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MARKET POWER AND VERTICAL PRICE TRANSMISSION IN KENYA'S MAIZE VALUE CHAIN: IMPLICATIONS FOR IMPORT DUTY POLICY

*[1]Mark Wafula Masinde, [2]Dr. Yasin Kuso

[1]MSc Finance Candidate, School of Business and Economics, Maseno University, Kenya.

[2]Head of Department, Department of Economics, Maseno University, Kenya.

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***Corresponding Author: Mark Wafula Masinde**

MSc Finance Candidate, School of Business and Economics, Maseno University, Kenya.

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ABSTRACT

Kenya's maize sector presents a persistent policy puzzle: retail flour prices remain high and respond unevenly to international grain price changes, despite duty-free EAC maize imports and periodic government interventions. This paper proposes a structural study of market power and vertical price transmission across Kenya's maize value chain, spanning the farm gate, millers, wholesalers, and retailers, using monthly price data from 2015 to 2025. The study adopts the New Empirical Industrial Organization (NEIO) framework developed by Bresnahan (1982) and Lau (1982) to estimate conduct parameters at the milling stage, and applies an Asymmetric Error Correction Model (AECM) to test for the "rockets and feathers" asymmetric price transmission pattern documented in the agricultural economics literature (Meyer & von Cramon-Taubadel, 2004; Peltzman, 2000). Counterfactual policy simulations will then evaluate the welfare effects of reducing Kenya's 50% import duty on non-EAC maize to 25%, 10%, and zero. The conduct parameter is expected to fall between 0.5 and 0.8, indicating substantial oligopolistic market power at the milling stage, with retail prices likely exceeding competitive levels by 30–50%. Price transmission is expected to be asymmetric, with cost increases passing through roughly twice as fast as cost decreases. The findings will add to the empirical literature on market structure and price transmission in Sub-Saharan African food systems, and will inform Kenya's tariff policy, strategic grain reserve strategy, and ongoing trade negotiations, including discussions with the United States and reviews of the EAC Common External Tariff. The study makes two original contributions: extending

structural conduct estimation to the full grain maize value chain, and treating tariff policy shocks as natural experiments for identification.

KEYWORDS: Market power; vertical price transmission; asymmetric price adjustment; maize value chain; import duty; Kenya; New Empirical Industrial Organization.

1. INTRODUCTION

The maize sector holds a special place in Kenya's economy and food security system. Maize and its main product, unga (maize flour), form the largest item in the food budget of low income households. This is true for over 40 million Kenyans, especially in rural and peri-urban areas (Kenya National Bureau of Statistics [KNBS], 2021). The sector sits at the meeting point of agricultural policy, trade policy, industrial organization, and poverty reduction.

Despite this importance, Kenya's maize market shows a puzzling pattern. Consumer prices for maize flour stay high and respond unevenly to cost and supply shocks. In July 2025, the average retail price of loose maize reached KES 71.24 per kilogram, a 20-month high that came close to the record of KES 71.98 per kilogram recorded in November 2023, according to KNBS data (Milling Middle East & Africa, 2025). At the same time, the government had already granted a 50% import duty waiver on 5.5 million bags of yellow maize and released 200,000 bags from the National Strategic Grain Reserve to stabilize flour prices (AGRA, 2025). These interventions brought only modest and short-lived price relief, a pattern that repeats across market cycles.

This gap between cost relief measures and retail price outcomes drives the central question of this paper: do millers and wholesalers in Kenya's maize value chain hold market power that weakens the pass-through of international grain prices and policy interventions to consumers? This question carries real welfare and fiscal weight. Weak price transmission directly cuts the real incomes of poor urban and rural households that spend a large share of their budget on unga. At the same time, the government's 50% import duty on non-EAC maize raises tariff revenue while potentially shielding millers from competition, letting them keep a larger share of the tariff-related price gap as profit rather than passing cost changes through to consumers.

Kenya's maize milling industry shows features linked to oligopoly behavior. The Cereal Millers Association (CMA), formed in 2000, now represents over 50 grain milling companies, accounting for about 40% of total maize milling capacity and over 80% of wheat milling capacity nationally (CMA, 2025; World Grain, 2025). Posho mills serve rural

markets and handle large volumes, while large Tier 1 millers dominate branded urban markets through supermarket networks, creating a split market structure with different competitive conditions across segments (Milling Middle East & Africa, 2025).

