

BUSINESS FOR DEVELOPMENT: IMPLICATIONS FOR EXPORT STRATEGY-MAKERS

KENYA

PRO-POOR EXPORT STRATEGY: THE ESSENTIAL INGREDIENTS Kenya's Horticultural Exports

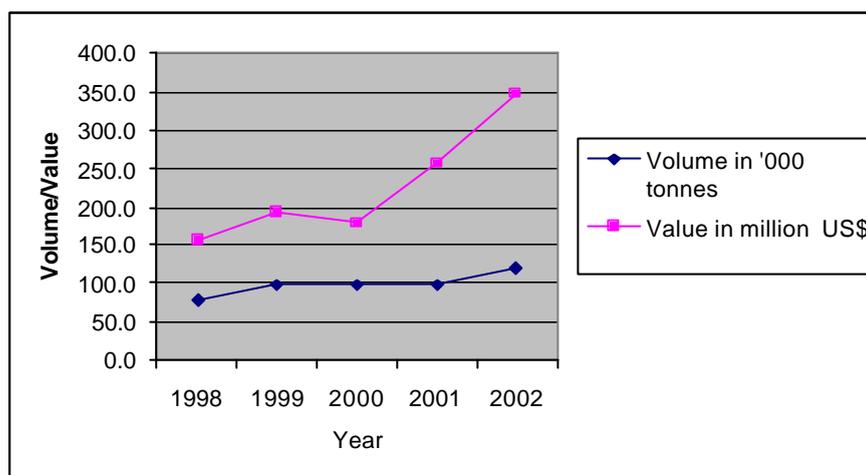
Cancún, Mexico – September 2003

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1. Past Performance

Year	Volume in '000 tonnes	Value in Million US\$	% Growth in value
1998	78.4	156.5	13.4
1999	99.0	194.5	24.3
2000	99.2	178.2	(8.4)
2001	98.9	257.0	44.2
2002	121.1	346.8	35.0



- Kenya's Horticultural exports is a relatively new experience as compared to our traditional exports of Coffee and Tea.
- Horticultural exports have been developed over the last 10 years and the sector is now ranked second to Tea exports in terms of importance to the economy.

2. Structure and Characteristics

The classification is based on farm size and the methods used in production:

i) Small Holder Grower

- Grows the crop individually or in a cluster or in a group.
- The groups normally grow under contract.
- The production units are owner managed and rely on family labour.
- The smallholders have no access to Technology and depend on experience gained over the years.
- Technical support is occasionally provided by the Ministry of Agriculture and Rural Development.
- Some of the constraints faced include unavailability of credit, inability to meet the set MRL and traceability requirements and market access.
- Poor prices offered by middlemen.

ii) **Medium Scale Growers**

- Produce sufficient quantities adequate for single collection for export.
- Are able to acquire technology through the services of Extension Officers or employ Technical Managers and/or contract Consultants .
- Financing is through owner equity and trade credit.
- Main constraint is poor infrastructure; poor access roads, high electricity costs, high telecommunication costs, high airfreight tariffs, TBTs.

iii) **Large Scale Producers**

- Are either family owned or Corporations.
- Have marketing departments that provide production timetables according to pre-agreed export volumes.
- Employs technically qualified persons to handle operational issues on the farm and source specialized technical services on need basis.
- Owns large tracks of land and able to lease additional as need arises.
- Main constraint is poor infrastructure; poor access roads, high electricity costs, high telecommunication costs, high airfreight tariffs, TBTs.

