

ANALYSIS OF BARRIERS TO ENTRY INTO THE SWEET POTATO INDUSTRY IN RACHUONYO SOUTH DISTRICT OF KENYA

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ABSTRACT

In economic sense, a barrier to entry into an industry is anything that impedes the potential of a competitor to gain entry into an industry. Studies have indicated that sweet potato is a high yielding crop with a higher food value than most of the existing cereals and has the potential of increasing food security and incomes of the people. Kenya is the seventh sweet potato producing country in Africa and most of its sweet potato production activities are concentrated in the southern part, particularly Rachuonyo south district. However, the output from sweet potatoes in the country is 8.2 tonnes/ha against the full potential of 50 tonnes/ha. In addition, most (59%) of the people in Rachuonyo south district live below a dollar a day. This suggests that a sizable population lives without sufficient quantity and quality of food for consumption. It is against this background that the study sought to establish and analyse barriers to entry into the sweet potato industry in Rachuonyo south district of Kenya. This study was anchored on the neoclassical theory of perfect competition which advocates for laissez faire in market operations. It also adopted an exploratory research design. A sample size of 116 farmers and 384 retailers was determined. Individual farmers were selected using simple random sampling technique while a purposive sample of 384 retailers and a census of 50 wholesalers were taken after excluding 5 wholesalers involved in questionnaires pretesting. Primary data were collected using questionnaires capturing questions based on a five point likert scale to gauge the perception of respondents on the potential barriers to entry into the industry. Relevant secondary data were from documented literature. The data were analysed using descriptive statistics and findings presented in the form of tables and graphs. The study revealed that uncertainties in demand for sweet potatoes, large capital requirements, competition among sellers and scarcity of labour are the major barriers to entry into the sweet potato industry at the farm, retail and wholesale level. Large capital requirement was identified as a barrier by 29.8% of the wholesalers, 28.2% of the retailers and 21.8% of the farmers. Competition among sellers was noted as a barrier by 78.4% of the retailers, 27.7% of the wholesalers and 25.8% of the farmers. Scarcity of

labour was identified by 28.7% of the farmers, 21.3% of the wholesalers and 15.4% of the retailers. Uncertainty in demand for sweet potatoes was identified as a barrier by 83.8% of the retailers, 34% of the wholesalers and 32.7% of the farmers. Licensing was however, identified as a barrier by 29.8% of the wholesalers and 28.2% of the retailers. The study thus, concludes that sweet potato industry in Rachuonyo south district is imperfectly competitive as there are perceptible entry barriers at all the three channel levels. Efforts should therefore be geared toward reducing the identified entry barriers so as to enhance sweet potato activities in the area for the betterment of all the industry players. High entry barriers may enhance market concentration which may in the long run compromise welfare of a given group of the market players. Subsequent studies in this area should focus on the direction and magnitude of influence of each of the identified entry barriers on performance of the sweet potato industry.

KEYWORDS: Sweet potato, Entry barriers, Rachuonyo south, Kenya