



# Accelerating Youth Inclusion, Succession and Asset Transfer for Agricultural Value Chain Development in Kenya

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**Cover image:** Young farmer, Meru county  
(Imani research team, 2019)



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## EXECUTIVE SUMMARY

This position paper is compiled as part of an auxiliary research portfolio designed to support the ongoing design, implementation, monitoring, evaluation and learning of the AgriFI Kenya Challenge Fund (KCF). The AgriFI KCF is a market-led SME agribusiness grant development fund (aiming to disburse EUR18m of grant funding over the course of 3 years) that targets companies with proven track records of working successfully with high numbers of smallholder farmers and pastoralists in Kenya.

The primary purpose of the paper is to provide key information to the AgriFI implementation team on the factors that collectively encourage or discourage Kenya's youth from pursuing agricultural and related agro-processing careers, including macro factors such as demographic and financial asset trends. The paper will provide insights into how the merits of different youth integration strategies can be assessed, and how best to focus the implementation of these strategies to strengthen the chances of success.

## RELEVANCE TO AGRIFI

Youth jobs are found and relevant to AgriFI in:

- The current informal smallholder system, as owners, family workers or hired workers
- Rural supply chain services – brokers, transporters, private extension workers for SMEs, standards compliance
- Processing, packing, admin and management within SMEs

All of these will add value to the Kenyan economy and should be recognised, especially where the status of youth activity is less formalised or not explicitly within an SME's formal employment or farmer-supplier list.

SMEs will automatically benefit youths by varying degrees by value chain (VC) – through formal employment, service providers, and farming. These are incidental but important benefits in line with any Private Sector Development theory of change.

Brokers are predominantly youths, and this is an important cohort in most value chains.

While youth programmes and integration strategies may have good (if diffuse) impacts, there is not a strong rationale to engage with them beyond information sharing.

Macro trends (outside the control of the company – such as land and inheritance rights, changing life expectancy) are likely to limit the number of youth farmers, but this may change over time and AgriFI programming will support an improvement in the attractiveness of agriculture-related jobs and careers.

Scoring:

- Ensure the incidental benefits are scored as well as deliberate initiatives. The former is more likely to be where the main benefit lies and incidental benefits are inherent in the intervention logic / theory of change for AgriFI
- Don't miss the service providers in the supply chain who may benefit from an SME initiative
- Accept that macro trends may limit youth farmers, but AgriFI and changing attitudes are likely to improve a trend towards agribusiness and agri-enterprise careers

## RELEVANCE TO SMEs

A key consideration for firms is to ensure they fully understand the commercial value of prioritising investment towards youth.

- It can help ensure balanced growth by improving internal and upstream operational efficiency within the firm's supply chain.



- It will help protect the sustainability of supply by keeping farms open and productive.
- It will help firms to improve (or at the very least, maintain) quality standards over the short to medium term.
- It will help create economic resilience by future proofing against macro and meso shifts in the structural orientation of the Kenyan food economy.

Companies investing in youth integration – both internally and throughout the supply chain network – are (informed or otherwise) making investments into their own operational efficiency, sustainability and profitability, and the more companies recognise this, the better. It would be contrary to the AgriFI intervention logic if partner SMEs investing in youth integration programmes were only doing so because it was an access requirement of the fund.

In more general terms:

- SME job creation will incidentally / indirectly bring significant benefits to youths.
- SMEs should consider succession as a key factor that may influence their operations in future.
- SME demand-creation for farm products will have a less impact due to macro trends but may bring higher demand for service providers (e.g. intermediaries / brokers, transporters, etc).
- There is no clear rationale for SMEs pursuing initiatives more targeted at youths unless they demonstrate why it is important to them – where this is the case it should be welcomed but it is less likely to bring impact than the incidental benefits of growth.



## 1. INTRODUCTION

This paper adopts the definition of “youth” as laid out in the Kenyan Constitution which includes individuals aged between 18 and 34 years (Youth Congress, 2015). This differs to the United Nations’ definition which classes people aged 15 – 24 years as youth (Yami, et al., 2019). Such definitional differences are important considering that the younger portion, for example, tend to be disproportionately barred from / unable to find work (Timmis, 2018) (Awiti & Scott, 2016). It is therefore important to acknowledge that there are differences in the opportunities and challenges faced by different sub-sections of Kenyan “youth”.

A recent attitudes survey conducted by Aga Khan University revealed a strong entrepreneurial spirit amongst Kenyan youth with the majority hoping to establish their own businesses (Awiti & Scott, 2016). The aspirational drive of many young Kenyans could be described as proactive; youth are keen to explore a wide range of money-making opportunities. Whilst most respondents reported having an optimistic outlook on the future, hopeful of improvements in job creation, education and healthcare, many are also concerned about / suffering from unemployment. Few (11%) report wanting to become farmers, likely influenced by a number of factors which will be explored through this paper, including perceptions of arduous work, high access barriers, low job security, and low returns in agriculture (MoALF, 2017) (Muchira, 2018).

Youth involvement in agriculture not only involves employment, but important inter-generational divisions of labour and asset transfer. Youth matter to smallholder agriculture because the sector will require a skilled and capable workforce, increasingly in supply chain and aggregation roles as much as in farming. Agriculture matters to youth because the sector is one of the few capable of creating the scale of employment for young people in Kenya (and Africa), in particular in rural areas. It may also be a means to grow urban centres across the country rather than becoming over-concentrated in Nairobi, though this is not guaranteed.

These characteristics and dynamics strongly determine not only direct involvement of young people in agricultural production and supply chain activities, but also the indirect social and economic outcomes of production and processing activity for households and (predominantly rural) communities more widely.

A major finding from the AgriFI baseline research, backed up by a DFID K4D report (Ismail, 2018), is that the increasing exclusion and thinning of young people holding interest in career farming is driving a potentially significant shift in the demographic, concentration and ownership structure defining Kenya’s agricultural production. There is growing political commitment across Africa to engage youth in agriculture and agribusiness (Yami, et al., 2019), however, the efficacy of efforts to catalyse this engagement is largely unknown.

