



KENYA EXPORT DEVELOPMENT SUPPORT



**PRIVATE SECTOR
BASELINE SURVEY
FINAL REPORT**

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**KENYA EXPORT DEVELOPMENT
SUPPORT (KEDS) PROJECT**

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BASELINE SURVEY
FINAL REPORT**

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LIST OF ACRONYMS AND ABBREVIATIONS

cif	cost, insurance and freight
EDF	Export Development Fund
EPPO	Export Promotion Programmes Office
EPZ	Export Processing Zone
FER	Foreign Exchange Retention
fob	free on board
FPEAK	Fresh Produce Exporters Association of Kenya
GOK	Government of Kenya
HCDA	Horticultural Crops Development Authority
KAM	Kenya Association of Manufacturers
KEDS	Kenya Export Development Support Project
MoF	Ministry of Finance
MUB	Manufacture Under Bond
pa	per annum
PTA	Preferential Trade Area
std	standard deviation
USAID	United States Agency for International Development
VAT	Value-Added Tax

1.0 Summary and Recommendations

1.1 Introduction and Methodology

In mid-November 1992, a forty-question survey was distributed to 393 exporting firms. The selection of firms was drawn from the Horticultural Crop Development Authority (HCDA, 121 firms), the Kenya Association of Manufacturers (KAM, 248 firms listed as "active exporters") and others (24 firms from direct inquiry). By December 3rd, the original date established for responses to the survey, only 83 firms had submitted their questionnaires. The KEDS team took a number of follow-up actions (telephone calls and faxes) in December and January 1993 with the objective of raising the response rate from near 25% to 50%.

A total of 136 firms completed the questionnaire prior to the February 12, 1993 cut-off date for analysis, equalling a response rate of 35%.¹ While this was below our desired rate, it was sufficient to enable statistically viable analysis. It was felt that further delaying the cut-off date would not significantly improve the response rate. Subsequent analysis showed no significant difference between the responses originally gathered and those gathered through actions in early 1993. Complete analysis has therefore been performed on the full body of information. The major variables analyzed from these questionnaires include:

- Ownership
- Type of Business
- Total Sales Value
- Export Sales Value
- Employment

Other variables were also analyzed, including questions related to Government of Kenya (GOK) incentives, controls and influence.

A sectoral analysis is set out below which contrasts the average horticultural exporter with the manufacturing exporter. The key findings from the Survey are then set out, as are the implications of these findings for the KEDS Project. A set of recommendations is then outlined as next steps for the project to take.

1.2 Sectoral Analysis

A side-by-side comparison is perhaps the easiest way to see the stark contrasts between the average exporter of horticultural goods and the average exporter of manufactured products. The table below compares the two sectors in terms of: imported inputs; most important export market; percentage of sales exported; favorite GOK export program; and labor/capital intensity. The side-by-side comparison makes it clear that the KEDS Project, in trying to maximize employment and generate foreign exchange earnings, has been well-targeted at the horticultural sector, which is both labor-intensive and exports a high percentage of its sales primarily to hard currency countries.

¹. Thirty-nine percent (39%) of HCDA's exporters responded to the questionnaire while 33% of the Kenya Association of Manufacturers' exporters responded.

A Comparison of Horticultural vs. Manufacturing Exporters

	<u>Horticultural</u>	<u>Manufacturing</u>
Imported Inputs:	Less than 10%	More than 50%
Export Market (1992):	88 % to Europe	72 % to P.T.A.
Export/Sales Ratio:	Over 90% of Sales	Less than 50% of Sales
Most Often Used GOK Export Program:	ForEx Retention Account	Export Compensation
Labor/Capital Use:	Labor Intensive	Capital Intensive
Employment 1990-92:	Increased 53%	Increased 8%
Sales Growth 1990-92:	Increased 50%	Increased 21%
Ownership:	83 % Locally-owned	57% Locally-owned

In addition to the differences noted above, the horticultural sector also has a much higher local value-added than any other grouping among Survey respondents.² In order to estimate local value-added, we considered such factors as: the percentage of imported raw materials, labor intensity and local ownership. Horticultural firms also have the largest proportion of local ownership of the four categories of firms identified in the Survey. These categories are "agriculture-only", "manufacturing-only", "combination" and "other".³ In this report, the terms "agriculture" and "horticulture" are often used interchangeably.

Some of the differences between these sectors can be explained from a historical perspective. A large number of manufacturing firms began in import-substituting industries and have moved into the export sector later in their lives, relative to the agricultural sector. That is, manufacturing firms have "matured" in terms of exports at a slower rate than have agricultural firms, first exporting an average of ten years after creation of the business vs. two years for ag-only businesses.

². Throughout this analyses, reference is made to "respondents," rather than to the overall export sector. This should not detract from the validity of the analyses, as a large representative enough sampling has been obtained through the survey for statistical validity. However, not all Survey respondents replied to all questions. Therefore, comparison is made as far as possible, on the basis of those firms which responded to particular questions.

³. The "combination" sector comprises a mixture of firms engaged in more than one type of export activity. Firms which fit the "other" category are primarily trading and transport firms. See Section 3.2.

1.3 Key Findings

The data is statistically valid and sufficient for project needs. There are very few anomalies in the data gathered by this survey; the data is statistically valid and serves as a basis for analysis. The data gathered is also sufficient for purposes of baseline data on the project's Private Sector Component. The survey has provided, in the opinion of the consultants, enough data for project baseline measurement purposes. More "research" in the sense of data gathering is not needed. Further firm-level inquiries should concentrate on more qualitative factors.

Export employment is growing. Total employment among respondents grew by 29% between 1990 and 1992. The largest growth was in female employment which grew by 78% during the period, while male employment only grew by 16% during the same period. Employment in the agriculture-only group grew much faster (53%) than employment in manufacturing-only (8%) between 1990 and 1992.

The horticultural subsector is confirmed as a KEDS priority. The horticultural exporters import only a small percentage of their inputs, employ more labor per sales dollar than manufacturing, and export nearly all their sales to Europe, earning hard currency. They fit very well the plan for achieving KEDS' twin objectives of employment and foreign exchange earnings.

Medium-sized horticultural firms are the most dynamic. One of the most salient features which emerges from the Survey is that medium-sized horticultural firms are the most dynamic in terms of export values, employment generation, and responsiveness to changing market conditions.

Medium-sized defined. Medium-sized companies, for the purposes of this study, are defined as those with annual total sales of between Ksh 25-250 million and annual exports of between Ksh 10-250 million with 50-250 employees. These "medium-sized" companies will become the likely clients of the KEDS firm-level programs.

The processing and packaging trend needs to continue to increase. Some 45.2% of all respondents who export flowers, fruit and vegetables export only in bulk. Only 30.6% package some or all of their exports and only 11.2% do any processing. The ten largest firms (by total annual sales) process while, as would be expected, the smaller firms package. Obviously, considerable value can be added by packaging and processing horticultural products.

There are some dynamic manufacturing firms. The manufacturing sector in fact does have a number of dynamic firms, which should be identified and assisted. The most dynamic of the manufacturing firms are, as with agriculture-only firms, those which are medium-sized and primarily locally-owned.

Transport/handling and quality are key constraints. Horticultural exporters cited transport and handling constraints as their biggest hurdle to increased exports, while manufacturing exporters most often cited quality control. Market information was the next most often cited constraint for both sectors of exporters.

Exporting firms are optimistic about the future. While 80% of respondents felt that 1992 had been a better year than 1991, over 90% anticipated that 1993 would be an improvement for their firm's performance over 1992. There was no statistically significant difference in responses to these questions, between the groups of responses prepared before and after the election.

