets. The major producing regions are located in the eastern, coast and Nyanza parts of the Rift Valley Province. National production is estimated at 121,000 MT as compared to a consumption of 127,000 MT, which implies deficits in some years that are bridged through imports or surplus in other years that is exported.

Pulses value chains

The key actors along pulses value chains in Kenya include inputs supply, research and development, production, transportation, processing, marketing and consumption. The major institutions involved in pulse research in Kenya include the Kenya Agricultural and Livestock Research Organization, local universities, international research institutes, local NGOs and pulse networks. Besides the improved seed varieties, other inputs into pulse production include labour, fertilizers and chemicals, which are readily available from local agro-input dealers. Marketing agents include assemblers, transporters, wholesalers, processors, exporters and retailers. The bulk of the pulse output is marketed as dry grain, with little vegetable trade in pigeon peas. While bean processing entails canning, the only notable form of pulse processing in the case of pigeon pea and green grams entails dehulling and splitting to make dhal.

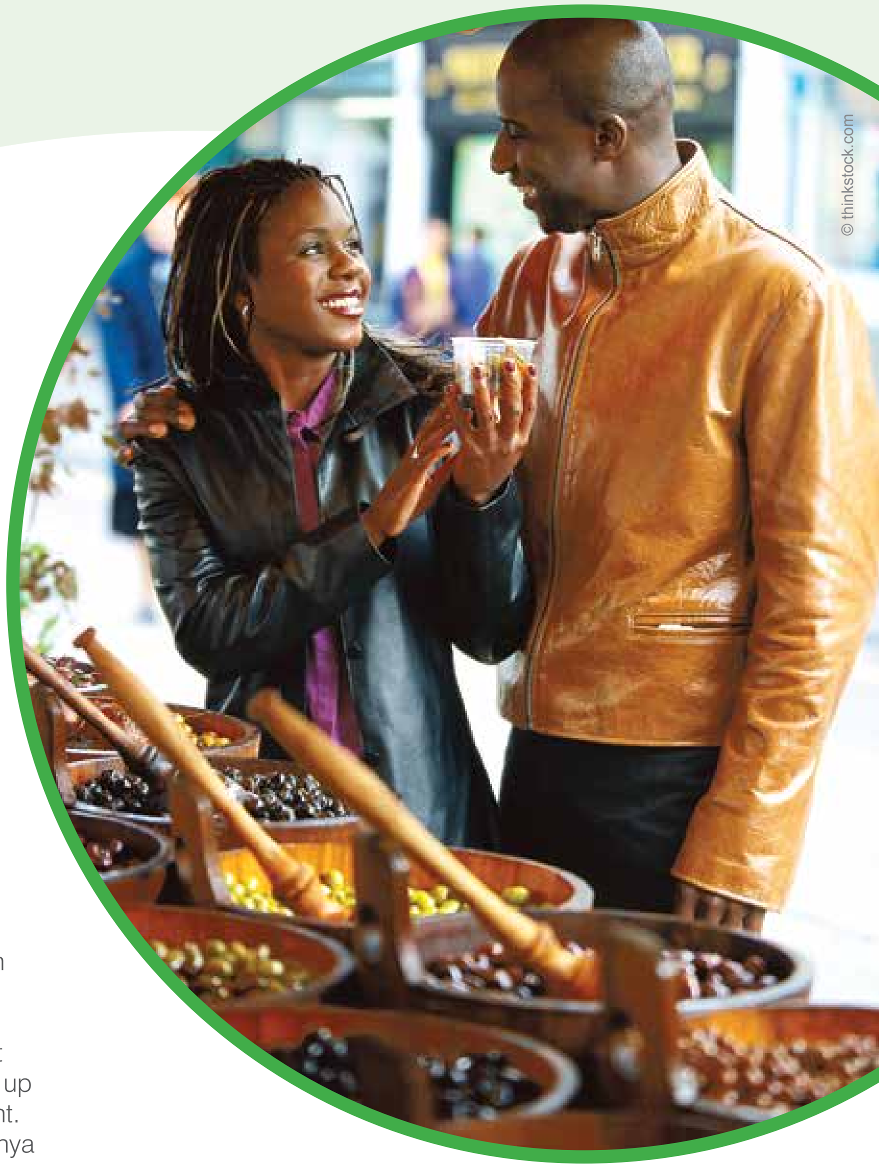
Trade scenario

The country trade regime is liberalized, except for a few import-licensing controls based on environmental, health and security concerns. As a result of this liberal trade policy, the country's estimated value of its overall product import in 2017 was well above the estimated value of its overall product export in the same year; that is approximately $17.3 billion for overall product import and $6 billion for overall product export. While the Uganda is the largest importer of Kenyan products, followed by Pakistan and the United States of America, it is the People's Republic of China that heads the imports of products to Kenya, with the Republic of India being the second and Kingdom of Saudi Arabia the third.

Trends in Kenya's pulses production and trade (2009–2013)

	Dry bean	Green beans	Cowpeas	Lentils	Pigeon peas	Other pulses
Area (Ha)	949 148	3 309	185 165	4 000	137 767	96 800
Production (MT)	515 360	34 627	90 121	2 920	79 337	25 800
Yield (MT/Ha)	0.54	8.54	0.48	0.72	0.57	0.27
Imports (MT)	53 763	10 472	37 833	511	–	–
Exports (MT)	5 389	19 981	10 152	1 730	–	–

**Source:* Ministry of Agriculture, 2015



Business environment

There are very few restrictions on foreign ownership of businesses in Kenya. However, restrictions are to be found in agricultural land, where law requires that foreign ownership be restricted to not more than two-thirds. Companies are free to repatriate income out of Kenya subject to payment of any taxes applicable. Government has also reduced the number of licenses required to set up a business from 300 to 11 in order to promote investment. The key corporate and investment laws applicable in Kenya include:

- **The Companies Act (Cap 486) and the Investment Promotion Act, 2004;**