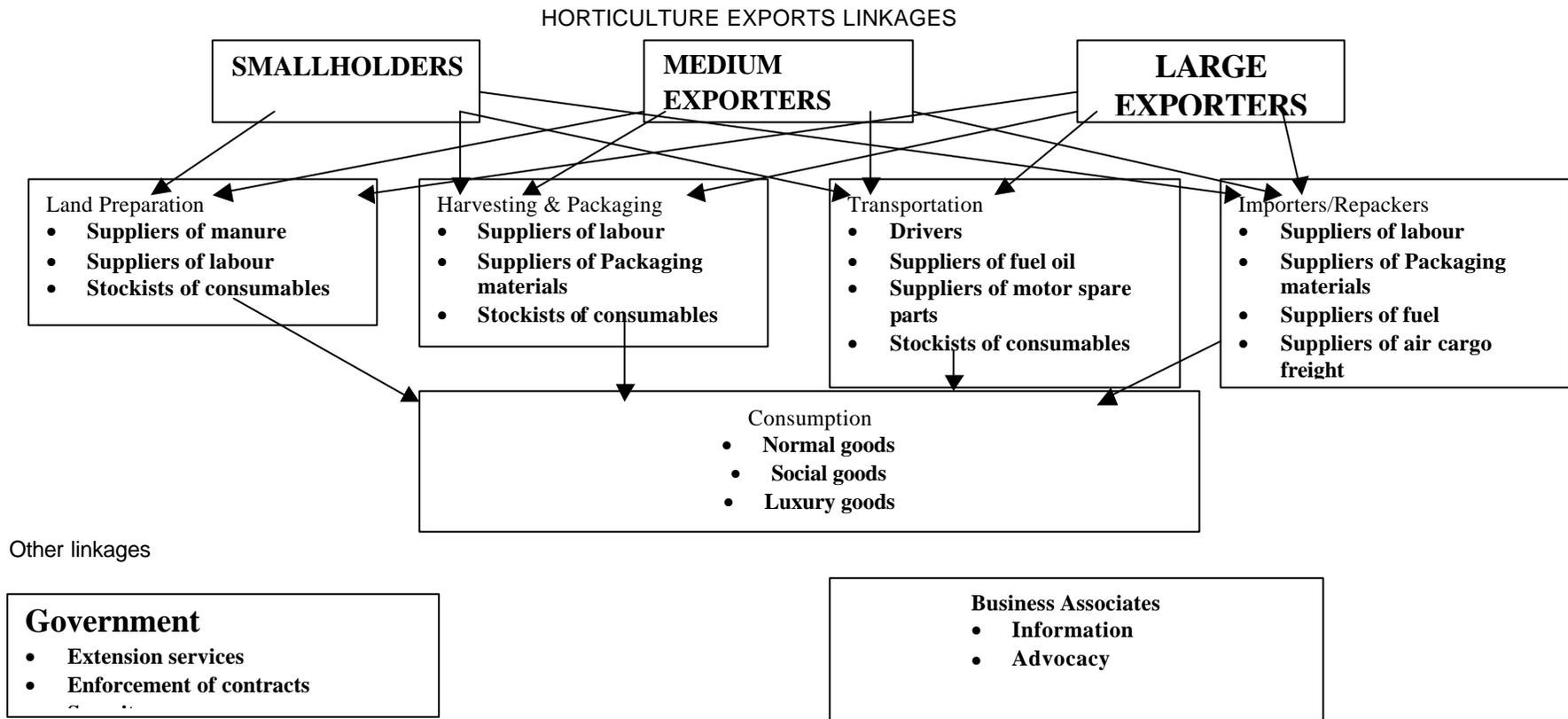


Figure 1: Linkages between the various actors in the Exports of Horticultural Products

Figure 1 is a diagrammatical presentation of the various linkages between the parties involved in the Exports of Horticultural products in Kenya. These parties influence the products final value and the consequently the country's competitiveness.

	Activity	Influence on value	Influence on competitiveness	Influence on Poverty Reduction
i.	Land preparation <ul style="list-style-type: none"> Suppliers of manure and fertilizers Suppliers of labour Suppliers of consumables 	Low Low Low	Low Low Low	High High High
ii.	Harvesting and packaging <ul style="list-style-type: none"> Suppliers of labour Suppliers of packaging materials Suppliers of consumables 	Low High Low	Low High Low	High Medium High
iii.	Transportation <ul style="list-style-type: none"> Drivers Suppliers of fuel oil Suppliers of consumables 	Low High Low	Low High Low	High Medium High
iv.	Importers/Repackers <ul style="list-style-type: none"> Suppliers of labour Suppliers of packaging materials Suppliers of fuel oil Suppliers of aircargo freight 	Low High High High	Low High High High	High Medium Low Low
v.	Consumption <ul style="list-style-type: none"> Normal goods Social goods Luxury goods 	- - -	- - -	High High Low

3. Involvement of Smallholders

- i) contributes 60% of total Horticultural exports in Kenya.
- ii) Reasons for high participation of smallholders in horticultural exports are:
 - Geographical diversity which enables exporters access to export produce even when there are production problems in certain regions.
 - Ownership of land and water resources necessary for production.
 - Elastic costs of managing the production units since they are owner managed.
 - Elastic costs of labour which is incurred only when the farm gate prices are attractive and crop yields are high.
 - Low use of purchased inputs.
 - Shares production and marketing risks with the exporter hence minimizing exporters' costs.