1.4 Implications for the KEDS Project

The key findings have implications for the KEDS Project with regard to future firm-level assistance programs. The target "audience" of the KEDS Project, in this respect, should include medium-sized firms, defined as having annual total sales of between Ksh 25-250 million and annual export sales of Ksh 10-250M. These are firms which show the greatest potential, based on past performance, of graduating to become even larger exporters.⁴

The KEDS Project firm-level assistance can conveniently be divided into agriculture and manufacturing sectors, as the profiles and needs of these two groups have some pronounced differences, as noted above. Program implications are suggested below.

Agricultural exporters need help with transport constraints, market information and processing/packaging to increase value-added. They concentrate in the European market where quality standards are of paramount importance. The successful firms in this group will be those able to keep abreast of changing tastes and quality requirements.

Transport: The major problem cited by agricultural respondents is that of transportation and handling. Eighty-three percent of the 41 responding agriculture-only firms export fresh produce (which is dependent upon timely handling and shipping). The KEDS Project should continue to work through both private and public channels to improve air and sea transportation and to "demonopolize" KAHIL.

Market Information: Agricultural exporters require timely information on market trends, legal requirements and consumer preferences. The KEDS Project can assist the medium-sized firms to follow the larger firms' examples by providing better market information, and assistance in the area of quality control (establishing standards and inspection/reporting systems) to make them even more competitive.

Processing/Packaging: While the questionnaire provides no intertemporal information in this regard (as respondents only responded to the type of enterprise and activity in 1992), it is expected that firms will process and package more as they grow, gain experience and working capital, and learn new distribution channels. There is scope for the KEDS Project to provide technical assistance to agricultural firms to add more value to their agricultural products.

Manufacturing exporters require a more difficult and complex blend of KEDS Project firm-level assistance. These producers export to a less demanding marketplace, namely

⁴. The term "graduation" is used throughout this report to refer to firms which "graduate" from one level of sales and/or export values to a higher level.

neighboring African countries, where quality control standards are lower and price sensitivity is high. Much of Kenya's competitive advantage rests with their geographic location (ie, proximity to regional markets). In order to penetrate other, more competitive markets, they need help with product design, production, technology, quality control, market information, and cost containment.

Quality Control: The major requirement of manufacturers seeking to diversify markets is to improve their quality control, so that their products can successfully compete with those being sold in international markets. Some manufacturers will require production and/or technology assistance prior to addressing quality control.

Market Information: Rather than the kind of detailed market price trend information needed by horticultural exporters, the manufacturers need more basic market information on general product markets, buyers, and required quality standards. They need introductions to new markets and distribution channels.

Cost Containment: Manufacturers would be well-served by product development and design assistance which allows them to reduce their costs of production by decreasing their dependency on imported raw material inputs.

1.5 Recommendations

The major recommendations of this survey are:

- The KEDS Project should focus its firm-level technical assistance on those medium-sized firms which stand the greatest chance of "graduating" to higher levels of total sales and export sales. The KEDS Project should not dissipate its limited resources by working with the smallest or most needy firms.
- Target Profile: KEDS should try to work with those firms which have total annual sales of between Ksh 25-250 million, and exports of between Ksh 10-250 million. They are firms which export over 60% of their production, and import less than 50% of their raw material requirements. They take advantage of the Government's foreign exchange retention program, rather than the Government's export compensation scheme.
- The KEDS Private Sector Component should continue to design programs working to improve manufacturers quality control, horticultural exporters handling processes and to encourage more packaging/processing. Programs should develop market information systems for the client institutions.
- Phase II Survey: A more intensive and focused follow-on survey of at least thirty targeted firms should be carried out primarily to develop a more detailed assessment of the types of technical assistance these firms require from the KEDS Project. The purpose of Phase II is to get better acquainted with the thirty or so profiled firms, and perhaps another 20 borderline firms which demonstrate potential for achieving the profile. This would compose a core group without eliminating any firms from possible KEDS assistance.

- Public/Private Sector Dialogue: The KEDS Project should continue to coordinate its Government policy component and its firm-level component. Agricultural exporting firms can benefit most from an improved policy environment, particularly with regard to transport and handling (KAHL reform, lower fuel costs) while manufacturing firms can benefit most from continued improvements in the GOK export incentive policy framework.

2.0 Profile of a Successful Kenyan Exporter

The profile of a typical successful, up-and-coming Kenyan export firm in 1992 can be drawn from the KEDS 1992 Private Sector Baseline Survey. The profile is a generalization. There are, of course, firms which do not fit this picture. However, the following generalizations hold true for over 20% of all respondents, and should provide some good insights into the target audience for KEDS firm-level assistance. It is recommended that the 30 firms which have this profile be interviewed in-depth during Phase II of this exercise.

2.1 General

The typical growing firm is wholly locally-owned. Over 90% of the up-and-coming agricultural sector firms are wholly locally-owned compared to 60% of successful manufacturing firms.

The typical agriculture sector firm is ten to eleven years old and has been exporting for most of its life (nearly nine years). The typical manufacturing firm, on the other hand, is nearly 20 years old but has only been exporting for the past ten years. That is, the expanding agricultural firm probably started its life as an exporter, while the expanding manufacturing firm started as an import-substituting enterprise, and only later branched into exports.⁵ The more dynamic manufacturing exporters are younger (15 years or less) and have been exporting for longer periods of their lives (8 years or more).

If the firm is agricultural, it will import less than 10% of its raw materials. By comparison, the typical manufacturing firm will import more than 50% of its raw materials. Thus, the growing agricultural firm will have a higher local value-added than the manufacturing firm. This local value is increased by the higher labor-intensity of the agricultural firm relative to its manufacturing counterpart. Both manufacturing and agricultural firms which show the greatest growth in terms of sales and exports have higher local value-added (over 60%) than their more sluggish, import-substituting counterparts (less than 50%).

2.2 Total Sales

The most successful Kenyan exporters have doubled their total sales over the past two years. The fastest growing firms in both the agriculture and manufacturing sectors have annual sales of between Ksh 50-250 million (US \$1.1 to US \$ 5.5 million).⁶ Ten percent of all firms with total sales of Ksh 100-250 million per annum will likely "graduate" over the next year to the total sales category of more than Ksh 250 million per annum. Five percent of all firms in the Ksh 250-500 million range are likely to graduate over the next year into sales of Ksh 500 million or more. Agricultural firms are three times more likely to "graduate" into the next highest total sales category than manufacturing firms.

⁵. As a qualifier, we note that the export policy environment in Kenya was largely promoting import-substitution until the Sessional Paper of 1986. The capital investments already made by the manufacturing sector and the slow changes in policy incentives toward export-promotion undoubtedly influenced manufacturers to only gradually move into exporting.

⁶. Based on an exchange rate of 45 Kenya Shillings to the US dollar.

2.3 Export Sales

Export values have doubled between 1990 and 1992 for successful exporters. Based on survey data, firms with export sales of Ksh 10-50 million are projected to double their exports every two years, compared with firms with export sales of less than Ksh 10 million, which will increase their export value by only 12.5% over the same time period.

The firm either exports most of its production to Europe (if it is a horticultural producer) or to the PTA (if it is a manufacturer). If the firm is engaged in agriculture, it exports over 95% of its total sales, with the bulk of those exports (97%) destined for Europe. If, on the other hand, it is a successful manufacturing firm, then it exports between 60-70% of its total production, with over 80% of its exports destined for the PTA markets and most of the remainder to other African countries. However, the top performing manufacturers send the remaining 20% of their exports to markets outside the PTA.