Considered alongside parallel (perhaps even causal) socio-economic movements, such as returning retirees, changing inheritance laws, higher cost / pay-off structures associated with tertiary education, and the economic strength of Nairobi, it is clear that the changing role of youth in productive agriculture will affect AgriFI in some way.

Trends in consolidation of agriculture could benefit youth directly or indirectly, perhaps involving contract management models or similar. In every case, a functioning market and aggregation system will require young operators.

### 1.1. WHY DO YOUTH MATTER IN AGRICULTURE? HOW DOES THIS TRANSLATE TO AGRIFI?

Around 60-70% of Africa’s population is below 30 years of age – making it the youngest continent in the world (Yami, et al., 2019). Most of Africa’s youth live in rural areas, and despite the number of youth joining the labour market (estimated at 440 million by 2030), employment opportunities are thin (Yami, et al., 2019). In Kenya specifically, it is believed that over 1 million youth enter the labour market annually (IDS, 2018) (MoALF, 2017). Yami et al, however, find that there is considerable untapped potential for youth to transform the agricultural sector through innovation and entrepreneurship. The authors suggest that promoting youth integration in agriculture and agribusiness through financial support and conducive legal and policy frameworks has the potential to provide large numbers of new employment opportunities (Yami, et al., 2019).

As a market-led instrument of financial support, the AgriFI KCF fits into the gap between producers and processors and has potential to facilitate positive change by supporting the design and implementation of SME projects and interventions.



*“Young people in Africa are disproportionately disadvantaged in seeking work. They are more likely to be officially unemployed, and more likely to be engaged in informal or vulnerable forms of work.*

*According to one set of estimates, in the SSA region, 18 million jobs need to be created annually in order to absorb new entrants to the labour market (INCLUDE, 2017: 2), yet only 3 million formal jobs are created every year (AfDB, 2016c; INCLUDE, 2017)”*

(Irwin, et al., 2018)

The agricultural sector is seen as an important avenue for addressing problems of youth unemployment and jobless growth (Gitau & Goris, 2016). Kenya is also experiencing rapid urbanisation, and there are increasing gaps between food production, food consumption, and food preferences (MoALF, 2017). Parallel to the need to develop agricultural sectors as job creators, therefore, is the very real need to produce more food, at affordable prices, which is marketed to meet evolving consumer tastes.

*“Filmer and Fox (2014: 39) suggest that only 4% of new entrants between 2010 and 2020 will find waged work in industry, and 21 % in waged services, while the remaining 75% will split almost evenly between household enterprise and agriculture”*

(Irwin, et al., 2018)

This has seen the integration of youth in agribusiness elevated as a key national objective within the agriculture pillar of the Kenya Vision 2030. The plan to do so is outlined in the Kenya Youth Agribusiness Strategy 2017 – 2021, which spells out a set of policies, strategies and initiatives designed to help address youth issues in the sector (MoALF, 2017).

*“With recent government surveys showing that there are not enough jobs for youth, there is a need for collaboration between the policy drivers in government, stakeholders in the private sector, and those in education and training institutions. One area that can benefit from such partnerships is agriculture because it has the potential to create more employment opportunities and improve rural youth livelihoods.”*

(Muchira, 2018)

The Kenya Youth Agribusiness Strategy sums up the youth in agriculture challenge as the need to ensure *“optimal utilization of youth potential in contributing to the sector goals of achieving food and nutrition security, income generation, decent employment and wealth creation”* (MoALF, 2017).

Despite the employment potential for youth in agricultural sectors, the literature, supported by observational data collected by the AgriFI team, suggests that youth engagement and interest in agriculture has declined. Youth perceive agriculture to be labour intensive, unprofitable, and commercially insufficient to support their livelihoods – especially when compared to urban white collar jobs (Afande, et al., 2015).

Within this context, AgriFI is inviting agribusiness SMEs to submit intervention proposals to catalyse youth employment. Learnings from the first call for applications (AgriFI Call 1) suggest the majority of applicants systematically underestimate the challenges faced by youth, and in turn produce Project Concept Notes (PCNs) that lack the kind of critical thinking and innovation required to overcome them. On the other hand, some PCNs detailed youth integration plans considered *“outside the box”*, which were inventive and unexpected.

In both situations, adjudication panels would have benefited from clear guidance on i) what strategies have been shown to work well, ii) what strategies have been shown to work poorly, and iii) how the approach to implementing these strategies affects outcomes.

This premise of this paper is to narrow towards the key drivers that fall within the ambit of private companies, and that:

- **a) Discourage and b) exclude young people from careers in agricultural sectors**

These factors will help distinguish between the things that matter and the things that don't. While it is clearly important to know whether or not an integration strategy is focussed on addressing a major barrier, the nuance of the logic is equally important. Strategies focussing on changing or influencing things that are exogenous to and beyond the reach of the company (e.g. inheritance law) are clearly flawed in intervention logic.



- **Have been shown to be effective**

It is important that the AgriFI team is aligned when it comes to comparing different kinds of interventions. It is likely that even if they target clear issues and are realistic, efficacy and impact will vary by intervention. Strategies that work well need to be differentiated from strategies that work less well.

- **Are practical**

When it comes to implementing ideas, teams need to know how youth enter agricultural value chains – given the complex constraints they face, and why this is the case. AgriFI is not of a scale capable of changing systems themselves but it is capable of informing them. If interventions can be geared to work with, and not against, the market system, the scaling and growth of these interventions will not require the market system itself to adapt and change.



## 2. PUSH AND PULL FACTORS: WHY YOUTH DON'T PURSUE AGRICULTURAL CAREERS

Strategies to engage youth in agribusiness – especially those lead by government and development partners – have been seen as important to creating employment opportunities in Kenya, and Africa more widely (Yami, et al., 2019).

*“Many young people working in traditional agriculture face challenges such as: lack of skills, little arable land, declining land productivity caused by poor agricultural practices and non-implementation of land tenure reforms, and overdependence on traditional agricultural practices which rely on rain-fed farming activities instead of modern techniques such as greenhouse farming.”*

(IDS, 2018)

These issues and challenges are of course contextualized within livelihood factors that affect everyone, as noted in (Irwin, et al., 2018). It is important to assess whether issues are “young people issues” or “everyone issues”. In a recent piece by the Institute of Development Studies (IDS) exploring the relationship between youth unemployment and the employment challenge in Africa more widely, the authors note two key lenses through which to view employment barriers facing young people: “How youth-specific is...(the) youth employment challenge?”, and “How youth-specific are its causes?” (Irwin, et al., 2018).

