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Identification of Best Practices to Ensure Market Access for the Smallholder Farmers in Kenya

Kabiru, M.W[1] *and Lagat, J.K*[2]**.**

[1]Baraka Agricultural College, Molo, [2]Department of Agricultural Economics, Egerton University, Njoro

Abstract

The greatest challenge to small holder farmers in Africa is lack of markets although new developments point to linking them to specific markets. Since linking farmers to markets in Kenyan agriculture is a relatively new phenomenon both at the level of government and the NGO/donor, it has not been established what works and what does not. Secondly, there is inadequate information and documentation on the nature of linkages of farmers to markets both in the public and private sector. The objective of the study was therefore to identify the different practices through which successful small holder farmers have gained access to remunerative markets. Based on a FAO nomenclature on the various approaches that small holder farmers' access markets globally, a market research was done in 2010 where a total sample of twenty farmers was selected from eight districts in Kenya. After further screening, only seven farmers meeting the FAO criteria were interviewed. The commodities that were considered were eggs, milk, avocado fruit, meat, horticultural produce, summer flowers, essential oils and bananas. Results showed that there were five best practices identified contributing to market access for small holder farmers: Production (adequate volume), Group's development dynamics (organized groups), Marketing (consistent supply), Marketing institutions (collaboration with marketing institutions), and Business development services (providing services to producers). It was concluded that implementing what is perceived as the best practices built self-confidence, reduced perception of risk and through the market exposure, farmers acquired a set of new life skills: business, management, human relations and organization.

Key words: market access, smallholders, best practices

Introduction

The traditional way farmers produced food without having a clear idea in advance of when, to whom, and at what price they are going to sell their produce is being replaced by practices that is similar to a manufacturing process (Shepherd, 2007). The traditional markets in Africa are undergoing rapid transformation from a*d hoc* sales based transactions to a well-coordinated market linkage based on different market players in given product chain working together in a market segment. (Vorley, 2007)

There have been rapid changes in the management, structure, coordination and cooperation in the agricultural and food marketing supply chain. The resultant has been better chain performance and gaining of a competitive advantage at the market place. Changes have focused mainly in two areas: the organization at production to distribution levels and reaching and adding value to consumers at point of consumption. A number of agricultural sub sectors in Kenya mainly in the dairy, coffee, tea, sugar cane, and the beer industries have shown increased concentration, consolidation (in processing, trading, marketing and retailing) and coordination.

The production-distribution segments have witnessed the greatest level of coordination among all the actors along the supply chain. Increased concerns among consumers on matters of food quality, hygiene and high prices, has made sellers to respond if they want to maintain customer loyalty in the long run. They have in turn aligned the producers to respond to these emerging consumer concerns. In order to gain access to remunerative markets, the farmers are increasingly producing to meet the requirements of a specific buyer rather than relying on what the market is able to absorb or the sale of surplus production as has been the tradition in the past. (Hughes, 1994)

Producers must respond to recent trends of change in the point where consumers are likely to purchase their food. The supermarkets are emerging as a third force in the rapidly changing retailing patterns globally. Statistics indicate that in Kenya alone 5% of the shoppers are most likely to obtain their food needs from the supermarkets. (Nyoro, 2007)

While this may be insignificant compared to other parts of the world, what is certain is that, the percentage is bound to increase with population figures forecasting that by 2030, about 50% of the Kenyan population will be living in urban areas compared to the current figure of 17%. The rapidly changing food sector in terms of structure and operations is slowly and surely influencing activities down the product value chain, in effect forcing the agriculture sub sector to follow suit to remain competitive and relevant to the emerging trendy consumers.

Other demographic changes in the society such as smaller size families, more women going out to work, time constraints has increased demand for convenience foods: ready to eat meals, eating in restaurants rather than home, frozen foods, pre-cuts, pre-cooked, and the need for smaller quantities in overall food purchase, each with an assurance of product safety. Indicators on the ground point to rapid changes taking place in the production, processing, distribution and retailing as a response to the need for convenience foods by consumers.

The observed changes have presented a twin dilemma to small scale farmers. On one side it is a major threat to small, poor and unorganized farmers' livelihoods, since the demands in the new retail configuration are stringent and demanding. On the other, it presents a major opportunity to access more organized and better remunerative markets for organized farmers, who are able to respond to new emerging market demands and who are willing to learn. (Vorley, 2007)

Increasingly, market transactions are being based primarily on product chains, which are well coordinated, and well linked both vertically and horizontally. These chains are involving the coordination between farmers, traders, processors and retailers working as a team to deliver value to end consumer. Based on these emerging configurations, the chains have been found to be more efficient and cost effective, leading to the development of a competitive edge at the market place .(Hughes,1994)

These emerging trends and developments in the market chain are a threat to inclusion of small scale farmers in the chain. These concerns have triggered new interests among NGOs, governments and donors on the need for some action taken to prevent such exclusion. Donors and the development community at large have embraced market based approaches to development. (JBM, 2011) Their expectations is that through inclusion in markets and value chains, small scale producers can survive and even prosper in the face of major changes in agriculture and food markets brought about by globalization and modernization. A major paradigm shift is emerging for those who are interested in promoting farmers welfare, made to rethink their strategies and approaches to rural development and agriculture in general.