2.4 Employment

Agricultural firms are more labor-intensive than manufacturing firms, and employ between 100 and 250 employees compared with the average successful manufacturing exporter which employs between 50-100 workers. The up-and-coming agricultural firms create employment three times faster than their successful manufacturing counterparts. The average employment level of the most successful agriculture-only firms (the ten top performers in terms of total annual sales) is over 600 employees compared to 180 for the ten fastest growing manufacturing firms.

Approximately 58% of the employees working for a typical up-and-coming firm with annual sales of Ksh 10-250 million are women. Agricultural sector firms are likely to have more full-time women employees than firms in the manufacturing sector. Full-time female employment is increasing by over 30% per annum in agricultural firms, compared with 10% per annum in the manufacturing sector.

2.5 KEDS and the Successful Exporter

For the KEDS Project's purpose, the target audience, the group of exporters which can benefit most from KEDS Project assistance, are those firms with total annual sales on the order of Ksh 25-250 million⁷, with exports of between Ksh 10-250 million, and with 50-250 employees. They are firms which export over 60% of their production, and they import less than 50% of their raw material requirements. They take advantage of the Government's foreign exchange retention program, rather than the Government's export compensation scheme.

The successful exporters constantly search for new markets, even if they are not very successful in diversifying. They cite the need for market information and improvements in

⁷. Despite the earlier reported finding that firms with total sales of Ksh 50-250 million are the fastest growing, we have broadened the category to total sales of Ksh 25-250 million in order for the KEDS client group to encompass 30 companies, or 22% of firms surveyed .

quality control as their most important needs. These firms, particularly the agricultural firms, take advantage of Government export promotion policies, and therefore can benefit the most from an improved export policy environment.

In short, of all the respondents to the KEDS Private Sector Baseline Survey, at least thirty of the 136 respondents (ie, over 20% of all respondents) fit this profile. Half of these thirty firms are agricultural firms, while the other half are manufacturing.⁸ If the KEDS Survey can be extrapolated to the larger world of agricultural and manufacturing exporters (i.e., the 65% who did not respond to the questionnaire), then, this represents a further 60 firms, or a total of 90 exporters in Kenya which could and should be targeted for KEDS firm-level assistance.

⁸. It is recommended that Phase II of this Survey focus on these thirty firms.

3.0 Detailed Survey Analyses

3.1 Type of Ownership

As Figure 1 and Table 3.1 show, 66% of all respondents in 1992 were wholly-owned locally. A further 25% of all respondents represent firms with "mixed", that is foreign and local ownership, while 8% are wholly-owned foreign (ie., multinational) firms.

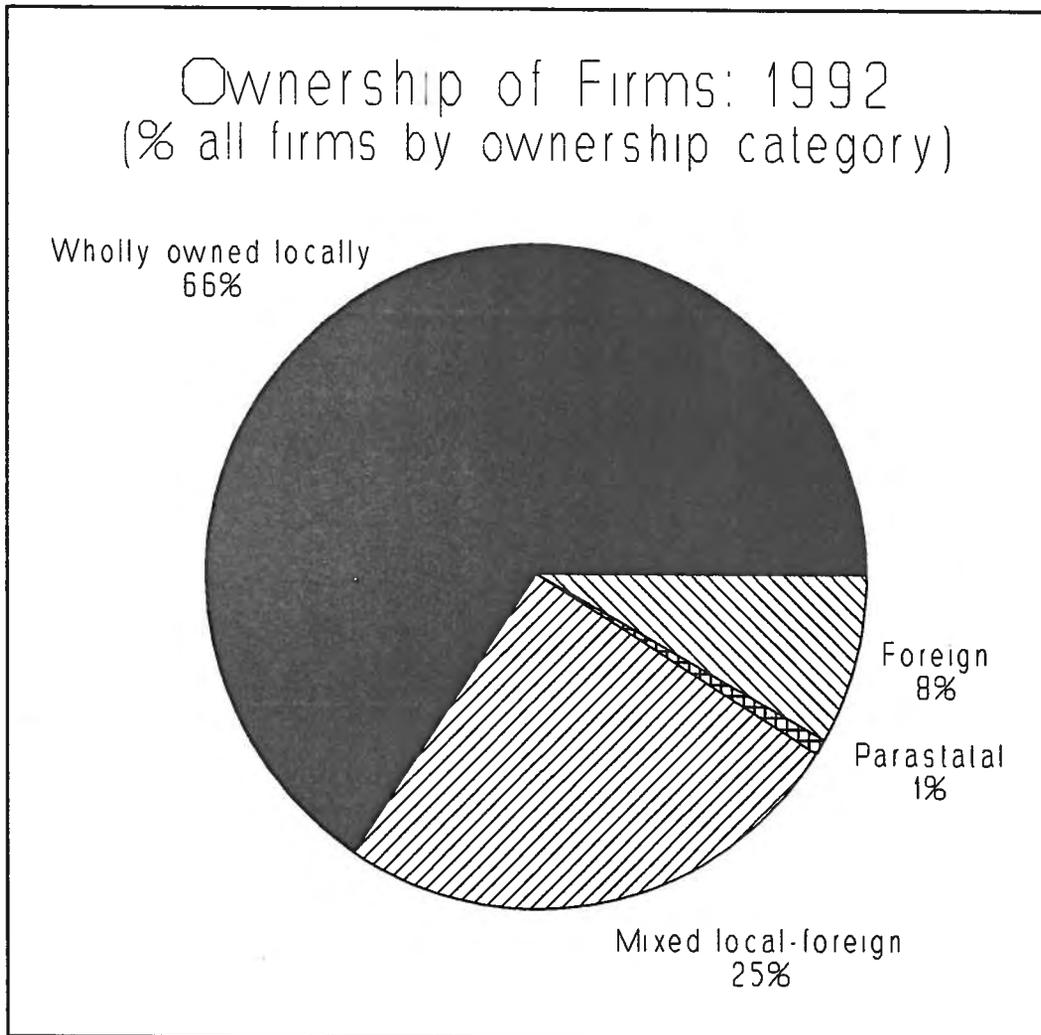


Figure 1

3.1.1 Ownership and Sales

While the majority of surveyed firms are wholly-owned locally, they account for a disproportionately lower volume of total sales and exports. As can be seen in Table 3.1, wholly-owned local firms represent 66% of respondent firms in 1992, yet garner only 45%

of total sales value.⁹ This is not unexpected, as many of the largest firms are multinationals, with diversified production bases and markets. The top five producers (measured in total sales value) account for more annual sales than the 30 smallest producers.

The message is encouraging for locally-owned firms, however. They are graduating to higher sales categories at an encouraging rate. That is, almost a quarter of the smallest firms (as defined by total annual sales of Ksh 10 million or less) have moved into the next category (Ksh 10-50 million per annum), while 10% of the wholly-owned local firms in 1990 grew into the Ksh 50-250 million per annum category over the two-year study period.

These statistics are important to the KEDS Project. They demonstrate that local firms have been growing over the past three years, and that there is good scope for firm level-assistance for these firms to help them grow even faster.