Past empirical work on Kenyan maize markets studied marketing margins and price transmission using data mostly through 2008, leaving a clear gap given how much has changed since then in the structure of the milling industry and in policy (Jayne et al., 2008). Earlier structural studies using the NEIO framework also focused on Kenya's seed maize processing sector rather than grain maize grown for human consumption (Muyanga et al., 2010). This paper aims to close both gaps.

The rest of the paper proceeds as follows. Materials and Methods presents the institutional background, theoretical framework, and empirical methodology, including the identification strategy and data requirements. Results and Discussion presents expected findings, policy implications, and anticipated methodological challenges. The Conclusion summarizes the study's contributions and policy relevance.

2. MATERIALS AND METHODS

2.1 Institutional Background

Kenya's maize value chain has four main stages: farm production by smallholder and large-scale farmers, mostly in the Rift Valley, Western Kenya, and parts of Eastern Kenya; aggregation and processing through the National Cereals and Produce Board (NCPB) and private millers; wholesale distribution through regional grain markets; and retail sale through supermarkets, kiosks, and posho mills. Each stage has different competitive conditions, information flows, and levels of market power.

At the processing stage, the milling industry has three tiers. Tier 1 millers are large firms, including Unga Group Ltd, the only publicly listed miller on the Nairobi Securities Exchange, and Pembe Flour Mills, holding about 20% of market share and selling branded products through supermarket chains (Milling Middle East & Africa, 2025). Tier 2 and Tier 3 millers together hold about 60% of market share, supplying unbranded and semi-branded flour through wholesale and retail networks, while small posho mills hold the remaining 20% and serve mostly rural consumers (Milling Middle East & Africa, 2025).

The NCPB plays two roles, acting as both a market participant and a policy tool. It buys maize at set prices and releases reserves to millers during supply crises. In 2025, the NCPB set a new procurement price of KES 4,000 per 90-kg bag, higher than the KES 3,000 to 3,500 per bag farmers received during the 2024 harvest peak, creating tension between supporting

farmer incomes and stabilizing consumer prices (Milling Middle East & Africa, 2026). The NCPB's market actions form an important policy channel that this study includes in its structural analysis.

Kenya's maize import duty structure follows the EAC Common External Tariff (CET). Kenya applies a 50% ad valorem duty on maize from outside the EAC, while maize from EAC partner states, mainly Uganda and Tanzania, enters Kenya duty free (USDA Foreign Agricultural Service [FAS], 2025). Kenya listed maize as a sensitive commodity under the EAC treaty, giving it the right to keep this high external tariff to protect domestic producers (Business Daily, 2020). In practice, the 50% external duty creates a wide price gap between domestic and international maize markets, and the government has used temporary tariff waivers to ease market pressure, as in April 2025 when the Ministry of Agriculture allowed duty-free imports of 5.5 million bags of yellow maize for animal feed and released 200,000 bags of white maize from the strategic reserve (AGRA, 2025; Poultry News Africa, 2025). These short-term waivers offer useful natural policy experiments for identification in the empirical analysis.

Tanzania, Zambia, and Uganda together supplied about 99% of Kenya's maize import shipments between April 2024 and March 2025 (USDA FAS, 2025), reflecting both the duty-free EAC preference and short transport distances. However, Tanzania has placed export bans in the past to protect its own food security, and Uganda has at times redirected exports to South Sudan where prices are higher, disrupting Kenya's regional supply chains (Business Daily, 2020; Milling Middle East & Africa, 2026). This exposure to regional supply shocks supports the case for examining whether import tariff policy, by shielding domestic millers from global price competition, allows sustained market power to persist.

Kenya's maize price cycle between 2020 and 2025 illustrates the structural features behind this study. Wholesale maize prices rose sharply in early 2025, moving from KES 3,400 to 3,500 per 90-kg bag in December 2024 to much higher levels by mid-year, driven by competition between human consumption millers and animal feed manufacturers for limited grain stocks (Milling Middle East & Africa, 2025). Retail prices for loose maize reached KES 6,400 per 90-kg bag in Western and Southern Kenya before the harvest season, regions dominated by smallholder farmers with limited storage capacity and high food insecurity risk. In 2025, the government's fertilizer subsidy program distributed 21.3 million bags of fertilizer worth KES 53.25 billion (Tuko, 2025), and the 2025 harvest was projected at 70 million 90-kg bags, up from 67 million in 2024 (Daily Nation, 2025). Supply-side measures

alone cannot answer whether milling sector market power steadily weakens the pass-through of cost reductions to consumers, the structural question at the center of this study.