The focus on building up the capacity of farmers to produce more pursued for many years by governments and NGOs (JBM, 2011) has been realized as both unsustainable and cannot assure farmers of long term incomes. There is a paradigm shift from production orientation to a market orientated approach contextualized within a given supply chain with emphasis shifting to farmer to market linkages. Linkages are about business relations and the people within a particular chain.

Agricultural experts, especially in FAO (Shepherd, 2007) and IFAD (Development, 2001) believe that linking farmers to markets through mobilizing, involving and organizing farmers into groups to supply identified markets is a much more realistic approach to agricultural development in rural areas. This cannot be achieved without a corresponding commercial orientation built in within producer's organization and the government providing the necessary enabling environment. Since linking farmers to markets in African agriculture is a relatively new phenomenon both at the level of government and the NGO/donor, it has not been established what works and what does not. Secondly, there is inadequate information and documentation on the nature of linkages of farmers to markets both in the public and private sector. Thirdly the predominance of a production orientated extension services, research and development, and agricultural training in Kenya agricultural development framework makes it difficult to put in place policy intervention strategy with a strong market orientation. The objective of the study was therefore to identify the different best practices through which successful small holder farmers have gained access to remunerative markets in Kenya

Methodology: The study sites

The study was undertaken on seven agribusiness developments in Kenya as described in Figure 1 in the month of November 2010 for two weeks. (Kabiru, 2011)

	Name of Agribusiness	Location	Product Marketed	Type of Market
1	Gitare Organic Self help Group	Gilgil district	Organic Eggs	Specialized Green Grocers in Nairobi
2	Githunguri Dairy farmers Cooperative society ltd	Githunguri District	Milk	Supermarkets in Nairobi and others
3	Mugima Horticultural Business Unit	Lari District	Indigenous Vegetables	Nakumatt Supermarkets Nairobi
4.	Wilmar Agro development ltd	Thika District	Summer Flowers	International
5.	Olivado Kenya Ltd	Muranga South District	Cold pressed Avocado Oil	International Markets (EU)
6	Earthoil Extracts Ltd	Nyeri North District	Essential Oils	International markets (UK)
7.	Meru Greens Horticultural	Meru Central district	Bananas and Green beans	Nairobi High end supermarkets.

Figure 1: Selected agribusiness concerns in Kenya

Research design

A survey was designed that targeted the seven agribusiness concerns. The seven agribusiness concerns were filtered from an original list of twenty. They were purposively sampled because they satisfied the five required criteria of how small scale farmers are linked to remunerative markets and these were: production (adequate volume), groups development dynamics (organized groups), marketing (consistent supply), marketing institutions (collaboration with marketing institutions), business development services (providing services to producers).Each agribusiness selected was physically visited and interviewed.

The survey used a number of tools to gather information on the best practices the small holder farmers were engaged in. First, a standard questionnaire with both structured and non-structured questions was administered through an open interview. The questionnaire was developed and pre-tested before implementation. In each case a detailed interview lasting two and half hours was undertaken. Each member of the study team had been allocated a specific task to follow during the open ended interview: The study team members were divided into groups of two members each and which were named according to their tasks as a way of coding the data. The five group names were: production, market access entry and sustenance, farmer group organization, group dynamic and marketing institutions.

Second, to supplement the questionnaire an extensive review of documents, records and reports prepared by the agribusiness was done. These were either receipts or invoices from the market place (buyers), invoices, certificates and certification procedures, promotional materials and organization reports. The major role of the agribusiness expert was to make direct observation of the best practices through tailored discussions. Basing on interview outcomes, a physical movement trial of the product was traced from point of production to the final consumers through retail outlets visits coupled with conducting focused group discussion with both the consumers and chain actors.

Data Analysis

Since the data was qualitative, a descriptive analysis was employed. The data entry and observation made during the value chain were analyzed manually. Each study team members presented their experiences on a round table discussion. The transcribed information was entered on a flip chart where mapping of the main components was developed. Through a pattern matching procedure and cross case comparison, consensus was made on the best practices. Based on the consensus arrived through the round table discussion of the study teams, models were constructed to assist in conceptualizing the dimensions and ideas clustered together. The data was entered into a word processor.

The outcomes of the study were compared with those from Uganda, Tanzania, Rwanda and Burundi where the same study ran simultaneously. The outcomes from each country were transcribed on flip charts and placed on the wall. Through a gallery walk, different practices observed were either cross compared or pattern matched together to generate a composite outcome.

Study Results

The study identified the following best practices as been a prerequisite to enable small holder farmers' access well remunerative markets and what they must do to enable them stay there once they enter. The best practices are based on the observations and experiences of the seven successful small holder agribusiness surveyed in Kenya.

1. Agricultural Production Best Practices.

For small scale producers to develop a market orientated production, the following best practices are a prerequisite.

