

## Abstract

To understand the organization of the market and assess the degree of competition in maize hybrid seed production and retailing, the structure and conduct of the market was analyzed in Trans Nzoia District, a major maize producing area in Western Kenya. The structure of the market was analyzed in four aspects, namely: market concentration, product differentiation, market integration and conditions for entry in the hybrid maize seed business. The market conduct considered behaviour and activities of the participants, in particular concerning pricing and promotion. Primary data were obtained randomly from a random sample of 30 traders, out of a total of 46 who sell hybrid maize seed within the district, and 30 farmers within the district. Data were collected at the peak of the planting season in the months of February to April 2000. Results show that there is some impact of the liberalization of the seed industry on the distribution side, but it is minimal on the production side. The major impact in the district is that the previous Kenya Farmers' Association's monopoly of seed distribution has been reduced and that now there are many seed traders in retail. Analysis of the market structure reveals that several factors favour imperfect competition in the hybrid maize seed marketing at the retail level, including include unequally distributed shares of transactions among traders, product differentiation, and barriers to entry. The distribution, with a Gini Coefficient of 0.6 in the district, is categorized as oligopolistic, with 61.67% of the market share going to the 4 largest firms. Interviews with traders indicate that conditions for competition were lacking mainly due to barriers to entry such as institutional restrictions and high initial capital. However, traders did not collude among themselves to decide on prices or control sales volume. On the production side, Kenya Seed Company still provides 96.7% of the hybrid maize seed sold in Trans Nzoia District, with Pioneer Company providing the remaining 3.3% of the market share, a clear monopolistic seed production. Farmers showed their preference for the variety H614. They also complained about KSC's perceived inefficiency, and lack of purity of their seed. Unfortunately, they have few alternatives since only KSC offers the late maturing varieties recommended for the moist transitional and highland zones, while the Pioneer variety available (PHB3253) is of intermediate maturity. Recommendations for the seed industry include improved inspection to improve the seed quality, increased access to credit for traders to increase entry, and increased competition in the seed production through encouraging the development of new late maturing varieties, reducing the requirement to release new varieties, and reducing the import tax on seed.