2.2 Theoretical Framework

This study adopts the New Empirical Industrial Organization (NEIO) framework as its main analytical base, pioneered by Bresnahan (1982) and Lau (1982). Rather than assuming perfect competition or Cournot oligopoly from the start, the NEIO approach recovers a conduct parameter θ from structural supply and demand equations, allowing the data to reveal the actual degree of competitive conduct.

The first order condition for profit maximization for a price-setting firm gives the supply relation $P = MC(Q, W) - \theta \cdot (\partial P/\partial Q) \cdot Q$, where P is the output price, MC(Q, W) is marginal cost in quantities Q and input prices W, $(\partial P/\partial Q)$ is the slope of the inverse demand function, and θ is the conduct parameter (Bresnahan, 1982; Lau, 1982). A value of θ equal to 0 means perfect competition, where price equals marginal cost; θ equal to 1/n means symmetric Cournot oligopoly with n firms; and θ equal to 1 means monopoly or full collusion, with values in between reflecting intermediate conduct.

Identifying θ requires demand rotation instruments, variables that shift the slope of the demand curve without changing the level of demand or the cost function (Bresnahan, 1982). This study uses tariff policy changes, such as the duty waivers granted in 2023, 2024, and 2025, and international price shocks passed through EAC supply channels. Recent theoretical work by Matsumura and Otani (2026) confirms that demand rotation instruments must appear in the demand function as both a necessary and sufficient condition for identification. In the Kenyan context, an earlier NEIO application to the seed maize processing industry found a conduct parameter of 0.702 and a Lerner Index of 0.450, implying prices exceeded marginal costs by about 45% (Muyanga et al., 2010); the present study extends this analysis to grain maize grown for human consumption across the full value chain.

Market power at intermediate stages of a value chain can also distort how price signals move between stages over time. The vertical price transmission literature studies how price changes at upstream stages move through intermediate stages such as milling and wholesaling before reaching downstream consumers (Meyer & von Cramon-Taubadel, 2004). A key finding is that asymmetric price transmission, where prices rise faster than they fall after similar cost shocks, appears across many agricultural and food markets. This connects to imperfect competition at intermediate market stages: processors or wholesalers with market power pass through upstream cost increases quickly, since buyers cannot easily find alternatives, but pass through cost decreases slowly to protect margins. This uneven speed of adjustment is the

rockets and feathers phenomenon, documented by Peltzman (2000) across 242 diverse markets and surveyed in detail by Meyer and von Cramon-Taubadel (2004).

Gardner (1975) showed that the marketing margin between farm gate and retail prices in a competitive food industry depends on the elasticity of farm supply and retail demand; when margins move away from this competitive benchmark, either by staying high or adjusting asymmetrically, this points to non-competitive conduct at intermediate stages. A recent study of fertilizer price shocks in Kenya found uneven price transmission across counties, with larger retail establishments adjusting faster than smaller ones and counties with higher poverty rates showing slower transmission (ScienceDirect, 2025), supporting the idea that market power varies systematically across market segments and consumer types.

In markets with imperfect competition, trade policy interacts with domestic market power in important ways. Brander and Spencer (1985) showed that optimal tariff design under domestic oligopoly can differ substantially from competitive market prescriptions. Applied to Kenya's maize sector, the 50% import duty simultaneously raises fiscal revenue, supports smallholder farmer incomes by raising domestic grain prices, and shields downstream millers from international competitive pressure. If millers hold market power, they may keep part of the tariff-induced price gap as extra profit, raising consumer welfare costs beyond what competitive models predict.

The welfare analysis framework follows the standard partial equilibrium approach, adapted for markets with market power. The deadweight loss from market power is $DWL = \frac{1}{2} \cdot (P\_m - P\_c) \cdot (Q\_c - Q\_m)$, where P_m is the actual price under market power, P_c is the competitive counterfactual price where θ equals 0, Q_m is actual equilibrium quantity, and Q_c is competitive counterfactual quantity. The producer surplus transfer from consumers to millers is $PS\_transfer = (P\_m - P\_c) \cdot Q\_m$. This study applies this framework under tariff scenarios of 50%, 25%, 10%, and 0%, to compute the total welfare cost of the current tariff regime and identify the tariff level at which consumer welfare gains from tariff reduction exceed the loss in tariff revenue.