- Farmers must produce adequate volume to interest the market.
- Economic land sizes for commercial operations
- Producing the best required quality
- Farmers need to have technical know how
- Farmers must show a specialization in something
- There must be change in attitudes to entrepreneurship

It is observed that to support production, the government has taken certain measures to increase equitable access to production support services by the rural poor and they include: establishment of an early warning system to monitor the weather conditions and advice farmers appropriately, inspection and quality control of farm inputs; improved agricultural technology development and transfer system through participatory extension, private sector participation and farmer training with increasing focus on women farmers. (Agenda 21, 2001) This is crucial because strengthening the participation of smallholder farmers in commercial agriculture is important for the attainment of the fundamental development indicators such as improved incomes, food security and economic prosperity. (Omiti, 2007)

2. Producer Organisations Best Practices.

For a producer organisation to organise itself as a market driving instrument, the following best group practices have to be observed.

- Need to have separation of roles and responsibility (management/technical) and the governance structures.
- Compliance with set goals, mission and vision of all the members.
- There is power in number (too small marketing groups are not viable)
- Need to have a commercial partner for a group to work with.
- All members of the group must have a common commercial interest
- Build Agric-entrepreneur culture within the ranks of the group.

The success in making markets work for the poor agricultural households greatly depends on the level of community participation in policy formulation and implementation. In recognition of the contribution of agriculture to Kenya's Gross Domestic Product, it is imperative to empower smallholder farmers on better decision-making skills. This will improve the extent and quality of their participation in addressing production and marketing constraints that often hinder them from effectively harnessing poverty-reduction opportunities in market oriented agriculture. (Omiti, 2007)

3. Agriculture and Food Marketing Best Practices.

The fulfilment of the consumer needs is the most important driving force in markets and markets development. To achieve this key market requirement, the following best practices are important

- To supply a product in a consistent and reliable manner.
- Getting organised in a given manner such as group or company
- Be driven by consumer needs
- Achieve the needed quality standard
- Make product or service differentiated and unique
- Adoption and implementation of certification scheme.
- Maintain up to date market information system

Many researchers have identified the role of marketing, for instance,(Omiti,2007) observes that participation in well-functioning commodity markets stimulates decline in real food prices, which increases smallholder farmers' purchasing power for food (as consumers) while enabling re-allocation of their scarce household incomes (as producers) to high value non-food agribusiness sectors and off farm enterprises. However, in general, most households in rural villages consume a higher proportion of the staple commodities produced on farm, with limited marketed surplus though the nature of commercial orientation on less perishable commodities such as maize is shifting gradually to more profitable enterprises.

4. Agriculture and Food Marketing Institutions Best Practices

- There is a need for collaboration, coordination and cooperation among the various marketing institutions involved in linking the farmers to the market.

- The capacity of the linking organisation has to be enhanced in terms of technical expertise, analytical capacity and problem solving techniques.

Marketing of agricultural produce and products is critical to increasing agricultural productivity and commercialization of enterprises so that farming is perceived as a business. Generally, marketing chains for different commodities are long, not transparent, and consists of many players making them inefficient and unresponsive to producer needs. (ASCU, 2010).

Marketing institutions are a wide variety of business organizations that have been developed to operate the marketing machinery including middlemen, processors, manufacturers, and facilitative organizations. Attitudes towards improvement must often be examined in the light of the characteristics of the various marketing institutions. One of the hazards to market improvement comes from institutions largely interested in the status quo. (Kohls, 1985)

Institutions play potential roles in strengthening markets for commodities produced, bought, and sold by smallholders reducing transaction cost, managing risk, building social capital, enabling collective action, and redressing missing markets. Smallholders due to their small surpluses in production generally are exposed to higher degree of risk and transaction cost. Innovative institutions that assist farmers to link with markets assist in reducing risks involved as well as lowering the transaction costs which help small holder farmers to participate in markets. When market information and markets themselves are not accessible to the rural poor, farmers capture little of the value they create, resulting in unstable demand and supply. (Torero, 2011)

5. The Business Development Services Best Practices.

The provision of services (financial, credit, extension services, technical assistance) needed by the producers, either embedded in the commercial activities or supplied directly at a cost, provides an important support structure for business growth, competitiveness and expansion for small holder farmers.

In the HCDA Strategic Plan (HCDA, 2009) government intervention in the Kenyan horticulture sub-sector has been minimal, mainly facilitating sectoral growth through infrastructure development, incentives and support services and letting the private sector steer the industry. It is rightly observed that prospects for improving participation of smallholder farmers in agricultural markets include services like: demand for training regarding on-farm value addition, and demand for differentiated products in niche markets such as time-saving foods for employed people. (Omiti, 2007)

Supportive to business development is basic education; it has had an important part to play in providing competent and productive work force. It has also ensured that the small farmers are much closer to understanding and managing costs on the farm ensuring that they are much more efficient and competitive. The basic education also facilitates further training on specific skill sets needed from production to marketing. (USAID, 2012)

Conclusion

The study was able to demonstrate that for small scale farmers who gained secure and better remunerative markets and put in place mechanisms that ensured for their continuous participation in their markets of choice through the adherence to the best practices in production, marketing, organization and management (either individually or collectively) built self confidence, reduced perception of risk and through the market exposure, farmers acquired a set of new life skills: business, management, human relations and organization.

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