Table 3.1
Type of Ownership: 1992
(134 Respondents)

Type of Ownership	Number of Responses	Percent of Responses	% Total Sales Value
Wholly owned local (private)	89	66.4%	45.3%
Mixed local foreign (private)	27	20.1%	30.6%
Mixed local foreign (public)	6	4.5%	7.7%
Parastatal	1	0.7%	1.2%
Foreign	11	8.2%	15.1%
Total Responses	134	100.0%	100.0%

The number of foreign-owned firms in this survey has remained constant from 1990 to 1992 (eleven firms), while the number of wholly-owned locally has increased from 69 respondents in 1990 to 89 respondents in 1992. Wholly-owned local firms accounted for 58.9% of respondents in 1990 and increased to 66% in 1992. When partially locally-owned (mixed) respondents are added to wholly-owned local firms, they together constitute 91% of respondent firms in 1992.

This information should be used with caution, however, due to the small number of foreign-owned firms responding to the survey. Had more of the large, foreign-owned firms responded to our survey, the percentage of sales attributed to them would likely have risen accordingly.

⁹ The Survey questionnaire provided spaces for respondents to check by sales value category (i.e., Ksh 1-5M, Ksh 5-10M, etc.). To obtain value estimates, each category was assigned a median value. Thus, each respondent who checked Ksh 1-5M was assigned a total sales value of Ksh 2.5M, Ksh 5-10M a value of Ksh 7.5M and so on. The highest category, Ksh 250M or greater, given a median of Ksh 250M. This ranking was assigned for all years, so any biases are equally distributed over the Survey period.

3.1.2 Ownership by Sector

As Figure 2 shows, 82% of the respondents who are engaged in agricultural exports are wholly locally-owned, with 17% having "mixed" (i.e., local and foreign) ownership. The high proportion of local ownership in the agriculture sector reflects the dominant influence of horticultural producers. Only 2% of respondent ag-only firms are foreign-owned.

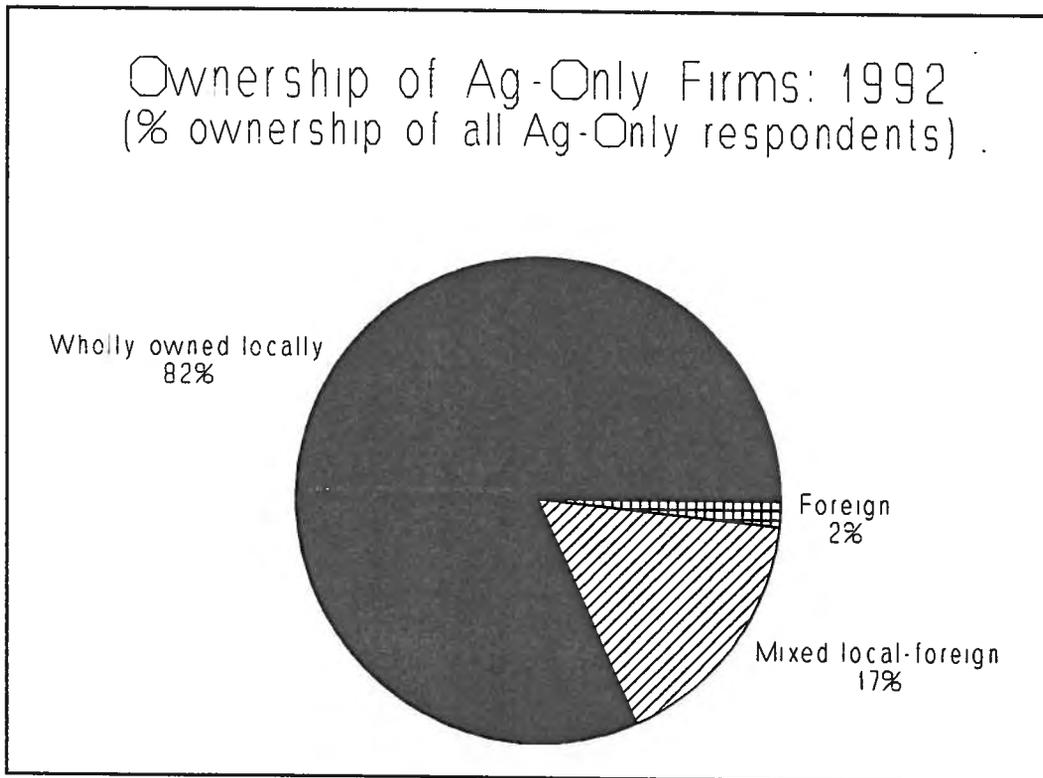


Figure 2: N.B. Does not total 100 due to rounding errors.

Agricultural sector firms are predominantly engaged in horticulture and most respondents have total sales of less than Ksh 50 million. While foreign-owned agricultural firms (multi-nationals) account for only 2% of the respondents, they constitute over 50% of all agricultural export sales.¹⁰ Wholly-owned local agricultural firms account for less than 15% of all export sales, while constituting over three-quarters of the respondents.

Total annual sales figures by type of ownership broadly mirror the above export sales figures. The top ten agriculture-only respondents (measured by total annual sales) reflect a majority (six) which are wholly-owned locally. In fact, four of the top five agricultural exporters are wholly-owned locally (though one of these is Sulmac, Ltd. a Kenyan-owned firm but closely tied to Brooke Bond, a large international firm).

¹⁰. This disproportionately large percentage of export sales by foreign-owned firms could be attributed to such factors as better access to capital, technology and market information, and closer ties to export market distribution channels.

By contrast, only 55% of all manufacturing respondents are wholly-owned locally though 35% have mixed (i.e., local and foreign) ownership. Seven percent of the respondent manufacturing firms are wholly foreign owned firms. Investment in manufacturing has traditionally been a combination of foreign and local investment, initially with a major focus on import-substitution. Of the twelve manufacturing firms with annual total sales of more than Ksh 250 million, the majority, eight, have mixed foreign-local ownership.

The "combination" firms (eg., those which engage in more than one type of activity, such as manufacturing and agriculture) more closely mirror the manufacturing firms in 54% wholly-local ownership, 28% mixed local and foreign, and 14% wholly-owned foreign.

3.2 Type of Business Activity

Table 3.2 shows the type of business engaged in by respondents. Of the 136 firms which completed the questionnaire, two did not specify their line of business.

Table 3.2
Enterprise by Sector
(All Respondents)¹¹

Type of Enterprise	# Responses 1992	% Responses 1992
Manuf-Only	54	40.3%
Ag-Only	41	30.6%
Combination	30	22.4%
Other Only	9	6.7%
Total Responses	134	100.0%

Forty percent of the respondents are engaged in manufacturing only, while 31% are engaged in agriculture only. A further 22% engage in more than one activity (eg, agriculture and manufacturing, manufacturing and "other"). Nine respondents defined themselves in the "other" category. These included crafts, soap, "civil explosives", retail, commerce.

While the agricultural exporting firms are easily clustered primarily into horticultural activities, the manufacturing firms are engaged in such diverse activities as chemicals (11 firms), pharmaceutical (6 firms), handicrafts (2), paper and packaging (3) and plastics (2), among others. Forty different "manufacturing" activities are cited by the 61 respondents who answered that they engage in manufacturing (seven of which are manufacturing "combination" firms).

The most important "type of business" finding of this survey is that the horticultural sector is growing and entrance to the sector is relatively easy (this is in part likely because the

¹¹. Two of the respondents to the questionnaire did not specify their activity, although, from examining the completed questionnaires, one can determine that they fall into the "combination" category.

capital intensity is generally much lower than in manufacturing). Horticulture has been the fastest growing export sector over the past three years, both in terms of number of firms engaged in horticulture, and in the value of total sales. Horticultural export sales of firms responding to our survey increased by 50% during the two-year study period (1990-1992), compared to a sales increase of 21% for manufacturing. Over 80% of horticultural sales were exported, while only 14% of manufactured sales were exported in 1992.

