PD-HBI-060

QUARTERLY REPORT

ON PROJECT ACTIVITIES

(October-December 1993)

15th February 1994

Development Alternatives, Inc.
USAID Contract No. 623-0249-C-00-2021-00
KEDS Project P. O. Box 40312 Nairobi, Kenya

KENYA EXPORT DEVELOPMENT SUPPORT (KEDS) PROJECT

TABLE OF CONTENTS

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ANNEXES:

KENYA EXPORT DEVELOPMENT SUPPORT (KEDS) PROJECT

Quarterly Report: October-December 1993

I. EXECUTIVE SUMMARY:

The public sector component reports that in the last quarter of 1993, the Export Promotion Programmes Office (EPPO) was unable to increase its staffing and as a result, the pressure on existing staff has increased. The proposed EPPO newsletter has been postponed and progress on auditing services has been limited. These areas still remain priority programs as soon as suitable staff can be made available. On the other hand, progress has been made in the area of database management. KEDS is redesigning the complex EPPO database. The data in the large number of duty/VAT remission forms is being systematically entered and validated under the new design format.

Progress in foreign exchange liberalisation has continued. The shilling was floated in October 1993, the official and interbank rates eventually merged and the Ksh-US$ exchange rate has fluctuated within a narrow margin since then. A further relaxation of controls was announced in December to permit easier repatriation of interim dividends, offshore borrowing by local firms and local borrowing by foreign companies. Inflation was also reduced dramatically over the last 6 months of 1993 (from over 100% to 15%, annualized) and there has been a steady reduction in interest rates brought about by the progressive reduction in the Treasury Bill discount rate. Unfortunately, the tariff reductions announced in June 1993 had to be revised upwards in September to contain a larger than expected budget deficit.

KEDS planned for the *Workshop on Export Finance Policies and Modalities* for February 1994 in Nairobi to be attended by top management representatives of banks registered in Kenya and of the export insurance companies. The *Kenya Export Competitiveness Study* commenced in September and continued through the quarter. The purpose of the Study was to examine the current competitiveness of Kenya with respect to a selected group of African countries.

The private sector continued its work on the *Private Sector Survey: Phase II Final Report*; the study is designed to identify export constraints and develop criteria for the KEDS firm-level programs. KEDS also drafted the application, assessment and approval procedures for the program and began to identify high-potential firms.

KEDS implemented a substantial institutional support program during the quarter to develop and install market information systems, desktop publishing and resource library management systems in the three client institutions: Kenya Association of Manufacturers (KAM), Horticultural Crops Development Authority (HCDA) and the Fresh Produce Exporters Association of Kenya (FPEAK).

We outlined an *Export Finance Manual*, to be presented to KAM exporters at a February Workshop. KEDS promoted and supported the attendance of KAM exporters at *The Uganda International Trade Fair '93*. We also planned for *HORTEC '94*, Nairobi's horticultural trade show scheduled for March 1994. KEDS assisted FPEAK to draft a *Kenya Fresh Produce Declaration* which will form the framework for excellence in horticultural exporting.

KENYA EXPORT DEVELOPMENT SUPPORT (KEDS) PROJECT

II. PUBLIC SECTOR COMPONENT

A. EPPO Policy Programs:

1. EPPO Institutional Development

Staffing and accommodation - KEDS has previously noted that the EPPO had been given substantial additional administrative responsibilities in the June 1993 Budget Statement in respect of duty and VAT remission (DVR) programs. We hoped that further staff resources in line with the provisions in the Recurrent Estimates for 1993/94 would be made available in the near term, together with suitable office accommodation. For a variety of reasons, it has not been possible to make significant progress in these areas to date (apart from the addition of one clerk) and in consequence the pressure on existing staff has increased. Yet, results for the last quarter of 1993 indicate that the volume of DVR processing work actually increased as compared with previous quarters.

As this report goes to press (February 1994), however, several officers have now been identified for transfer to the EPPO early in 1994. Two of these are economists but the EPPO senior economist has recently resigned. We hope that more of the identified staff will be re-assigned in coming weeks. Furthermore, the EPPO has been allocated a floor in the new NSSF building and tendering is now in hand through the Ministry of Public Building & Works for the requisite partitioning for a staff complement of around 50 in accordance with the Recurrent Estimates. If progress can be made as planned, it is anticipated that the EPPO will be able to receive and accommodate some more of its new officers in early 1994.

Institutional Development Work Program - Because of the lack to date of additional staff, it has not been possible to carry out much of the work program relating to institutional development which was envisaged and which was predicated on the availability of such staff and accommodation.

In particular, little progress has been made in the publicity area, and publication of the proposed EPPO newsletter has had to be postponed. This is particularly regrettable as the operation of the new regulations is not always fully understood by the exporting community. Progress on the improvement of auditing services has also been limited, both by staff and transportation problems and by the difficulties encountered in finding suitably qualified technical assistance for the revision of the *Manual of Audit Operating Procedures*. These areas still remain priority programs as soon as suitable staff can be made available.

On the other hand, some progress has been made in the area of database management. KEDS has used short-term technical assistance to redesign the complex EPPO database derived from the 9 forms covering the various application/transfer/reconciliation provisions of the duty/VAT remission facility. The redesign program started in October 1993 and should be completed early in 1994. At the same time, the data in the large number of application/reconciliation forms approved since the commencement of the duty/VAT remission facility in 1990 is being systematically entered and validated under the new design format. About 50% of the data from the C56 application forms have now been validated and entered and data entry work will commence soon on the C57 reconciliation forms and on the remaining 7 forms generated by the extension of the duty/VAT remission facility.

2. Export Policy Reform

Progress in foreign exchange liberalisation has continued. The shilling was floated in October 1993 with the eventual merging of the official and interbank rates and the exchange rate against the US dollar has fluctuated within a narrow margin since then. A further relaxation of controls was announced in December, following the resumption of donor assistance, to permit the easier repatriation of interim dividends, offshore borrowing by local firms and local borrowing by foreign companies.

Inflation was also reduced dramatically over the last 6 months of 1993, from 100% to 15%, and there has been a steady reduction in interest rates brought about by the progressive reduction in the Treasury Bill discount rate (interest rate down to high 20's).

Unfortunately, the tariff reductions announced in the last Budget Statement in June had to be revised upwards in September to contain a larger than expected budget deficit. It is anticipated that further reductions will be introduced when fiscal circumstances permit.

The KEDS/EPA has contributed to various ongoing policy discussions within the Treasury, particularly in the area of donor support and the improved administration of the duty/VAT remission, manufacturing under bond and export processing zone facilities, together with other export-related programs. He has participated in the preparation of the relevant sections of the 1994-1996 Development Plan and the forthcoming Sessional Paper.

Outside the Treasury, the KEDS/EPA has collaborated extensively with the Export Promotion Council (EPC) in various export policy areas, particularly in relation to horticultural development and banking, and has participated directly in the work of some of the EPC sectoral panels. He has also had a series of discussions with Kenya Airfreight Handling Ltd. and with Kenya Airways in order to facilitate improvements to the presently inadequate coolstore facilities at the Jomo Kenyatta Airport. It is hoped that Kenya Airways will be able to fund the necessary repairs once its operational relationship to the Kenya Airports Authority has been finalised.

3. Seminars/Workshops

National Conference on Investment and Export - The Conference has been scheduled for March 9-10, 1994. (As this report is written in February 1994, the Conference is rumored to be postponed.) The EPA attended several meetings of the conference secetariat and secured a decision to include in the agenda a presentation of the main findings of the Kenya Export Competitiveness Study (See below) in summary form.

4. Studies

The Kenya Export Competitiveness Study - This major study, which commenced in September, completed its field research during the quarter. A draft report has been produced for comments and input next quarter by both the Ministry of Finance and the Ministry of Commerce & Industry, as well as by USAID. The final version incorporating such inputs will be ready by the end of March 1994 and the Executive Summary will then be circulated widely.

The purpose of the Study was to examine the current competitiveness of Kenya with respect to a selected group of African countries. The countries included in the analysis were: Uganda, Tanzania, Zimbabwe, South Africa, Botswana, Mauritius, Ghana and Tunisia. These particular countries were selected to provide a cross section of established and emerging non-traditional export and export investment locations in Africa. In addition to the major potential competitors in East and Southern Africa, Ghana and Tunisia were studied to provide examples from other sub-regions.

The Study examined export competitiveness from three perspectives, namely:

- The policy environment relevant to the export sector;
- Institutions implementing the policies and supporting the export sector; and
- Basic economic factors important to export performance.

The Study team undertook field research directly in five of the eight comparator countries; in the remainder the team relied on specially commissioned research reports by local firms and their recent contractor experience in those countries. The scope of the comparative research was not intended to be exhaustive and strictly parallel in each country, but rather to draw from each country's experience to highlight the current position of Kenya and to provide examples for either emulation or avoidance.

Nevertheless, the Study is extremely complex, comprising 4 volumes and some 250 pages in all. The main findings in the preliminary draft are:

- Kenya has a good (though not exceptional) mix of policies on paper but they are not being implemented as effectively, consistently and transparently as in some other countries so that there is a major crisis of business confidence;
- Kenya presently compares well on most factor cost counts but its export finance is both high cost and comparatively undeveloped and severe difficulties are encountered in the transportation sector;
- Kenya's present development advantage over some (but not all) countries is not likely to last beyond two or three years unless forthright action is taken in the immediate future to address implementation deficiencies in the administration of current policies, both through fine tuning of the regulations, more efficient and less corrupt administration and the reorganisation and demonopolisation of the relevant institutions.

If the findings of the Study are accepted, they will constitute the basis for the work of the Public Sector Component for the remainder of the KEDS project.

KENYA EXPORT DEVELOPMENT SUPPORT (KEDS) PROJECT

III. PRIVATE SECTOR COMPONENT

A. PEMU & Firm-Level Programs:

1. Private Sector Survey Phase II:

a. Background:

The PEMU Baseline Survey of export firms consisted of two phases. Phase I was a self-administered, quantitative questionnaire providing data on Kenyan exporters drawn primarily from KAM and FPEAK membership. Implementation of that phase was completed in February 1993, and a final report was released in May. However, we continue to request that new business contacts complete this questionnaire for addition to our database and will do so throughout the Project's life. To date we have received 175 responses.

b. Phase II:

The purpose of Phase II was to assist KEDS to: develop eligibility criteria for firm-level support; identify potential candidate firms; and develop specific types of KEDS support programs. The questionnaire was administered among a sub-set of targeted exporters gleaned from Phase I respondents. It requested qualitative and detailed quantitative information and was conducted via personal interviews at the exporters' facilities. Between May and July 1993, a total of 55 firms were interviewed in Nairobi, Mombasa, Naivasha, Nakuru, Kisumu and Koru. Analysis of the data has been completed and the report is being finalized.

c. Results:

Phase II results confirmed the findings of Phase I regarding priority sectors, products, export markets and main constraints to exporting as follows:

Priority Sectors - Horticulture is underscored as a key priority area for KEDS due to its strong employment and foreign exchange growth potential coupled with an existing export orientation. Medium-sized manufacturing firms are a second priority area. There is tremendous diversity in this sector, and no specific industries emerged as stronger potential exporters than others; therefore a strategic sectoral approach cannot be utilized.

Priority Firms - The Survey analysis reconfirmed the following attributes of firms demonstrating (based on performance data) the greatest potential to expand exports:

- Revenue - Total sales of at least $500 thousand (Ksh 32 million based on current exchange rate of ksh 68) and/or minimum export sales of $220,000 (Ksh 15 million).

- Employment - Priority will be given to medium-sized firms.

- Export Experience - Priority firms are those already actively engaged in exporting, followed by domestically strong firms committed to developing sustainable exports.

- Export Production - Firm export ratio is 50-60% of total annual production and have exhibited year-to-year growth.

- Raw Material Input - Firms import less than 50% of raw material requirements.

- Ownership - Priority are wholly-owned local private firms and mixed local/foreign private firms.

Key Constraints to Exporting - The Survey identified a need and justification for KEDS programs in the following areas: marketing; technical, particularly quality control and production management; management training; GOK incentives and assistance schemes; transportation and cargo handling facilities. The latter two will be addressed by the public sector component of KEDS. The private sector component will provide consultancy assistance support in the other export-oriented areas.

2. Firm-Level Criteria:

KEDS developed the Export Development Fund (EDF) firm-level criteria, application, assessment and approval procedures which are detailed in three separate yet complementary documents. The documents are summarized below; complete versions are included in an Annex.

a. Document 1:

This is the comprehensive eligibility criteria that will be released to inquiring firms, participants in the Baseline Survey, registered export members of FPEAK and KAM as appropriate. A condensed one-page version will be available as an insert to the existing KEDS promotional brochure. If a firm receives the condensed version and is interested in applying for assistance, they will first be given the comprehensive version to ensure that they understand all the criteria and qualify.

b. Document 2:

Document 2 details the general regulations that govern the operation and administration of the EDF. Firms that meet the eligibility requirements and request specific assistance will be given Document 2 and an application form requesting critical information i.e. employment, export volume/revenue/markets, and brief description of assistance sought.

c. Document 3:

Once a firm has completed the initial application and is considered a candidate, they will be required to submit a proper business plan (a standardized format will be provided by KEDS). Document 3 details the specific factors/methodology upon which KEDS will base its assessment of the final application and business proposals to determine approval of an activity.

3. IESC Memorandum of Understanding:

A letter of understanding regarding administration of the DAI-KEDS sub-contract with IESC has been drafted. The memorandum will govern the $250,000 technical support consultancy budget under which IESC will provide firm-level assistance primarily in the areas of production, quality control/assurance, manufacturing, etc..

B. KAM, HCDA, and FPEAK Institutional Support Activities:

KEDS implemented a substantial institutional support program during the quarter, principally assisted by a short-term visiting consultant from Fintrac Inc. and a local consulting team from Deloitte and Touche, to help develop and install market information systems, desktop publishing and resource library management systems in the three client institutions: Kenya Association of Manufacturers (KAM), Horticultural Crops Development Authority (HCDA) and the Fresh Produce Exporters Association of Kenya (FPEAK).

1. KAM:

a. Institutional Development:

- KAM now has in-house Newsletter capability using desktop publishing to produce a more concise newsletter than in the past.
- Computer software obtained from FAO called CDS/ISIS has been installed and KAM personnel trained to manage the KAM resource library.
- KEDS installed a similar CDS/ISIS database to manage the export opportunity offers and enquiries which KAM identifies abroad.
- An *Export Finance Manual*, to be presented to KAM exporters in February, was outlined.

b. Trade Fairs:

- KEDS promoted and supported the attendance of KAM exporters at *The Uganda International Trade Fair '93* at the Lugogo Show Ground in Kampala from October 29 through November 9, 1993. KEDS contributed management advice during the organization work prior to the trade fair, working with KAM (KEDS supported the KAM booth and staff, and general Pavilion support), and the Kenyan Government (which leased the premises) to establish the Kenya Pavilion.

  The Kenya Pavilion in Kampala housed 16 exhibiting firms who reportedly negotiated over US1 million in sales during the show with more orders being placed weekly. KEDS also supported the KAM Information Center manned by KAM staffers, which distributed KAM promotional literature and handled logistical support for exhibitors in the Pavilion.

2. HCDA:

a. Institutional Development:

- KEDS has provided HCDA with in-house Newsletter capability using desktop publishing software (PageMaker); a modern newsletter is expected in March 1994.

- KEDS is providing continued assistance to develop a computer-based system to enter and process horticultural export data. The export database will allow for prompt analysis and reporting.

- KEDS has installed computer software and trained HCDA personnel to manage the HCDA resource library.

- A KEDS' consultant provided assistance to HCDA to produce a final draft of the *HCDA Export Crop Manual* including editing, layout, and production planning. The draft is now being vetted by local and international authorities for accuracy and completeness.

b. Trade Fairs:

- KEDS has supported and assisted Events and Conference Organizers Ltd. (ECO) in the planning for an international horticultural trade show, *HORTEC '94*, to be held in Nairobi March 16-19, 1994. The show will attract: suppliers of materials and equipment to the Kenyan horticultural industry, exporters of fresh and processed produce; and international buyers of fresh produce. KEDS began planning to support HCDA participation in *HORTEC '94*.

3. FPEAK:

a. Institutional Development:

- FPEAK now has strengthened in-house Newsletter capability to produce a more elaborate and attractive newsletter. During the quarter, KEDS assisted FPEAK to produce October, November and December issues.

- KEDS installed software on the FPEAK computer system which accesses the UNCTAD/GATT Market News Service (MNS) database in Geneva weekly. MNS downloads data to FPEAK for distribution to members. Market reports include price data for Kenyan produce which importers received from sales to wholesalers in seven European and four Middle Eastern capitals.

- KEDS has installed computer software and trained FPEAK personnel to manage the FPEAK resource library.

- KEDS worked with FPEAK on the recruitment of a Chief Executive, narrowing a field of candidates to a short-list of six who were interviewed.

- Work on FPEAK's proposed *Code of Practice* continued. A *Kenya Fresh Produce Declaration* was drafted which will serve as a first step toward a more elaborate Code.

b. Trade Fairs:

- KEDS has spent time supporting and assisting ECO (Events & Conference Organizers) in the planning for an international horticultural trade show to be held in Nairobi March 16-19, 1994. The show will attract: suppliers of materials and equipment to the Kenyan horticultural industry, FPEAK members (exporters of fresh produce); and international buyers of fresh produce. KEDS is working with FPEAK to define FPEAK's role in *HORTEC '94*.

IV. KEDS WORK PLAN FOR THE FIRST QUARTER OF 1994

A. PUBLIC SECTOR

The Public Sector Component activities planned for next quarter include:

- Routine preparatory work for the next Budget Statement (some of which may reflect the findings of the Kenya Export Competitiveness Study and the recommendations of the Workshop on Export Finance Policies and Modalities);

- The induction and technical training of the substantial numbers of additional staff;

- If adequate staff are indeed assigned, efforts will be made to resume the institutional development programs in the publicity and auditing areas and more sophisticated use of the database systems will be introduced. The Budget preparations should provide an opportunity for the training of economic staff at least in policy analysis and advocacy.

- In any event, the existing program of data entry and validation in accordance with the new database design will continue until completion, with the assistance of KEDS consultancy input where necessary.

- In accordance with the Government's general desire to privatise its operations where possible, exploratory studies will be undertaken to assess the feasibility, cost and advantages of privatising many of the present auditing functions of the EPPO, perhaps through the use of Pre-Shipment Inspection Companies.

- Workshop on Export Finance Policies and Modalities - This Workshop was originally planned for March 1993 but the temporary reversal of the exchange control and other financial policies at that time forced its postponement to the first quarter of 1994 (February). Participants will include top management representatives of most of the banks registered in Kenya and most of the (few) export insurance companies. The Workshop will: a) Present findings of the KEDS-funded and just completed Kenya Export Competitiveness Study in respect of export finance; b) Review relevant Acts and other regulations and make recommendations to the Government for appropriate amendments; and c) To encourage more banks and insurance companies to become actively involved in the promotion of exports.

- National Conference on Investment and Export - The Conference has been scheduled for March 9-10, 1994. (As this report is written in February 1994, the Conference is rumored to be postponed.) The EPA has attended several meetings of the conference secetariat committee and secured a decision to include in the agenda a presentation of the main findings of the Kenya Export Competitiveness Study in summary form.

- At least one other seminar is likely to be organised during this quarter to publicise the findings and to moderate and actuate the recommendations of the Kenya Export Competitiveness Study in the area of institutional development and reorganisation.

B. PRIVATE SECTOR

The Private Sector Component activities planned for next quarter include:

1. Firm-level:

- Publication of the Phase II Private Sector Study Report;
- EDF Criteria
  - Finalize USAID approval of the three Documents upon clarification of some policy issues.
  - Send eligibility criteria, accompanied by an introductory letter, to firms inviting them to apply for assistance if they qualify.
  - Complete identification of strong potential firm candidates based on careful assessment of Baseline Survey Phase I and II questionnaires vis-a-vis EDF criteria. Target market KEDS EDF consultancy assistance to those firms as a supplemental effort to the regular mailing.
  - Produce one-page insert of abbreviated firm criteria for KEDS .notional brochure.