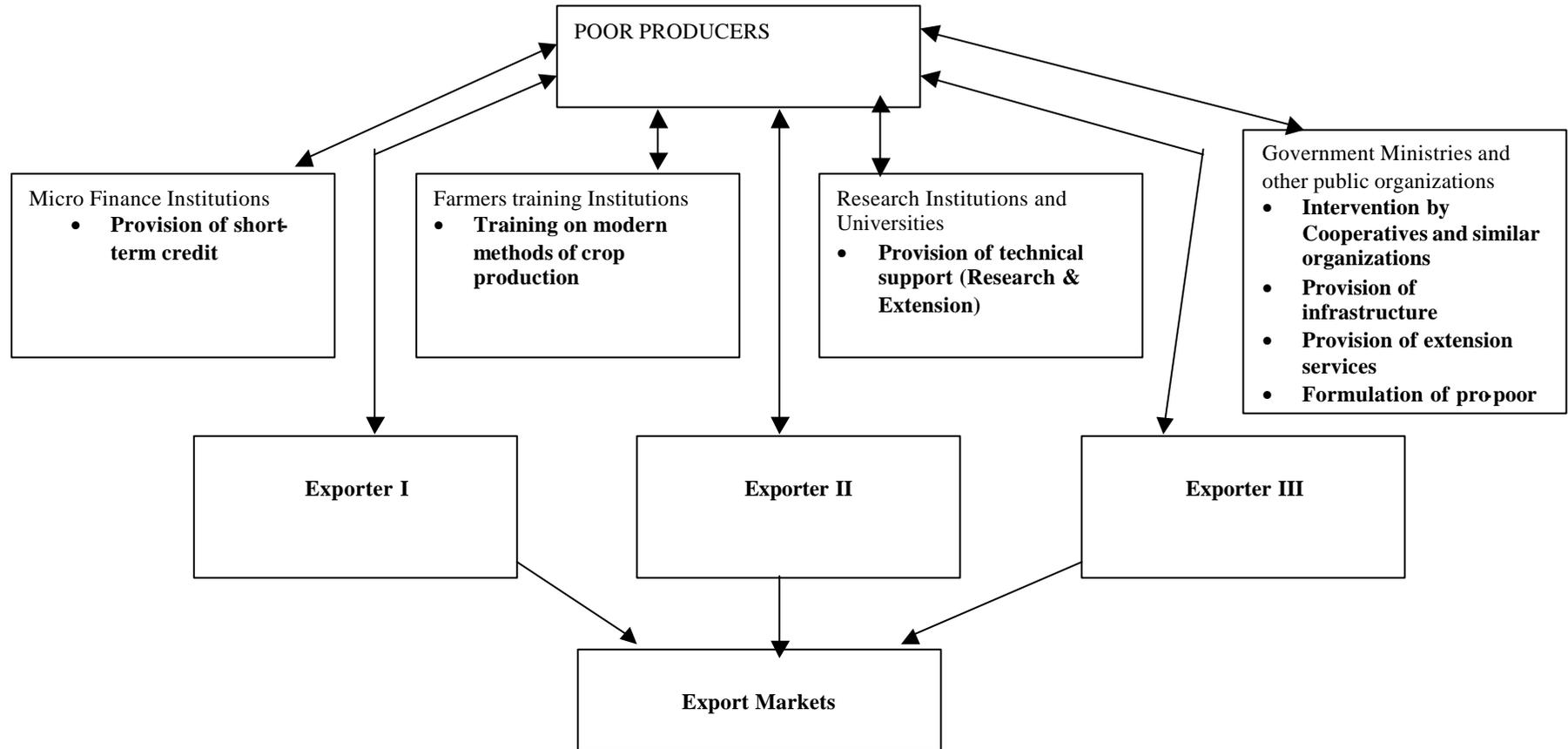
- iii) The main challenges facing the smallholders in horticultural exports are:
- Stringent requirements on MRL's
 - Problems with Product Traceability
 - Lack of production and marketing knowledge
 - Inadequacy of Extension services
 - Inadequacy of credit facilities
 - Lack of cooling/storage facilities
 - Short harvest period/yield due to small sizes of holdings and dependence on rain
 - Competition with subsistence crops
 - Poor marketing infrastructure

4. **Export-Led Poverty Reduction Programme**

An Export-Led Poverty Reduction Programme has been launched as a pilot project in Kenya and its objectives are as follows:

- i) Establishing links between smallholders and producers and Export Markets.
- ii) Provision of appropriate methodologies and tools to address the trade related problems faced by the poor.
- iii) Creation of awareness among decision makers and support providers about the potential positive effects that trade can have on poverty reduction.

PRO-POOR EXPORT STRATEGY



5. **Conclusions**

- i) Export-Led economic growth in developing countries should focus on smallholder producers.
- ii) Governments should provide the necessary infrastructure in which the smallholder producers can operate. Unlike the large producers, the small producers are not able to pay for such infrastructure and without government deliberate intervention such smallholder producers would fail.
- iii) With the right environment, smallholder producers grow very quickly and mature into medium and then large producers. They contribute substantially to a country's GDP and the payback for the infrastructure provided by Government at inception is fast.
- iv) Smallholder producers are used by the large producers as testing grounds. The success of smallholders' produces has been followed very closely by substantial investments by large producers in the areas of success . Hence one way of attracting large scale investment in an area is the deliberate government support of smallholder producers in the area of interest.
- v) Meeting market requirements has been one major challenge facing the smallholder producers. This constraint can be addressed through clustering of producers and providing them with the necessary technical support as a cluster.
- vi) Lack of mechanized farming by small holders result in engaging direct below at farm level thereby reducing poverty. Income earned goes to improve standards of living through better housing, education, health etc.
- vii) Tariffs levied by local governments used in improving infrastructure.