3.2.1 Agriculture

The 41 firms which are engaged in agriculture can be placed in five categories: cut flowers (14 respondents), fruit (23), vegetables (25), fish (2) and other (5).¹² Six questionnaires were received for only non-horticultural agricultural exports (2 fish, and 4 "other"). As Table 3.3 sets out, 35 firms responded to the agricultural enterprise section of the questionnaire (Question 13) in the categories of flowers, fruit and vegetables. Nearly two-thirds are engaged in fruit and vegetable exports, while nine of the 41 firms export only flowers.

Table 3.3
Horticultural Exporters: 1992

Category	# Responses	% Responses
Fruits & vegetables	18	51.4%
Flowers Only	9	25.7%
Flowers, Fruit & Vegetables	4	11.4%
Vegetables Only	3	08.6%
Flowers & Fruits	1	02.9%
Total Responses	35	100.0%

¹². Companies very often cited multiple products such as fruit and vegetables, resulting in these numerous categories serviced by only 41 agriculture-only firms in the survey.

Table 3.4 further defines the level of activity of horticultural exporting firms (by value-added). As of 1992, 45.2% of the respondents only export in bulk, while 74% of fruit and 72% of vegetables are exported by the respondents in bulk or bulk and packed form. Only 9% of the firms process any fruit, and only 12% process any vegetables. Thus, the scope for increasing the value-added to agricultural exports is high.

Table 3.4
Horticultural Exporters by Type of Activity - 1992

Category	% Flowers	% Fruit	% Vegetables
Bulk Only	35.7%	56.5%	40.0%
Bulk & Packed	28.6%	17.4%	32.0%
Bulk & Processed	0.0%	0.0%	4.0%
Packed-Only	21.4%	17.4%	16.0%
Packed & Processed	7.1%	4.3%	4.0%
Processed Only	7.1%	4.3%	4.0%
Total Responses	100.0%	100.0%	100.0%

3.3 Total Sales

Figures 3 and 4, on the following page, provide valuable insights into how size of firms and total sales relate. Figure 3 shows that 25% of the respondents sold Ksh 10 million or less per annum. This total increases to 27% of respondents in 1992. Firms which sell Ksh 250 million or more per annum increased from 9% of all respondents in 1990 to 15% in 1992. This 15% (1992) represents just 19 firms out of 132 respondents in 1992. Of these 19 firms, six have "graduated" from the Ksh 50-250 million category in 1990.

This represents a major shift which is of particular importance, as all of these graduated firms are locally-owned, and demonstrates that there has been growth in the sector. Five of the six firms which have "graduated" from Ksh 50-250 million are in the horticulture sector, and all cite Europe as their major market.

There are many small firms who represent a small portion of total sales. Figure 4 provides a good contrast to Figure 3 as it compares the same range of firms by total sales based on actual total sales value. That is, Figure 3 represents the number of respondents, while Figure 4 represents their contribution to total sales. The comparison shows that the 25% of the firms who fit into the Ksh 1-10 million sales category represent less than 1% of all sales for all respondents in 1992, while the 15% of the firms with sales of Ksh 250 million or more per year account for 55% of the sales for all firms in 1992.

Total Sales: 1990 & 1992
(number of firms by total sales)

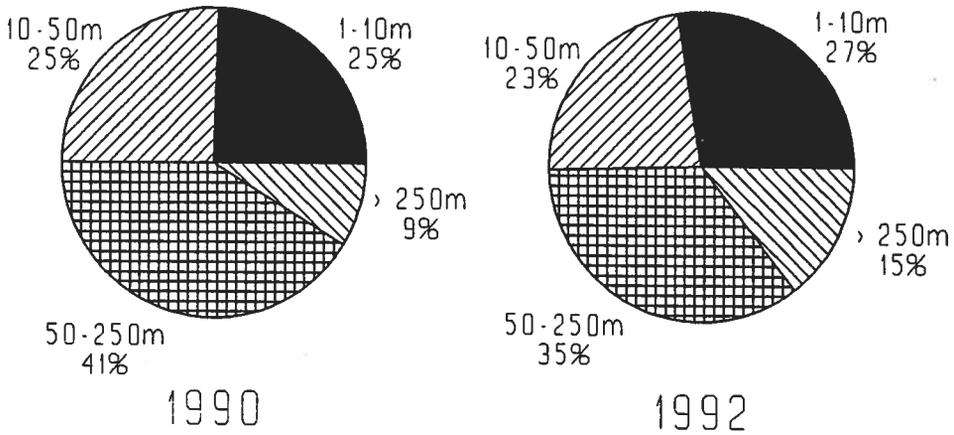


Figure 3: N.B. Categories (m Ksh) are percentages. Note that actual sales in 1992 are greater than 1990.

Value of All Sales: 1990 & 1992
(% of all sales by category)

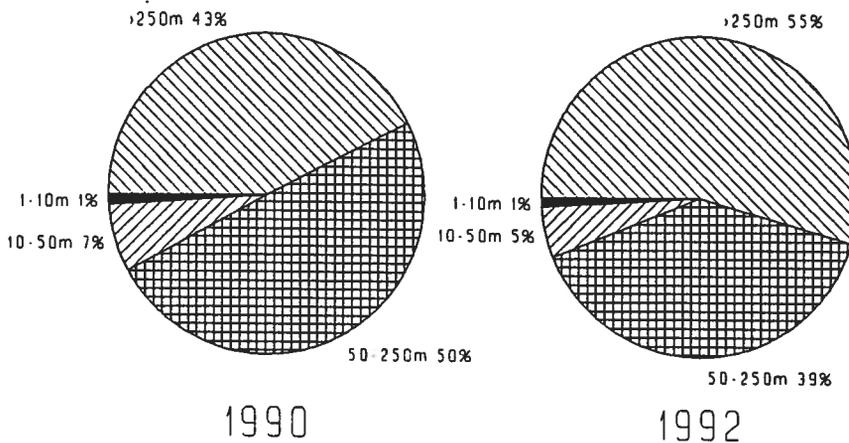


Figure 4: Categories (m Ksh) reflect Annual Sales and are percentages. Note that 1992 sales are greater than 1990.

The smaller firms, as defined by total sales, are evenly distributed between horticulture (35 % of all firms which sell less than Ksh 10 million per year) and manufacturing (50% of all firms which sell less than Ksh 10 million per year). This corresponds roughly to the same proportion of agricultural and manufacturing respondents to the questionnaire.

Table 3.5
Type of Enterprise Compared to Level of Sales: 1992
(# All Respondents)

Type of Enterprise	Sales:					# Total
	0-10M	10-50M	50-100M	100-250M	250-500M	
Ag-Only	19	8	5	3	6	41
Manuf-Only	7	17	17	3	10	54
Other Only	3	1	2	1	2	9
Mixed	11	7	3	1	8	30
Total Responses	40	33	27	8	26	134

How many firms were in business in 1990 and not in business to complete our survey in 1992? The survey does not permit analyses of "exit" of firms over the past three years (as only those firms which are currently producing responded to the questionnaire), but it does provide an idea of ease of "entry" into production. The average age of responding firms is 13 years, while 30% of all firms which sell less than Ksh 10 million per year have started business over the past four years.

Firms have experienced healthy sales growth over the study period. Twenty-five percent of all firms which stated total sales of between Ksh 10 million and Ksh 50 million in 1990 have "graduated" into the Ksh 50 million or more category in 1992. This indicates that there is considerable scope for KEDS to work with these medium-scale firms to help them grow even faster.