2. Institutional Support:

a. FPEAK & HCDA:

- Participation in the COLEACP meetings in Dar es Salam to discuss horticultural exports from ACP countries to the EEC and assistance programs to exporting associations;
- Final editing preliminary to publication of the *HCDA Export Crop Manual*;
- International Horticultural Trade Show - *HORTEC '94*: Support for FPEAK and HCDA participation in the show, including booths and Show workshops;
- Distribution of Volume II (Technical support documents) of the *Quality Assurance Manual* for horticultural exports from the UK's Natural Resource Institute; and
- Technical workshop on *Trade Show Participation* at January 1994 FPEAK Luncheon.

b. KAM:

- KAM will receive KEDS assistance to manage and use the newly installed Trade Information Network (TINET) being provided by UNCTAD/GATT through UNDP support to the PTA Secretariat (TINET is an extensive database tracking PTA export-import transactions);

- Budgetary support to KAM to facilitate representatives participation in USAID/Uganda two-day workshop on PTA trade; and

- KAM *Seminar on Export Finance* and production of the *Export Finance Manual for Manufacturers* (to be presented at the Seminar).

FPEAK NEWSLETTER

OCTOBER 1993

FOR MEMBERS OF THE
FRESH PRODUCE EXPORTERS ASSOCIATION OF KENYA

Volume 1, No. 6

HORTICULTURAL EXPORT QUALITY MANUAL

A workshop '*Validating procedures Manual for Horticultural Export Quality Assurance*' was held at Duduville, Nairobi on September 27, 1993. The seminar attracted 37 participants. The manual is designed to assist exporters in developing countries to establish systems which will enable maintenance of proper quality assurance in order to meet the increasing customer demands and legislative requirements of the European market.

The Manual is being prepared in two parts. Part 1 is the preparation of a company's manual and other actions that must be taken to achieve the necessary quality and legislative requirements. A separate volume, Part 2, will contain sources of information and factual summaries relating to Part 1.

The Manual introduces the Philosophy of Total Quality Management (TQM) in all businesses and operations. It presents a package of process and procedures to enable exporters to establish a quality assurance system that is tailor-made to fit their own specific needs without losing sight of the dynamic demands especially in existing markets.

The Workshop discussed the content of the manual's Part 1 and provided an opportunity for general discussion on the approach and implications of the E.E.C. regulations.

The key points covered included:
Maximum Residue Levels; Hygiene Practices within the Field, Packhouse etc.; Cool Chain; and Packaging.

H.C.D.A was disappointed that only 37 exporters participated in such a critical Seminar out of 50 invited.

WORKSHOP ON CUTFLOWERS

There is a Workshop "*Promoting Export of Cuts Flowers from Kenya to the Japanese Market*" on October 28, 1993 at the Intercontinental Hotel sponsored by Japan External Trade Organization (JETRO) in collaboration with KEDS, HCDA and FPEAK. By invitation.

FPEAK, P.O. Box 22840 Nairobi; Tel. 448297/445795; Mpaka Plaza, 4th Floor, Mpaka Road, Westlands; Office Hours: Monday-Friday 8:00-1:00 & 2:00-5:00. Ms. Lorna Laboso, FPEAK Executive Officer.

'SMART' SHIPPING THAT KEEPS PRODUCE FRESH FOR WEEKS

Succulent Georgia peaches can boost a soldier's morale but at great expense: The U.S. military has long flown fresh fruit and vegetables to remote bases, since the goods would rot during cheaper ocean voyages.

Not any more. American President Lines in Oakland California in collaboration with researchers at the University of California at Davis, has developed microprocessor-controlled, refrigerated shipping containers that precisely regulate levels of oxygen, nitrogen, and other atmospheric gases to maintain a mix that keeps produce fresh for weeks. The containers can also scrub the air of the ethylene given off by apples and other produce that can, for example, leave spots on lettuce and make carrots bitter.

In January, the U.S Defense Dept. began shipping produce via American President to Guam. Next, it plans sea shipments to Japan, Korea, and Okinawa - for an annual saving of $6 million to $8 Million.

Meanwhile, American President is working with researchers to develop containers that keep oxygen levels low enough to suffocate insects without damaging produce.

(Source: Business week Sept. 6, 1993)

UNIT SET UP FOR CREDIT REFERENCE

The following is an abstract from the Daily Nation of August 11, 1993:

An association to act as a credit reference facility for small and medium enterprises has been formed. The Small Enterprises Credit Association (SECA) will seek to set standards for credit delivery systems to the small-scale business sector. It will also share technical and training advice with members. The Association is a joint initiative by the UN Development Programme, the Kenya Management Assistance Programme and Local Financial Institutions. (More information is available at the FPEAK office)

PRODUCE MARKETING ASSOCIATION INTERNATIONAL TRADE FAIR U.S.A.

The 9th Annual Produce Marketing Association (PMA) International Trade Seminar takes place October 22-23 at the USDA Administration Building and the Washington, D.C. Convention Centre.
Lisa Varney of Development Alternatives Incorporated will attend on behalf of KEDS and FPEAK and report on the Seminar. We shall be able to make a comprehensive report on this when we hear from Lisa.

AIR CARGO CHARTERS

Appended herebelow is a reply to a letter of enquiry from HCDA to Air Cargo Charters Private Ltd., P.O. Box 2554 Harare, Zimbabwe. Tel. (263)(4)702606/7 Fax. (263)(4)729284; Telex 24386

> "We can secure B707/DC8 Cargo Aircraft to operate Kenya/Europe on full or split Charter Basis during your export period. Full Aircraft Charter prices can be negotiated between US $ 50,000/56,000 depending on capacity of aircraft and length of contract.
>
> SIGNED, L.W. CARDWEL"

Please contact them directly at the above address if you are interested, after which they can formulate a definite proposal and costing for your consideration.

HORTICULTURAL SEMINAR & EXHIBITION AT NORFOLK HOTEL 28TH - 30 SEPTEMBER 1993

A very successful seminar & exhibition *Opportunities For Growth in Horticulture in East Africa* was held at the Norfolk Hotel September 28-30 1993. The Seminar was sponsored by The Tropical Africa Advisory Group in conjunction with the Natural Resources Institute (NRI) and the British High Commission.

The Seminar was opened by the Minister for Agriculture Livestock Development & Marketing, Hon. Simeon Nyachae and attracted over 160 participants. The following papers were presented and discussed (copies are available at the FPEAK Library):

a) Keeping ahead in International Produce Dr.A.P.Leggo, Mack Multiples Division

b) Infrastructural Requirements in Post-Harvest System - F.Proctor, NRI

c) Integrated Quality Assurance in Horticultural Export Systems Mr. J. Love, J. & J. M. Love

d) Pre-cooling Technologies Mr. I. White, Horticold Ltd.

e) Packaging Machinery Mr. M. J. Keay, Process and Packaging Machinery Association.

f) Recent Developments in Refrigerated Container Technology Mr. J. Hatton & Mr. E. Slotbom

g) Technological Developments in Airfreighting Perishables Mr. G. Bunsell, British Airways

h) New Technologies in Crop production Prof. H. G. Jones, Horticulure Research International

i) Precision Planting for profit Ms. J. Bumbfrey, Tildenet Ltd.

j) Techonogical Preharvest use of Agrochemicals -Mr. N.Njeru, Twiga Chemical Ltd.

k) Arthropods Pest Control in Vegetable Crops Dr. R. Greatrex, Bunting Biological Control Ltd.

l) International Development Finance Institutions View of Investment in Horticulture Mr.D. Burndred, CDC.

m) Assisting Private Sector Developments in the East African Horticultural Industry Mr.Kamau, DFCK.

At the conclusion of the Seminar the following challenges and key needs were:

CHALLENGES:

1. Can East Africa maintain and increase her market share in the E.E.C?

2. What role is there for the U.K in enabling these opportunities and challenges to be taken up?

3. Is there a role for more coordinated efforts in East Africa taking advantage of agro-ecological range transport by bulking up of produce?

KEY NEEDS:

1. Investment.

2. Medium and long-term strategy.

3. A strong technological base.

4. Regarding the flow of information and training in human resource development; there is a need for the U.K. and Kenyan private sectors to continue to work together.

5. Commercial companies must offer turn-key systems for exporters.

6. New agencies in East Africa should act as agents for suppliers of equipment.

The Association is doing everything possible to follow up this very important and worthwhile Seminar. Expect more news on developments in your November *FPEAK Newsletter*.

GENERAL INFORMATION

UPCOMING SEMINARS/WORKSHOPS:

"Potential in Export Marketing"
Oct. 7-8th, 1993 at Silver Springs Hotel
Fee Kshs. 5000/-.

"Export Costing and Pricing"
Oct. 23, 1992 at Silver Springs Hotel.
Fees Kshs 2500/-

"Opportunities and Options in a Liberalised Economy" 27-29th Oct. 1993 at Safari Park Hotel Fees Kshs. 10500/-

"Export Procedures and Documentation"
Nov. 3rd - 5th 1993 at Safari Park Hotel
Fees Kshs. 9000/-

"Export Potential in the PTA"
8-10th Nov. 1993 at Safari Park Hotel
Fees Kshs. 10500/-

"EC Single Market Entry Requirements"
Nov. 29th - 1st Dec. 1993 at Safari Park Hotel
Fees Kshs. 10500/-

For the above please contact Export Development Services.
Tel. 222932; Fax. 225089 Nairobi.

"Export Costing and Pricing and Preparation of quotations" 12 - 13 Nov.1993. at Sagret Hotel.
Fees Kshs. 3600/-

"Selling to the EC Single Market Selected Tropical Fruits" 19th - 20th November 1993 at Sagret Hotel Fees Kshs. 3600/-

or the above, please contact Southeast Export and Import Promotion Consultancy Ltd. Tel. 227543. Nairobi.

INTRODUCTIONS

We wish to introduce the following:

Southeast Export and Import Promotion Consultancy Limited visited our offices recently and informed us they deal in: Market Research, Provision of Market Information, Development of Programmes for Export Oriented Organizations and Conducting of Seminars and Workshops. Their Address is: *Southeast Export and Import Promotion Consultancy Ltd.* Chaka Road Hurlingham, P.O. Box 57988, NAIROBI Tel. 723427/8

Seven Fourteen Limited - This firm deals in: Refrigeration, Airconditioning and Electric Motor rewinding. Their address is *Seven Fourteen Limited* P. O. Box 57002, NAIROBI Tel. 790639

Export Development Services - They promote trade in the Eastern and Southern Africa sub-region through training and trade information and dissemination. They also carry out market research and provide consultancy on areas of export marketing. Their address is: *Export Development Services* P.O. Box 41577 Nairobi Tel. 222932 Fax. 225089.

Please note that these companies have not been recommended or endorsed by the FPEAK Board. Any dealings with them is entirely at your own risk and discretion.

NEW FPEAK OFFICER

The FPEAK Board is pleased to announce the hiring of Ms. Lorna Laboso as Executive Officer. Members are invited to meet her personally at the FPEAK offices. Ms. Laboso brings to FPEAK previous experience in Kenya Tea Growers Association. Welcome her aboard!

17

Fresh Produce Exporter

A Monthly Newsletter of the Fresh Produce Exporters' Association of Kenya

November 1993 Volume 1, Number 7

Air France Strike

On October 12th, Air France workers in Paris went on strike, dealing a big blow to Kenyan horticultural exporters. FPEAK requested assistance and representation from COLEACP in Paris. As a result, there was an Air France Cargo flight from Nairobi to Brussels on October 22nd. FPEAK also wrote to the France Trade Commission Counsellor protesting the strike and asking him to make known to the French Government the repercussions the strike would have on Kenyan exporters. This was reported by the newspapers and the World News.

Meanwhile, COLEACP informed FPEAK that it should pursue claims for all shipments which were refused by importers due to late or non-delivery by Air France since October 13th. FPEAK Board Member Mr. J. Chepkwony is pursuing the question of claims on behalf of the Association and further details will be communicated to members.

Airfreight Rates Increased by Kenya Airways

During October, Kenya Airways issued a circular increasing freight rates for fruits, vegetables and flowers and also introducing a surcharge of $0.10/kg for all consignments shipped from Kenya. The FPEAK Board met on October 7th and strongly protested this increase. The Chairman was asked to use every available resource to reject this move by Kenya Airways including calling a meeting of all exporters.

Subsequently, a meeting was called for all airlines, Board of Airlines representatives, the Civil Aviation Board, the Horticultural Crops Development Authority (HCDA), and representatives of exporters. The meeting agreed that Kenya Airways should withdraw the circular covering horticultural produce and allow exporters to negotiate rates based on last season's freight rates.

FPEAK would welcome members' comments on this matter.

Workshop on Cut Flowers

A JETRO-sponsored workshop was held on October 28th entitled "Promoting Export of Cut Flowers from Kenya to the Japanese Market." Mr. Susumu Sugiyama, Chairman of the Japan Cutflower Importers Association and Guest Speaker for the day, challenged Kenyans to explore the possibilities of trading in Japan. He informed the participants that countries such as Colombia are the same distance as Kenya from Japan and have no direct flights, yet still export over 13 million stems a year to the Japanese market. He amused the participants when he said Kenyan Flowers get to Japan by "accident" via Holland and wondered why Kenya cannot tap the money by doing direct business with Japan. A brief overview of the Japanese cut flower market is given below Page 2.. Additional information on the Japanese market is available in FPEAK's resource centre, including copies of workshop presentations by FPEAK Chairman K. Mulwa and KEDS Chief of Party P. Guenette.

FPEAK is very keen to follow up on this very important seminar. Therefore, cut flower exporters be on the lookout -- FPEAK will soon be holding a follow-up seminar to discuss taking advantage of Japanese market opportunities.

FPEAK Launching Weekly Market Price Reporting Service for Members

FPEAK, as it continues to expand services to members, is launching a weekly fax service on wholesale prices received for Kenyan fruits, vegetables and cut flowers in key European and Middle Eastern markets. It is hoped that the service will provide Kenyan exporters with a means to monitor prices actually received in the marketplace for their produce, and any variations between markets.

The reports are derived from data provided by the International Trade Centre's Market News Service, to which FPEAK has recently acquired direct electronic access. Additional information on other markets and key competitor prices will be made available at FPEAK offices.

All FPEAK members will receive a one month's trial subcription via facsimile transmission. To remain on the distribution list after this period, contact FPEAK offices for subscription rates. Comments and suggestions on format and content of the reports are welcome.

The Japanese Cut Flower Market at a Glance

Domestic Production

- 19,000 hectares (7,500 ha covered, 11,500 open air)
- Estimated 75,000 growers
- 6 billion stems annually: chrysanthemum (36%), carnations (14%), roses (8%), statice (3%), bulb flowers (10%).

Import Supply

- Import market estimated at around US$140 million.
- Top Ten Suppliers (by value): Holland, Thailand, Singapore, New Zealand, USA, Taiwan, Australia, Colombia, Mauritius, South Africa.
- Largest Import Varieties (based on number of stems): orchids, ferns, chrysanthemums, bear grass, carnations, roses.

Market Prospects

- Imports have more than tripled since 1985.
- 1992 market lower due to recession, weather and over supply.
- Japan has fourth highest per capita consumption of cut flowers after Italy, Norway and Switzerland making it one of the largest cut flower markets in the world.
- Room for new suppliers to the market if they meet stringent quality grades and standards, import regulations, and are competitively priced.

The Multiples Hold the Lion Share

A recent article noted that three food retailers: Tesco PLC, J. Sainsbury PLC and Safeway, a unit of Argyll Group PLC, control about 60% of the U.K Market. The three supermarket chains lost their court challenge to Costco Wholesale Corporation, a Seattle discounter about to open a discount warehouse store in the U.K. The British retailers had argued that Costco should be classified as a retailer rather than as a wholesaler for zoning purposes.

(Wall Street Journal Europe)

Israel Avocado Exports Increase

Agrexco Ltd., a major Israeli exporter of fresh produce, announced that it plans to market 40,000 tons of avocados this season, up from 27,000 tons last year. Agrexco plans to increase sales of pre-ripened ("ready to eat") avocados after good trials last year in a number of French supermarket chains. *(Eurofruit)*

Constantia International Increases Purchases of Kenyan Fresh Produce

The October issue of *Eurofruit* reports that Constantia International Ltd., a major U.K. importer of fresh produce, has expanded its purchases from Kenya. Constantia is purchasing from contracted growers north of Nairobi, where new packhouse and cooling facilities are expected to further expand purchases of high-value pre-packed mangetout, sugar snaps, and baby vegetables. Constantia, whose purchases are primarily comprised of green beans, expects to see a larger proportion of new products in their import mix. *(Eurofruit)*

European Consumer Survey on Fresh Produce

According to a recent article in *Fresh Produce Journal* European consumers are now demanding more when shopping for fresh produce. The survey reports that consumers expect a wider range of produce in stores, a good presentation and are interested in receiving product information (i.e. recipes, nutritional advice, and details on how to ripen/prepare). The consumers also express interest in country of origin and some would like to see more organically grown produce.

(Fresh Produce Journal)

Spanish Experimenting with Growing Lychees

The Municipal Board of Subtropical Cultivation in Alcumenecar, Spain has planted 2,000 square metres in lychees according to the *Fresh Produce Journal*. Although not at a commercial level as of yet, early trials went well this year. The *Fresh Produce Journal* estimates European consumption at between 1,000 to 2,000 tons per year, with most current demand being met by Africa.

(Fresh Produce Journal)

FPEAK Board Member Visits Overseas Trade Shows

Mr. David Gray, a member of the FPEAK Board recently visited several overseas trade shows (Plantex in Germany, Aftex in London, and Hong Kong and Thailand Exhibitions). Anyone wishing additional information should contact him at his office at Brooke Bond Kenya Ltd., Norfolk Towers, Nairobi (Tel. 229951).

HORTEC '94 at Kenyatta Conference Centre, Nairobi (16th-19th March)

Events and Conference Organisers in collaboration with Fresh Produce Exporters Association of Kenya will hold an Exhibition of Suppliers to the Horticultural and Floricultural Industry. Alongside this, FPEAK intends to have a produce show where members can exhibit their produce to buyers invited to the show. FPEAK would appreciate any comments and expressions of interest in exhibiting by individual exporters. Special rates will be available for FPEAK exhibitors.

Local Firm Provides Services to the Horticultural Sector

Danek (K) Ltd. is a multi-discipline service firm with a mission of providing quality consultancy and advisory services. The Company's head offices are in Kenindia Assurance Building off Enterprise Road, Industrial Area, Nairobi. The Company has two services groups:

Water and Agro-Services providing a comprehensive range of irrigation engineering services to clients in the horticulture sub-sector, including drip irrigation for flowers, vegetables and tree crops.

Management Consultancy providing advisory services in the form of project development, preparation of feasibility studies, preparation of business plans, market research, and computer systems analysis, designs and development.

For further information please contact Danek (K) Ltd. at P.O. Box 7823, Nairobi, Tel. 542323, Fax. 545866.

Installation of Pre-Cooling Facility by Mt. Kenya Producers and Processors

Mt. Kenya Producers and Processors plans to install a Pre-cooling facility at Katheri Market. This facility is expected to improve the quality of french beans coming from Meru, and further to have an overall effect on the European market which is very quality conscious with regards to fresh produce. For further information contact H. Mugambi MWereria, General Manager, at P. O. Box 339500, Nairobi (Fax: 218715).

South African Horticultural Specialist Seeks Employment

FPEAK has received a letter of application for employment from a Mr. Cristo Du Preez of Private Bag, X 401 SKUKIZA 1350, Republic of South Africa. Mr. Cristo, whole holds a Bachelors degree in Agriculture, is especially interested in horticultural activities in Lake Naivasha area. He has commercial experience on a farm in South Africa and as a technical advisor on an irrigation research scheme.

September Exports Down 2 Percent, Year-to-Date Exports Up 8 Percent

Kenyan exports of fresh horticultural crops for the first nine months of 1993 increased to 43,681 metric tons, up 8 % from levels for the same period in 1992, according to statistics released by the Horticultural Crops Development Authority (HCDA). This is despite a 2% decline in exports for the month of September 1993 from September 1992 levels.

Cut flower exports showed the most growth for the first nine months, jumping over 20% to 14,950 MTs. Exports in September, however, where down 8.5% from 1992 levels.

