



Report of the Kick off Meeting

Productive Employment in the Segmented Markets of Fresh Produce (PRESM): Launch Meeting (6th November, 2014)

November, 2014

Nairobi, Kenya

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1. Inception workshop for (PRESM)

Participants present

- Bekele Shiferaw, Partnership for Economic Policy, Nairobi
- Stephen Wainaina, Board for Partnership for Economic Policy, Nairobi
- Anthony Mutiso, Fresh-Produce and Exporters Association of Kenya
- Remco Oostendorp, VU University Amsterdam, Netherlands
- Menno Pradhan, Amsterdam Institute for International Development, Netherlands
- Jane Mariara, University of Nairobi, Kenya
- Edna Johnny, University of Nairobi, Kenya
- Obidia Misoro, African Economic Research Consortium (AERC), Nairobi
- Witness Simbanegavi, African Economic Research Consortium (AERC), Nairobi
- Sara Ruto, UWEZO, Nairobi
- Melle Leeneka, Netherlands Embassy, Nairobi
- Brian Chiputwa, Partnership for Economic Policy, Nairobi
- Abdoulaye Laye Djido, Partnership for Economic Policy, Nairobi
- Amar Sahoo, , Partnership for Economic Policy, Nairobi

Apologies: Dr Ricardo Fort, Grupo de Analisis para Desarrollo (GRADE), Peru

Thursday, Nov 6, 2014

Day 1: Objectives of the meeting

- Launch the project to start implementation with the collaborating partners
- Consult with stakeholders on key issues for research and policy
- Develop a shortlist of priority issues for productive employment in the FP sector

Welcome remarks:

Time: 09.00-09:30, Presenter: Bekele Shiferaw, PEP-ED and Stephen Wainaina, PEP Board

- Bekele Shiferaw welcomes all participants.
- Stephen Wainaina also gives a brief introduction of his role as a Board member of PEP

Overview on the PRESM Project:

Time: 09.30- 10:00, Presenter: Bekele Shiferaw

- Bekele Shiferaw gives a brief introduction of PEP and its operations, globally and highlighted the key objectives of PRESM as
 - to assess the impact of market segmentation for fresh produce on productive employment, in particular for the avocado sector, and
 - to test the impact of a number of proposed policies in the National Avocado Commodity Business Plan on segmentation and productive employment.

Fresh Produce Sector in Kenya – Growth opportunities and challenges:

Time: **10:00-10:30**, Presenter: Anthony Mutiso (FPEAK)

- Anthony Mutiso provided an overview of the Fresh Produce sector in Kenya by highlighting its importance to the Kenyan agriculture sector in terms of employment creation and export earnings. Anthony also touched on:
 - activities of FPEAK in assisting smallholder horticultural farmers
 - opportunities and major challenges facing farmers in the horticultural sector in Kenya,
 - different food standards (local and international) and challenges farmers face in adhering to some of them.

Group Picture



Segmentation in Fresh Produce Markets and Research and Policy Issues:

Time: 11.00 to 11:30, Presenter: Menno Pradhan (VU Amsterdam)

This presentation jointly prepared by Remco Oostendorp and Menno Pradhan focused on market segmentation issues within the avocado market and the different types of possible interventions the PRESM project could potentially focus on. The presentation highlighted the need to:

- Characterize the different segments of the avocado market in Kenya and the impacts on the level and nature of employment
- The impact of different policies aimed at strengthening the avocado sector affect employment in the different segments

- Learn from the experience Peru

Discussion and consultation:

Time 11:30 – 12:45, Presenter: Anthony/Bekele

- Anthony and Bekele led the discussion based on the presentations of the day. Ricardo Fort also managed to join in the discussions via skype

Closing remarks on Inception meeting:

Time 12:45-13:00, Presenter: Bekele/Remco

13:00: 14:00: Lunch at ICIPE

14.00 to 15.00: Activities and methodology for the project: Remco and Menno

15.00 to 15.30: Engagement with the private sector for the study – insights and approach: Anthony Mutiso

15:30 – 17:30: Interview of post-doc applicants: Bekele, Remco and Menno

Day 2: Objectives of the meeting

- Discuss the proposed activities, approach and methods for the project
- Prepare refined and updated methodological framework for the project
- Develop detailed work plans for each partner
- Field visit to discuss with farmer