3.4 Exports

The PTA constitutes the largest existing export market for manufacturers, with over 90% stating that the PTA is their most important market. Conversely, 90% of all horticultural exporters consider Europe to be their most important market. While there is scope for export market diversification, the trend over the past three years is constant. That is, the same proportion of firms were exporting to Europe and the PTA in 1992 as in 1990, although the absolute number of firms exporting to these markets has grown.

3.4.1 Number of Years Exporting

The average number of years agriculture-only firms have been exporting is 8.78 years while that of manufacturing-only firms is 8.32 years. Figure 5 compares the number of years firms have been exporting by two primary categories, agriculture-only and manufacturing-only. Forty agriculture-only firms responded to the question (Question 24: What year did your firm first export?) and forty-nine manufacturing-only firms responded. Of that number, 52.5% of the agriculture-only firms have been exporting for five years or less compared to 49.0% of the manufacturing-only firms. However, as Figure 5 shows, the agriculture-only category shows the only entrants within the last year.

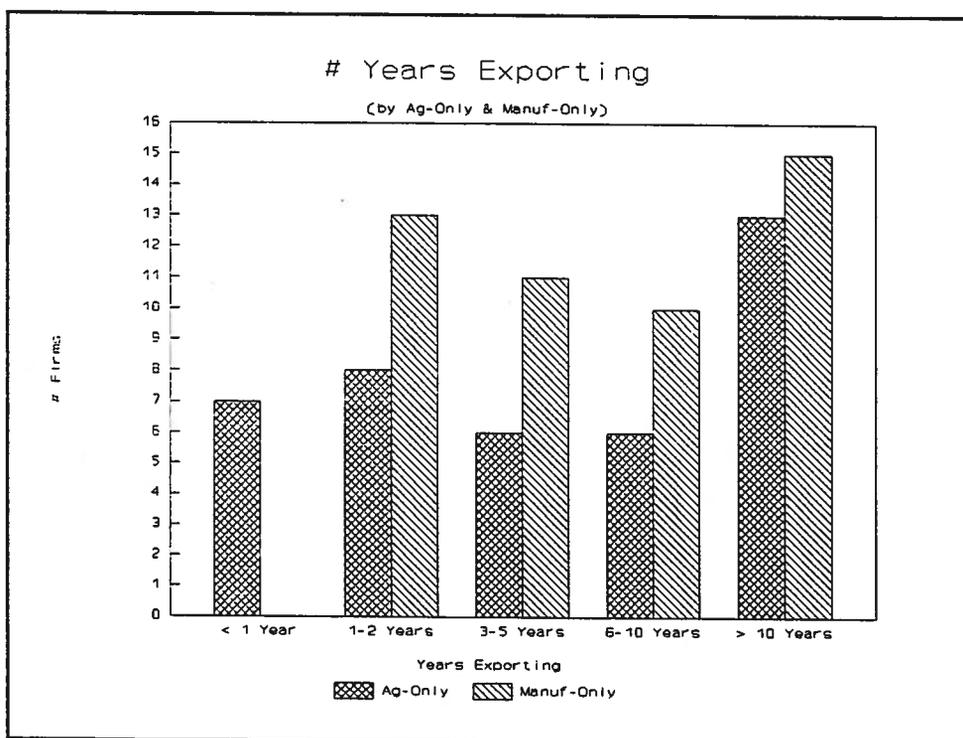


Figure 5

Figure 6, on the following page, provides a further breakdown of number of years exporting by category of ownership. This shows that the average number of years wholly-owned local firms have been exporting is 6.8 for agricultural firms and 6.4 for manufacturing firms. Mixed ownership firms have been exporting longer (16.2 and 12.1 years for agriculture and

manufacturing, respectively), while wholly-owned foreign firms have been exporting for 3 and 5.3 years, respectively, in agriculture and manufacturing-only.¹³

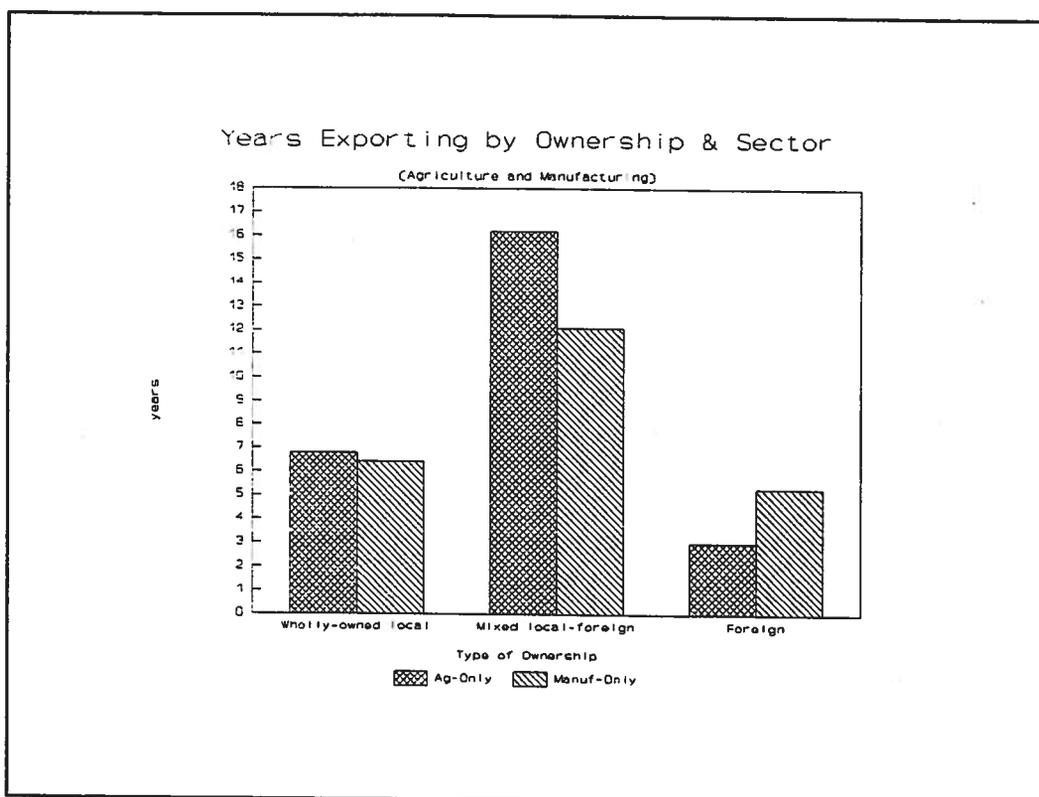


Figure 6

The proportion of exports to total sales is a good measure of a firm's export orientation. By this measure, agriculture-only firms are by far the most export-oriented of all respondents. Overall, the percentage of exports to sales remains relatively constant between 1990 and 1992 for manufacturing-only. Although there is a slight decrease in the export percentage for the agriculture-only sector from 96% in 1990 to 82% in 1992, export sales of agriculture-only respondents rose by Ksh 700 million. See Table 3.6 below.

Table 3.6
Comparison of Export Value to Total Sales Value 1990-92

Sector	1990	1992
Agriculture-Only	96.2%	82.0%
Manufacturing-Only	12.6%	17.4%
All Respondents	60.2%	63.1%

¹³. It should be noted, however, that among survey respondents there were only three wholly foreign-owned firms in manufacturing-only and only one in agriculture-only.