2.3 Empirical Methodology

The structural estimation of market power follows the simultaneous equation approach of Bresnahan (1982) and Lau (1982), applied to the maize milling stage with two structural equations estimated jointly. The demand equation for processed maize flour takes the form $Q\_t = \alpha_0 + \alpha_1 P\_t + \alpha_2 Y\_t + \alpha_3 Z\_t + \varepsilon\_t$, where Q_t is the quantity of maize flour consumed in period t, P_t is the retail price, Y_t is a household income index proxied by the KNBS Consumer Price Index and household expenditure survey data, and Z_t is a vector of

exogenous demand shifters including population, seasonality dummies for pre-harvest lean seasons, and indicators for maize-related government programs. The demand slope coefficient α_1 is expected to be negative and forms the basis for identifying the conduct parameter.

The supply relation, derived from the first order condition for profit maximization at the milling stage, takes the form $P\_t = MC(Q\_t, W\_t) + \theta \cdot \lambda \cdot Q\_t + u\_t$, where $MC(Q\_t, W\_t)$ is the marginal cost function in W_t, a vector of input prices including maize grain prices, energy costs, transport costs, and labor costs; θ is the conduct parameter to be estimated; λ equals $(\partial P/\partial Q)$, the slope of the inverse demand function; and u_t is the supply-side disturbance. The system will be estimated using Two-Stage Least Squares (2SLS) or Three-Stage Least Squares (3SLS) to account for the endogeneity of price and quantity.

Identifying θ requires instruments that shift the slope of the demand curve without entering the cost function. This study proposes three sets of instruments: international maize price shocks from South African white maize prices on the Johannesburg Commodity Exchange, sourced from the World Bank Pink Sheet; tariff policy changes, including the duty waivers of March 2023, early 2024, and April 2025, treated as natural experiments; and rainfall shocks affecting maize production in the Rift Valley, which shift the domestic supply curve without entering the milling cost function directly. These instruments meet the relevance and exclusion conditions required for 2SLS estimation (Bresnahan, 1982).

To analyze the speed and symmetry of price transmission across value chain stages, the study applies an Asymmetric Error Correction Model (AECM), following the methodology surveyed in Meyer and von Cramon-Taubadel (2004). The specification is

$$\Delta P^{R}\_t = \beta_0 + \beta^{+}_1 ECT^{+}\_(t-1) + \beta^{-}_1 ECT^{-}\_(t-1) + \Sigma_i \gamma_i \Delta P^{w}\_(t-i) + \Sigma_j \delta_j \Delta P^{R}\_(t-j) + \nu\_t,$$

where P^{R}_t is the retail price of maize flour, P^{w}_t is the wholesale price of maize grain, and $ECT^{+}\_(t-1)$ and $ECT^{-}\_(t-1)$ represent positive and negative deviations from the long-run equilibrium price relationship. The asymmetry hypothesis states that β^{+}_1 does not equal β^{-}_1; if market power exists at the milling stage, positive cost shocks should produce faster retail adjustment than negative cost shocks, the rockets and feathers phenomenon (Peltzman, 2000).

The long-run equilibrium relationship will be estimated using the Engle-Granger cointegration procedure or the Johansen (1988) maximum likelihood approach, and asymmetry will be tested using the Granger and Lee (1989) test and a Wald test on the restriction $\beta^{+}_1 = \beta^{-}_1$.

Once the structural parameters are estimated, the study will run counterfactual simulations of four tariff scenarios: a 50% baseline, 25%, 10%, and full liberalization at 0%. For each

scenario, the study computes the import parity price of maize, applies the estimated conduct parameter θ to determine the domestic price and pass-through, and computes consumer welfare effects using the demand elasticity estimated in the structural model, following the welfare framework above.

The empirical analysis requires a panel of monthly time series data from January 2015 to December 2025, covering multiple harvest cycles, two major global commodity price shocks (the post-COVID supply chain disruption of 2021–2022 and the Russia-Ukraine war grain price spike of 2022–2023), and several discrete tariff policy changes. Table 1 summarizes the key data requirements.

Table 1. Data Sources for Empirical Analysis.

Variable	Source	Period
Monthly retail maize flour prices	KNBS Consumer Price Survey	2015 to 2025
Monthly wholesale maize grain prices	NCPB, KNBS Markets Data	2015 to 2025
International maize prices (South Africa white maize)	World Bank Pink Sheet, FAO GIEWS	2015 to 2025
Import duty rates (standard and waived periods)	Kenya Revenue Authority, EAC Secretariat	2015 to 2025
Milling industry capacity and market share	CMA, Competition Authority of Kenya	2015 to 2025
Input costs (energy, transport, labor)	KNBS, EPRA, Ministry of Transport	2015 to 2025
Rainfall data (Rift Valley, Western Kenya)	Kenya Meteorological Department, CHIRPS	2015 to 2025
Household income and expenditure data	KNBS KIHBS	2015/16 and 2021/22 waves

Note. KNBS means Kenya National Bureau of Statistics. NCPB means National Cereals and Produce Board. KIHBS means Kenya Integrated Household Budget Survey. EPRA means Energy and Petroleum Regulatory Authority. CMA means Cereal Millers Association. GIEWS means Global Information and Early Warning System. CHIRPS means Climate Hazards Group InfraRed Precipitation with Station data.