Fresh fruit exports increased nearly 6% in the first nine months, with melon, pineapple, passionfruit, mangoes and avocados all posting increases during the period. Exports of strawberries, lemons/limes, and miscellaneous fruits witnessed sharp declines. For the month of September, total fruit exports increased 5%.

Despite a decline of nearly 9% on french bean exports during the period January-September, total vegetable exports managed to increase just over one percent thanks largely to increases in exports of okra, aubergines, and miscellaneous vegetables. September exports of fresh vegetables increased by less than 1%.

The United Kingdom continues to remain the top export market with a 30% export share, helped by a moderate 8 percent increase in exports for the period. Kenyan exports to Holland increased nearly 30% in 1993, making it the second largest export market with a 28% share, while France has fallen to third position (18% export share) as its imports of Kenyan produce dropped 16 percent. See Table A on Page 4 for export share and growth rates for leading markets.

Detailed statistics on Kenyan horticultural export performance for the September and year-to-date periods are available at the FPEAK office.

KMAP'S Programme

Medium level executives with experience in the formal sector will from early next year benefit from a training initiative that will equip them with adequate skills for business development. The project is being introduced through the Kenya Management Training Programme (KMAP) with financial and technical support from the British Overseas Development Administration (ODA).

The initiative, to be known as the Business Growth Training Unit (BGTU), has a special component for female managers tailored to increase number and performance of women managing and owning small businesses. Other objectives of the initiative include raising job opportunities and incomes in the formal small scale sector and increasing the number of medium scale ventures with 5 to 50 employees.

The programme is a package of five core courses relevant to the Kenyan situation, which will be provided in liaison with a major U.K. business school during 12 classroom days spread over six months. The lectures will dwell on business start-up, survival, growth, internationalisation and women's access training. *(Economic Review)*

TABLE A

Kenyan Export Markets - Growth Rates & Market Share Jan-Sept 1992/93, based on weight

	Export Growth Rate	1992 Export Share	1993 Export Share
U.K	7.9%	30.5%	30.4%
Holland	29.5%	22.9%	27.5%
France	-16.1%	23.8%	18.5%
Germany	22.8%	8.0%	9.1%
Switzerland	88.7%	2.2%	3.9%
Belgium	-36.9%	4.4%	2.6%
Saudi Arabia	-23.4%	1.3%	0.9%
Djibouti	22.3%	0.6%	0.6%
Sweden	-14.0%	0.2%	0.1%
Others	12.0%	6.1%	6.3%

Upcoming Overseas Trade Shows

United Fresh Fruit & Vegetable Association (Feb 12-15, 1994, San Diego, California, U S A)- United's annual show attracts over 6,000 growers retailers, shippers, brokers and wholesalers from the commercial fresh fruit and vegetable industry. Their international trade forum emphasizes global policy trends and impacts on the trade. Throughout the show, UFFVA offers workshops on quality control, production, marketing and regulatory procedures to members and non-members.

ROKA - Food and Beverage Show (Feb 20-23, 1994, Utrecht, Holland) - Featured are a variety of presentations, attractions, events and meetings, all organized by the Trade Fair toether with market partners. Visitors include those from the food retail and wholesale trade, food industries, and the hotel, restaurant and catering industry. The focus is not only on food and drink but also on non-food products and retailing systems

IKOFA - International Trade Fair for the Food Industry, Specialties, Shopfitting and Equipment (March 1994, Stuttgart, Germany) - This biennial event focuses on foodstuffs and semi-luxuries, beverages, superior food and drink, delicacies and delicatessen products, fresh fish, seafood, crustaceons, fruit and vegetables, exotic foods, meat and confectionary, dietary and health foods, wine, spirits, alcoholic and non-alcoholic beverages, frozen foods and ready meals, modern room decor and the latest operating technologies

Food and Drink EXPO '94 (March 2-23, 1994, London, England) - A new biannual food trade fair, International Food and Drink Expo is expected to be launched in 1994, and will combine four fairs: the Food and Drink Fair; the Catering Fair; Fresh Produce Fair; and the Food Services Fair. This EXPO will provide a commercial forum where exhibitors and visitors from both catering and retail can network; over 800 international exhibitors and 30,000 attendees are expected.

Fresh Produce Exporter is a monthly publication of the Fresh Produce Exporters' Association of Kenya (FPEAK). Subscriptions are free of charge to FPEAK members. Non-members should contact the FPEAK offices for susbcription rates.

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Office Hours: Monday-Friday 8:00-1:00 & 2:00-5:00
Ms. Lorna Laboso, FPEAK Executive Officer

Fresh Produce Exporter

A Monthly Newsletter of the Fresh Produce Exporters' Association of Kenya

December 1993

Volume 1, Number 8

An Explanation of FPEAK Market Price Reports

What types of data are given and how is the data organized?

The price data is presented in three columns: current week, previous week, and change from previous week (in percentage terms).

The prices as reported in the FPEAK market service are given in unweighted averages and have been converted to a unit value in U.S. dollars per stem in the case of cut flowers; per kilogram (unless otherwise stated) in the case of fresh fruits and vegetables. The exchange rate for the week is also given for each country.

The price is that received by the importer from the wholesaler. This is not the price received by the exporter in Kenya. To get back to this price, the exporter should deduct any intermediate charges, i.e importer mark-ups, transportation, handling, commissions, etc.

What kind of information do the price reports provide the Kenyan exporter?

The reports highlight price differentials between markets, varieties and sizes. For instance: What are the price differentials for extra-fine beans in the Netherlands and Germany? What premium is received for prepacked extra-fine beans?

The reports also provide price trends week-to-week and monthly (the latter will be a regular feature of Fresh Produce Exporter). As our price database grows, FPEAK will also be able to analyses price fluctuations depending on seasonality of supply to better identify marketing windows.

Subscribers to the price reports also have access to the full Market News Service reports in the FPEAK Resource Centre. FPEAK staff will assist members in reviewing this reports, which, amongst other things, will show price differentials received by different competitor countries. Products, other than those included in the weekly facsimile service, will also be available in the reports on file in the resource centre.

How can I get more information?

Contact FPEAK offices in order to receive a complimentary facsimile transmission of either an Europe/Middle East Fruit and Vegetable Report or a European Cut Flower Report. After viewing your free copy, you may subscribe at low introductory subscription rates.

HORTEC '94 Preparation

HORTEC '94 is explained elsewhere in this publication. This feature, which will run monthly from now until the show takes place, is to assist those firms exhibiting with preparation. If your firm is to successfully exhibit at HORTEC '94, you must decide now if you are going to exhibit so that you can begin planning before the holidays. Your priorities this month should be:

- Make the decision to exhibit or not; the decision to exhibit means you have to plan on a provisional budget for the show including approximate stand costs, promotional materials and personnel.
- Begin keeping a journal to track your planning for the show; begin to store relevant documents, including the HORTEC '94 brochure and floor plan.
- Draft a document on your company including product information; provide this to show management for inclusion in the show directory.
- Reserve your space in the exhibition, taking into consideration its location, nearby exhibitors and any special utility access your exhibit will require.
- Schedule the exhibition into your calendar to ensure the availability of appropriate managers from your company in the weeks immediately prior to and during the show.

Coming in the January Issue: Pre-registration list, seminars, booth design, promotions.

HORT '94

Major Horticultural Exhibition Scheduled for March 1994

Kenya's horticultural industry is set to receive a massive boost from an exhibition scheduled for March next year.

Hortec '94 will bring together suppliers, producers and buyers in a two part exhibition which has the backing of the Horticultural Crop Development Authority and the active involvement of Fresh Produce Exporters Association of Kenya (FPEAK). The Kenya Export Development Support (KEDS), a USAID backed project which provides assistance to FPEAK and HCDA is also backing the exhibition.

Initially conceived as a forum for suppliers to the industry to exhibit to the assembled horticultural producers of Kenya, Hortec quickly expanded to become a two part exhibition featuring growers and producers as exhibitors as well. Exhibition director, Charles Campbell Clause of Nairobi-based Event & Conference Organisers uncovered huge enthusiasm from buyers and importers of horticultural produce overseas to see the finest Kenya has to offer.

Says Campbell Clause, "I recently returned from Aalsmeer in Holland, the world centre of the cut flower business. Aside from meeting very many suppliers of everything from greenhouses, irrigation and refrigeration systems and so on, who are eager to come, I also found great interest from buyers. These buyers clearly feel that this would be an ideal opportunity to appraise themselves of the range and quality of products now available from Kenya.

"What also became clear to me is that, in view of the fact that Kenya supplies over 25% of Holland's imported cut flowers, it is imperative that Kenyan growers start to seek out new markets from themselves. Hortec will provide them with an opportunity to do just that"

The factors which have made Kenya a major player on the world horticultural stage are ideal growing conditions, lower production costs, top quality output etc. are also enjoyed to a greater or lesser degree by other African countries. Uganda, Tanzania, Ethiopia, Zambia, Zimbabwe and others have expanding horticulture industries, and will also be able to benefit from Hortec's opportunities.

Already the third biggest foreign exchange earner for the country, Kenyan horticulture continues to expand and is acknowledged as the producer of some of the finest fruit, vegetables and cut flowers in the world.

The Government has, in recent months, developed various initiatives, such as foreign exchange retention, which show its commitment to this vital industry. These same liberalisation policies are encouraging more investment into the whole horticultural industry.

HCDA's Export Crop Manual

HCDA with the assistance of the KEDS Project has produced a prototype EXPORT CROP MANUAL for use by horticultural farmers, extension workers, exporters and importers. The Manual has three components:

i) The Production Manual covers select export fruit, cut flowers/cut foliage and vegetables and is targeted primarily at growers and extension workers.

ii) The Postharvest Handling and Marketing Manual covers postharvest technology and export marketing and is especially targeted to extension workers, graders, exporters and inspectors.

iii) The Promotion Manual is to help exporters, Kenyan embassies and foreign embassies in Kenya to market and sell Kenyan horticulture produce to overseas markets. This manual includes a horticultural produce seasonality (availability) chart.

The prototype manual is being circulated to the Ministry of Agriculture, KARI and other interested parties for comments so as to improve the overall quality and acceptability of the manuals. HCDA will take into account comments and contributions received before finalising the production of the 1st Edition of the manuals early in 1994.

One copy of the prototype manual will soon be at the FPEAK Library. FPEAK members, are requested to study relevant parts of the manuals concerning their operations and make their comments/contributions to help in the production of better quality and useful manuals for use by the horticulture industry in Kenya.

Cameroon Comes Direct

The First direct shipping line from Cameroon, shipping bananas into the UK has been established with Newhaven and Dover handling the first arrivals,

Nigel Law, of Compaignie Fruitiere (UK) Ltd. whose company has strong links with Cameroon, believes that this move offers great potential for the future. He commented: "this new regular facility recognises the very favourable response to date from our customers to these high quality bananas and we look forward to the continuing expansion of this part of our business." Compagnie Fruitiere Group grows and exports over 90,000 tonnes of Cameroon bananas as well as producing pineapples in the Ivory Coast. It has recently opened a U.K. subsidiary.

Dole Fresh Fruit Company owns 37 percent of the group holding company and the majority of the Cameroon fruit is packed under the Dole brand.

(Fresh Produce Journal)

Commodity Export Policies and Strategies in African Countries in a process of Structural Adjustment:
Cotton, Tea and Horticultural Products

The Chairman Kasanga Mulwa attended a Workshop in Dar-es-salam on 23-27th November. The theme of the workshop was "Commodity Export Policies and Strategies in African Countries in a process of Structural Adjustment: cotton, tea and horticultural products". The Workshop was organised by United Nations Conference on Trade and Development (UNCTAD).

The Workshop discussed:-

1) The formulation and implementation of Government policies in a deregulated framework.

2) The roles and responsibilities of the Government and the Private Sector in restructuring of policies and strategies for production and expert marketing of the commodities.

3) The need for policies and tasks affecting a commodity sector which are best undertaken through partnership between the Government and the Commodity Sector.

4) Whether there should be a distinction between the support provided by the Government to traditional and non-traditional sectors.

The workshop was attended by representatives from Ethiopia, Kenya Uganda, Tanzania, Malawi and Zimbabwe.

Besides the papers presented by the Resource persons who were from Israel, Coleacp, UNCTAD, ITC, FAO and UNDP each representative presented a paper on his or her country's position. For FPEAK, the Chairman presented a paper outlining the role the Association has played in the past and is playing in Kenya Horticultural Industry.

The Resolutions adopted by the Workshop will be circulated to the governments and participants by UNCTAD and we shall inform you when we have get these.

Austria Introduces the Green Dot

The Green Dot on packaging became obligatory in Austria from October 1, 1993. Packaging in circulation on the market has to be taken back (from where the product, which it contained, was purchased) and processed/recycled, just as is the regulation in France and Germany. Companies are allowed to subcontract the processing to third parties. In Austria's case, this is Altstoff Recycling Austria AG which, following Germany's DSD and France's Eco-Emballages, also works with the Green Dot system.

Source CBI News Bulletin

KAHL Handling Charges & VAT on Produce

Please note that the Kenya Airfreight Handling Limited charge US$ 0.01 per Kg for all produce. KAHL and Agents Fees are not subject to V.A.T.

E.C.-Morocco Free Trade Agreement in the Works

The European Community and Morocco, despite opposition from Southern European countries, is progressing in their negotiations for a free trade agreement which will further open EC markets to Moroccan fresh produce. Morocco is a major and growing supplier to the EC of fresh fruits, vegetables, and cut flowers.

(Fresh Produce Journal)

EC Pepino Market Expected to Expand

The Fresh Produce Journal reports that Dutch growers are entering into the Market for the small speciality Pepino melon. The melon has gained popularity in Europe over the past several years, with most imports entering from Chile, New Zealand, Israel and Columbia. U.K. growers in Guernsey have completed production trials of the melon, while French growers in Brittany are currently conducting production trials under glass.

(Fresh Produce Journal)

Air France Strike Claims (continued)

In the November issue of Fresh Produce Exporter it was reported that FPEAK, through Mr. Chepkwony was pursuing the question of claims resulting from produce not cleared due to the strike by Air France personnel.

Members whose produce were not cleared because of the strike should, as soon as possible channel their claims through their agents to write to Cargo Manger, Air France, Nairobi, copied to the Regional Manager of Air France. copies of the following should be supplied.

Airway Bill
C.D. 3 Forms
Copies of Invoices

FPEAK Membership Directory

FPEAK is in the process of producing its first membership directory, which will be distributed to members and at overseas trade fairs. The manual will be produced using high quality desk top publishing software, and include information of FPEAK, Kenyan Produce availability, and company information (name, address, telephone, facsimile, and products). If you have not received a call from the Association verifying your contact information and obtaining a list of specific horticultural products, contact Lorna Laboso immediately to do so.

FPEAK has distributed three free samples of its weekly price information service to those fruit/vegetable and cut flower exporters with facsimile machines. In the process we have noticed that many of the fax numbers which we have on file for members are either not fax numbers or are out of service. If you have not received a sample price report (and have a fax machine), contact FPEAK immediately. In future, price reports will be distributed in the evenings or on weekends so as to reduce the time required to fax the reports because of busy lines.

The weekly price reports are being offered at the following low annual subscription rate.

Fruit and Vegetable - Europe/Middle East	Kshs.4,800
Cut Flowers - Europe	Kshs.3,800

Subscribers to the service will also have unlimited access to additional ITC Market News Service price reports available in the FPEAK Resource Centre. The FPEAK price information service will only continue if sufficient interest is shown by members. Members without Facsimile machines can contact FPEAK to make alternative distribution methods.

New Organization to help Small Enterprises

The Small Enterprises Professional Services is a new NGO geared to help small and medium size businesses to achieve profitability, sustainability and growth. It also provide managerial and technical assistance. For further information contact

The General Manager
SEPSO Ltd.
P. O. Box 50684
NAIROBI
Tel. 448576/357/444463

Luncheon, Luncheon, Luncheon..............

At the Serena Hotel Nairobi on Thursday 20th January 1994 Slides to be shown and Report from the Produce Marketing Association International Trade Fair held in Washington D.C. in October 1993. Members interested should contact Lorna Laboso for the cost of the luncheon.

Merry Christmas
and a
Prosperous New Year
from
The Chairman,
Board of Directors &
Staff of FPEAK.

UPCOMING OVERSEAS EXHIBITIONS FOR 1994

Grower Expo'94, Rosemont, Illinois, USA Jan 8-11th, 1994

Exiflo Morocco'94, Marrakech Morocco Jan 14-16, 1994

British Growers Look Ahead Birmingham U.K. Jan 19-20, 1994

Tropical Plant Industry Exhibition 20-22 Jan Ft. Lauderdale, Florida, USA

NTV, Rai-Amsterdam, The Netherlands Jan 25-28, 1994

Hotmatac et Paysage, Lyson, France Feb 3-5, 1994

Agriflor '94 Mexico City Mexico Feb. 16-18,1994

IPM Essen, Germary Feb.18-20,1994

Aviv '94 Expo Feb.21-26,1994 Aviv Packing House Hadera, Israel

Florasur' 94, March 3-6,1994 Chipiona, Spain

Florex, March 13-17,1994 Brussels, Belgium

Florantalya 29 March -3 April, 1994 Antalya, Turkey

Fresh Produce Exporter is a monthly publication of the Fresh Produce Exporters' Association of Kenya (FPEAK). Subscriptions are free of charge to FPEAK members. Non-members should contact the FPEAK offices for subscription rates. FPEAK, 4th Floor, Mpaka Plaza, Mpaka Road, Westlands, Tel 448297 Fax. 448295 P.O. Box 22840
Office Hours: Monday - Friday 8.00 - 1.00 & 2.00 - 5.00. Ms Lorna Laboso, FPEAK Executive Officer.

Volume 3 No. 1

DECEMBER 1993

THE HORTICULTURAL News

Serving the Horticultural Industry

HCDA Completes Production and Postharvest Manuals for Key Export Crops

HCDA, with support from the USAID-funded Kenya Export Development Support (KEDS), recently completed prototype copies of production and postharvest manuals on major fruit, vegetable, herb and cut flower export commodities. The manuals are targeted at horticultural export farmers, extension officers, exporters, and horticultural associations.

The prototype version is undergoing a limited circulation, during November '93 to January '94, to allow as many people working within the Kenyan horticultural industry to provide comments and insights, prior to publication and a more widespread circulation. This newsletter will regularly publish excerpts from the manuals.

HORTEC '94 a Showcase of Suppliers to the Horticultural Industry

HORTEC '94, an exhibition of suppliers to the horticultural industry, is scheduled for March 16-19, 1994 at the Kenyatta International Conference Centre in Nairobi. The organizers, Event and Conference Organisers Ltd., expect exhibitors dealing with fertilizers, finance, irrigation equipment, freight forwarding and clearing, refrigerated stores, computer software, a wide range of horticultural inputs, production, packhouse and storage equipment. Horticultural Crops Development Authority will participate.

Quality Deterioration of Green Beans and Snow Peas.

There has been a marked deterioration of quality of green beans and snowpeas. For green beans, this is attributable to use of the poor quality seeds, mainly from farmers' crop for more than one season by growers with consequent decline in yields, pod malformation and decline in shelf life. For snow peas it is because of inadequate crop protection measures resulting to black spot, characterised by small circular spots on the pods which later turn black. The infected pods become unmarketable due to the spots. The recommended control measures are the use of clean seed, a strict fungicidal spray regime and proper cultural practices eg staking, removal of debris of old crop and crop rotation.

Spot News

- The quality of green beans raise major concern in France. Exporters/growers are urgently requested to acquire clean seeds from repuiable sources otherwise we may lose our share of the market..
- The condition of cartons on arrival in the markets is deplorable. Please watch the strength of your cartons and replace wet cartons before shipment.

The Status Of Horticultural Exports

Fresh horticultural exports have once again maintained its growth tempo. In 1992, compared to 1991, there was an increase of 15.1 per cent in volume and about 21 per cent value (at official exchange rates). The increase was contributed by the export of mangoes which had 34.6% increase over 1991, avocadoes (50.5%), cut flowers (20.7[illegible]%), passion fruits (6.5%), french bean (2.3%), karella ([illegible]%), other asian vegetables (19.2%), miscellaneous vegetables(75.2%). The drop was mainly in strawberries (17.2%), chillies (17.4%), valore (27.1%) guwar (13.1%), okra (6.8%), aubergines (7.6%). The main growth in miscellaneous vegetables is attributed to snowpeas, runner beans, baby vegetables and brussels sprouts which are new introductions.