In other words:

- a) is unemployment affecting young people exclusively (or more severely), or is unemployment equally pervasive across all economically active segments in the population?
- b) is youth unemployment being caused by factors specifically relating to young people themselves, or is youth unemployment driven by dynamics external to their control?

While young people will face many barriers to formal employment, many of these affect both older and younger people. This section will lean on the literature to highlight those causes of youth unemployment and barriers to employment (in Kenya specifically, but generally too where appropriate) that are youth specific.

### 2.1. EDUCATION AND QUALIFICATIONS

The FAO has found that there are observable discrepancies in developing countries in the level of access to information and education afforded to young people when comparing rural and urban areas (FAO, 2014). This is noticeable as early as primary school and has a multitude of causes and effects. Causes include things like undernourishment, seasonal peaks in agricultural cycles (i.e. children are required to stay home and help in the fields), poor access and school physical infrastructure, and even classroom materials (FAO, 2014). Rural children are twice as likely to be out of school than urban children (UNESCO via (FAO, 2014)).

There are also prevalent issues around school curricula, which have been found to alienate youth from agricultural careers. The negative effects of youth “study-to-work” transitions are felt most acutely in agriculture, with agricultural jobs widely thought of as “careers of last resort” (Njenga, et al., 2013).

### 2.2. SUCCESSION AND ACCESS TO LAND

Particularly in low-income developing countries, land is the key asset for most households and comprises a comparatively large proportion of the poor’s asset portfolio relative to the wealthy (Miller, et al., 2011) (Kimeu & Maneno, 2017). In sub-Saharan Africa, inheritance is the primary mode of land acquisition (Miller, et al., 2011). Processes of inheritance and succession are therefore closely related to asset ownership, wealth and economic fragility / resilience. Slow intergenerational succession was widely observed in other value chains across Kenya during fieldwork and has been cited in consultations as a prominent



inhibitor of youth inclusion – particularly at producer level. Land is also clearly the principal resource required for agricultural production, so land acquisition is doubly important when looking to grow agricultural sectors.

Farm succession by the next generation in agriculture is important in determining a number of structural and ownership factors. Succession affects industry composition, the number of farmers (as opposed to the number of people working on farms), and is critical to the livelihoods of farm families that have histories tied to intergenerational succession (Ngeywo, et al., 2014). Inheritance systems and practices have also been found to be closely related to an individual's ability to exit, or indeed compound, a life in poverty (Miller, et al., 2011). In coffee, for example, the effects of succession are little known. However, there is a suggestion that encumbered succession processes can slow technology adoption and productivity, and in turn competitiveness. Coffee farmers are elderly, with an average age of 55 years, and are known to be reluctant to release coffee farms to the new generation (Ngeywo, et al., 2014).

The majority of youth in Kenya do not have access to or own land (MoALF, 2017), which constrains those youth who are interested in farming from entering the profession. Land issues and conflict around land rights and tenure date back to the colonial era whereby lots of previously customary land was systematically taken and redistributed to British settlers and allies (Kimeu & Maneno, 2017). This was also the time where men's absolute ownership and control of land was established (Kimeu & Maneno, 2017) – thus fundamentally limiting the economic role and land rights of women, and constraining land transferral to processes of market acquisition and intergenerational inheritance. Post-independence, land was redistributed through a “willing seller, willing buyer” approach, which structurally excluded the majority of native Kenyans from regaining land previously owned by them (Kimeu & Maneno, 2017). The result is that land ownership, land allocation, land inheritance, and land acquisition remain hotly contested topics politically, constitutionally, and indeed economically.

### 2.3. STATUS: NEGATIVE PERCEPTIONS OF AGRICULTURE AND AGRICULTURAL CAREERS

Access to land aside, farming has generally been seen as an unattractive career by youth for some time – although there were suggestions during fieldwork that this was beginning to change as secondary and tertiary education institutes began reincorporating agricultural qualifications into the syllabus.

The reality, however, is that if few young people hold interest in becoming career farmers it will be difficult to reach critical mass in terms of both the supply side and demand side dynamics that affect sectoral growth. Kenya's youth are discouraged by negative stigmas and narratives around farming. Agriculture is perceived by youth to have high access barriers and low job security (MoALF, 2017) (Muchira, 2018). Linked to the issues around succession is the fact that agricultural production is dominated by elderly people who engage in traditional, and often inappropriate, agricultural practices with low levels of success (MoALF, 2017) (Ngeywo, et al., 2014).

Another factor is that farm work is often used by teachers and parents as a form of “punishment” or “threat” for bad behaviour or poor performance when growing up (MoALF, 2017). For example, one field respondent cited how he was made to weed his father's farm whenever he did anything naughty. As a result, he grew up resenting the fields and always planned to move to the city when he got the chance.

Farming is generally seen by youth as an area lacking innovation and relying on arduous, outdated and labour-intensive techniques, focusing heavily and narrowly on staple crops that are slow to mature, low yield and high risk, and provide variable and weather dependent income, affecting seasonality and cash flows<sup>1</sup>. At the end of all this, the returns on investment and incomes themselves are perceived as underwhelming and poor when compared to other sectors (Njenga, et al., 2013).

However, many of these assumptions are now changing, with new ideas and energy starting to rejuvenate small-scale agriculture and agri-enterprise entrepreneurship. Youth programmes are working to actively change some of the terminology used to describe agricultural careers – choosing, rather than calling them “farmers”, to focus on less stigmatised terms such as “businessmen / women”, “entrepreneurs”, “innovation leaders”, etc. Other negative stigmas might be borne from a lack of

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<sup>1</sup> This will vary by value chain. For example, dairy farmers can earn incomes daily, passion fruit farmers weekly, and avocado farmers bi-annually.