Preparation of work plans

09.00 –11.00: Group work Continuation of work planning

11:15 –1300: Discussion on survey methods, sampling, RCT, etc: Menno/Remco

1400-15:00: Presentation of institutional workplans: All partners

15:00-15:30: Health/ Coffee break

15:30 -17:30: Interview of post doc applicants: Bekele, Remco and Menno

Moving forward

- Develop possible interventions (RCT design) based on a large exporter's contractual scheme in order to evaluate the impact of different contracts on farmers' welfare (productivity, income, poverty and food security) that can be implemented with a large exporter.
- Systematic literature review on contract farming in high-value crops (fresh-fruits and vegetables)
- Conduct baseline survey among farmers and workers, Participatory Workplace Appraisal (PWA) and analysis of baseline data

2. Field visit to a large exporter and small-scale avocado farms

Date: Saturday, 8th November, 2014

Time: full day

Participants

- Bekele Shiferaw, Partnership for Economic Policy, Nairobi
- Anthony Mutiso, Fresh-Produce and Exporters Association of Kenya
- Remco Oostendorp, VU University Amsterdam
- Menno Pradhan, Amsterdam Institute for International Development
- Jane Mariara, University of Nairobi
- Edna Johnny, University of Nairobi
- Brian Chiputwa, Partnership for Economic Policy, Nairobi
- Abdoulaye Laye Djido, Partnership for Economic Policy, Nairobi

Meeting with a large exporter at their main office on 11-08-2014

Background

The purpose of the field visit was to gain some knowledge on the operations of a large exporter in the Kenyan agriculture sector in general with an emphasis on its Avocado business. The company visited is a listed company trading on both the Nairobi and the London Stock Exchange. They are involved in the cultivation, manufacture and marketing of tea, growing and marketing of avocados, livestock farming, growing of pineapples, macadamia and forestry development. The company is among the largest producers of Avocado in East Africa and contributes a major share of Kenya's exports. The company has also farms producing avocados and exporting two varieties i.e. Hass and Fuerte varieties which are both in high demand in Europe. Total exports in 2011 were about 3,280 tons of Hass and 1,245 tons of Fuerte avocados. It is also focused on the development of out-grower and Smallholder Avocado growers. The first avocado cultivar is called Fuerte termed after its "green skin" color. This variety has the particularity of remaining green even when it becomes ripe and ready for eating. The second avocado cultivar is called Hass with the particularity of turning dark purple when ready. This later variety is more demanded on international markets especially in European Union markets than the Fuerte. The company started the avocado business to diversify its activities particularly after the collapse of coffee prices on world markets in the early 1990s.

The Hass cultivar is termed a "dark skinned" avocado as it turns dark purple when ready to eat. The majority of our Hass exports (70%) are exported to France, while 15% goes to the UK with the balance distributed through other EU countries, Switzerland and Scandinavia. The temperate climate is perfectly suited to high quality avocado production and the Hass product is known for its good taste and eating quality. Avocados produced and marketed by the company are GlobalGap, Tesco's Natures Choice and M&S Field to Fork accredited.

Contracting terms with smallholder farmers

When the company started the avocado business, the company was growing the produce for export to international markets. Given the potential and the high demand of the Kenyan

avocado in Europe, the company developed a new strategy by involving small avocado producers and working closely with them. At present, it contracts over one thousand farmers from multiple farmer groups and a small number of large-scale individual farmers. However, there is a big demand for Kenyan avocados in the European market especially during periods when other big market participants, like Peru, are in their off-season. Currently, the avocado export market is supply constrained mainly due to quality requirements and there is real potential for further expansion of Kenyan avocados. The visited company has plans to contract more avocado farmers by the end of 2015 from other avocado growing regions. Smallholders farmers contracted by the company supply good quality avocados which are exported to the international market. Farmers are paid higher premium prices for avocados meeting their standards. This has created more opportunities to small avocado producers who are no longer forced to sell to brokers at low prices. The terms of the contract offered by the company is in the form of two payments:

- A first payment at a guaranteed price, seven days after delivery.
- A second payment in December which serves as a bonus depending on the profit made by the company. The share of the profit goes to farmers is as follows:
 - 50% of the profit is shared with smallholder farmers if they are able to supply 75 containers in total (equivalent to 1,500 tons)
 - 60% of the profit is shared with smallholder farmers if they are able to supply between 75-100 containers in total (equivalent to 1,500-2,000 tons)
 - 70% of the profit is shared with smallholder farmers if they are able to supply over 100 containers in total (equivalent to +2,000 tons)

In 2014, fewer than 75 containers of avocados were assembled by avocado producers. They therefore obtained the guaranteed price and will receive an additional payment in December depending on the profit made by the company. Farmers receive payment from the company 7 days after delivering their fruits. Each farmer will then be contacted with the information of the amount of avocado that meets the standards and the amount of avocados rejected. Produce that meet the quality requirements of the company is then exported to international markets while the batch that is rejected is sold to an oil-processing company to produce avocado oil. In return, the company provides training for farmers under contract on good agricultural practices in the production and post-harvest handling of avocados as well as providing extension services.

