

# The Impact of Cartels on the Poor in Kenya

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markets and enhanced consumer welfare  
for shared prosperity*

## Our Focus: -

### Agribusiness

- Contributes 24% of GDP
- Produces 57% of Total Exports
- Accounts for 17.02% of formal employment

### Matatu Transport

- An important service for the poor
- Play a significant role in the movement of the poor
- Serves low and the low middle-income population



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COMPETITION  
AUTHORITY  
OF KENYA

Creating efficient markets for consumers

## A. Maize Milling Sector



MILLING



- ❑ Mostly Consumed cereal
- ❑ Represents 9% of the Consumption Basket of low Income H/Hs
- ❑ Provides 33% of the revenues from crops sales to poor H/Hs
- ❑ 43 Milling companies but Concentrated (ownership) milling business

Milling business  
concentrated to one  
'family'

Millers 'Association'  
recommending Prices

Maize flour prices  
@Kshs.70 per Kg  
High Profit margins for  
millers (42%)

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## A. Maize Milling Sector



- ❑ The Authority enforcement initiatives demanded review of the Associations internal regulations
- ❑ Issued ‘stop and desist’ orders on arrangements for price coordination

Elimination of all mechanisms for price coordination

Reduction in prices by 15% means  
Ensures continuation of school feeding programs for the poor  
Saving to the poor and Possibility to consume other goods/services

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## B. Sugar Sector



MILLING



- ❑ Very high consumer prices led to intervention
- ❑ Millers mostly SOEs
- ❑ High prices (overcharges) had a larger negative effect on the poorest
- ❑ Rural H/Hs welfare, mostly the poor, is affected twice as much as urban H/Hs

Anti-cartel  
enforcement and  
elimination of  
restrictive regulations  
Advocacy Initiatives

Reduction of Consumer  
Prices (40.3%)  
Privatization Programme  
fast tracked  
Increased efficiency  
among millers

The Poor have a  
high possibility of  
savings and  
expanded  
consumptions

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## C. Matatu Transport Sector



- ❑ Cartels disguised as trade/welfare associations
- ❑ Fixing of prices and also levying 'route entry charges'
- ❑ Poor entrepreneurs deterred entry due to the charges
- ❑ Poor consumers affected much since expenditures in Matatu fares is 7% compared to only 0.2% for high income households

Authority  
investigates

Issues 'Cease and  
desist Order'

Fares have  
stabilized

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## D. Overall Impact



Increased Savings to the Poor  
and Possibility to consume  
other goods/services

Enforcement of Competition Law

Removing anticompetitive Practices

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