The increase realised on avocadoes was as a result of major shift to sea transportation. Out of the total exports for the year (6,310 tons), about 2,500 tons was transported by sea. This trend has continued during 1993 as the cost of airfreight has become prohibitive for avocadoes. Sea shipment trials have also been undertaken to the Middle East. A major problem that has been arising in sea shipments is lack of organised spray programmes for avocadoes and mangoes. This is causing deterioration in quality due to anthracnose developments during transit. The poor harvesting methods and other postharvest handling procedures have had their effects as well.

The increase in cut flowers is a result of major expansion in the production of roses. Traditional cut flowers (spray carnations and alstroemeria) suffered a decline due mainly to poor market conditions during November and December, 1992. There were also other suppliers e.g. Turkey providing cheaper flowers.

As in the past cargo capacity was a limiting factor especially towards the end of 1992 when some flights had to be cancelled due to a decline in stocks of jet fuel. The laters price has also been a factor in attracting freighters (charters) as fuel contribute 40 per cent of their cost of operation. Consequently charter freighters prefer points with cheaper fuel and as such Kenya is disadvantaged.

During 1992 exports of prepacks increased by over 30 per cent. The duty/VAT remission scheme administered by the Treasury (EPPO) has no doubt contributed to this trend. As for the local packaging whose quality has greatly improved, the increase in VAT rates to 18 per cent has been a factor in worsening the cash flow of the exporters and consequently the ability to service farmers. Although the VAT is refundable, this has taken too long to be of direct benefit to the exporter who has to pay for his produce and packaging on cash basis.

A lot has been said about foreign exchange retention, but there is no doubt this has greatly assisted the sector especially in the last quarter of 1992. High freight rates on the Kenya-Europe sector, high Kenya airfreight handling charges and high forwarding charges reduced Kenya's competitiveness allowing other suppliers. It is unanimous view in the sector that should the jet fuel prices drop to the world average more favourable freight rates and extra cargo capacity could be forth coming from the airlines including chartered freighters

Services offered by Kenya Airfreight Handling Ltd need alot of improvement. Exporters who have invested in their own handling facilities continue to pay very high charges for services not rendered. Recent rebates to exporters with own facilities is not inducive enough.

The lack of precooling and refrigerated facilities both at the areas of production and at the airport for a considerable number of exporters constitute a constraint in terms of quality and proper preparation of export produce. Concern has also been expressed about the lack of proper grading facilities on the farms. This is considered unhygienic and importing supermarkets are insisting that this issue should be addressed as a matter of urgency. The OECF (Japan) loan earmarked for precooling, cold storage and handling facilities will be a major step in enhancing export expansion.

A close scrutiny of processed horticultural products confirm increased potential especially with the decline in the Kenya shilling and retention accounts. During 1992 over 81,000 tons of processed horticultural products worth Kshs.1.8 billion in foreign exchange were exported. Both fresh and processed horticultural produce realised over Kshs.4.3 billion surpassing coffee for the first time. Horticulture now ranks 3rd after tourism and tea in foreign exchange earnings. It is a major rural employer and further expansion in the pre-packs will create considerable job opportunities.

Due to the processors being able to pay farmers a better price, more raw material is available. Although two of the processing factories were closed (Dehydration of vegetables and concentration of mangoes and citrus

27

juices) french beans (canned/frozen) continued their upward trend, macadamia nuts also recorded a major increase. Expansion programmes by the Kenya Nut Company, who have invested heavily is bearing positive returns. There is great scope for dehydration, freezing and it is hoped that Pan Vegetable Processors when privatised will embark on a serious export programme. The processing plant in Mtwapa, Coast Province has now been reopened under new ownership and management and exports of concentrates (mangoes and pineapples from the Coast Province) should resume.

A scrutiny of our markets still indicate that the U.K. is the main outlet with a market share of (29.3%), followed by the Netherlands (25.5%), France (22.3%) and Germany a distant fourth(9.1%). SeeTable 1. The Germany's share continue to drop. France continued to be the major market for french beans and avocadoes while the U.K dominated the asian vegetables and the Netherlands maintaining its grip on cut flowers while Germany continues to loose its share of Kenya flowers. U.K was the main outlet for prepacks of green and runner beans, snowpeas, snap peas and other baby vegetables. Efforts tointroduce same to Belgium, Holland were also successful and quantities are expected to increase during 1993/94 season.

Although for 25 years, Kenya's horticultural export sector has experienced phenomenal growth through the efforts of a vibrant, profit oriented, private sector, certain products such as peppers and corgettes have left the product mix, but growth in the export of green beans, Asian and miscellaneous vegetables and cut flowers has led to horticulture being major foreign exchange earner.

In recent years, however, export growth has slowed down. Small growers and exporters have suffered from shortages of capital, and quality problems have arisen from a lack of quality enhancing infrastructure such as precooling, cold stores and limited technical know how in the field of cut flowers. Problems with competition from other countries and the cost and availability of air cargo space have also contributed to this slowdown. The capital-intensive flower sub-sector has been able to provide much of this infrastructure for itself and continues to grow at an impressive rate.

The volume and value of horticultural exports might be increased through further private initiative and specific public intervention. Carrying out research and extension, enforcing grades and standards and providing leadership in promotional efforts are all public sector oriented therefore, for growth in horticultural exports to continue, the relevant Authorities need to enhance their specific role.

Given the large investments in farming and upstream marketing infrastructure that the horticultural market of the future will require, lack of an enabling environment can only encourage those wishing to invest in export horticulture to do so elsewhere. This is why our immediate neighbours are offering incentives such as: liberalisation of the financial and banking sector, tax haven, repatriation of dividends, reduced handling charges and favourable jet fuel charges, waive of duty and VAT on plant equipment and construction materials for approved projects, relieve from corporation, withholding and dividend taxes for periods ranging up to six years depending on the size and location of the investment, and favourable credit schemes.

Recently a task force under the Ministry of Agriculture, Livestock Development and Marketing has been set up to look at the issues affecting new investments in the sector, cargo capacity, fiscal issues, etc.

Table 1

MARKET SHARE/HORTICULTURAL EXPORTS IN PERCENTAGE

Country	1992	1991	% change
U.K	29.3	33.9	- 4.60
France	22.3	19.8	+ 2.50
Netherlands	25.2	21.8	+ 3.40
Germany	9.1	12.9	- 3.80
Switzerland	2.1	1.9	+ 0.20
Belgium	3.8	3.6	+ 0.20
U. A. E.	2.6	1.5	+ 1.10

The Chairman,
Board of Directors
and the entire staff of
Horticultural Crops
Development Authority
wish you all
a Merry Christmas and
a prosperous 1994

28

Guidelines For The Establishment Of A Fruit Tree Nursery Site.

- The site should be flat or with little slope for both seed beds and nursery rows.
- Light, well drained soils are preferable and the area should not be susceptible to flooding.
- The site should be near an all season water source preferably not more than 500m away if to be carried manually.
- The site should be isolated from orchards of the fruit tree to be raised to avoid pest/disease spread (about 50m away).
- The site should be free of any harmful diseases.
- The site should be fenced to avoid wild animal/human disturbances. Wind break is useful in preventing excessive transpiration in young seedlings.
- An altitude of below 1,200m (3,900ft) above sea level is recommended for citrus nurseries to avoid occurrence of citrus greening disease. For temperate fruits, an altitude of 2,000m (6,600ft) is preferred to allow their proper physiological development.
- Easily accessible areas are recommended for the benefit of the seedling purchasers and the Horticultural Inspectors who will be visiting the nurseries for inspection and certification exercises.

For additional information on guidelines for choice and source of rootstock/scion; staff qualification/experience; and management practices, contact HCDA Tel. 337381/3 Nairobi.

List of Registered Fruit Tree Nurseries Available from HCDA

Under the Horticultural Crops Development Authority Fruit Tree Nurseries Order (1989), which became effective from June 1, 1990, all fruit tree nurseries must register with the HCDA before their establishment.

The primary purpose of the Order is to ensure that farmers have access to good, healthy planting material. The Order establishes minimum nursery management standards for all fruit trees and certifies that planting material is true to type.

Currently, 102 nurseries hold certificates of registration. Contact HCDA for a list of registered nurseries in your area.

The Seminars and Conferences Held in 1993

1. HCDA in conjunction with FPEAK held a one day seminar at the Safari Park Hotel, Nairobi on 24 March 1993. It was sponsored by the Kenya Export Development Support Project (KEDS). The seminar addressed issues concerning pesticides use and the residues on the horticultural produce exported to the EEC market. Emphasis was on the challenge facing exporters and farmers in the face of stringent EEC regulations on Maximum Residue Limits(MRL's) in export produce. The participants came from key players in the horticultural industry including farmers, exporters, researchers, chemical companies, packaging materials manufacturers and government officials.
2. The HCDA in conjunction with FPEAK held a seminar for horticultural produce graders from 16-17 June 1993 at the Methodist Guest House, Nairobi. The objective of the seminar was to train the graders in order to improve and maintain the quality of horticultural produce especially for the export market. The participants came from exporters of horticultural produce.
3. The HCDA together with Natural Resource Institute (NRI) of United Kingdom held a review and evaluation seminar on post-harvest horticulture at the Methodist Guest House, Nairobi from 19-23 July 1993. The seminar aimed at working out a strategy for carrying out surveys on training needs in post-harvest horticulture for farmers at farm level. The Participants were technical officers from HCDA and Ministry of Agriculture.
4. A conference on agricutural Exports and Market Development under the auspices of the Policy Analysis Matrix of Egerton University was held on 23-24 June 1993 at the Kenya Commercial Bank Institute, Karen.
5. The National Horticultural Conference sponsored by the ABM - AMRO bank was held at the Safari Park Hotel, Nairobi on 27 July 1993. Issues pertaining to horticulture were discussed including the major constraints. The conference came up with a list of resolutions affecting the industry to be addressed by the government. The resolutions were aimed at creating and enabling

environment for the development of the horticulture industry. Participants included farmers, exporters, researchers, chemical companies, packaging material manufacturers, clearing and forwarding agents as well as government officials.

6. The HCDA in conjunction with the Natural Resource Institute(NRI) held a seminar on sea transportation for horticultural crops at Duduville Conference Centre from 3-4 August 1993. The seminar focused on opportunities and recent development in sea transportation technology, packaging, quality control as well as the latest developments in the marketing trends of horticultural produce. The participants were exporters, clearing and forwarding companies, researchers, universities, HCDA officers and government officials.

7. A seminar and an exhibition were held at the Norfolk Hotel Nairobi from 28-30 September 1993. The theme for both was opportunities for growth in the horticulture sector in East Africa and were sponsored by the Department of Trade and Industry of the U.K. in laison with the British High Commission, Nairobi. Participants were drawn from Kenya, Uganda, Tanzania as wel as the United Kingdom.

8. A seminar on pesticide residues on food and the EEC regulation, sponsored by FMC corporation was held at the Safari Park Hotel, Nairobi on 6-7 October 1993. The participants included HCDA, Ministry of Agriculture, Livestock and Marketing officers and the farmers.

9. A seminar on the promotion of cut flowers exports from Kenya to Japan sponsored by Japan External Trade Organisation(JETRO) was held at the Intercontinental Hotel Nairobi on 28 October 1993. The participants were cut flower growers, exporters, and officials from the H.C.D.A. and other government Agencies.

List Of Banned /Restricted Pesticides in Kenya

1.	DIBROMOCHLOROPROPRANE	- Soil fumigant, banned
2.	ETHYLENE DIBROMIDE	- Soil fumigant, banned
3.	2,4,5,-T	- herbicide, banned
4.	CHLORDIMEFORM	- insecticide, banned
5.	mixture of isomers of Hexachlorocyclohexane (HCH)	- banned
6.	LINDANE (pure gamma - BHC (HCH)	- insecticide, restricted use for seed dressing only.
7.	CHLORDANE	- insecticide, banned
8.	HEPTACHLOR	- insecticide, banned
9.	ENDRIN	- insecticide,banned
10.	ALDRIN)	- insecticide, restricted for termite
11.	DIELDRIN)	- control in building industry
12.	TOXAPHENE (CAMPHECHLOR)	- insecticide, banned
13.	DDT	- restricted use to Public Health only for mosquito control in mosquito breeding ground- banned for agricultural use.
14.	CAPTAFOL	- fungicide, banned - 1989.
15.	PARATHION Methyl and PARATHION Ethyl	- insecticides, banned - 1988
16.	DAMINOZIDE (ALAR)	- plant growth regulator for use on fruits - voluntary withdrawn by the company.
17.	CYHEXATIN	- Acaride-voluntary withdrawn by the company

SOURCE - Pest Control Products Board.

The Horticultural News is a quarterly publication of the Horticutural Crops Development Authority of Kenya (HCDA) Subscriptions are free of charge to farmers, exporters, relevant ministries, extension workers of the Ministry of Agriculture and HCDA, Foreign Embassies in Kenya, and the Kenya embassies abroad
Horticultural Crops Development Authority, P.O. Box 42601 Nairobi Kenya, Uniafric House, 4th Floor, Koinange Street, Tel 337381/2/3 & 333150 Telex 22687 HORCRODEV Fax: 228386

CONVERGENCE OF OFFICIAL AND MARKET FOREIGN EXCHANGE RATES

Following the appreciation of the Kenya shilling in the interbank market over the last few weeks, the official and market exchange rates have virtually converged. As of 15th October, 1993 the official mean exchange rates for Kshs. to the US dollar was Shs.67.32 against Shs.69.16 in the interbank market. As a consequence of this positive development, the Central Bank of Kenya, effective 19th October, 1993 will be applying market rates to determine the official exchange rates.

This development is a clear indication of the stablisation of Kenya currency and a pointer to a brighter future.

This move will encourage exporters as they will be paid at market rates for the 50% of the retention funds that is surrendered to the Central Bank. Exporters will therefore effectively be receiving 100% of their export proceeds at market rates from 19th October, 1993.

The present arrangements on retention account will remain unchanged.

May I take this opportunity to urge all our present and potential exporters to accelerate their export drive in order to take advantage of this improved exchange rate incentive.

Hon. W. Musalia Mudavadi
MINISTER FOR FINANCE

FRESH PRODUCE EXPORTERS ASSOCIATION OF KENYA.

P.O. Box 22840
NAIROBI
Kenya
Tel: 445795/448297

DATE:

OUR REF: KEDS/1/93

21 December 1993

YOUR REF:

Mr. Paul Guenette
The Chief of Party
The KEDS Project
P. O. Box 40312
NAIROBI

Dear Paul,

TRAINING: NEWSLETTER PUBLISHING, RESOURCE LIBRARY, WHOLESALE PRICE INFORMATION, USE OF CD-ROM AND MARKET SURVEY

I have just completed a months training in the subjects highlighted above.

I wish to thank the KEDS project on my own behalf as a participant and on behalf of the Association which will greatly benefit as a result of the training.

a) We have now comperterised the FPEAK Library and coded it in the CDS/ISIS Programme so that anyone requiring information need only specify the subject matter and we can carry out a computer search for the relevant publication.

b) We now produce the Newsletter using the Pagemaker Programme which makes the publication both easier and more attractive.

c) With the Installation of the Market News Service Programme we can obtain up to date weekly wholesale prices of Horticultural Produce in Europe and the Middle East and disseminate this to our members.

d) We are also able to do a Market survey of our produce.

I wish to reiterate the invaluable assistance the Association has received from KEDS not to mention your personal interest in the Association's development.

We look forward to continued support from the KEDS Project.

Yours faithfully,
for FRESH PRODUCE EXPORTERS ASSOCIATION

LORNA LABOSO
EXECUTIVE OFFICER

c.c. K. Mulwa - Chairman FPEAK

Annex 4

THE KENYA ASSOCIATION OF MANUFACTURERS

(A company limited by Guarantee)

Chairman
[illegible]
Chief Executive
J.W. KURIA B.A. M.A.

P.O. Box 30225
NAIROBI
TELEPHONE [illegible] 746005/7
[illegible] 746021/2
Grams: FEDAG
Telex: 25715 KAM KE
Fax: 746028

9th December 1993

Kenya Export Development Support,
P.O. Box 40312,
NAIROBI.

Attention: Mr. Paul Guenette

Dear Sir,

KENYAN MANUFACTURERS PARTICIPATION
AT UGANDA INTERNATIONAL TRADE FAIR

I refer to our several discussions on the performance of the Kenyan exhibitors at the recent Uganda Trade Fair.

Through the financial help from KEDS, the Association was able to get together manufacturers to go and exhibit at the first ever Uganda International Trade Fair and hasten to add that over US$ 1 million of orders were negotiated and over US$ 100 million are under serious negotiations. By this time I am sure some more deals have gone through.

The actual participation of KAM with an Information Centre was regarded by all the exhibitors as very important by impacting a sense of togetherness and as an interested party to the welfare of membership.

The Association was given a very prominent role not only by the exhibitors as the leader of the delegation but also by the Kenya Government, the Uganda Government, the Trade Fair Organizers and Heads of State who visited the pavilion. The Ugandan business community was very impressed by the range of products on display and the ready information available on the total Kenyan industry. We expect a turn-round on our trade with PTA countries.

We have compiled a short report on the impact of our participation, while giving a background of Ugandan economy for Government consideration. General recommendations and conclusions on the future role of KAM, Private Sector and Government are also appended.

A general circular has been sent out giving the report outline and also requesting suggestions on which trade fairs are important to Kenyan manufacturers.

I will be in a position to discuss details after you have gone through the report.

Yours faithfully,

KIARIE KAMANU
<u>SENIOR EXECUTIVE OFFICER</u>

c.c: Mr. H. S. Sagoo
Chairman
KAM Export Development Sector
<u>NAIROBI</u>

: Mr. K. Kang'au
Vice Chairman
KAM Export Development Sector
<u>NAIROBI</u>

35

JETRO

Annex 4

JAPAN EXTERNAL TRADE ORGANIZATION

JETRO, Nairobi

P O BOX 59739 Nairobi KENYA
Telephones 226741 337622 338678
Telex 22590
Cables "JETRO" NAIROBI
Fax 334842

8th November 1993

Mr Paul Guenette
Keny Export Development Support (KEDS)
P.O.Box 40312
Nairobi

Dear Mr Guenette,

JETRO would like to extend it's gratitude to you and your organization for your participation in our cut-flower workshop held at the Hotel Inter-continental on 28th October 1993.

Your presentation was very effective and we are sure that the participants benefitted from it greatly.

We trust that the workshop increased the awareness of the public on the Japanese market and provided a forum for the producers and exporters to express their views and opinions of the trade.

Thanking you again.

Yours sincerely,

Y. OZU
DEPUTY EXECUTIVE DIRECTOR
JETRO, NAIROBI

JETRO

Head Office: Tokyo JAPAN

3/f

Annex 4

JETRO

JAPAN EXTERNAL TRADE ORGANIZATION

JETRO, Nairobi

P O BOX 59739 Nairobi KENYA
Telephones 226741 337622 338678
Telex 22590
Cables "JETRO" NAIROBI
Fax 334842

11th January 1994

Mr Paul Guennette
KEDS Project
P.O.Box 40312
Nairobi

Dear Sir,

RE: REPORT ON THE 1993 CUT FLOWER WORKSHOP

We are pleased to enclose the final report of the aforementioned workshop held on 28th October 1993 for promoting Kenyan cut-flower to the Japanese market.

The response we have received so far has been very enthuisiastic, and we are presently working on plans for this year's events.

Once again we would like to thank you for your contribution to the workshop and look forward to future communication.

Yours sincerely,

Y. OZU
DEPUTY EXECUTIVE DIRECTOR
JETRO, NAIROBI

Annex 4

ANNIVERSARY TOWERS 9TH FLOOR SOUTH TOWER UNIVERSITY WAY P.O.BOX 40247 NAIROBI KENYA PHONE +254 2 228534/228535 FAX +254 2 218013

EXPORT
PROMOTION
COUNCIL

Ref No. EPC/1

December 28, 1993

Mr. Paul Guenette
Chief of Party
Kenya Export Development Support (KEDS)
P. O. Box 40312
NAIROBI

Dear

This is a personal note to thank you for your valuable contribution to the work of the Council.