Figure 7, below (Exports as a percentage of total sales), shows a "stratified" export sector, with a large number of exporting firms falling into the low export (0-20%) range and a roughly equal number of firms in the high export (>90%) range. Relatively few exporters fall into the mid-range categories, exporting between 20% and 90% of total sales. As previously noted, the manufacturers largely comprise the low set while horticultural exporters largely comprise the high export set of firms responding to the survey.

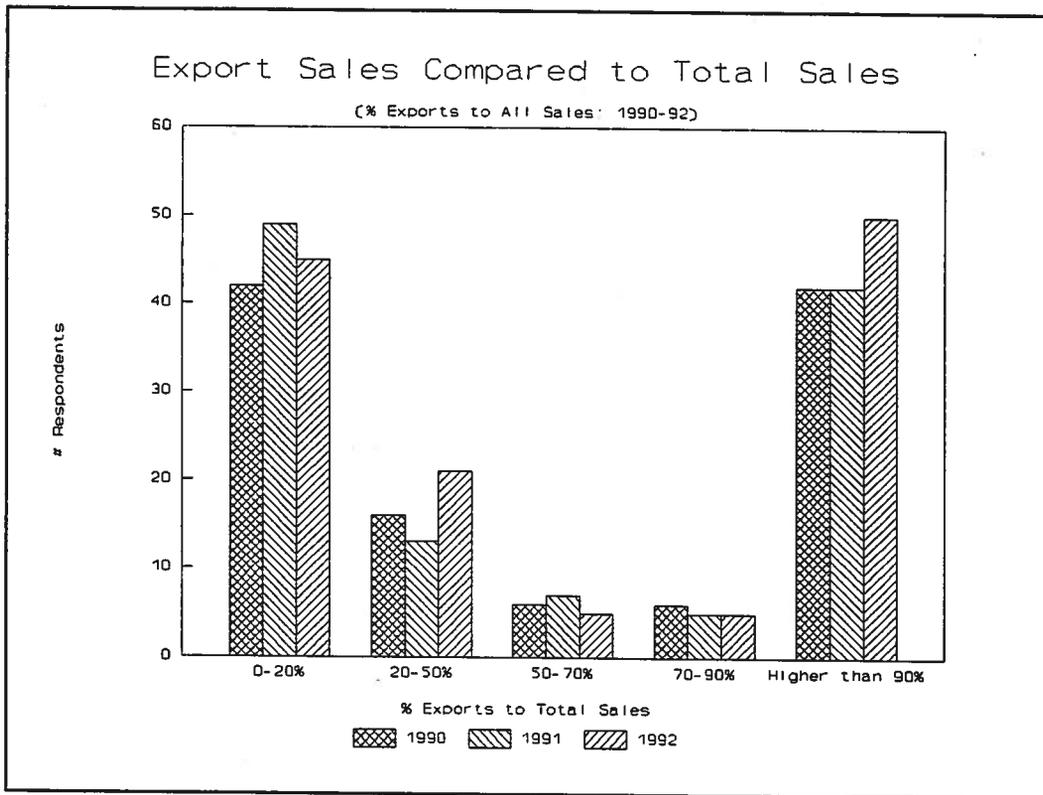


Figure 7

3.4.2 Number of Years Exporting Vs. Number of Years in Operation

Table 3.7 and Figure 8 on the following page compare the age of firms by sector with the number of years firms have been exporting. These graphically demonstrate that agriculture sector firms begin exporting much more quickly than manufacturing-only or other firms.

Agriculture-only firms are, on average, eleven years old, and they have been exporting for 9 years, compared with manufacturing-only firms which are eighteen years old and have only been exporting for the past eight years. The contrast with "other-only" firms is even starker.

These figures reinforce the evidence that agricultural firms are far more export-oriented than manufacturing firms, and that exports comprise a larger portion of their overall production than other firms. This divergence may in part be attributable to the shift in Kenya's economic policy environment, which began to emphasize exports approximately seven years ago, with issuance of the Government's Sessional Paper No. 1 of 1986 on "Economic Management for Renewed Growth."

Table 3.7
Average Age of Firms Compared to Number of Years Exporting
(by category of business)

Category	Number of Responses	Average Age	Number of Responses	Average # Yrs Exporting
Ag-Only	41	11	40	9
Manuf-Only	54	18	50	8
Other-Only	9	24	8	7
Combination	30	17	28	11
All Respondents	134	16	126	9

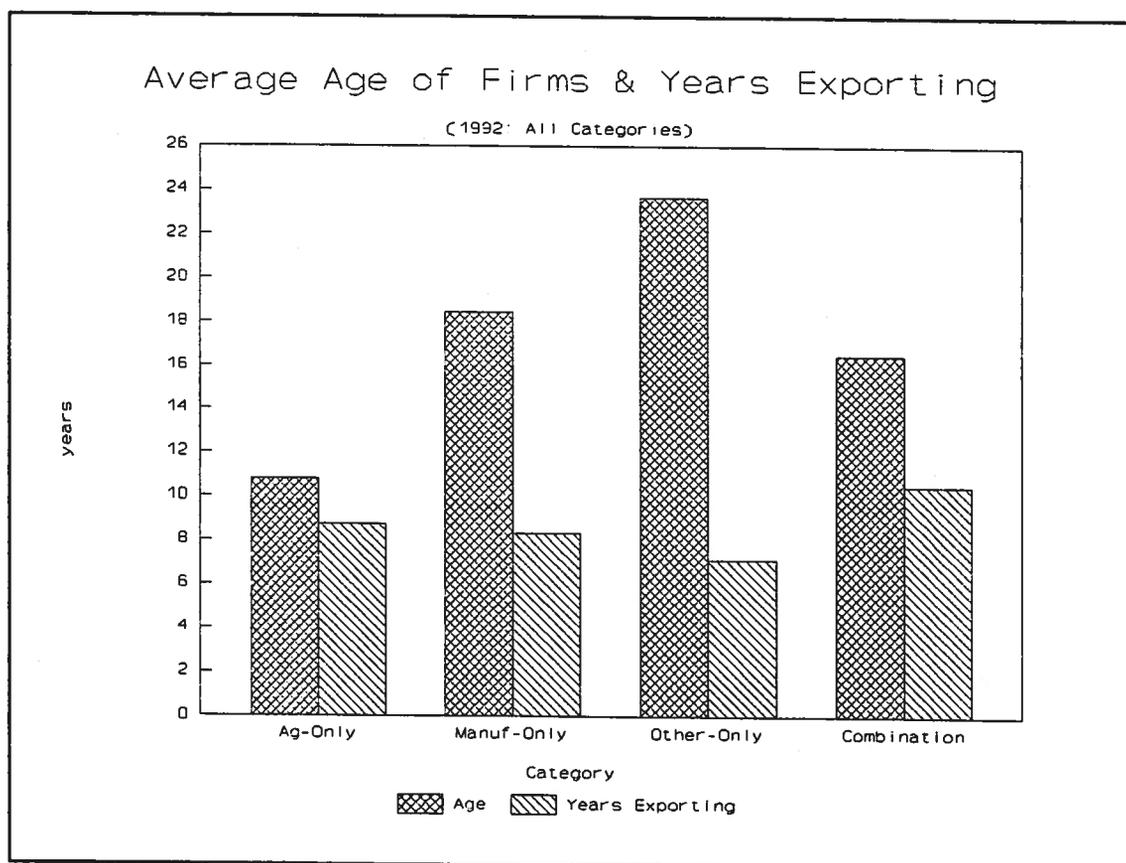


Figure 8

3.4.3 Export Sales

Figure 9 shows a large increase during the 1990 to 1992 period in the firms with an export sales range of Ksh 10-50M. The proportion of respondents who fit this category increased from 13.4% in 1990 to 21.7% in 1992. Their proportion of total export sales went up by a concomitant amount. The proportion of export sales attributed to those who exported Ksh 10M or less fell from 66% in 1990 to 60% in 1992. However, 30% of all firms which stated their production as Ksh 10M or less in 1990 had "graduated" to Ksh 10M-25M in export sales by 1992, so there is optimism about continued future upward movement.