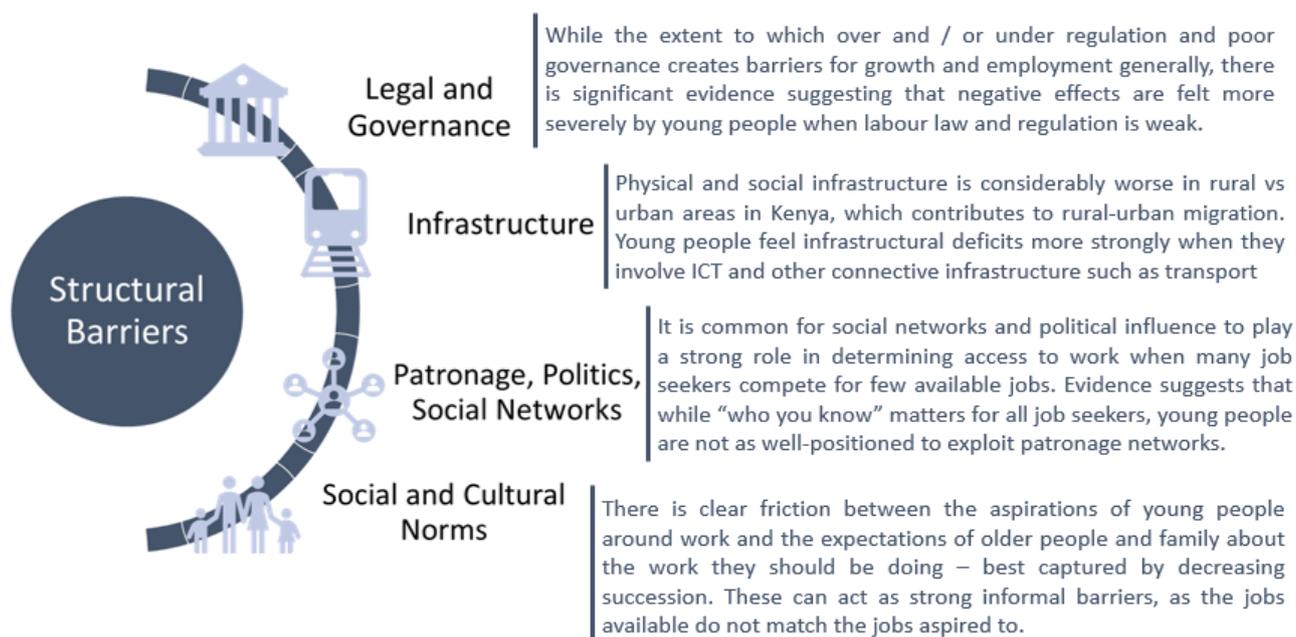


information. For example, agro-processing was, and clearly still is, a lucrative industry. It is the effective financing of agri-enterprise growth ventures that makes the emergence and promotion of “success stories” so difficult.

## 2.4. OTHER YOUTH-SPECIFIC STRUCTURAL CHALLENGES

In addition to those youth-specific issues already mentioned, some of the more structural, institutional and cultural factors that govern communities and livelihoods will – especially in rural settings – affect the youth more pervasively. Figure 1 below (as adapted from Irwin et al.) captures and briefly describes four broad barriers inhibiting youth participation in agricultural sectors<sup>2</sup>.

**Figure 1: Structural, Youth-Specific factors inhibiting participation of youth**



Source: Adapted from (Irwin, et al., 2018), Imani Development

<sup>2</sup> See (Afande, et al., 2015) for a more comprehensive, lateral coverage of factors preventing young people from enjoying equitable access to agricultural sectors.



### 3. INTEGRATION STRATEGIES: YOUTH AND AGRICULTURAL VALUE CHAINS

Around 65% of Kenyan youth (15-24 years)<sup>3</sup> were formally unemployed in 2018, with an estimated 1 million additional youth entering the labour force annually – many of whom are believed to lack the necessary skills to be competitive in Kenya’s job market as it currently stands (IDS, 2018). These figures notably exclude informal employment, which covers family and casual activity that may be income-generating and wealth creating, including much farming activity. It is therefore likely that the unemployment question on the ground – while clearly significant – is not quite as alarming as the official employment statistics might suggest. This is a function of how one understands the term “employment” and its value: while formal employment provides better protections in some ways, there is a risk that the youth are deterred from potentially lucrative farming opportunities.

The distinction between formal and informal jobs is therefore an important consideration for youths. A 2018 publication by the International Labour Organisation (ILO) found that informal employment in the East African region constitutes upwards of 91% of total employment (ILO, 2018). Focussing on agricultural employment in East Africa, informal employment rises to over 98% of the total (ILO, 2018). In terms of youth employment in East Africa, 96% of employed 15-24 year olds, and 89% of employed 25-29 year olds, are done so informally (ILO, 2018). In other words, whilst formal employment may be preferable from a socio-economic and socio-political standpoint, informal employment is still highly significant and critical to the livelihoods of people in East Africa.

Formalising jobs may offer better protections and working conditions for employees, and is a broad ILO goal (ILO, 2018). However, it is also important to recognise that informal work is a critical means of maintaining most agricultural livelihoods and is a safety net of the last order – especially so for young people. Ideally, the significant opportunities in agriculture will combine with new ways of working (digital technology, value addition) to help formalise agriculture and change how it is perceived.

Many of these jobs will be rural; the importance of providing jobs in rural areas is being recognised, so that as far as possible there is balanced growth across Kenya. Tax incentives and decentralisation initiatives should increase the likelihood of SMEs basing themselves outside of Nairobi. SME leaders consider this as a positive step, particularly for young women who often have to leave their families to pursue formal jobs and may be left socially vulnerable.

It was notable when speaking to a youth-focused VC organisation that they resisted using the term ‘farmer’ and instead referred to agri-entrepreneurs or SMEs. This is advisable because the distinction between formal and informal jobs arguably undermines or demotes farming as a business activity, as well as much of the agri-enterprise activity stemming from it. Young people’s perceptions of agriculture and agribusiness appear to be changing in line with this vision – this will have an impact on how agricultural VCs develop *vis-à-vis* inheritance, land purchasing, and how integrated different stages of the VC become (for example, will a youth contract out the management of a farm to the buyer, and to what degree; will they be more willing to engage directly in farming in future, and so on).

