

Value Addition Low in Kenya's Tea Sector

The main players in Kenya's tea sector are small-scale farmers who market their tea through factories run by the Kenya Tea Development Agency (KTDA). A few multinational companies own large tea plantations and factories and supply both the domestic and international markets. Most tea exports are of similar quality and form, and quality requirements are similar in all markets. The extent to which the buyers, both domestic and foreign, drive the value chain in the tea sector is unclear.

Europe, North America, China, and India are the key markets for Kenyan tea. Demand in Europe is increasing, but has not altered the composition of the market.

The general level of activities and value addition undertaken by the multinationals and local firms has remained relatively unchanged over the past few years.

Buyer-Supplier Cooperation and Government Policy

- The level of buyer supplier-cooperation to assist local suppliers is minimal, especially for the multinational companies that run their farms and factories.
- Most small farmers operate under KTDA, which provides them with technical support and marketing.
- The Tea Board of Kenya (TBK) has the mandate to regulate all aspects of the tea sector. The TBK issues licenses; carries out research; registers growers, buyers, and any other participant in the tea industry; and promotes Kenyan tea in international and local markets, among other activities.
- Government policies support the process of local value addition through the main national policy framework.

Challenges

- Some companies are not aware of government policies to support local value addition.
- Some companies feel the policies are not successful due to poor governance.
- There are few public-private partnerships.

Vegetable Sector Supports Local Value Addition

The main players in this sector are the multinational companies and local, domestically owned firms that produce, store, transport, process, and export Kenya's vegetables. The other key players are the buyers in the foreign markets, mainly supermarket chains in the United Kingdom and Europe. These buyers determine the quality and standards of the product they buy by giving specifications of their requirements and feedback on compliance. The firms ensure that the market-required quality is met by providing technical expertise to the farmers or implementing quality control measures at their own plantations.

The key markets for Kenya's vegetable exports are in Europe. There seems to have been no change regarding markets in Asia.

The level of activities and value addition cuts across different categories of firms in the sector (multinationals and local firms). The general level of value addition seems to have increased. Firms have introduced packaging of their products both for exports and domestic markets, mainly due to competition and support from the government through the Horticultural Crops Development Authority (HCDA). Firms also reported increased volume of exports and increased markets in the past 5 years. Firms have not increased their sourcing of certain services.

Buyer-Supplier Cooperation and Government Policy

- The large- and small-scale farmers and exporters, mostly privately held, support local value addition as a way of increasing their competitiveness internationally.
- Foreign buyers are the main drivers of buyer-supplier cooperation.
- The buyers cooperate with processors and exporters, who in turn work with suppliers to ensure that product quality and standards are met.
- Technical support is provided to suppliers to ensure the quality is met.
- The mutual support among firms comes through the HCDA, the Fresh Produce Exporters Association of Kenya (FPEAK), and the Kenya Horticultural Council (KHC).
- The extent of the government's success in supporting the process of local value addition is unclear.

Challenges

- Some firms are unaware of the government policy.
- Government agencies do not have a presence at the production level—the farms and villages that produce the raw materials—which limits marketing opportunities.

Whereas Kenya's comparative advantage in the horticultural industry has been based on low labor costs, geographic location, and diverse agro-ecological conditions that lead to a diversified product range and year-round supply, lower production costs have not been the sector's strength. Improved coordination in the private sector, and between farmers, growers, processors, and exporters, can foster competitiveness along the entire value chain and put firms in a better position to meet end-market requirements of price, quality, and standards.