During the year, the Council working closely with other export promotion bodies in private and public sectors, helped to focus national export and investment drive; and assisted in creating a more conducive environment for exports and investment. It provided the needed dialogue and consultation between the two sectors in solving problems related to production for exports and attracting both domestic and foreign investors.

Most importantly, through its sectoral panels, the Council was able to identify the major bottlenecks facing exporters and producers of export goods and services and suggest ways of removing these constraints. The Council is pleased to be associated with the on-going economic reform measures instituted by the Government, all of which are moves in the right direction in the promotion of exports and private investment.

The Council Secretariat looks forward to your continued contribution to the operations of the Council in 1994 and beyond. I wish you a happy and prosperous New Year.

Accept the assurance of our highest considerations.

Yours sincerely

PETER W. MUTHOKA
SECRETARY/CHIEF EXECUTIVE

year's fourth-day attendance of 240,370. However, the number of foreign exhibitors dropped from 30 to 28 — 32 had been expected — and UK companies did not participate.

Foreign exhibitors interviewed said they received few serious business inquiries compared with previous years — said to be one of the reasons the British stayed away this time. Officials at the Hungary Pavilion, for instance, said they received a good number of enquiries on agricultural machinery but, unlike last year, when they made over 100,000 direct sales of agricultural, garage and workshop equipment, this year they had more verbal inquiries than bookings.

NO FRESH CHARGES!

THE KENYA Fresh Fruit Produce Exporters Association on October 8 rejected a 28% increase in freight charges proposed by Kenya Airways, with the association's chairman, Mr Kasanga Mulwa, saying that its members have already signed contracts at the old rates for the current season, which starts in October. A circular issued by Kenya Airways to exporters on October 6 said the freight charges were to go up from US$ 1.50 per kg to US$ 1.92. The new charges include a US$ 0.10 per kg surcharge on the actual gross weight for all consignments shipped from Kenya.

Mr Mulwa said Kenya Airways and the Civil Aviation Board did not consult the exporters before the increase as was the procedure, and added that the increases would make Kenyan horticultural produce incompetitive in the world market. He said other airlines charge between US$ 1.30 and US$ 1.50, and that the high freight rate is a major constraint on the export of Kenya's horticultural produce.

THE BALI WAY

Tourism and Wildlife Minister Mr Kentana Ngala has called for the establishment of a World Tourism Organisation (WTO) African regional tourism office to strengthen the continent's capacity for action and to improve monitoring of the field operations of the WTO. Mr Ngala, who was addressing a WTO conference in Bali, Indonesia, said the regional office at Bali had been in operation for long enough to be detached from the headquarters and said an African regional office would bring the world body closer to Africa, providing the continent with a forum where matters of tourism interest in Africa could be addressed. He said regional co-operation in the tourism sector was necessary for tourism to flourish and that such co-operation would enhance marketing and promotional strategies. Kenya, Uganda and Tanzania have already started a regional facilitation committee to streamline clearance procedures for tourists between the three countries.

FODDER FOR THOUGHT

THE UNITED Nations Industrial Development Organisation (UNIDO) convened a Consultation in Vienna, Austria, from October 5-8, on the animal-feed industry in Africa. The Consultation brought together some 80 representatives of government, industry, international organisations, research and development institutes, labour, financial institutions and consumer associations from North and Southern Africa. The aim was to free agricultural and industrial raw materials, by-products and wastes as alternative forms of fodder. The Consultation concentrated on research and information on the composition of animal feed, methods of utilisation, processing requirements, quality control and development of regional co-operation in balancing supply and demand for raw materials and fodder.

Delegates also focused on the production of animal feed by small- and medium-scale enterprises and discussed the issue of promoting such enterprises on several levels, including production processes, scale of production, equipment, quality control, storage and pest controls, training and village-scale animal-feed manufacturing.

WHEAT IN ACTION

A KENYAN wheat-trade team consisting of Assistant Minister for Agriculture Mr William arap Saina, general manager of Unga Millers Ltd Mr Patrick Warugongo, and Mr Joram Shivachi, managing director of Mercantile Marketing Ltd, visited the US between July 22 and August 6, to observe the USA wheat industry in action. The team, sponsored by the Foreign Agricultural Service of the US Department of Agriculture (USDA) and US Wheat Associates, Inc, met senior decision-makers in the US wheat industry, observed laboratory procedures in wheat grading operation and held consultations with US Government officials.

Kenya is among the sub-Saharan Africa grouping that has been allocated 2.7-million tons of wheat under the USDA Export Enhancement Programme (EEP) for the 1993/94 season, which ends on June 30, 1994. About 75,000 tons of US wheat have been purchased so far by Kenyan millers under the current year's EEP programme.

THE HAMMER FALLS

THE DANISH Agency for International Development (DANIDA) has withdrawn its scheduled assistance of KSh 30-million and 20 scholarships to Nairobi University's School of Journalism this year, citing the university authorities' interference with the training of journalists.

KENTEX '93:

Far From The Brochure-Collecting Crowd

Not only was 'Kenya's first business and industrial trade exhibition' held at the same time as the Nairobi Show, it also charged exhibitors ten times the going rate — all to ensure, as the organisers put it, that the 'right people got through the gate'. Barnabas Githiora reports

KENTEX '93, dubbed 'Kenya's first business and industrial trade exhibition' by its organisers, took place at the Kenyatta International Conference Centre between September 29 and October 2. Its timing coincided with that of the more established ASK (Agricultural Society of Kenya) Nairobi International Show, which was more by design than by accident, according to Mr Charles Campbell Clause, of Event and Conference Organisers. "Business people coming to the older Nairobi Show now have the chance to make business contacts in both events," he said.

There were 34 exhibition stands in Kentex '93, from five countries — Kenya, South Africa, Namibia, Tanzania and Sweden. They all did "good business", according to the organisers. Invitations for Kentex '93 were sent mainly to countries in the Eastern and Southern African regions, but future Kentex exhibitions will include countries from more regions worldwide, Mr Campbell said. "Already, Britain, Japan and South Africa have expressed interest in the exhibitions scheduled for 1994".

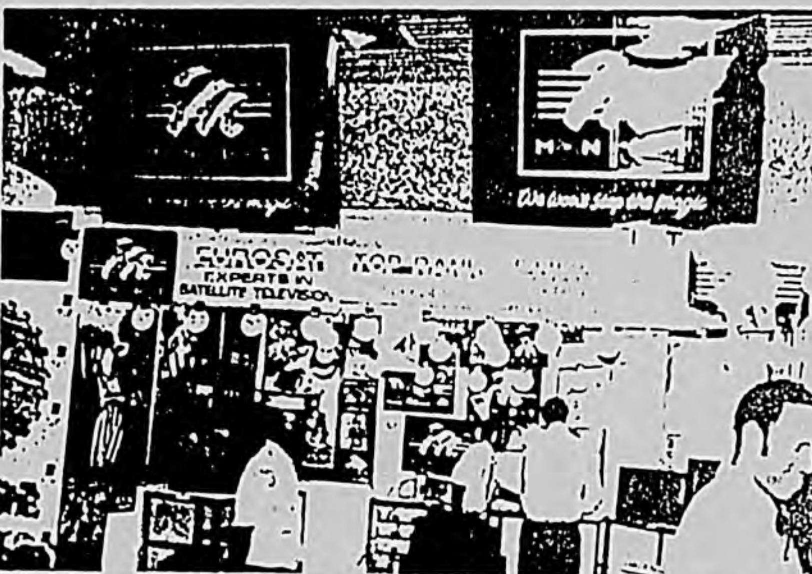
The exhibitions organised for next year are: Hortex '94, which will focus on horticulture and takes place in March; Kentex '94, in July; and the Second East African Hotel and Catering Exhibition, scheduled for October. In December this year, a Medical Supplies and Hospital Equipment Exhibition will take place at Safari Park Hotel.

Apparently, Kentex '93 was modelled on Bitex of Botswana — a similar annual trade exhibition that has taken place every year for the past five years. Persuading Kenyan industrialists and business people to participate in Kentex '93 was not easy, Mr Campbell said. "They had to pay about 10 times more than the normal rate for trade exhibitions to participate in Kentex, which I think was worth it, but it wasn't easy to put that across," he said. The high price was aimed at encouraging "quality visitors", whom Kentex succeeded in attracting, according to Mr Campbell.

Business people are, understandably, going to be cautious in a period of recession and currency unpredictability

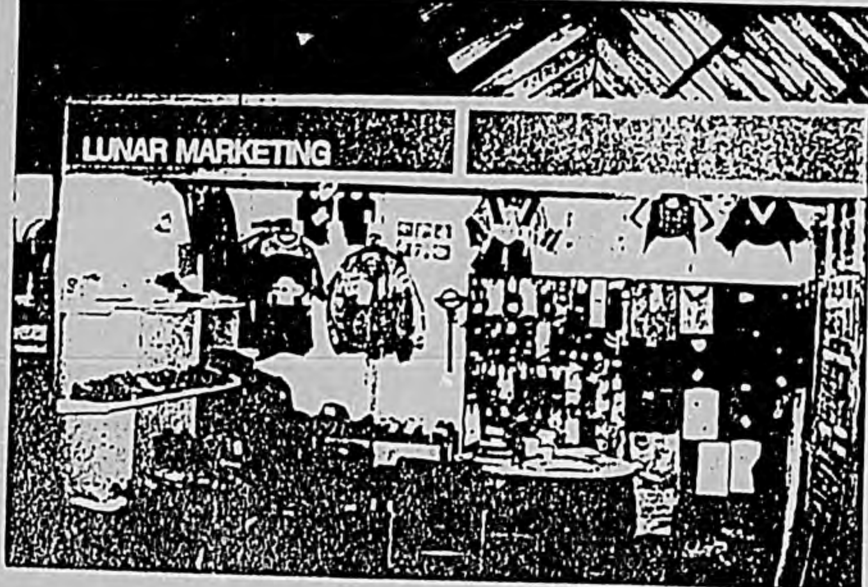
Entrance was by invitation or by paying KSh 300 at the entrance, ensuring that only serious commercial visitors attended the exhibition. "Exhibitors said they got a lot of genuine enquiries. Of course, they will only establish how much they achieved in terms of business later, when they do their follow ups," a source said. "We did not want the usual crowd who visit exhibitions just to admire the displays and collect brochures".

While all Preferential Trade Area countries were invited to Kentex '93, it proved rather difficult to contact some of the companies whose names were forwarded to the organisers. Attendance was, therefore, lower than anticipated. "The general economic situation certainly played its part. Business people are, understandably, going to be cautious in a period of recession and currency unpredictability and so on," Mr Campbell said. "It is worth pointing out, however, that participation in Kentex '93 was by invitation only, and our guest list was very precisely targeted, with strictly commercial aims". According to Mr Campbell, even though the visitor figure was not as high as expected, the invita-



GRAHAM THOMAS

If you don't, the bureaucracy will... South Africa's M-Net is a private broadcaster



tion-only policy was justified, as it ensured that the right people went through the gate...

The rather pleasant fishy smells emanating from its stall did not pull in a crowd big enough to please the managing director of Namibia's Atlantic Canned Fish Sales Ltd, Mr Peter de Villiers. He said he came to Kentex '93 hoping to introduce canned fish products to the Kenyan market but was "very disappointed — I expected to make many contacts but with only one more day to go, I have less than thirty contacts so far".

Mr de Villiers found the exhibition more industrial than retail, and said he would have liked to see more people from the food industry. Perhaps the Second East African Hotel & Catering Exhibition will provide a more appropriate showcase for him. The company's "high quality fish products" are exported to Zaire, Botswana, Zimbabwe, Angola, Mauritius, South Africa and the United Kingdom. His firm has identified Kenya and Nigeria as potential markets and he hopes that Kenya will soon join his list of markets. "From the trade enquiries we got, we hope to get the guy who can do the agent work," he said.

Used Plants, Anyone?

Industrial Plant and Machinery Distributors Limited (IP&MD) — which describes itself as the 'one-stop-machinery shop' — South Africa's largest supplier of used industrial plant and machinery, attended Kentex '93 to show its wide range of equipment. "The exhibition has been very successful for us," the firm's managing director, Mr David L Pretorius, said. IP&MD deals with 350,000 companies worldwide, the majority of which are in Africa, according to Mr Hannes Jacobs, the sales manager, who said that the firm's equipment costs range from "as cheap as US$ 28 to US$ 1-million". Among its big items are complete power plants. "We have been in the market for 70 years and we understand African industry well. The issue of spare parts does not arise. We provide them and backup is guaranteed... We actually do the whole thing, including advisory services," Mr Pretorius said. IP&MD has already established itself in Kenya's tea industry and has sold a tea packaging machine to a Kenyan firm. Mr Pretorius was glad to "see the face behind the voice" [of his customer] during Kentex '93.

We had lots of serious enquiries. The whole show was mercifully free of the brochure-collecting crowd

General Tyres of Tanzania too was pleased with the show and confirmed several orders during the exhibition. Wilken, suppliers of telecommunications and security equipment, had a very successful exhibition. "We had lots of serious enquiries. The whole show was mercifully free of the brochure-collecting crowd," the company's telephones manager, Mr Gustav Martin, said. He said his company would certainly be interested in attending future Kentex exhibitions ■

PG

Freight rates anger exporters

Tuesday October 12 1993

Standard Reporter

FRESH Produce Exporters Association has protested increased air freight rates. Chairman Kasanga Mulwa called on the Ministry of Transport and Communications to direct the Civil Aviation Board to withdraw the new rates immediately.

He added that the association would meet to discuss the issue if the new rates were implemented. He said in a statement it was customary for adequate consultations to be held with the association before the aviation board could approve new charges to exporters.

The association notes that approval for rate increase for the season have been given and that Kenya Airways has sent a circular to other airlines to that effect," he said. "A glance at the new rates reveals that they are above what the airlines had requested the exporters to pay. It is, therefore, no wonder that members of the industry were not consulted."

Mr Mulwa

Exporters want new rates revoked

By EVANS LUSENO

FRESH Produce Exporters Association (FPEA) has appealed to the Minister for Transport and Communication to cancel the new freight rates to save the horticulture industry in the country.

The association in a statement signed by its chairman, Mr Kasinga Mulwa yesterday said that it is customary that before the rates charges to exporters by the airlines are approved, adequate consultations with his association are carried out.

He said the approval of the rates is given by the Civil Aviation Board on behalf of the Government. Mr Mulwa said that it had come to the association's notice that approval for an increased rates for this season has been given and that Kenya Airways has sent out a circular to all other airlines.

"A glance at the new rates reveals that the rates are above what the airlines had requested the exporters to pay," he said. The chairman wondered that his members of the association were not consulted.

Mr Mulwa said that high freight rate was one of the major constraints to the export of horticultural produce from Kenya. He warned that unless the increased rates are dropped Kenya risks being uncompetitive in the markets because of the increased loss.

Besides the loss of market, the increased costs, Mr Mulwa said will be passed on to the farmer who will end up earning less. Mr Mulwa said that it is cheaper for Kenyan produce to go to Europe via Johannesburg where it will cost US$1.3 than shipping such produce directly from Kenya which is striving to create incentives for the exporters with a view to sustaining the markets the country has in the increasingly competitive markets.

Mr Mulwa said airlines normally take into account the cost of airfreighting the country's produce to the market destinations before fixing the rates. They also take into account any other factors which may influence such increases.

Mr Mulwa said that his association was wondering on what basis the new rates were arrived at. "We call upon the Minister for Transport and Communication to direct the Civil Aviation Board to withdraw these rates immediately" said Mr Mulwa on behalf of the association members.

KENYA TIMES, TUESDAY, OCTOBER 12, 1993

DAILY NATION, WEDNESDAY, OCTOBER 20, 1993

...WAI and PATRICK NGUGI

Kenya Railways under fire

The MP for Kisumu Rural, Prof Anyang' Nyong'o, said chairmen of parastatals should be professionals.

He was contributing to the debate on the Ministry of Transport and Communications vote moved by the Minister, Mr Dalmas Otieno.

"Although the chairmen are appointed by the President," Prof Nyong'o said, "Parliament should ensure the seats are given to the right people".

He cited Kenya Railways Corporation as one of those headed by non-professionals.

Prof Nyong'o said spares that could be produced by Kenya Railways workshop were now being produced by outsiders "so that the managers can get kick-backs." He opposed the vote.

Moving the vote, Mr Otieno said the Ministry required £21,096,600 (Sh421,929,200) for the recurrent and development expenditures. About £18.45 million will go to recurrent expenditure while £2.64 million would go to development expenditure.

The Ministry is in charge of the Meteorological Department, Civil Aviation Board, road transport, Kenya Airways, Kenya Flamingo Airline, Kenya Ports Authority, ferry services, Kenya Railways and Kenya Posts and Telecommunications, among others.

Functions

The Minister explained the functions of each of these and said Kenya had been honoured by the United Nations by having the Global Atmospheric Watch station on top of Mount Kenya.

The Civil Aviation Board controlled the movement of aircraft and £7,232,993 would go towards recurrent expenditure while £1,129,695 would go to development and be used in buying aviation equipment.

The funds would also be used to rehabilitate the control tower at the Jomo Kenyatta International Airport.

On roads, the Minister said motor inspection units would be established in Embu, Kisii, Nyeri and Machakos, among other centres.

He said inland container depots would be established at Kisumu, Eldoret and Malaba.

He said there was a study financed by the World Bank and the United Kingdom towards establishing a second railway line from Mombasa to Nairobi and later to be extended to Kisumu.

He congratulated the management of Kenya Airways and said more money would be put in to buy aircraft. He appealed to Kenyans to use the national carrier.

Seconding the motion, the Minister for Co-operative Development, Mr Kamwithi Munyi, said of the Kenya Posts: "This corporation is doing very well as our communication system is better than many others in Africa."

The MP for Rarieda, Mr Achieng Oneko (FORD-K), suggested that a railway line be constructed from Kericho, through Kisii to Homa Bay to serve the agriculture-rich region.

He said Kenya Railways had phased out professionals. "This is the cause of many accidents involving trains."

Assistant Minister Andrew Ligale said the Meteorological Department had the best qualified scientists on weather "but they do not have adequate equipment".

An Assistant Minister for Finance, Mr Mathias Keah, pleaded for better financial management in the state corporations. "Without sound financial management these corporations will continue to suffer".

43

DAILY NATION, WEDNESDAY, OCTOBER 20, 1993

15

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9

44

Kenya Times: Thursday October 28, 1993

Jetro to hold flower workshop

By a Correspondent

THE Japan External Trade Organisation (JETRO) in conjunction with the Horticultural Crops Development Authority (HCDA) will conduct a one-day workshop at the Hotel Inter-Continental today from 8.30 am, on the promotion of Kenyan cut-flower exports to Japan.

The workshop has been arranged in co-operation with the Fresh Produce Exporters Association of Kenya (FPEAK) and the Kenya Export Development Support (KEDS).

JETRO is a Japanese non-profit, government-supported organisation whose activities are dedicated to the promotion of mutually beneficial trade relations between Japan and other countries.

The main focus of JETRO's activities in Kenya today is the promotion of Kenyan exports to Japan. This is done through different programmes that involve the exchange of experts both to and from Japan, as well as trade fairs and exhibitions among others.

The Japanese cut-flower retail market is approximated at US$ 14 billion, and its market is expected to expand due to the change in lifestyle and increase in personal income of the Japanese.

This high demand has proved to be a great challenge to the domestic flower growers and at the same time, has led to an increase in imports from other countries.

Kenya is among the top producers of cut-flower in the world. However, it's exports are mainly to Europe with a small quantity going to Japan. Efforts are being made to expand this market to include other parts of the world, and JETRO is playing its role in focusing on the Japanese market.

In view of the above, JETRO has invited Mr Susumu Sugiyama, chairman of the Japan Cut-Flower Importers Association and President of Flora International Co Ltd, to visit Kenya. He will be the resource person for the workshop whose aim is to enhance the Kenyan public's awareness on the Japanese cut-flower market.

