DETERMINANTS OF PRICE FLUCTUATIONS IN KENYA'S TOMATO SUBSECTOR: A CASE OF WAKULIMA MARKET IN NAIROBI COUNTY

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ABSTRACT

Price fluctuation is a multidimensional phenomenon indorsed by numerous factors leading to adverse effects for the farmers. High prices are theoretically a relief for farmers however; price fluctuation is exceptionally risky, as farmers and agents in the supply chain risk losing their investment if prices fall. One often quoted cause for the upsurge of prices is the economics of demand and supply where demand is assumed to be outstripping supply and thus leading to an upsurge of prices. This study sought to identify the determinants of price fluctuation in Kenya's tomato subsector. The objectives of this study were to: examine the effect of oil prices on price fluctuations; investigate the association between middlemen and price fluctuations within Kenya's tomato subsector and; establish the effects of seasonality on price fluctuations in Kenya's tomato subsector. Based on the Cobweb Theory and Rational Expectations Hypothesis, the study was pegged to the descriptive survey design. Data was collected from Wakulima market, the leading Fresh Fruit and Vegetables (FFV) market in Nairobi County. A survey was conducted by sampling 152 out of 245 tomato traders at Wakulima Market. Sampling of tomato traders was through stratified sampling where tomato traders were classified into two categories namely; wholesalers and retailers thereafter a simple random sample was drawn from each stratum. Those sampled were then guided to fill the questionnaire. The data collected was analyzed using STATA version 14. Descriptive statistics such as mean and standard deviation presented in tables were used. In addition, structural modeling of variables using the structural equation model and correlation analysis was used to establish the relationship between the independent and the dependent variables. Data was presented in tables based on the research questions. Significance was tested at 5% level revealing that oil prices (β=0.1962, p=0.133), middlemen (β=0.4583, p=0.001) and seasonality (β=0.6569, p=0.001) had a positive influence on tomato price fluctuation. However, middlemen and seasonality were found to be statistically significant at 5% level whereas oil prices was not statistically significant at 5% level. The study established that majority of the respondents strongly agreed that middlemen and seasonality effects triggered direction of prices in the tomato subsector at Wakulima market. Findings recommend that markets and better infrastructure ought to be enhanced to avoid middlemen exploitation of these loopholes and that clear information dissemination with regard to the changing weather patterns that lead to variability of tomato output and consequently lead to tomato price fluctuations trickle down to farmers.