In the context of growing formal employment for young people in Kenya, agricultural sectors have strong potential to generate large numbers of new and gainful employment. There are some general principles needed to guide the integration of youth into productive and value addition segments of agricultural value chains, such as:

- Rebranding
- Specialization
- Financial innovation
- Value addition
- Irrigation and water storage
- Supply chain development and simplification
- Digitization

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<sup>3</sup> The United Nations define youth as individuals in age group ranging from 15 to 24 years (Yami, et al., 2019). These statistics refer to this population segment. When referring to youth in an AgriFI context, however, the term “youth” refers to individuals spanning 18-35 years, and in the Kenyan Constitution, “youth” refers to those aged 18 to 34.



Broadly speaking, opportunities to formally integrate youth target the key entry points – farming / production, services / middlemen, and agribusiness / processing.

### 3.1. AGRIBUSINESS

*“Kenya’s increasing youth unemployment and underemployment rates are despite several state supported initiatives, such as the Youth Enterprise Development Fund and youth employment programmes including Kazi kwa Vijana (Jobs for Youth). This suggests the initiatives are not as effective as they might be”*

(IDS, 2018)

Despite Kenya’s Vision 2030 recognizing the importance of youth development and empowerment in agriculture, there is still minimal effort to push public and private sector collaboration as a mechanism to drive initiatives. The disconnection between development initiatives and private sector is important to address, because a) the private sector is the major employer in agriculture, and b) the agricultural sector is such a critical entry point into the labour market for young people who lack formal skills (IDS, 2018).

AgriFI is in a unique position to both design youth integration programmes in concert with the companies themselves, and also demonstrate the benefits bringing planners, implementers, beneficiaries and employers together around the same table. In addition, rapid rural-urban migration in Kenya has increased the pressure on agricultural market systems to work better so that they can reliably and consistently supply urban markets. The full value chain lens is therefore important for youth in agriculture as growth in agricultural market systems will require improvements across the supply chain, including production, logistics, processing, and food safety.

There will also be opportunities to innovate and digitise as the need to leverage marginal gains and grow sophistication of supply chains linkages through the value chain grows. Collectively these trends present significant potential to increase youth employment in the agricultural sectors. AgriFI is well positioned to influence market systems via agribusiness, and so this opportunity is the most obvious to be exploited by the fund.

### 3.2. ENTREPRENEURSHIP AND SERVICES

IDS finds that the majority of Kenya’s youth remain uninterested in traditional farming (which is characterised by crop growing and animal rearing). However, Kenya’s youth still require the skills and capital to exploit some of the prominent value chain opportunities in agro-processing, information technology and logistics / services (IDS, 2018).

Entrepreneurship in this case refers to the process of identifying potential and viable opportunities for innovation, and starting and growing a business that will leverage these opportunities (Muchira, 2018). Muchira identifies mechanisms to grow youth entrepreneurship in the agricultural sector:

- **Develop entrepreneurship education and training curricula** to better equip young people to investigate, observe and seek opportunities within the agricultural space, and know how to respond to these opportunities commercially.
- **Reinforce business-led collaboration with public institutions** to design youth experiential learning opportunities through apprenticeship programs.
- **Foster partnerships between private sector stakeholders and secondary schools** to equip young people with modern agricultural practices and practical skills and knowledge pertaining to value chain and agricultural product identification and marketing.

According to Ismail (2018), however, mentorship programmes for Kenyan entrepreneurs have not yet got it completely right. In a review of several training and entrepreneurship development programmes, they found that benefits accruing to entrepreneurs from mentorship programmes do not yield sustainable improvements to sales and profits. However, there are



positive employment and earnings returns to programmes designed to connect young people and employers in agribusiness (Ismail, 2018). In particular, Ismail (2018) highlights the efficacy of life-skills training, vocational training and internships.

There is growing demand for professional logistics services in agricultural value chains to aid the connection of producers, aggregators, processors, markets and exporters. Post-harvest losses throughout Kenyan food production is prohibitively high, and the failure by the market to provide adequate middleman services has led to a pervasive rise in informal cartel economies and brokerage. All of these factors disrupt the economics of food market systems, with the cost inevitably absorbed in end-prices – making food more expensive and less attainable for consumers.

Opportunities to increase digitization in the smallholder space also emerged strongly throughout field research. SMEs and cooperatives with digital farmer management platforms and payment systems were at a clear advantage over those that did not. They were able to provide up to date data and information on their operations, and were able to process quicker, more secure payments. Digital innovation provides a compelling gap in the services and entrepreneurial space for skilled youth, with clear potential in ICT, application banking, database and aggregation digitization, etc.

### 3.3. PRODUCTION

On the production side, the literature is fairly comprehensive on ideas and mechanisms through which to encourage more youth into productive small-scale agriculture and increase retention rates. Evidence on what works, what does not, and what factors determine these outcomes, however, is patchy. Furthermore, the majority of these ideas are beyond the scope of AgriFI's intervention framework. There are some strategies, however, that are likely more appropriate to implement at SME level. In the simplest terms, these involve quotas and institutional partnerships. The first encourages SMEs to work with youth farmers already out there. The second encourages SMEs to bring more youth into agricultural networks.

An effective route through which companies can target benefits at youth farmers is via segmentation of their recruitment drives to prioritise younger farmers and women farmers. SMEs would apply quotas to make sure they are balancing the demographics of their "farmer portfolio". Alongside this, there are opportunities to partner with local, rural educational institutions and youth groups to connect young people looking for opportunities with farmers looking for assistance. SMEs could encourage farmers in their extension programmes to mentor young prospective farmers and have heirs in place even if they do not have children / children interested in farming.