Participants for the workshop have been drawn from the flower growing fraternity and the related organisations. Members of the press are also invited.

Mr Sugiyama's itinerary will also include an industrial tour of local cut-flower producers and exporters, where he will hold consultations on ways to meet the high standards of the Japanese market.

PG gave presentation, was on panel;
see Quarterly Report.

Nation: Friday October, 29, 1993

Kenya's tonnage of cut flower exports up 24pc

By ALEX CEGE

The tonnage of Kenya's cut flower exports rose by 24 per cent to 13,000 tonnes in the first six months of 1993 compared to the same period last year, Mr Paul Guenette, of the Kenya Export Development Support, said yesterday.

Mr Guennette said the projected export sales for 1993 may hit the 25,000 tonnes mark.

He said that recent statistics show that Kenyan cut flowers exporters were achieving year-round production and export sales thus reducing the traditional down-season of the western summer months.

Mr Guenette was addressing a seminar on promotion of Kenyan cut flower exports to Japan organised by the Japanese External Trade Organisation (JETRO) at the Hotel Inter-Continental Nairobi.

He said exports to Germany increased by more than 60 per cent, to the United Kingdom by 15 per cent and to Switzerland by 70 per cent.

However, he said Holland remained the largest export destination for Kenyan cut flowers.

He said Kenya's carnation exports to Holland accounted for a fifth of the total carnation imports of the country.

He said Japan was a big market potential for Kenyan cut flowers.

He cautioned that Kenya's exports to Japan would have to be sufficiently high value

The General Manager (operations) of the Horticultural Development Authority, Mrs Lydia Waithaka, told the seminar that some 19,800 tonnes of horticultural produce were exported last year.

She said liberalisation had expedited the procurement of imported materials.

Mrs Waithaka said the HCDA would soon start a one-stop office to help speed up the importation of planting material.

JETRO director, Mr Hiroyuki Wakabayashi, said that contrary to impressions created by the American and European media, Japan had a liberal import policy.

Kenya's sales to Uganda top Sh2.4b

Kenya exported goods worth Sh2.4 billion to Uganda last year, an official of the Kenya Association of Kenya, Mr Kiarie Kamanu, says.

He was speaking at the Jomo Kenyatta International airport before leaving for Kampala on Wednesday where he is leading a Kenyan delegation to the Uganda International Trade Exhibition.

Mr Kamanu said Kenya's sales to Uganda accounted for 10 per cent of Uganda's total exports but added that there was still room for improvement.

The KAM Chief Executive, Mr John Kuria, challenged PTA states to increase trade among themselves. (KNA)

4/6

Annex 5

BUSINESS NEWS

FLOWER TRADE 'BOOMING'

19,807 tonnes of crop exported

By EVANS LUSENO

KENYA exported a total of 57,363 metric tonnes of fresh horticultural produce, out of which 19,807 metric tonnes constituted cut-flowers and cut-foliage in 1992, a seminar on marketing of fresh produce and quality standards for export with special reference to cut-flowers in Kenya was told yesterday.

Addressing the seminar at the Inter Continental Hotel, Nairobi, the chairman, Fresh Produce Exporters Association of Kenya (FPEAK), Mr Kasanga Mulwa, said the figures represent 34.5 per cent by volume and 49.6 per cent in value.

Mr Mulwa said the floricultural industry is currently receiving unprecedented attention by both the private as well as the public sectors. He said many people are now investing in floriculture. "This is evidenced by the construction of green houses especially for the cultivation of roses," he said.

The one day seminar was conducted by the Japan External Trade Organisation (JETRO) in conjuction with the Horticultural Crops Development Authority (HCDA), Fresh Produce Exporters Association of Kenya (FPEAK) and the Kenya Export Development Support (KEDS).

Mr Mulwa said that the rapid expansion of floriculture in Kenya is due to the country's favourable climate and soil conditions, close proximity to the major international markets and recent years diversification programmes by both the private and public sectors.

He said the abolition of duties on inputs used in floriculture like irrigation machinery, pipes, planting materials, greenhouse has also given an impetus to floriculture.

"In the same way, retention accounts allowed to exporters has made it much easier and quicker to import essential inputs," said the chairman, adding that import licences are no longer required in the new economic liberation regime embraced by the Government.

Mr Mulwa said Kenya is one of the world's leading flower exporters. He said it accounts for approximately one per cent of the world's cut-flower export business.

Mr Mulwa added that it is estimated that the demand for cut-flowers will increase at an annual rate of 5-6 per cent worldwide over the next decade or so.

He said quality and efficient distribution system is basic to the realisation of the trend in growth and to channel the expanding quality of floricultural products coming from the increasing number of producer countries including Kenya. He said majority exporters get the flowers from their own farms.

Other speakers at the seminar included JETRO executive director, Mr Wakabayashi and Mrs L. M. Waithaka, HCDA general manager operations.

Annex 5

KENYA TIMES, FRIDAY, OCTOBER 29, 1993

BUSINESS TIMES

KENYA MADE Sh2.4b EXPORTS TO UGANDA

By KENYA NEWS AGENCY

KENYA Exported goods worth Sh2.4 billion last year to Uganda out of which 95 per cent were manufactured goods, the head of the first Kenyan delegation to the first Uganda International Trade Exhibition, Mr Kiarie Kamanu, has said.

He said at the Jomo Kenyatta International Airport before his departure to Uganda last night that though the volume of trade to Uganda was 10 per cent of Kenya's total exports, there was room for more Kenyan goods to be exported not only to Uganda but to other Preferential Trade Area (PTA), states.

The chief executive of the Kenya Association of Manufacturers (KAM), Mr John Kuria challenged PTA countries to enhance trade among member countries and to co-operate in trade investments.

He called on the Government to protect the country from being a dumping ground for substandard goods from the developed nations.

Said he: "Since the liberalisation of trade in Kenya many developed countries have found a market in Kenya for their substandard products. We are therefore appealing to the Government to guard against this trend".

He urged the exhibitors to explore the situation and display quality products, "since this is the first Uganda International Trade Fair, you must ensure that you display quality products at attractive stands and competitive prices, in order to make the best in this trade exhibition", he added.

He thanked the Government for contributing over Sh2 milion to assist the Kenyan delegation.

He also thanked the Kenya Association of Manufacturers for its support to Kenyan participants in the exhibition which begins today to November 9, 1993 in Kampala.

The delegation comprises 20 exhibitors who are representing about 6,000 companies. The products include edible oils, general plastics, leather products, confectionaries, embroidery and garments, building materials, electrical engineering services, technical services and detergents.

Present among others was the director of Nairobi Tea Packers United Mr Kainga Kang'au.

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10 THE STANDARD, Friday, (

Shs 2.4bn goods 'sold to Uganda'

KENYA exported goods worth Shs 2.4 billion last year to Uganda, 95 per cent of which were manufactured goods, head of Kenyan delegation to the Air Uganda International Trade Exhibition Kiarie Kamanu has said.

Speaking at Jomo Kenyatta International Airport before departure on Wednesday night, Mr Kamanu noted that though the volume of trade to Uganda constituted 10 per cent of Kenya's total exports, more Kenyan goods could be exported to Uganda and other Preferential Trade Area states.

Kenya Association of Manufacturers chief executive John Kuria challenged PTA countries to enhance trade among member countries and to co-operate in investment.

He called on the Government to protect the country against being dumping ground for substandard goods from developed countries, saying, "since liberalisation of trade in Kenya, many developed countries had found market for their substandard products." —KNA

KEDS sponsored KAM trip to Uganda Int'l Trade Fair

PG

THE STANDARD, Monday, November 8, 1993. VII

Demand for flowers increases in Japan

By Alfred Omondi

OVER the last 10 years, demand for cutflowers in Japan has increased rapidly despite a remarkable growth in domestic production.

It is in light of the above that Kenyan flower exporters have been challenged to take advantage of the favourable environment and double their efforts in the export of quality flowers to Japan.

On a recent visit to Kenya, the president of Flora International Company in Japan, Mr Susumu Sugiyama, who is also chairman of the Japanese Cut Flower Importers Association, urged Kenyan exporters to explore direct flower sales to buyers in Japan.

Statistics reveal that the tonnage of Kenya's cutflower exports rose by 24 per cent in the first six months of this year and that Kenyan exporters are increasingly achieving year-round production and export sales. Projected sales for this year are estimated to be in the region of 25,000 tonnes of cutflowers.

Major aspects of the Japanese cutflower market were articulated by Mr Sugiyama, who said Japanese florists are very conscious about the quality of flowers exported to Japan, adding that Kenyan flower exporters must prepare to meet very high standards if they expected to penetrate the Japanese market.

Mr Sugiyama said during a workshop on the promotion of cutflower exports to Japan that Japan's flower industry was thriving and that the demand for cutflowers was expected to show uninterrupted growth throughout the 1990s.

He said during the workshop, organised at a Nairobi hotel by the Japan External Trade Organisation (JETRO), that the flower industry in Japan was experiencing fierce competition as consumers continued to demand new flower varieties and good flower arrangement design.

He said Flora International was importing flowers from Holland, Thailand, Australia, New Zealand, Taiwan, Singapore, Mauritius and Colombia, adding that the workshop should act as an impetus for increased flower exports to Japan from Kenya.

In terms of colour preferences, he said, the Japanese normally preferred subtle colours such as pale pink or white and that brightly coloured red and yellow flowers favoured in the US and other European countries did not enjoy the same popularity in Japan.

In addition, he said, the Japanese were strongly influenced by the season in their choice of colour and that during spring, yellow was most preferred. There was demand for cool tones such as blue and white peaks in summer time, while purple was seen as the in thing during winter.

Demand for flowers for home use in Japan is estimated to account for 30 per cent of the total, while business such as hotels, restaurants and funeral services account for 40 per cent.

The Japanese cutflower market is reportedly worth 13.04 billion US dollars annually and is growing. The price of cutflowers in Japan is estimated to be three to four times that in the US and Europe.

The Executive Director of JETRO, Mr Hiroyuki Wakabayashi, urged Kenyan businessmen to change their attitude and exploit the Japanese market, saying that a wrong impression had been created that Japanese market had a lot of restrictions.

He said the government of Japan, private companies and JETRO would work together to promote Kenyan cutflower exports.

Mr Wakabayashi said that in the past five years, Japan's imports had increased by 25 per cent of 46 billion US dollars, which is about 70 per cent of sub-Saharan Africa's total aggregate exports for 1991.

A comparison of the customs duty ration, which is total duty income or total volume of imports, indicates that in 1989 between Japan, the US and EC countries, Japan had the lowest at 2.9, while the US and EC countries had 3.5 each.

49

PG

Annex 5

Daily Nation, November 7, 1993

Horticulture: BA charters aircraft

By NATION Correspondent

British Airways has chartered a Boeing 707 freighter aircraft to provide two flights a week between Nairobi and London Gatwick to alleviate a shortage of air cargo capacity for horticultural exporters.

For the next eight months, the flights will leave Nairobi on Sunday and Tuesday carrying more than 35 tonnes of produce each.

Mr. John Karuga, the British Airways world cargo manager for East Africa, commented: "This is the peak season for fruits, flowers and vegetables. The charter flights will complement the six British Airways Boeing 747-400 passenger flights between Nairobi and London each week.

"An average of 20 tonnes of horticultural produce is carried on every passenger flight," he said.

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Annex 5

X THE STANDARD, Mond

H'culture exports increase steadily

Standard Reporter

HOLTICULTURE has now established itself as the second highest foreign exchange earner in the Kenya economy after tea in the agricultural sector.

In 1992, the volume of exports of fresh fruits, vegetables and cut flowers/foliage amounted to 57,363 tonnes with a total value of Shs 2.5 billion. In 1968, when the sector was just beginning to enter the the export market, the tonnage was only 1,480. In addition to the export volumes for 1992, about 80,000 tonnes of processed horticultural produce worth Shs 1.8 billion were exported during the year.

This glossy picture could, however, be changed by a number of new factors. Following the formation of the single European market at the beginning of this year, Kenya, along with other African, Caribbean and Pacific states will no longer enjoy preferential and favoured treatment from their traditional European markets with regard to exports of fruits and vegetables.

As a result of this development, exporters to the European Community countries will have to face not only growing competition but also increasing consumer demands and stringent legislation relating to exports of horticultural produce. All products will have to meet the product specifications of the customer and all participants in the supply and marketing of the fresh horticultural produce will have to ensure that their products are safe, wholesome and legal.

Any residues of pesticides in excess of the set maximum residue limits or residues of banned pesticides, if detected, will result in total rejection and return or destruction of a shipment at the expense of the exporters.

THE STANDARD, Monday November 5, 1993

51

HORTICULTURE

Looking East

Japan could become major importer of Kenya's flowers

With a population of 120 million people and one of the highest per capita incomes in the world, Japan could become a big market for Kenya's cut flower exports away from the traditional European outlets. However, extremely stringent conditions set by the Japanese market would compel Kenyan growers to maintain high standards if they are to penetrate the new expansive market.

At a seminar sponsored by the Japan External Trade Organisation (JETRO), and the Horticultural Crops Development Authority (HCDA), held in Nairobi recently, the chairman of Japan Cut Flower Importers Association, Mr. Susumu Sugiyama, said the Japanese cut flower market potential was not fully exploited by Kenyan exporters whose flower products are competitively priced due to low production costs.

He said cut flower exporters must adhere to strict stipulations if the product was to be acceptable by Japanese importers. For instance, he said, the flowers must have a long vase life, a "well balanced" shape and be free from damage by insects. They should also be packed in strong boxes and should be presentable and appealing.

Interestingly, Japan is a leading producer of cut flowers. In 1992 for instance, the total flower growing area in the country was estimated at 19,000 hectares, while total production during the same period was a staggering six billion tonnes from 75,000 growers, making Japan the second leading grower of flowers after Holland. In value terms, however, Japan is the leading cut flower producer in the world, with 1992 sales topping $4.5 billion. An even better performance is expected this year.

Last year, 94 per cent of flower sales in Japan were locally produced, while the rest were imported. The largest exporter worldwide was Holland with $44 million worth of exports, followed by Thailand and Singapore with $28 million and $15 million respectively.

The participants were told that Kenya's cut flower exports rose by 24 per cent in the first six months of this year compared to the same period last year. A consultant with the Kenya Export Development Support (KEDS) project, Mr. Paul Guenette, said flower exports rose to nearly 13,000 tonnes in the first half of the year, 65 per cent of which were exported in the first three months, which are traditionally the peak season.

Holland's cut flower auctions are the single largest export destination for Kenya's cut flowers, taking two thirds of flower exports from Kenya. Exports to Germany increased by over 50 per cent to take 19 per cent of Kenya's cut flower exports during the same period.

The Japanese market is very selective

Guenette said there was an urgent need to attract new markets. He lamented that two of the leading cut flower exporters in the country, Oserian Flowers and Sulmac, despite their size and international fame, were not playing a leading role in the export drive. "I believe that the expansion programmes in imported tonnage of cut flowers is not coming from these mega-firms. Rather, I believe that the medium and small sized companies are expanding their investments and production areas," Guenette said. Oserian and Sulmac own huge tracts of land in the Naivasha area and are among the world's leading cut flower exporters. Both companies' farms are ten times bigger than the largest cut flower farm in California, and are among the world's largest producers of statice and carnations respectively.

Guennet added that although the Japanese market could provide a new outlet for Kenya's cut flowers, due to the long distance, the flowers would have to be airfreighted, and would therefore have to be of very high quality to justify this expensive mode of transport.

Airfreighting has previously posed serious problems for exporters due to expensive delays and lack of direct flights to Japan. Some of the participants argued that if the government, in conjunction with HCDA, arranged for charter flights to Japan and other European markets, then the problem would be solved. Sugiyama advised the exporters to consider using the South African route to airfreight their produce with Air Singapore which is cheaper and arrives in Japan within 48 hours.

During the one day seminar, the general manager (operations) of HCDA, Mrs L.W. Waithaka, said that after the government introduced the forex retention accounts early this year, the acquisition of planting materials, greenhouse structures, shade netting and plastic covers were no longer a problem. She said the simplification of import procedures was also a boon to horticultural producers.

Waithaka added that with the assistance of the Japanese government, a pre-cooling and cold-chain maintenance facility, which will be complementary to the central cooling facility at Jomo Kenyatta International Airport, will be constructed at major cutflower growing areas including Limuru, Sagana and Kibwezi. ■

LETTERS

The Economic Review,
Cotts House. Wabera Street,
PO Box 44271, Nairobi.

Aid Resumption: Japan, Germany, Erred

BECAUSE of the economic and constitutional jurisprudence assistance which Germany and Japan obtained from the USA after the end of the Second World War, they became economic giants and paragons of constitutional government. See **Lawrence W Beer**, *Constitutionalism And Rights in Japan and Korea* in **L Henkin and A Rosenthal**, *Constitutionalism and Rights*, 1990. During that war, their fascist governments caused the greatest human misery mankind has ever known. Unfortunately for mankind, that economic prosperity was not to be accompanied by a readiness to assume moral and international responsibility which goes with the kind of economic power they wield today. Because of their stand over the Gulf war and the war in Bosnia, the US has complained about the reluctance of the two to play their rightful role in making the world a better place for all to live in. The recent announcement of resumption of aid to Kenya was made at a time when ethnic cleansing is going on in Narok, Mt Elgon, and West Pokot. It marks the ongoing collapse of the two nations as paragons of constitutional government and prosperous welfare state economies. The government which is receiving that aid lacks the political will to engage the opposition in a dialogue which can halt the ongoing breakdown in the rule of law and violation of human rights. It wrongly reasons that by instilling fear in Kenyans, the 3.4 million Kenyans who voted for the opposition against Kanu's 1.9 million will abandon the opposition and one party rule will return.

Kenyans believe that economic power of the kind Germany and Japan have imposes certain moral and international obligations on them. Since the two have the strongest economies today after the US, their action is designed to pressurise other members of the Paris Club to support the resumption of aid to Kenya when the Club meets next week. I appeal to the other members of the Paris Club not to emulate these two nations' action. Their example is not worth copying. I further urge those other members of the Paris Club to equate all reforms with the rewriting of the constitution, which can only be done at a national/constitutional conference. I appeal to Germany and Japan to reconsider their position.

Kenyans will continue to consolidate pluralism and to clamour for a drastic reduction of government involvement in the economy, with or without economic assistance. However, improving on the lot of mankind is not a single nation's responsibility.

Clearly, there is no evidence in Kenya to show that the rule of law is being upheld, that human rights are being respected and that serious economic reforms are being effected. As far as Japan is concerned, economic self-interest explains its actions; but it is hard to understand what Germany's objective is. One wonders whether it is accepting the apparent erroneous view of the Kenya government - that Africans are inherently incapable of making multi-party democracy work because of an alleged peculiar passion called tribalism, and consequently one must despair and get what one can!

Gibson Kamau Kuria,
Nairobi.

Oserian, Sulmac, Doing a Fine Job

I AM obliged to write to you to offer corrections and a clarification on an article in your November 8-14, 1993 issue, entitled *Horticulture: Looking East*, which reported on a successful cut flower seminar targeting the Japanese market. The article reported me as "lamenting" the performance of the cut flower export leaders Sulmac and Oserian. This was not at all my intention. The point which I made in my presentation was that the cut flower export sector in Kenya is expanding; that this expansion is driven by a growing group of mid-sized exporters. The fact that the number of quality exporters is rising is a good phenomena for Kenya's flower exports, and an industry development welcomed by both Oserian and Sulmac. I am pleased that an increasing number of exporters are driving the export expansion.

The fact is that Oserian and Sulmac remain industry leaders, and I do not wish to downplay their critical participation in Kenya's very successful cut flower export industry. Oserian is investing over Sh150 million this year in upgrading machinery, equipment and facilities. They employ over 3,700 field workers and managers, an increase of 15 % over last year. They have increased their land area under cultivation by 10% this year (principally in roses), and foreign exchange earnings continue to rise. Oserian is now expanding its cold storage facilities at the airport, and they continue to provide air cargo space on Oserian chartered aircraft to small flower exporters. Sulmac also continues to expand. Their investment in 1993 will be over Sh120 million. Sulmac's major hectarage expansion will also be in roses at Naivasha. Oserian and Sulmac both provide responsible leadership to the industry on the correct use of chemicals and protection of the environment.