3. RESULTS AND DISCUSSION

3.1 Expected Market Power Estimation

Based on existing evidence from Kenya's seed maize sector (Muyanga et al., 2010), this study expects to find significant market power at the grain maize milling stage, with the estimated conduct parameter θ falling in the range of 0.5 to 0.8, consistent with oligopolistic conduct rather than perfect competition. This range implies a Lerner Index of about 0.3 to 0.5, meaning retail prices likely exceed competitive levels by 30% to 50%. Tier 1 large millers supplying branded flour through supermarket chains are expected to hold greater market power, shown by a higher θ, than Tier 2 and Tier 3 millers competing in more fragmented wholesale markets. If confirmed, this would mean urban consumers buying branded flour from supermarkets face higher price-cost margins than rural consumers buying unpackaged flour from smaller millers or posho mills.

3.2 Expected Asymmetric Price Transmission

The AECM is expected to confirm asymmetric price transmission in Kenya's maize value chain, matching the rockets and feathers pattern found in the broader agricultural economics literature (Peltzman, 2000; Meyer & von Cramon-Taubadel, 2004). Specifically, positive deviations from the long-run equilibrium price relationship, meaning grain price increases above the level implied by the cointegrating vector, are expected to transmit to retail flour prices at least twice as fast as equal negative deviations. A recent study of fertilizer price transmission in Kenya supports this hypothesis, finding that larger retail shops adjusted to international price increases faster than smaller establishments, and that poverty rate differences across counties produced clear differences in transmission speed (ScienceDirect, 2025). This study will add a structural breakdown of the sources of this asymmetry.

3.3 Expected Counterfactual Tariff Policy Outcomes

The counterfactual simulations are expected to reveal a significant consumer welfare gain from tariff reduction, with fiscal revenue losses only partly offsetting this gain. Under the current 50% tariff, domestic millers stay shielded from international competitive discipline, letting them keep part of the tariff-induced price premium as extra profit; when the tariff drops, this profit opportunity shrinks under the threat of competing imports, and millers pass through a larger share of cost reductions to consumers. The total consumer welfare gain from tariff reduction is expected to exceed the competitive model benchmark, because the structural conduct parameter amplifies the effect of import competition on domestic pricing conduct. This would suggest that Kenya's current 50% import duty on non-EAC maize

creates consumer welfare costs that significantly exceed the standard deadweight loss triangles computed under a competitive market assumption.

3.4 Policy Implications and Budgetary Relevance

The findings of this study carry direct relevance for several parts of Kenya's fiscal and agricultural policy framework. First, Kenya's 50% import duty on non-EAC maize raises tariff revenue that depends on import volumes, which themselves depend on the tariff level and domestic supply conditions; the counterfactual simulations will measure the fiscal cost of tariff reduction under alternative scenarios, letting the Treasury weigh revenue effects against consumer welfare gains.

Second, the government's fertilizer subsidy program distributed 21.3 million bags of fertilizer worth KES 53.25 billion in 2025 (Tuko, 2025), justified in part by its expected effect on lowering maize prices. If milling sector market power weakens the pass-through of input cost reductions, fertilizer subsidies may raise farm income without lowering consumer prices by a similar amount; the structural estimates will allow a breakdown of how the subsidy's benefits split between producers and consumers.

Third, the NCPB's mandate to keep strategic grain reserves requires yearly budget allocations for procurement, storage, and distribution. This study's marketing margin analysis will inform the right scale for strategic reserve operations, showing how much NCPB releases actually stabilize consumer prices relative to procurement cost. If milling sector market power lets millers capture part of the NCPB subsidy as margin instead of passing it to consumers, the cost effectiveness of reserve releases is lower than simple price comparisons suggest.

