

Abstract:

This study sought to provide empirical evidence on technical efficiency levels and trend of the Kenya Agro-processing industry. The major problem of the industry is that it has been under performing in terms of value addition and Kenya is known to be a net exporter of primary agricultural produce instead of high-quality value-added products. This study sought to determine the efficiency estimates of the industry and analyzed the trend in efficiency changes. Panel data covering three years (2011, 2012, and 2013) for 41 firms in this industry was collected from the Kenya National Bureau of Statistics (KNBS). Econometric production frontiers were estimated in each period. The findings showed that the industry had an overall efficiency score of 44 percent. The efficiency score was distributed as 53 percent, 60 percent and 57 percent for the food, beverage, and non-food subsectors. This study concluded that an average 56 percent technical potentiality was not achieved by the industry in the period 2011, 2012 and 2013. This study recommends that the policy export promotion of locally processed products of the Kenyan government should be complemented with an industrial policy that enhances the technical efficiency of local exporting firms to increase international competition of Kenyan manufacturers.