Oserian and Sulmac have shown the way to an increasing number of successful medium-sized cut flower exporters. An increasing percentage of this year's 25,000 tons of exported cut flowers will come from medium-sized producers. But without the industry leaders' continued commitment to quality exports, the export sector would suffer drastically.

Paul Guenette,
Chief of Party,
Kenya Export Development Support.

The editor welcomes letters from readers on topical subjects. The letters, preferably typed, must be in good taste. The may be edited for reasons of space and clarity.

FRESH PRODUCE EXPORTERS ASSOCIATION OF KENYA

The Fresh Produce Exporters Association of Kenya (FPEAK) is the private sector representative body for exporters in the Horticulture Industry in Kenya. Keeping in line with the current economic changes, FPEAK is strengthening its private sector capability to further increase Kenyan horticultural exports. We are looking for a suitably qualified candidate for the position of:

CHIEF EXECUTIVE

QUALIFICATIONS:

Reporting to the Board of Directors, the ideal Chief Executive would be a mature, dynamic, self-motivated individual, having worked at least 5 years at the senior management level in the Kenyan horticulture industry, in a reputable private firm exporting produce. An intimate knowledge of the horticultural export sector is necessary; with comfortable familiarity with the businesses, constraints and institutions in the sector. Applicant must show knowledge of the produce business both within Kenya and in key export regions such as Europe and the Middle East.

He/She must have excellent leadership skills, have initiative and motivation, be assertive, must have management and communication skills that go hand in hand with good analytical and organisational aptitude. The successful candidate should be able to demonstrate a high level of integrity and commitment. The appointment requires an individual who can efficiently plan and implement ideas from start to finish with proper analyses, evaluations, recommendations and follow up. Computer and accounting knowledge are definite added advantages. Possession of own car is a must.

The position commands a respectable & competitive remuneration package and other benefits. Application enclosing a detailed CV stating present remuneration package, three referees and copies of relevant certificates should be sent on or before 30th November 1993 to:

The Chairman
Fresh Produce Exporters Association
P.O. Box 22840
NAIROBI

DAILY NATION, WEDNESDAY, NOVEMBER 17, 1993

THE STANDARD, Wednesday, November 17, 1993, 15

FRESH PRODUCE EXPORTERS ASSOCIATION OF KENYA

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55

Annex 5

Foreign exchange earner

From page 16

sary to minimise the post harvest losses, along with the improvement of productivity and introduction of higher valued varieties and improved packaging as well as preparing.

Sea transportation will also have to be intensified and in order to remain competitive in the market cooling facilities must be constructed to allow the produce to maintain the desired temperatures and standards.

The industry is very labour intensive and the training and acquisition of skilled labour is one thing the industry will have to concentrate on if Kenyan produce is to compete effectively in the international market.

Through the Fresh Produce Exporters Association registered in 1976, horticulture farmers' interests are taken care of. The association works in close conjunction with the government through the Horticultural Crops Development Authority (HCDA).

STANDARD ON SUNDAY, November 21, 1993 HORTICULTURAL SUPPLEMENT

Sector employs many people

Problems facing horticulture

By Waithaka Waihenya

DESPITE the fact that horticulture is one of the country's biggest foreign exchange earners, the industry is beset by a host of woes that have from time to time affected its operations.

Horticultural produce being highly perishable, there is nothing as important as speed and urgency in the handling of these goods. An hour more than the required time might make the difference between high quality products and total waste.

But inspite of this, horticultural produce exporters have been facing a problem of cargo space in the airlines, a problem that has forced the exporters to reschedule their flight dates at exorbitant costs.

Apart from this, lack of enough storage facilities has also been a major undoing of this industry. Coupled with lack of adequate handling facilities, the problem becomes monstrous.

The shelf life of most horticultural products is very short which makes this industry quite fragile. This life is considerably reduced when these products are subjected to temperatures that affect their quality.

If the product is not flown or shipped on the day it is scheduled wastefulness and rot results. The sufferer is the farmer and by extension the whole export sector.

Lack of refrigeration facilities at the ports or airports has been a major problem to many exporters. The result has been that many exporters have to make a last day rush to the port lest they miss their flight and expose their product to rot.

Not even that, the industry, despite showing signs of growth, has now got to contend with competition from foreign horticultural products in the international market.

The quality of the Kenyan product is now under close scrutiny especially with the new regulations within the European Community market that bar horticultural with pesticide residue.

The pest control regulations means that farmers will now have to be careful on when to apply the pesticide so that the produce does not carry any residue of the chemical when harvested.

Late last year, a warning was sounded off to the effect that Kenyan horticultural exports could lose a large portion of their market share in Europe to new and aggressive competitors from elsewhere in Africa.

The reasons given for this were the declining quality of Kenyan horticultural product and the exorbitant prices.

This is a new challenge to horticulturalists. It now means that they have to put in a little more effort in the cultivation of their crop in order to be able to measure to the international standards being set by others.

But this is bound to be a tall order for many horticulturalists especially the small scale farmers. Already, they are facing a number of problems ranging from lack of enough infrastructure to inadequate working capital.

Being a labour intensive exercise, horticulture requires of skilled labour.

58

HORTICULTURAL SUPPLEMENT

Horticulture, third forex-earner

By Waithaka Waihenya

HORTICULTURE has become one of the fastest growing industries in Kenya today. Following tourism and tea as the country's third biggest foreign exchange earner, this industry employs thousands of people and sends to market some of the highest quality fresh produce in the world.

Kenya's horticultural exports reflect an industry dedicated to the demands of the international — and particularly European market, and is consistently outshining longer established competitors in terms of quality.

And recent figures indicate that horticultural exports keep going up. From January to September 1992 for example, the country exported 12,432 tons of cut flowers and statistics from the Horticultural Development Authority and Kenya Export Development Support project show that this figure has risen to 14,950 tons between January to September this year, a 20 per cent increase over the same period last year.

Fresh fruits on the other hand realised a six per cent increase in the first nine months of this year with melons, pineapples, passion fruits, mangoes and avocados posting increases during this period.

Cut flowers have remained the brightest spot in the horticultural industry and has been responsible for the general increase in exports realised by the industry.

Available figures from the Horticultural Crops Development Authority indicate that the peak month for cut flowers was January when 3,098 tons were exported but the big season extended through April when 2,313 tons of cut flowers were exported.

In May 1993, the report further states, Kenya exported 1,144 tons of cut flowers to all markets, an increase of 86 per cent over May 1992. June 1993 exports of 629 tons represent an increase of 236 per cent over June 1992.

French beans, another important crop in the horticulture industry realised a drop of 5.7 per cent. Forty three per cent of Kenya's French beans were exported to France in the first half of 1993 while the UK received 36 per cent.

Avocados and mangoes realised a solid growth of 18 per cent growing from 3,199 tons to 3,775 tons. Avocado exports to France decreased by 225 tons, though France remained Kenya's greatest export market for avocados with a 55 per cent share.

Vegetable exports also increased by one per cent with exports in Okra, aubergines and miscellaneous vegetables registering increases.

Currently, the horticulture industry is ranked third behind tea and coffee in the agricultural exports. The industry accounts for nearly 21 per cent of the total agricultural exports and 13 per cent of the total domestic export earning about Shs 2.2 billion by 1990.

Recent research indicates that by the year 2000, horticultural production is expected to top two million tonnes and earn Shs 13 billion annually in foreign exchange.

Judging from the trends achieved in the last five years, optimism abounds that the industry will occupy a top place in the export sector of the country.

Horticulture is one major source of income for the farming families and provides employment to approximately 2 million people compared to 1.6 million and 1.3 million in coffee and tea industries respectively, according to HCDA.

But to sustain its present growth rate, several measures will have to be taken because the horticultural industry is time and again plagued by a myriad of problems that threaten to affect its growth.

For instance, it will be neces-

Turn to page 17

BUMPER CROP: At the National Horticultural research station Thika. File picture

Promoting fresh produce

By Walthaka Walhenya

THE horticultural industry in Kenya is wide and diverse. The country is able to grow all types of horticultural crops grown elsewhere in the world due to its varied ecological zones varying from tropical to subalpine climatic types.

During the pre-independence period, horticulture industry was predominantly the preserve of White settlers and the crops produced were mainly for the domestic market.

In 1967, the Horticultural Crops Development Authority (HCDA) was established with the aim of developing, promoting and regulating the industry.

A year after, the export of horticultural produce from Kenya reached 1,480 tons. Today it is almost 60,000 tons. According to the chairman of the Fresh Produce Exporters Association of Kenya (FPEAK), the increase from this modest figure was due to a number of factors.

Chief among these was the fact that the industry was left in the private sector with the government playing only a regulatory and supportive role through its agencies.

Further, Mr Mulwa observes, the government emphasised the need for establishing production centres and nurseries all over the country at strategic points.

This, Mr Mulwa notes, meant strengthening the extension service to cope with the work and the intensification of research and training. All these activities were to be undertaken through the Ministry of Agriculture with Horticultural Crops Development Authority playing the role of co-ordinator.

A strategy to achieve the goals contained in the development plans was formulated. It included allowing the industry to respond to profit motive with the responsibility of organising production and marketing through individuals instead of a government department or parastatal.

The strategy also included enabling the farmers to market their produce locally and in the overseas market. Initially, a co-operative union was set up in the mid 70s with the responsibility of marketing the produce in the International markets and locally on behalf of farmers.

The FPEAK and the HCDA have played a key role in boosting this industry. The former was established in 1976 to tackle the hugely increased and growing demands of this industry.

All fresh produce exporters are automatica[l]
members of FPEAK and funding for the assoc[ia]
tion is derived from the cess payments collect[ed]
on exported produce.

FPEAK works in close conjunction with t[he]
government through HCDA and does a lot [to]
enhance the quality of Kenya's exported pr[o]duce.

The association is establishing a code of pra[c]tice which details international standards of e[x]cellence for fresh produce.

Inspection at the point of export still exists a[s]
a maximum pesticide residue level testing pr[o]gramme is being established with the aim [of]
maintaining and improving standards.

The association also disseminates informatio[n]
to members on such matters as market opport[u]nities, international pesticide residue regulation[s,]
local foreign exchange rules, transportation co[n]ditions and prices.

Mr Mulwa notes that airfreighted volume [of]
exports increased as airspace became a perenni[al]
problem. This problem was compounded by la[ck]
of south bound cargo from Europe for the aircr[aft]
which could have eased the problem by airlifti[ng]
horticultural produce northbound.

The increase in jet fuel made matters worse a[nd]
according to Mulwa, the association had to gra[p]ple with this problem by addressing letters to t[he]
relevant departments of the various ministri[es]
concerned.

Mr Mulwa also notes that the cost of produ[ction]
for horticultural exports has increased consi[d]erably. They have been aggravated by po[or]
quality of seeds leading to a decline in yiel[ds]
and the high cost of imported seeds fertilise[rs]
and chemicals.

The cost of locally produced cans and carto[ns]
for packaging French beans has also gone u[p.]
Since January 1992, Mr Mulwa notes, the co[st]
of cartons and cans had gone up by almost [illegible]
per cent. In addition, there is a Value Add[ed]
Tax of 18 per cent on cartons and its reimburs[e]ment takes too long.

This, Mr Mulwa notes, adversely affects t[he]
cash flow of exporters and coupled with hi[gh]
freight rates which are pegged to the dollar by t[he]
airlines, matters become difficult for farmers.

Annex 5

10 KENYA TIMES, TUESDAY, NOVEMBER 30, 1993

BUSINESS TIMES

HORTICULTURE: E.E.C. ASKED FOR FUNDING

By BEN MITUKAA

THE chairman of the Fresh Produce Exporters' Association of Kenya (FPEAK), Mr Kasanga Mulwa, yesterday urged the European Economic Community to financially aid developing countries horticultural industry.

Mr Mulwa said the industry was viable, labour intensive and could therefore generate jobs and boost the economy if well funded.

He urged Governments in developing countries to remove trade barriers such as tariffs on imported horticultural produce from local farmers, saying that the recently imposed minimum residue limit for pesticides by EEC was prohibitive.

The chairman, who was addressing the press after attending a three-day seminar in Dar es Salaam, Tanzania sponsored by the United Nations Conference on Trade and Development (UNCTAD), disclosed that Kenya's horticultural industry for the last five years had grown at the rate of 10 per cent annually and exported over 60,000 tonnes of fresh fruits and vegetables to foreign markets. He further said the industry was the third largest foreign exchange earner after tourism and tea.

Mr Mulwa, who is also the Makueni District Kanu branch chairman appealed to African governments to strive to promote political stability to attract foreign investors.

He said during the seminar in which he was the only representative from Kenya, UNCTAD asked African leaders to erradicate all bureaucracies such as licences on trade and embark on high quality production of horticultural crops to compete in the international market.

The FPEAK chairman who presented a paper on horticulture in the seminar lamented that the major setback of the horticultural industry in Kenya was high airfreight charges levied on the produce before export but hoped that with the installation of refrigiration facilities at the airport and introduction of shipping services of bulk horticultural produce, the problem will be solved.

Mr Mulwa thanked UNCTAD for selecting Kenya as model for good horticultural crop farming saying the participants praised the Government for encouraging the growth of the industry.

Daily Nation: Thursday, December 2, 1993

Infrastructure poor, complains KAM boss

By SAMUEL NDUATI

Kenya Association of Manufacturers chairman R. Brenneisen yesterday decried the deteriorating state of the country's infrastructure, saying it was making industries incur huge losses.

He said that from roads, the railway and the port, nothing was working to the satisfaction of industrialists.

Mr Brenneisen was speaking during KAM's annual luncheon at the Hotel Inter-Continental, Nairobi.

The chairman also complained that power disruption and water shortages were disrupting production processes of many industries.

He said the Bamburi Portland Cement company in Mombasa had experienced 147 power interruptions this year, leading to huge losses.

Many industries had been forced to provide their own services, thus leading to higher overhead costs that made the prices of the products uncompetitive, the Association boss said.

He drew the attention of the City Council to the state of roads in Nairobi's Industrial Area which, he said, were deplorable while industries continued to pay service charge and taxes.

Mr Brenneisen said KAM was happy with the steps the Government had taken to streamline the economy.

The industry was happy with the liberalisation and deregulations which had been big obstacles to growth.

The members were also happy with the steps the Government had taken to mop up excess liquidity through sale of Treasury Bonds and the closure of weak banks and financial institutions.

He also praised the flotation of the Shilling and the removal of import licensing.

However, he said, manufacturers were unhappy with the removal of export compensation without a replacement.

He hoped it was not the Government's intention to penalise the exporters by scrapping the scheme.

The chairman urged the Government to remove the few items still under price controls.

The Standard: Thursday December 2, 1993

Performance of economy lauded

Standard Reporter

KENYA's economy exhibited remarkable resilience over the two-year period when donors suspended quick disbursing aid, World Bank chief of mission for East Africa, Mr Stephen O'Brien, said yesterday.

Mr O'Brien said many people expected Kenya's economy to collapse during the turbulent period but it (economy) survived.

The World Bank representative, however, observed that if Kenya's economy was to turn around, it must grow by an average of seven per cent per annum between now and the year 2000.

He added that the confidence of investors, which in recent years had deteriorated considerably, must also be restored, besides encouraging the private sector to fully participate in the economic recovery.

Mr O'Brien made the remarks yesterday during the Kenya Association of Manufacturers (KAM) annual luncheon where he was the chief guest. The meeting, held at a Nairobi hotel, was also attended by Industry and Commerce Minister, Kirugi M'Mukindia, diplomats, KAM chairman R. Brenneisen, and Nairobi Mayor Steve Mwangi, among other senior government and company executives.

In his address, Mr O'Brien blamed the current economic woes experienced by the country to weakness by the Government in managing the economy, the corruption in public sector and slow implementation in the proposed reform programmes.

He added that changes in financial sector involving decontrol in the sector had come late and must be sustained.

Mr Brenneisen said the manufacturing sector faced a number of problems with the major bottleneck being inadequate infrastructure.

Kenya Times: Thursday December 2, 1993

Kenya praised on reforms

WORLD Bank regional representative for Eastern Africa, Mr Stephen O'Brien, said yesterday that Kenya has taken concrete steps in rebuilding donor confidence but that it would take more effort to build investor confidence.

Speaking at a Kenya Association of Manufacturers (KAM) luncheon at a Nairobi hotel where he was the chief guest, Mr O'Brien also contended that non of the Structural Adjustment Programmes, proposed by the donors has succeeded in producing the kind of structures needed for private sector investment.

Assessing the state of the Kenyan economy in the period before the suspension of aid, the World Bank regional chief said the Government's persistent disregard for advice given by the donors for years over rampant corruption and poor management of the economy should be blamed for crisis that ensued.

He described the 1980s as "the years of lost oppotunities" for Kenya. The Government implimentation of the reforms, upon the demand of donors, he said, was "sporadic" and without plan but added that the efforts made so far are encouraging.

Also present at the ceremony was the Minister for Commerce and Industry, Mr Kirugi M'Mukindia who called on the businessmen in Kenya to take advantage of the opening of a wider market in Tanzania and Uganda following the signing of the East Africa co-operation treaty and wider Southern and Eastern Africa region following the establishment of COMESA.

DAILY NATION! THURSDAY, DECEMBER 9, 1993

Govt urged to act on tariffs

By ALEX CEGE

The Kenya Association of Manufacturers (KAM), wants the Government to correct import tariff anomalies that give imported finished products a competitive advantage over locally produced ones, the chief executive, Mr J.W. Kuria, says.

Mr Kuria told a panel meeting of the United Nations Industrial Development Organisation (UNIDO), that the Kenyan industry had ably weathered the new challenge of economic reforms despite the difficulties brought about by liberalisation.

The meeting took place at the Windsor Hotel.

He singled out leather and leather products where, he said, "we do not have adequate differential between the raw materials and the finished products."

He said that the local leather industry has been going through a difficult period due to lack of adequate good quality raw materials for production and lack of modern machinery.

He said the industry also lacked adequate back-up of square parts.

He said UNIDO was providing machinery and financial support to the industry which was beginning to change its performance.

The panel is the advisory body to UNIDO. It includes experts from Asia, Africa, Europe and the Americas.

12.44 million by 1996, while total employment in both the informal and modern sectors is projected to grow from 8.77 million to 10.25 million (with most of the new jobs being created by the rural economy). This implies that unemployment will drop by a negligible margin from 2.24 million in 1993, to 2.19 million in 1996. "It is clear, therefore, that no significant easing of the problem of unemployment can be expected in the course of the period through 1996," the Plan states.

Nevertheless, the government is optimistic that it will lay the ground for longer term economic development during the Plan period. In his foreword to the blueprint, the president says mobilisation of resources will mean "freeing the private sector from unnecessary constraints, unleashing the creative energies of the people of Kenya, and above all, stimulating savings and investment, increasing real incomes and creating jobs for the growing labour force". The private sector is expected to assume a stronger role in industrial and commercial activities as the government sells its shares in non-strategic enterprises.

The government also hopes to balance its revenue and expenditure, hence, control its budget deficit, which has been a major problem in the past two years. The target is to reduce the deficit to zero by 1996 by reversing the current trend, whereby the government's expenditure is rising faster than the revenue. Although the deficit (as a percentage of the gross domestic product) was projected to fall from 4.5 per cent in the 1988/89 fiscal year to 3.1 per cent in the 1992/93 year, it instead rose sharply to 7.9 per cent, but is expected to ease to 5.1 per cent next year and further contract to 1.9 per cent in 1995 before being wiped out in 1996.

Sustaining the strategies outlined in the Development Plan will not be easy, considering that the economy is still suffering from the impact of the major factors which caused economic decline, especially in the past two years. As the vice president and minister for planning and national development, Prof George Saitoti, notes in his preface to the plan, "the success of this plan will be measured by the extent to which implementation is effective".

Apart from reviewing the performance of the economy during the sixth Plan period (1988-93), the seventh Plan outlines major policy changes in social development, which is increasingly becoming the responsibility of the community rather than the government. It also highlights the grave impact of Aids (Acquired Immuno-Deficiency Syndrome), on social and economic development. The Plan outlines measures to control the spread of the epidemic, which is expected to have killed 96,000 people by 1996, while the number of people infected with the Aids virus will have risen to nearly 1.3 million from 448,000 in 1990.