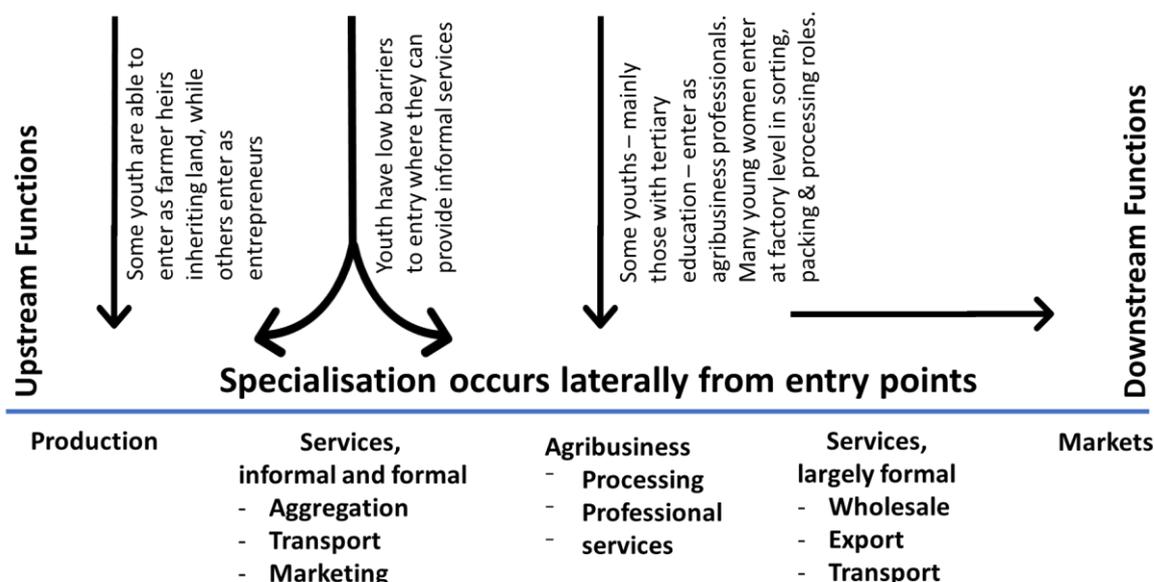
## 4. VC ENTRY POINTS FOR YOUTH AND ECONOMIC UPGRADING

The considerable blockers facing Kenyan youth interested in agriculture and agribusiness appear most heavily concentrated at SME and farmer levels. At SME level, youth lack the skills, experience, mentorship, financial capacity, collateral, and – often most pertinent – opportunity, to kickstart companies, irrespective of the quality of the idea. At farmer level, youth face strong cultural and social barriers to becoming farmers. As discussed, succession inhibitors and commercial interests make it a slow process for new young farmers to obtain land. There are issues of status where farming is viewed as unattractive and cumbersome – although signs are emerging that these trends are starting to reverse (Muthomi, 2017). Young kids have seen their parents toil on the land with little reward, and they are determined not to struggle in the same way. The allure of big, rapidly modernising urban centres, such as Nairobi, Kisumu, Mombasa and Eldoret are also significant factors.

Given all this, how can we effectively promote youth integration within the scope of AgriFI and commercially-led SME intervention. Youth integration strategies should target value chain segments that are both accessible and practical to influence. The key entry points must be analysed and understood to make sure that intervention strategies put forward by SMEs are logically sound and designed to be effectively implemented and monitored. With barriers to entry most prevalent at the upper and lower ends of the value chain, youth (typically between the ages of 20 and 35, with moderate to low levels of capital savings) will tend to target service sectors as entry points where barriers to entry are lower.

As depicted in Figure 2 below, youth are most likely to enter agricultural value chains via the middle, low-barrier, informal service sectors, and then specialize up or downstream – depending on their preferences, connections, support, interest, qualifications, wealth, status, etc. Youth (mostly, but not exclusively, young women) will enter as workers in sorting, packaging and processing factories. There are two other entry points for youths, loosely categorized as those inheriting land and / or money, and those securing tertiary education. Those inheriting land and / or money will enter as farming heirs and agri-entrepreneurs, while those entering with tertiary education will most likely join established agricultural companies as professional employees.

**Figure 2: Primary and Secondary entry points for Kenyan youth in agricultural value chains**



Source: Fieldwork, Imani Development



#### 4.1. YOUTH AS SMALL PROCESSORS, ENTREPRENEURS, FARMERS

During various stages of field work and consultation, reports emerged of young people in Kenya buying goods at markets and / or directly from farmers and engaging in small scale value-addition activities with the intention of reselling those goods at a profit. As illustrative examples, stories emerged of youth in Kilifi that would purchase, prepare, and roast coconut for resale, and youth across Western buying and roasting maize on the cob for roadside resale (selling roasted maize is a common activity across Kenya, and is usually performed by women). This level of economic value creation is a largely informal exercise, but does not require major capital, and youth are able to buy, process and sell at reasonable margins.

There does appear, however, to be a disconnect between what might be considered actual entrepreneurship and what we observed in practice. There were suggestions during fieldwork that what we observed with young people with respect to small scale processing and agricultural value addition is more ad-hoc and opportunistic behaviour than it is commercially driven. There is no shortage of entrepreneurial spirit or endeavour – the shortages appear to sit with resource allocation, knowhow and market credibility (both in terms of education / qualifications, and commercial informality / formality).

One youth empowerment programme known as Youth Economic Empowerment through Agribusiness in Kenya (VijaBiz) – implemented by the Technical Centre for Agricultural and Rural Cooperation (CTA) and USTADI Foundation – is designed to deal with this specific disconnect. There are lots of entrepreneurially minded youth, they operate in an economy unable to generate the formal employment opportunities to accommodate them, and yet they are unable to turn their ideas, energy and skills into anything commercially sustainable. The challenge for entrepreneurial development and mentorship programmes in Kenya to achieve targets is well highlighted by Ismail (2018), and the difficulty in catalysing sustainable enterprises in agribusiness is clear. Nevertheless, the benefits are likely to be diffuse and long term, and such programmes are likely to have a good understanding of some of these long-term theories of change.

The approach of VijaBiz is to identify youths in different areas who are like-minded, trying to do similar things to generate incomes, yet operating in silos. The programme then brings them together, assisting them to form youth groups and collaborate to combine their acquired skills, resources and experience to turn their small processing into a business that they design, operate and manage as a collective.