Fourth, Kenya's position in trade negotiations, including the Kenya-United States free trade agreement discussions and ongoing EAC Common External Tariff reviews, depends in part on this analysis. Estimates of tariff-induced consumer welfare losses, broken down by market segment such as urban supermarket consumers versus rural posho mill consumers, will give Kenya a stronger evidence base for its negotiating position. These policy connections fit the growing consensus that price transmission efficiency matters as much as price level policy in shaping consumer welfare outcomes in food systems marked by imperfect competition (Gardner, 1975; McCorriston, 2002; Meyer & von Cramon-Taubadel, 2004).

3.5 Anticipated Methodological Challenges and Mitigation Strategies

The main econometric challenge is the endogeneity of price and quantity in the structural demand and supply equations, since price and quantity are determined together in equilibrium and ordinary least squares would give biased and inconsistent estimates of the conduct

parameter. This study addresses the problem through the instrumental variables approach described above, using international price shocks, rainfall variation, and tariff policy changes as instruments, and will check instrument validity using the Hansen J-statistic and weak instrument diagnostics including the Cragg-Donald F-statistic.

A second challenge concerns the availability and reliability of milling industry cost data, since marginal cost functions cannot be observed directly. This study will proxy marginal costs using observable cost shifters, including farm gate maize grain prices, energy prices from the Energy and Petroleum Regulatory Authority, transport costs, and labor costs from minimum wage data published by the Ministry of Labour, following the cost shifter methodology standard in the NEIO literature (Bresnahan, 1982; Lau, 1982).

A third challenge involves possible structural breaks in price transmission relationships over the 2015 to 2025 data period, which spans several policy regime changes, tariff waivers, NCPB pricing interventions, and the COVID-19 pandemic. The study will apply structural stability tests, including the Quandt-Andrews test and Bai-Perron multiple breakpoint tests, and estimate regime-specific transmission parameters where breaks are confirmed.

Finally, the tiered market structure of the milling industry suggests that conduct parameters may differ across market segments. Where segment-level data on prices and quantities exist, such as KNBS market price surveys that separate supermarket and open market channels, the study will estimate segment-specific models; where data limits prevent this, the study will present reduced form evidence on price dispersion across distribution channels as supporting evidence.

3.6 Contributions to the Literature

This study makes three original contributions to the agricultural economics and industrial organization literatures. First, it provides the first structural NEIO estimate of market power in Kenya's grain maize milling industry for human consumption, extending the prior seed maize analysis of Muyanga et al. (2010) to a market that is ten times larger by volume and more closely tied to consumer welfare outcomes. Second, it treats tariff policy shocks as natural experiments for identifying the conduct parameter, advancing the methodological literature on identification in conduct parameter models (Bresnahan, 1982; Matsumura &Otani, 2026). Third, it offers the first welfare analysis that accounts for how import tariff policy interacts with domestic market power in Kenya's food value chain, directly informing ongoing policy debates about the EAC Common External Tariff and the government's agricultural price stabilization spending.

4. CONCLUSION

This paper has proposed a structural investigation of market power and vertical price transmission in Kenya's maize value chain, motivated by a clear and persistent gap: government interventions aim to reduce consumer prices, yet retail maize flour prices respond slowly and unevenly to upstream cost changes. The theoretical framework combines the NEIO conduct parameter approach of Bresnahan (1982) and Lau (1982) with the asymmetric error correction methodology of Meyer and von Cramon-Taubadel (2004), together with a welfare analysis framework built for markets with imperfect competition.

The proposed empirical analysis will produce three sets of original findings: structural estimates of the conduct parameter θ for Kenya's grain maize milling industry from 2015 to 2025, broken down by market tier where data allow; tests for and a description of the asymmetric price transmission dynamics across the farm gate to retail stages of the value chain; and computed consumer welfare gains and fiscal revenue losses under counterfactual tariff reduction scenarios, allowing an evidence-based assessment of the net social welfare effects of Kenya's current 50% import duty on non-EAC maize.

This study adds to a small but growing body of structural empirical work on market power in African food processing industries, representing the first application of the Bresnahan-Lau framework to Kenya's grain maize for human consumption. Its policy relevance is immediate: Kenya's Trade and Agriculture Cabinet Secretaries, the National Treasury, and the EAC Secretariat face ongoing decisions about tariff levels, strategic reserve operations, and fertilizer subsidies, and the welfare effects of these decisions depend on the degree of market power at the milling stage. This study aims to provide the structural evidence base that can inform these decisions. Future research building on this study could extend the structural analysis to the full EAC regional maize market, allowing a comparative assessment of milling sector conduct across Uganda, Tanzania, and Kenya, and informing the design of regional trade policy under the EAC framework.

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