COMMERCE AND INDUSTRY

Production for Export

THE government will steer the industrial and commercial sectors towards increased production for export through effective use of domestic resources in the next three years, says the Plan.

To achieve this, the government intends to restructure the sectors to improve efficiency and competitiveness. "The industrial sector continues to be inward-oriented, excessively import-dependent, capital-intensive, and incapable of absorbing an adequate proportion of the rapidly increasing labour force," says the Plan.

In reversing the trend, the government will review existing policies and institutions to fit into the wider scope of a liberalised economy. According to the Plan, the government will pursue a liberal policy of "unrestricted importation of goods", which are not subject to approval or banned on environmental, state security and public health grounds.

It is hoped that import liberalisation will induce a competitive check on domestic commodity prices, which have taken advantage of price decontrols and risen to exploitative levels. The Plan says that the Restrictive Trade Practices, Monopolies and Price Control Act does not effectively protect consumers from unscrupulous traders, who abuse price decontrols to make windfall profits. It proposes to effect strict enactment of the Act.

The Plan adds that a "private and market oriented mode of distribution system" will be pursued to promote competition and efficiency. During the last plan period, it notes, a consistent flow of goods and services was not achieved because of recession and intermittent commodity shortages. The government further plans to phase out its direct commercial involvement in Kenya National Trading Corporation, which was established in 1965 to promote indigenous distributive trade. The licensing regime, which has been blamed by industrialists for undue red tape, will be harmonised.

To promote production for export, the problems that hinder effective operations in the Manufacturing Under Bond (MUB) scheme will be eliminated "to make it more attractive to investors". In this vein, the bonded factory licence fee, which is currently Sh40,000, will be reduced, while cargo clearance at ports will be made through dedicated berths. Under the Export Processing Zones facility, work permits will be issued "automatically" to EPZ firms, and power failures checked through installation of standby generators. Commercial banks will continue seeking collateral to secure loans to exporters as the government reviews the modalities of creating an export credit and guarantee scheme to be run by an export/import bank.

Offloading Kenyan products for export: New impetus

KEDS 1994 PLAN FOR

THE KENYA ASSOCIATION OF MANUFACTURERS (KAM)

The purpose of this plan is to set out the KEDS program goals for 1994 and to clarify the role and responsibilities of the KEDS Project in regards to our integrated support program for KAM. The following has been agreed upon by KEDS and the KAM executives following an exchange of views.

KAM Export Sector: Henceforth, Mr. Guenette will attend KAM Export Sector meetings. KEDS should be considered a non-voting supporter and observer.

Newsletter: KEDS will continue to provide topical materials which may be of interest to *KAM Information Bulletin* readers.

Resource Center: KEDS will continue to work with KAM staff to implement the CDS/ISIS Resource Center management system. We also continue our availability to discuss the procurement of desired reference materials when those materials are requested by KAM.

Trade Shows: KEDS will assist KAM's participation (strategy, booth design, advertising/hand outs, seminars) at the following international trade shows in 1994:

KENTEX '94 (Nairobi, June 1994); and
The Dar es Salaam International Trade Fair (Tanzania, July 1994).

Market Information: KEDS continues to work with KAM to develop and put in place an appropriate Market Information System. On a trial basis, the UNDP-funded Trade Information Network (TINET) will be evaluated. If TINET is satisfactory, the KEDS program will support TINET. If not, KEDS will assist KAM to search for an alternate.

Technical Workshops: KAM executives will determine in collaboration with the KEDS Representative the priority areas in which KAM members require technical training. KAM will participate in the design of the workshops, selection of trainers and management of workshops.

KEDS 1994 PLAN FOR

THE FRESH PRODUCE EXPORTERS ASSOCIATION OF KENYA (FPEAK)

The purpose of this plan is to set out the KEDS program goals for 1994 and to clarify the role and responsibilities of the KEDS Project in regards to our integrated support program for FPEAK. The following has been agreed upon by KEDS and the FPEAK Board following an exchange of views.

Board Meetings: Henceforth, Mr. Guenette will attend FPEAK Board meetings at the invitation of the Board. When participating in FPEAK Board meeting, KEDS should be considered a non-voting supporter and observer.

Representation/Liaison: The KEDS Project will henceforth be represented by its Chief of Party, Paul Guenette, at FPEAK meetings and functions. Mr. Guenette will be the sole representative of the KEDS Project at FPEAK Board meetings.

Newsletter: KEDS will continue to provide topical materials which may be of interest to *Fresh Produce Exporter* readers. The KEDS office in Norfolk Towers will assist in resolving any technical problems which may arise in the running of the FPEAK office by FPEAK staff.

Resource Center: KEDS will continue to work with FPEAK staff to implement the CDS/ISIS Resource Center management system. We also continue our availability to discuss the procurement of desired reference materials when those materials are requested by FPEAK.

Code of Practice: Mr. Guenette will continue his involvement in work on the Code of Practice. The *Kenya Fresh Produce Declaration* is now in draft form. Mr. Guenette will continue to work on this matter with FPEAK's Marketing & Development Committee.

Trade Shows: KEDS will assist FPEAK's participation at HORTEC '94 (strategy, booth design, advertising/hand outs, seminars). Ian Morrell is the FPEAK liaison in this function. Future trade shows to which KEDS will support FPEAK's participation include SIAL (Paris, October 1994) and the Dubai Food Show (Dubai, January 1995).

Market Information: KEDS continues to work developing with FPEAK an appropriate Market Information System. In addition to the ITC/UNCTAD Market News Service (MNS), we will subscribe on FPEAK's behalf to COLEACP market news service so that the COLEACP information may be evaluated alongside the MNS. KEDS/FPEAK will then develop an appropriate system and enhance its delivery mechanisms.

Technical Workshops: The FPEAK Board will determine in collaboration with the KEDS Representative the priority areas in which FPEAK members require technical training. The FPEAK Board and staff will participate in the design of the workshops, selection of trainers and management of workshops.

KEDS 1994 PLAN FOR

THE HORTICULTURAL CROPS DEVELOPMENT AUTHORITY (HCDA)

The purpose of this plan is to set out the KEDS program goals for 1994 and to clarify the role and responsibilities of the KEDS Project in regards to our integrated support program for HCDA. The following has been agreed upon by KEDS and the HCDA management following an exchange of views.

Representation/Liaison: The KEDS Project will henceforth be represented by its Chief of Party, Paul Guenette, at HCDA meetings and functions.

Newsletter: KEDS will continue to provide topical materials which may be of interest to *The Horticultural News* readers.

Resource Center: KEDS will continue to work with HCDA staff to implement the CDS/ISIS Resource Center management system. We also continue our availability to discuss the procurement of desired reference materials when those materials are requested by FPEAK.

Export Crop Manual: KEDS will continue to work with the HCDA Task Force to complete text-vetting and solicitation of appropriate artwork. DAI's home office will then offer editorial services to produce a finished final copy.

Trade Shows: KEDS will assist HCDA's participation (strategy, booth design, advertising/hand outs, seminars) at the following international trade shows in 1994:

HORTEC '94 in Nairobi;
SIAL (Paris, October 1994); and
The Dubai International Food Show (Dubai, January 1995).

Market Information: KEDS continues to work developing with HCDA an appropriate Horticultural Export Data Information System.

Technical Workshops: The HCDA management will determine in collaboration with the KEDS Representative the priority areas in which HCDA requires technical training. The HCDA staff staff will participate in the design of the workshops, selection of trainers and management of workshops.

DOCUMENT I - FOR PUBLIC RELEASE

THE KEDS PROJECT PEMU EXPORT DEVELOPMENT FUND ELIGIBILITY CRITERIA FOR FIRM LEVEL ASSISTANCE

1. OWNERSHIP & TYPE OF EXPORTS

Kenyan firms with private ownership and management actively engaged in or committed to the export of non-traditional products and services and providing significant added value. Priority will be given to firms already actively engaged in exporting on a regular basis.

2. FIRM SIZE

Growth/expansion oriented Kenyan firms with at least total annual sales of US$ 500,000 and/or export annual sales of $220,000 (Ksh 34 million and Ksh 15 million based on current exchange rate of Ksh68). Priority will be given to small and medium sized firms.

3. PRIORITY INDUSTRIES - Priority will be given to the following industry sectors:

a) Horticulture

Fresh - cut flowers, pre-packed fresh fruits and vegetables, high value bulk fruits and vegetables representing new product entrants and/or new market entrants consistent with strategic opportunities summarized in the KEDS Export Market Studies Series.

Processed - fruit juices, IQF (individually quick frozen) vegetables, other high quality processed products consistent with strategic opportunities summarized in the KEDS Export Market Studies Series.

b) Manufacturing - medium-sized growth oriented firms providing significant added value to products and utilizing less than 50% raw material imports.

4. ORGANIZATION & MANAGEMENT

Kenyan firms with a stable and sound organizational structure; capable and qualified management; committed to the development and growth of exporting, in both the near and long term ; prepared to develop and implement a business/marketing plan designed to achieve export success and consistent with KEDS Project objectives of increasing employment and Kenya's foreign exchange earnings.

5. FINANCE

Financially sound and viable Kenyan firms with adequate company resources/capacity to finance 100% of the upfront project cost requirements.

6. ASSISTANCE LEVELS

a) Individual Firm Assistance - Financial assistance from the Export Development Fund will be on a 50% cost-sharing reimbursement basis at a maximum level of US$ 25,000 per intervention not to exceed US$ 50,000 per firm during the life-time of the KEDS Project.

b) Multiple Firm Assistance - KEDS will strongly encourage funding support on a sectoral and/or functional basis for several firms identifying a commonly required activity/skill/consultancy in acceptable areas - i.e. technical assistance in the development of sea transportation for mango exporters - providing that each participant is able to meet the eligibility requirements.

7. ELIGIBLE AREAS OF ASSISTANCE

Export-oriented areas eligible to receive assistance may include:

- Marketing/Sales/Promotion - visits to export market destinations; participation at relevant international trade shows; market research/surveys/feasibility studies; consultation on promotion, merchandising , PR, advertising development areas;

- Technical - technical product development, quality improvement, line extension; packaging design/redesign; development of quality control, assurance, maintenance systems; technical training in other production related areas.

- Management - training, reorganization, export business/marketing plan development.

8. AREAS NOT ELIGIBLE FOR ASSISTANCE

In accordance with U.S.A. legislation and USAID policy, the KEDS Project is restricted from providing direct assistance as follows:

Industries:

- Textiles, leather, sugar, citrus, palm oil, petroleum products; traditional agricultural commodities (i.e. tea, coffee, etc.); EPZ and MUB firms; parastatals.

Types of assistance:

- No financial loans, guarantees, credits, refinancing, venture capital equity funding;

- Ongoing capital development and/or recurrent business expenditures.

These eligibility requirements may be amended from time to time as the Project progresses and as agreed to by KEDS and USAID.

K.A. Potter, Export Development Advisor, KEDS

DOCUMENT 2 - FOR PUBLIC RELEASE

KEDS FIRM LEVEL ASSISTANCE
EXPORT DEVELOPMENT FUND - GENERAL MANAGEMENT REGULATIONS

1. ASSISTANCE LIMIT

Participation in the Export Development Fund is on a 50% reimbursable cost-sharing basis with KEDS assistance not to exceed maximum US$ 25,000 per intervention and US$ 50,000 total to any one firm during the life of the KEDS Project.

2. APPLICATIONS FOR FUNDING

Applications for assistance from the Fund shall be made in writing in advance for a specific export related activity. Applicants will be required to complete a standard business plan including, inter alia, a clear statement of objectives, strategies and tactical plans including the program cost and estimated impact on employment, export sales and revenue levels.

In order to finalise appraisal of applications for funding, KEDS may require applicants to submit more information regarding their firms. In such cases, applicants are obliged to provide the information to facilitate early assessment and completion of the application.

Retrospective applications will not be eligible.

3. SUCCESSFUL APPLICATIONS

Following receipt of properly completed application, the KEDS Project will respond within 30 days as to the application status and the need for additional information, if any. Once an application has been approved, the firm must confirm its acceptance to KEDS within 14 days of receipt of notification.

KEDS reserves the right to seek references from sources it deems necessary regarding the operation of the applicant firm before awarding financial assistance under this program. Applicants are strongly advised that giving false information/facts will lead KEDS to immediately suspend consideration of the offending firm's application or to withold payment of funds for programs approved and/or completed.

4. DISBURSEMENT CONDITIONS

The specific terms and conditions of the project funding will be detailed in a signed letter of agreement between the beneficiary firm and the KEDS Project and considered binding. Any deviation from the approved activity to another MUST be approved in advance and in writing by KEDS. Disbursements shall be on a 50% cost-shared reimbursement basis with the beneficiary firm producing bonafide evidence, including original invoice submissions, confirming that the object of the application has been fulfilled.

KEDS reserves the right to verify costs incurred by the beneficiary firms either itself or through a qualified third party.

If the firm's legal (including declaration of bankruptcy, liquidation, receivership), ownership, management status changes during or following conclusion of the agreement, the firm is responsible for immediately notifying KEDS; failure to do so will result in termination of the agreement. Under those circumstances, program funding/disbursement may be subject to reappraisal at the sole discretion of the KEDS Project.

Financial assistance under this program is offered at the sole discretion of the KEDS Project and is subject to the availability of Project funds. The beneficiary firm is responsible for claiming payment. If claims are not made within the specified period, funds may be reallocated.

5. UNIT OF CURRENCY/PAYMENT

Disbursements of funds will be made in Kenya Shillings. The CBK mean rate of exchange operating at the time of the procurement will be applied.

6. MONITORING

To enable the KEDS Project to monitor the impact and effectiveness of support on export sales, forex earnings and employment, the beneficiary firm will semi-annually submit statistics for export sales, forex earnings and employment. This information will continue to be provided for 3 years following completion of the funded project.

The beneficiary firm will also, from time to time and as appropriate, agree to consultative visits/meetings with KEDS officials to review export progress vis-a-vis objectives.

7. CONFIDENTIALITY

KEDS assures all potential candidate firms that the information they provide, both to support their applications and to fulfill the monitoring requirements, will be used solely for those purposes. KEDS reserves the right to verify such information through a bonafide third party approved by KEDS when necessary and appropriate.

Apart from the circumstances stated above, KEDS will NOT divulge the information to any third parties without the consent of the concerned firms.

K A POTTER, KEDS Export Development Advisor

KEDS BASELINE SURVEY
EXPORT FIRM ASSISTANCE - SELECTION CRITERIA

ASSESSMENT OF COMPANIES

Methodology - The companies will be evaluated on ten major criteria. Each criterion contains several specific factors on which the company's level of performance/capability will be rated according to the following scale: 0 = no/none, 1 = low, 2 = medium, 3 = high. Based on a summation of the ratings for each factor, an overall rating for the major criterion is derived. Companies must achieve at least a 2 overall rating to be accepted for KEDS assistance. Obviously, the factor rating for the area requiring KEDS assistance may be lower than 2, but the other factors should be rated at least 2.

Selection criteria - Following is a description of the ten major criteria and the specific factors which comprise each:

1. Product - The overall product rating is based on the absolute level and competitiveness, relative to the export market, for:

   a) Product quality - This includes the ability to provide and maintain quality control to consistently achieve an acceptable level of product performance and integrity.

   b) Packaging - This includes the ability to provide an acceptable package "form" and level of quality that will meet the standards of the industry and consumer/user.

   c) Pricing - This is the ability to price the total product at a level commensurate with the quality and performance benefits it offers vis a vis the competition. For example, a product which is superior in quality or which provides a performance advantage vis a vis the competition can command a higher price contingent on marketing objectives and strategies.

   d) Product selection/diversity of product line - This is the ability to provide a selection or "product line" that meets or anticipates the market demand and is competitive with the competition's product range.

   e) Research and Development - This includes:

      - The ability to improve the product's competitiveness through enhancement of the quality, performance, etc. of the product itself and/or of the packaging.

      - The ability to research and develop new products in response to marketing opportunities.

2. Production Capability - This rating is based on the ability to produce and deliver sufficient product to supply the market demand. The specific factors considered are:

   a) Product Supply

      - The ability to produce or obtain consistent and adequate raw material to meet production needs.

      - Sufficient manufacturing capacity to meet volume projections; and the willingness, ability and flexibility to respond to market changes. For example, the ability to expand production capacity to meet increased demand through the addition of work shifts, production lines, contract packing, or if warranted, the construction of a new plant.

   b) Cost Control - The ability to maintain/control raw material, labor, production, etc. costs to deliver the product to the market at a competitive price.

   c) Inventory control - The ability to monitor, maintain and control product inventory levels (inputs and finished goods) in line with volume projections and make adjustments as required.

   d) Storage control - The ability to properly warehouse inputs and finished product to specific standards i.e. temperature control levels.

   e) Transport - The ability to deliver the product to the market within an acceptable timeframe and at a competitive cost; and to fulfill any special transport requirements i.e. cold chambers.

3. Appropriate Technology: - This rating is based on access to the appropriate equipment and technology required to produce a final product (product and package) of acceptable quality to the standards of the export market. Obviously those standards will be different for each export market and region. For example, it is assumed that the regional African export market will have less stringent and rigid requirements than industrialized overseas markets. Therefore companies exporting only within the region would probably require less sophisticated technology to satisfy the export market standards.

4. Appropriate Trained Labor - This rating is based on the existence of or access to a labor force which is appropriately trained in the technical skills required to produce and deliver a product that meets or exceeds the quality standards of the market. This rating is relative to the overall level of technological sophistication that exists in the sector. For example, garment manufacturing for export to the EEC would require a higher level of skilled labor than a company manufacturing soap for regional export.

5. Financial Capacity - This rating summarizes the overall financial stability, soundness and long term viability of the company. It is based on an assessment of the following factors.

a) Profitability

- Performance trend - This is based on past, present and projected future performance i.e. profit or loss over a four-year time frame.

- Rate of return - This is based on the ratio of net profit to total assets which is a classic measurement of the company's financial soundness and management.

b) Debt Status

- A ratio of total debts to total assets will be requested to determine again the financial soundness of each company, its ability to borrow and to support its debt obligation.

- The ratio of short-term debt to total debt will also be considered as an indication of the firm's financial capacity to borrow and to provide working capital to finance continuing operations.

c) Access to financing

As an indication of a firm's financial strength/weakness and ability to borrow, firms will be asked to indicate the sources of both long and short-term financing and the percentage of the total each source represents. Firms will also be asked whether or not it is difficult to obtain credit; if so, the reasons why; and whether or not they have abandonned projects due to lack of capital.

6. Management Capacity - This rating is based on an assessment of the following factors:

a) Experience and relevant expertise of senior management

b) Stability of management based on experience, business acumen, commitment, length of time the business has been operating.

c) Infrastructure - The type and level of sophistication of the organizational structure.

d) Ambitiousness - Whether or not the management is actively interested in developing and expanding the business.

7. Marketing Capability - This assessment is based on the existence of:

a) Experience and the knowledge of marketing.

b) A person designated with responsibility for marketing within the existing organizational structure.

c) An established marketing plan for the company.

8. Export Experience - This assessment is based on the existence of previous export experience; the type of experience; and the depth and breadth of experience.

9. Export Potential - This assessment is based on the following:

a) The existence and level of market demand for this product sector in regional, other African or overseas markets. This assessment is based on general information or knowledge of the potential export areas either already known to the consultants or provided by the firms themselves as a result of direct experience or contacts.

<u>NOTE:</u> An in depth marketing study and evaluation of specific export markets should be completed prior to development and implementation of an export program. The study should include a statistical analysis of market data and on-site visits to the candidate export markets to assess firsthand critical issues that cannot be evaluated through desk research.

b) The competitive viability of the product itself assuming that an export market potential (for the product sector) exists. Again, it is essential to the success of the export program that desk and on-site analyses be conducted beforehand.

c) An organizational structure that is capable of supporting product exportation or that can be readily adapted to it.

10. Commitment to Export - This is an assessment of the company's long-term commitment to an export program as an integral and important part of their total business. It includes a commitment to providing the necessary management, functional, and financial support and investment to insure success.

K.A.Potter
KEDS, Export Development Advisor
12/93