A major challenge for the development of the avocado sector is that farmers opt for side-selling when the opportunity arises even if they have signed contracts with other buyers.

Possible contractual interventions

Among the main objectives of the project is to better understand how different contract modalities can be applied to ensure a more steady supply of high quality avocados to avocado exporters, and higher incomes and employment opportunities for smallholder farmers

Researchers from FPEAK, PEP, VU and UoN are developing possible interventions for contracted farmers with an exporter. One idea is to vary the contractual agreement assigned to farmers. Possible treatments may include:

- Treatment group 1: Market price + (e.g. 5% bonus cash) paid after delivery
- Treatment group 2: Market price + benefit sharing (as observed in the visited company)
- Treatment group 3: Market price + benefit sharing (split into cash and input voucher In-kind benefits, for example inputs, extension worker services for next growing season, training)
- Control group: farmers without a contract with an exporter

3. Way forward

The kick off meeting was very successful and it brought together all the key collaborators and stakeholder. Several ideas about launching the field research and participatory assessment of the existing conditions in the avocado sub-sector and opportunities for enhancing productive employment have been discussed. The partners agreed to develop a comprehensive work plan for 2015 in the full spirit of collaboration and team work. The field work and the discussion with the exporters and small-scale contracted farmers were critical in terms of enhancing understanding of the field level realities, challenges and opportunities in the sector. Indeed it was refreshing, inspiring and educational. The literature review will show the policy and institutional constraints for productive employment in the avocado sub-sector as well as the larger fresh produce sector in Kenya. Based on this assessment and frequent interactions with the industry (including FPEAK and multiple avocado exporters), the research team will initiate evaluation of proposed interventions on contracting and value chain development with one of the exporters active in the market. The main objective is to understand and identify the policy and institutional arrangements needed for strengthening the value chains and integrating the small-scale producers into the modern and programmed trading world. This will improve the working conditions as well as increase their incomes, reduce risks and enhance overall competitiveness of the industry. The Peru case study and experience will provide essential lessons and comparative insights that will benefit both countries.

Possible other variations that can be incorporated in an avocado contracting scheme

Type	Technical Training	Price (fixed or Flex)	Duration	Payment Terms	Quality/volume specific	Arbitration	Delivery note (details)	Penalty	Group liability	Credit
1	Yes	Fixed	1 year	2-4 weeks	Fixed	No	No	No	No	No
2	Yes	Fixed	1 year	Cash on delivery	Fixed	Village elder+GoK	No	No	No	No
3	Yes	Flexible	2 years	2-4 weeks	Fixed	No	Yes	Yes	No	Yes
4	Yes	Flexible	1 year	Cash on delivery	Fixed	Village elder+GoK	Yes	Yes	No	Yes
5	No	Flexible	1 year	Cash on delivery	Fixed	No	Yes	Yes	Yes	Yes

4. Annex

Checklist of potential questions for field visit large avocado exporter

- 1. Company profile** (year established, sectors, total number of employees)
- 2. Profile of Avocado farmers contracted**
 - What proportion of Avocado contracted
 - have received technical training on Avocado production, marketing post-harvest handling
 - are organized into farmer groups
 - certified GlobalGap certified
 - have other certification standards (KenyaGap)
 - (i) farmer groups + GlobalGap certified (ii) individual farmers + GlobalGap certified
- 3. Types of existing contract**
 - do contracts differ between different farmers?
 - What are the characteristics of existing contract:
 - (i) Duration (ii) volume (fixed/variable) (iii) arbitration (iv) payment terms
 - (v) quality restrictions
 - What is the frequency of farmers dishonoring contracts
 - What are the punitive measures if farmers dishonors contract
- 4. What are the target markets for Avocado**
What are the volumes of Avocado marketed by the companyi for
 - Domestic, Regional, Europe
5. Other complementary crops contracted by the company other than Avocadoes (e.g. Mangoes)
6. Type and number of workers working in the Avocado section employed by the company
 - permanent, causal/seasonal
7. List of Avocado farmers under contract and the extent of catchment area
8. List of Avocado workers in the company and the extent of catchment area
9. Best strategy of interviewing workers in the Avocado section @home or @work
10. What are the main existing constraints for Avocado producers working with the company?