Youth who enter value chains at low-barrier points as small scale processors have the capacity to upgrade over time through collaboration and teamwork. VijaBiz have reported some success driven through the project in the value chains they operate in (mostly cereals, dairy and fisheries). However, collective action is hard to sustain.

The issue perhaps is that these programmes are expensive to run and fiscal pressures are already difficult to negotiate. While approaches to foster entrepreneurship through talent identification and collaboration programmes can clearly work, it is the ability to achieve scale that presents issues for policy makers. Furthermore, these do not appear routes that are viable for AgriFI. Not only is there a shortage of appropriate trainers and training facilities for entrepreneurial initiatives, but the success of such programmes often hinges on exogenous factors such as ethnic, cultural and socio-political frictions (Ismail, 2018).

#### 4.2. YOUTH AS BROKERS AND TRANSPORTERS

While all services in agriculture are effectively adding value within the market system, as margins are added, there are some distinctions to be made between the nature of these service opportunities. While some perform market-clearing functions (brokering, transport), others seek to add value through basic processing, developing new markets or variations on the product. However, all these may be seen as seeking to add value in some manner by providing a service, indeed one trade expert is neutral on what service is performed, viewing everything through a 'servicification' lens, from farming to processing to selling.

The fact that there are such significant, yet informal, unregulated and uncoordinated supply chain services in Kenyan agricultural value chains is a reasonably sound indicator of critical supply chain gaps and issues. In this space there are often young people – predominantly, but not exclusively, males – providing supply chain services such as transporting, market clearing, and intermediary trading. The fact that these stakeholders exist in the market system is an indication that their



services are to some extent needed. That these operations are unregulated and generally poorly monitored is probably a big part of why the nature in which these services are provided is considered quite as pernicious as it is.

Brokers, and the practice of brokerage in general, have an extremely negative image. The narrative is that brokers consistently cheat farmers, undermine formal contractual off-taker agreements already in place, and also frequently renege on promises to farmers once agreements have been made. It is undeniable that these practices occur, and that the manner in which brokers operate – particularly with high-value crops such as mango and avocado – has created problems for both farmers and off-takers, and has compromised SMEs and larger companies working with exporters or supplying to anchor contracts.

Brokers present issues around quality, market knowledge and price setting that need resolving. Any attempts to enforce some sort of licencing scheme or permit for brokers would be difficult to enforce and there is very little knowledge at farmer-level on their rights when it comes to dealing with and negotiating with brokers.

At the same time, there is evidence to suggest that brokers play an important market-clearing function that does not otherwise present itself formally, buying lower quality product or total volumes *en masse*. That a significant proportion of brokers (especially new brokers) are youth between the ages of 20 and 35 suggests that brokerage is also a natural entry point for youth who are looking to access agricultural value chains to make money and grow as entrepreneurs.

When it comes to the useful services provided by brokers, the aspect most commonly cited by farmers is that they need assistance transporting their produce directly from their farms, which are often geographically remote, poorly connected to transport infrastructure, and a fair distance from collection points. The other notable service is cash flow and liquidity, with brokers willing to pay partial amounts in advance in order to secure volumes prior to harvest.

This transporting aspect is where youth are able to provide services at a comparative advantage. In dairy sectors in particular, it is commonplace for young men to provide daily milk collection and transport services to several farmers every morning in exchange for a commission.

It is unclear whether or not transporters are associated with a link towards brokerage (or indeed if this occurs the other way round), or if this practice varies by value chain. In high value commodity VCs (such as mango and avocado) there tends to be a much higher concentration of competition between, and collusion with, brokers. There is a far lower incidence in these VCs of youth engaging as pure transporters. With lower value, faster moving products – such as milk, passion fruit and some fresh vegetables – the incidence of transporters vs brokers tends to switch, with transporters the more prevalent of the two.

Regardless of the sector, and related incentives, there are mutual benefits to be had by SMEs collaborating directly with the informal service sector. A more coordinated relationship between off-takers and informal service providers can help to reduce some of the prevalent threats, create opportunities to partner more concretely in future, build recognized and respected careers in these segments, and help solve some of the critical supply chain gaps / issues.

### 4.3. YOUTH AS INTERNS AND TRAINEES

A significant market failure in Kenyan productive agriculture is that a wealth of information and know-how is being lost through a slowdown in intergenerational farming. Farmers appear to need affordable workers, while youth appear to need hands-on training, experiential learning, and opportunities to build their professional networks.

There is arguably an opportunity for companies to proactively seek to connect interested young people with suppliers and farmers throughout their supply chains. Could companies participating in AgriFI drive, negotiate and establish mentorship, internship and trainee programmes for young prospective farmers to work on smallholder farms – exchanging cheap labour to gain important skills and knowledge? These could focus on important, labour-intensive periods such as planting, grafting, harvesting, transporting and packing. Could companies look to do similar in other segments of their supply chain?

Muthomi (2017) found that business knowhow and access to technical assistance and mentors were amongst the most critical challenges affecting youth when looking to start businesses in agricultural sectors (Muthomi, 2017). The study established that:



*“improving access to mentors in agribusiness, access to affordable employees, education on agriculture/agribusiness, access to extension services, access to agricultural machinery and access to information on agribusiness ... can be applied to enhance youth participation in agriculture.”*

(Muthomi, 2017)

The other important finding is that the growth of agribusiness and agricultural ventures is hindered by poor access to appropriately skilled yet affordable employees. Muchira argues that partnerships should be brokered between agribusinesses and secondary schools in Kenya (particularly rural areas). The concept would be to build the entrepreneurial and practical skills to start businesses and grow careers in the agricultural sector (Muchira, 2018).

Interventions aiming to increase the inclusion and employment of youth through collaboration between agribusiness SMEs and Secondary and Tertiary educational institutions – especially those in rural Kenya – should be positively viewed by AgriFI. It is possible that assistance from AgriFI capacity building teams to broker and solidify these relationships, including the terms of engagement and the terms of labour, could increase the efficacy of these interventions and have a positive effect on youth impact.



