

Final Completion Report for COMPETE Grants to Ten Senses Africa Ltd.

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P F Tracking Number:	TSA-STA-010-017
Title of Activity:	Scaling Up Kenyan Fair Trade Macadamia Exports
Start Date of Reporting Period:	March 15, 2010
End Date of Report:	March 31, 2012
Date Report Submitted:	April 12, 2012

Narrative reports must contain, as a minimum, the following:

- A comparison of actual accomplishments with the goals and objectives established for the period. Particular achievements and obstacles to the success of the project should be reported in specific terms.

	Goal	Achieved to date
1	Relocate and improve plant equipment to achieve full food grade processing capacity as verified by the Kenyan Bureau of Standards.	<p>Plant relocation achieved in the summer of 2010. KEBS certification achieved in August 2010 in advance of first exports to the USA from new facility</p> <p>During the course of the grant, the following additional plant improvements were made:</p> <ul style="list-style-type: none"> - Two new 10 ton capacity dryer units constructed in Ngong - New cracker unit installed with capacity to process up to 10 tons per day - New hygienic storage units constructed in Embakasi plant - Separation wall between “dirty” and “clean” processes constructed - Stainless steel tables replaced the laminated surfaces used for sorting and grading nuts

		<ul style="list-style-type: none"> - New size grader installed in the Embakasi plant - Washrooms and washing facilities upgraded - New high capacity vacuum packer installed.
2	Increase plant capacity to allow processing of 100 tons/season (two seasons)	Production capacity improvements made during the course of the grant now allow a production capacity of approximately 800 kg per day, over the season which lasts from March 1 to September 30 each year. This allows a total capacity of approximately 160 tons per season.
3	Purchase 200 tons of macadamia from Meru and Taita growers associations, at a value of 6 million Ksh (Fair trade minimum price of 30 Ksh/kg).	<p>During the period of the grant the following totals of macadamia NIS (nuts in shell) have been purchased:</p> <ul style="list-style-type: none"> - from all farmer groups 177,539 kgs - from Meru district 124,472 kgs - from Taita district 53,063 kgs <p>The total value of nuts purchased has been Ksh 12,427,730</p> <p>The average price for these NIS purchases has been 70 Ksh/kg</p>
4	Provide 1 million Ksh in social premiums for investment in community projects to the Meru/Chogoria and Taita grower associations (social premium of 5 Ksh/kg)	The total amount in premiums paid during the period has been Ksh 262,350.
5	Provide 1 million Ksh in fees to the associations for the collection and storage of macadamia on behalf of TSA.	We paid a total of ksh 501,031 to Wamatta, Kirinyaga and Meru Farmers as collection and storage fees during this period.
6.	Achieve Fair Trade certification (FLO advanced, introductory already obtained) and organic certification for macadamia for the two farmer's associations	<p>The Taita group (WAMATTA) was audited in July 2010, with initial FLO certification awarded on November 2, 2010. The follow up audit for WAMATTA was successfully conducted in September 2011 and a three year FLO license was issued as a result.</p> <p>We were not able to secure the cooperation of the farmer group in Meru, and after a long search helped to form the Kirinyaga East Macadamia Farmer's Association. They began the certification process on 29 September, 2011, the audit was conducted during 9-12 January 2012. There were no major non-conformities and all Objective Evidence to comply with Preliminary FLO standards were provided to FLO at the end of March, 2012. It is anticipated that KEMFA</p>

will be awarded FLO certification by the end of April, 2012.

During the preparation for the FLO audit process, over the months leading up to the audit the farmers were trained in the following:

- principles of fair trade
- labeling /producer standards
- premium management
- Farm hygiene and sanitation
- Crop management and Nutrition
- Waste and pollution management
- Water management &
- Policies and risk assessment
- Group's dynamics
- Leadership & governance
- Planning and enterprise development
- Record keeping.
- Policy statement
- Social, economic,& environmental development.
- Labor conditions
- Compliance verification criteria
- Farmer/group Empowerment
- Freedom of association & bargaining.
- Pesticide legislation
- Label Application
- Personal protective equipment
- Storage / Disposal/ Health & Safety

The total number of farmers benefitting from membership in these associations are:

		<p>WAMATTA: 376 members in 19 groups</p> <p>KEMFA: 199 members in 10 groups</p>
7	<p>Provide technical assistance to the growers in Meru and Taita that will result in a decrease in rejection rate and an increased yield of (to 25% of finished product as volume of nuts purchased)</p>	<p>Ten Senses contracted with Farm to Fork Ltd. to provide technical assistance to farmer groups. In addition to the training provided above, training in grafting of tetraphyla trees with intergripholia trees as well as top working the trees has been carried out.</p> <p>The 2012 season production is achieving yields of 27%, which is a clear improvement compared with the 2010 and 2011 seasons, due in part to the TA provided.</p>
8	<p>Provide technical assistance to the grower associations in Meru and Taita that will result in increased ability to manage their association for the benefit of the members.</p>	<p>Extensive support has been provided to both WAMATTA and KEMFA in helping them to develop their associations. This has included:</p> <ul style="list-style-type: none"> - Organizing the trainings listed in no. 6 above - payment of FLO audit fees on their behalf - securing for both groups a reduction of 75% in the FLO license fees, and paying for the balance - helping the groups complete the non conformities arising from the three audits carried out (WAMATTA preliminary and follow up, KEMFA preliminary) - translation of all association documents from Swahili to English - payment of registration fees to the Kenyan government - payment of 6 months of overhead costs during the start up phase - provision of office equipment (desk, chairs, computer, printer) - payment of a 5 Ksh/kg fee to the associations to help them cover operating costs. <p>We have learned that the farmer groups need a lot of support to become registered, achieve FLO certification and begin to function independently.</p>
9	<p>Export 50 MT of processed nuts, of which at least 30 tons to the US market. This represents a sales goal of \$240 000 or 17 million Ksh (40 000 kg @ \$6/kg)</p>	<p>During the grant period, a total of 9.9 tons was exported to the USA and 13.8 tons to Europe. The total value of these exports was 14,238,000 Ksh.</p>
10	<p>Extend the partnership agreement to one additional grower's group, with at least 500 members</p>	<p>As noted, we were not able to secure the cooperation of the Meru association and as a result have managed to achieve the certification of two groups in total, rather than the three projected.</p>

11	Create stable employment for at least 35 staff in the Nairobi factory	<p>We provide the following employment:</p> <ul style="list-style-type: none"> - processing season (March to October) we provide employment for 60 casuals in the Embakasi and Ngong facilities. - Purchasing season (March to July) we provide employment for 5 buyers in the field - We provide permanent salaried employment for 6 staff year round.
12	Create a social enterprise which will model corporate social responsibility in Kenya. The TSA board is committed to provide financial and in-kind support to an orphanage in the Kawangware slum in Nairobi.	<p>TSA has adopted the TAPA Children's Trust, a school for 90 disadvantaged children in Kawangware slums and supports them in the following ways:</p> <ul style="list-style-type: none"> - providing discarded macadamia shells for fuel, allowing savings in the purchase of firewood for cooking. A savings to TAPA of Ksh 80,000 has been afforded through this provision. - Purchasing factory uniforms from TAPA's, which is part of their financial self-sustainability strategy. The total value of these uniforms purchased has been Ksh 131,040.

- An evaluation or analysis of the degree to which the grant activities are achieving the project objectives. Reasons why established goals were not met if appropriate.

Goal 4: The reason for the lower payment of social premiums was the delays in achieving FLO certification for the groups. The Taita group (Wamatta) was certified in November 2, 2010. However, due to a lack of cooperation with the Meru group, we were not able to achieve FLO certification in Meru. During the course of the grant we evaluated several other potential farmers groups and eventually achieved the preliminary certification of the Kirinyaga East Macadamia Farmer's Association in March, 2012. We found that the certification process is much more complicated than we originally assumed due to the following reasons:

- lack of trust by the farmers in associations or cooperatives due to past bad experience.
- The tendency of a few dominant farmers to seek to manipulate the associations for their own selfish gains.
- Difficulty to communicate the value of achieving FLO certification to the farmers, due to the complex nature of the conditions and benefits.
- lack of necessary skills, experience and infrastructure on the farmer's side to be able to form and manage associations.

Goal 10: We were not able to achieve the FLO certification of three groups, but only two. Initially we projected the certification of an emerging group in Meru by then, and had been promised the support of Village HopeCore, which was an NGO working

with Meru farmers. However, shortly after this agreement, Village HopeCore was overshadowed by a scandal that involved significant financial mismanagement leading to the arrest of some of their officers. As a result we were unable to achieve the level of cooperation from the farmers to allow the formation of a Meru group. We subsequently looked at working with a group in Embu, but there also found that the emerging leaders were not honest and only seeking to develop an association for their own benefit. We eventually agreed to work with an informal group in Kirinyaga, beginning in August 2011.

- Other pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs.

NA

- A minimum of five copies of any publication funded under the grant, including books, brochures, newsletters, bulletins, video cassettes; and single copies of all other products such as newspaper clippings, project announcements, and audited financial statements.

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