- **The new competition law, Public Partnership Act and Capital Markets Regulations;**
- **The Foreign Investment Protection Act CAP 518.**

INVESTMENT OPPORTUNITIES

While Kenya's pulses subsector faces a number of constraints, several end market investment opportunities exist. These investment options can be classified into:

Investment in processing

- Except for the processing of dhal, very little processing of pulses is undertaken in Kenya. This offers an opportunity for investors to venture into bean canning, pigeon pea and green gram processing as a value addition initiative.

Investment in grading and standards

- The quality of pulses sold in Kenya is low when it comes to foreign particles, such as soil and dust. There is need for investment in sorting and grading to ensure the achievement of bean standards. This will improve the sector's productivity and profitability.

Investment in storage infrastucture

- Storage losses account for about 30% of post-harvest losses in Kenya's pulses sector. Given this trend, investment in appropriate storage structures both on farm and in the market would reduce post-harvest loses and improve the output quality in the pulses sector.

Investment in marketing

- Unlike the maize market, where farmers have a ready market for their outputs given the existence of maize millers and traders, the marketing of pulses is not well-structured, because no single large-scale wholesaler or retailer exists. This creates an investment opportunity for a subsidiary company to set up a structure for buying pulses either for further processing before exporting or for direct exporting.

Investment in establishing vertical linkages

- Business linkages in Kenya's pulses sector remain underdeveloped. Beans trade takes place under temporary and informal business relationships with traders, farmers and assemblers who do not have supply contracts. Kenya has no traders' or farmers' associations – business is conducted via short-term relationships, mostly during the harvest season.There is need for investment in collective marketing arrangements.

Investment in establishing horizontal linkages

- Horizontal linkages involve deliberately established business associations among actors in certain parts of the value chain (e.g. traders and producers). In Kenya, there is no sign of these types of associations; players in the various subsectors tend to work alone, with the exception of some women's groups.

Investment in support markets such as business development services

- Support market services for beans and other pulses are essentially non-existent in Kenya. The only noteworthy market support services are Kenya Agricultural Research Institute's research and variety development, and market price information. Other services are rarely available, creating an investment opportunity for other service providers, such as financial institutions and insurance.

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International Trade Centre

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