## 5. THE BUSINESS CASE FOR INCLUDING YOUTH IN AGRI-VCs

### **Balanced Growth: Improve internal and upstream operational efficiency**

The Kenyan economy is needing to create high volumes of new jobs for young people. Young people (typically with lower levels of experience) are more affordable to employers, looking to learn, and demonstrate a willingness to provide services and perform tasks that are critically undersupplied in Kenya's agricultural value chains.

These include transporting, sorting, land preparation, processing, and market clearing (brokerage / connecting residual product with residual buyers).

### **Supply Sustainability: Keep farms open and productive**

Encouraging the participation of young people in agricultural sectors is crucial for the long-term sustainability of Kenya's food production and food security.

On the agribusiness side, it is important to take steps to demonstrate to young people that there are dynamic, exciting, innovative, and potentially lucrative careers in agriculture – from climate smart agriculture to extension, agronomy, research, services, exporting, marketing, etc.

On the food production side, it is important for new generations to enter productive farming – especially at a time when inter-generational / family farming traditions seem to be slowing down and many experienced farmers are reaching retirement age with no heirs. Farming will continue, but it might be very unevenly owned and with low employment.

### **Quality Assurance: Maintaining standards and yields**

If companies want to maintain supply yields and quality standards, they need to recognize that issues with land ownership, land rights, and inter-generational succession are blocking youth, along with their energy and ideas, from agricultural sectors. Although the evidence is fairly thin, studies suggest quality and yields of product are negatively associated with slow rates of succession. Improving (and even maintaining) current standards of production will be very difficult unless there are more youth farmers entering and rising through the system.

### **Future Proofing: Creating economic resilience**

If youth are facing higher barriers to entry at farmer level, companies need to recognise the threat this generates to their long-term futures and identify and proactively pursue alternative entry points for young people to engage positively with them and their value chain. Even if they can't themselves produce, youth are showing us that they can capably provide key supply chain and auxiliary services that are adding value and are sensitive to consumer tastes.

The issue of youth unemployment is an Africa-wide (arguably even global) problem. However, individual countries need to find their own solutions. In Kenya, with 1 million new entrants into the job market annually, companies with a proactive spirit to employ and include young people will enjoy a short-medium term first-mover advantage.

The table below captures this messaging over the short, medium and long-term time horizons of a company, in terms of its micro, meso and macro-level commercial interests.



**Table 1: Business case for proactive youth inclusion in Agricultural Value Chains**

	Short Term	Medium Term	Long Term
Micro Level	Low-cost, mobile, but undertrained labour is attainable relative to the output of workforce overall	First-mover advantage in attracting and retaining valuable yet available youth employees	Steady pipeline of career employees within the company
Meso Level	Involving youth formally can help solve significant (sometimes critical) supply chain and post-harvest gaps (e.g. market clearing, transport, harvest, etc.)	Improve interest in agricultural sectors, the profile of agricultural employment in Kenya, and the viability of agricultural careers	Preservation of generational succession in Kenyan agricultural value chains (even if this is not done through traditional routes such as family inheritance)
Macro Level	The majority of entrepreneurial and youth ventures in agriculture (e.g. middle-tier small-scale processing) tend to fail when connecting to the formal sector. However, connecting youth to the formal sector will both provide new opportunities and actively reduce threats from the informal sector (e.g. unlicensed, predatory brokerage)	Current projections are for formal youth unemployment to increase. The social and economic effects of this over the medium term will be severe and potentially irreversible. Working proactively to build community incomes and engage with entrepreneurs can help prevent this	The long-term ability to buy (demand) and produce (supply) food – especially in rural areas – must not collapse. Sustaining the reliable supply of safe agricultural produce, and the ability to pay for it, underlies the business model of any agri-enterprise



## 6. CONCLUSIONS

This position paper has set out some of the key inhibitors to youth participation in agricultural sectors, and has highlighted some youth integration strategies that should be of interest to the AgriFI programme. In a practical sense, the paper has isolated and elaborated upon some of the key entry points for youth in agricultural value chains, and has presented a business case that looks to capture and stratify the commercial logic for SMEs investing their limited time and money in youth. Some of the key messages of the paper are teased out below.

**Macro Factors:** Employment for youth is strongly influenced by macro factors (land, demographics, technology) which are not easily tackled by existing youth programmes, but some trends might move towards **a renaissance in attitudes to agriculture and agro-processing as an opportunity**. Strategies focussing on changing or influencing things that are clearly exogenous to and beyond the reach of the company (e.g. inheritance law) are clearly flawed in intervention logic. It is therefore very important to devote time to identifying, understanding, and targeting those **barriers that are youth-specific**.

**Formal employment**, while desirable, can miss out opportunities in the flourishing agriculture sector (where informal work commonly blends family and unregistered commercial commitments, as with smallholder farming). Formal entry points in agricultural value chains tend to be as farm workers, trainees or interns (at production and agri-business level).

Importantly, the **type of acquisition / succession** influences the behaviours of youth entering value chains as new farmers: youths who buy land may have a different set of opportunities / constraints to those who inherit land.

In terms of the **generation of informal employment**, there is growing demand for professional logistics services in agricultural value chains to aid the connection of producers, aggregators, processors, markets and exporters. Post-harvest losses throughout Kenyan food production are prohibitively high, and failure of the market to provide adequate middleman services has led to a pervasive rise in informal cartel economies and brokerage. **All of these factors disrupt the economics of food market systems**, with the cost inevitably absorbed in end-prices – making food more expensive and less attainable for consumers. **Youths** are particularly prominent in supply services such as brokering and transport – not always employed directly by the SME or on farms. **Informal entry points are numerous between SME and production level** in the low-barrier service economy, as well as in small-scale entrepreneurship and processing.

AgriFI should recognise the value of **interventions targeting these formal and informal entry points**. Interventions aiming to increase the inclusion and employment of youth through **collaboration between the agribusiness SME and Secondary and Tertiary educational institutions** – especially those in rural Kenya – should be viewed positively by AgriFI.

Other key intervention points include SMEs **working with farmer groups** to encourage them to grow youth membership, SMEs **applying youth (and gender) quotas** to grow their farmer supplier networks, and SMEs looking to actively recruit from / engage with youth involved in the burgeoning **informal service economy**.



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