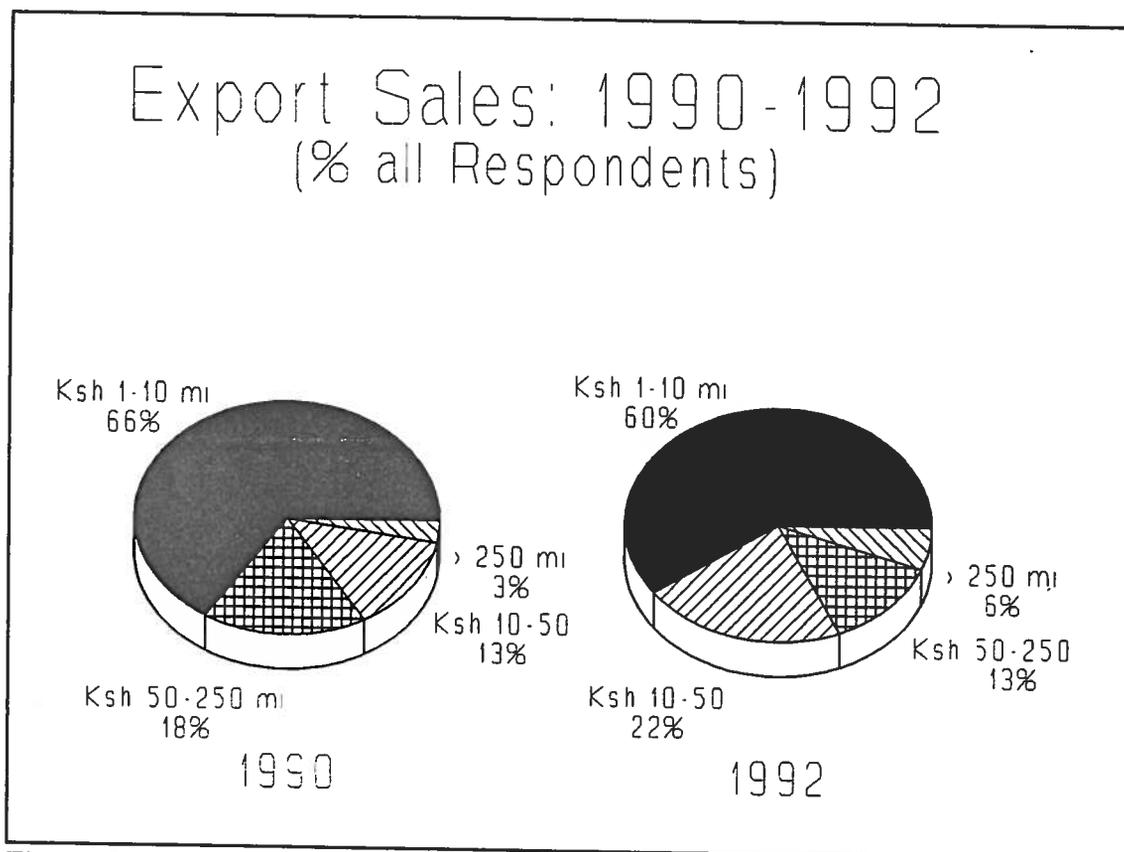


Figure 9

3.4.4 Export Markets

Europe has grown the most as an export destination, from 26.2% of all Kenyan exports (percentage of respondents) in 1990 to 34% in 1992. This group (key export market is Europe) is represented primarily (over 90%) by horticultural exports.

As would be expected from a relatively stable manufacturing pool of firms, exports to the PTA remain fairly constant (as a percentage of all respondents) during the study period, 33.7% in 1990 compared to 33.8% of all respondents in 1992.

Figure 10, below, demonstrates the importance of the PTA and Europe to exporters. Note that this figure represents all export markets cited by responding firms. Many firms cited numerous export markets, resulting in percentages totalling more than 100%. We can see in Figure 10: a consistent increase in Europe as a destination, a decline in "other" and almost no change in PTA.

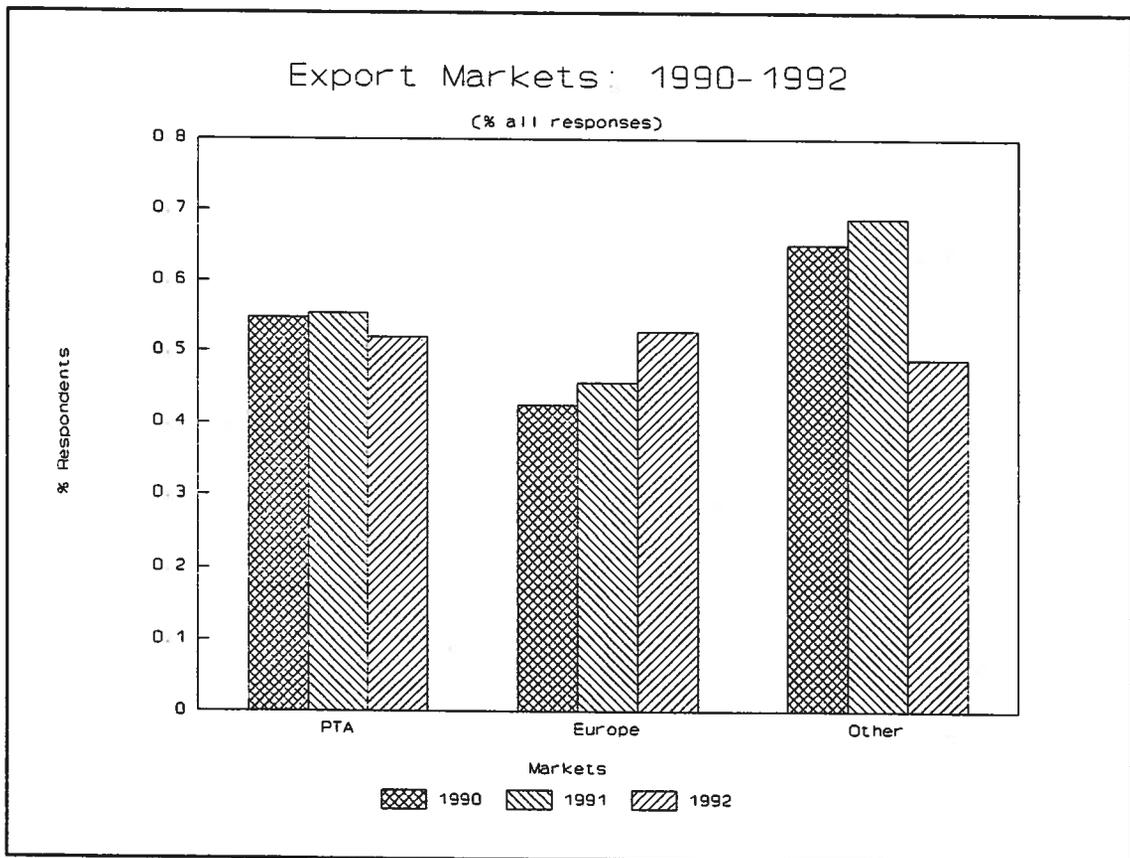


Figure 10

3.4.5 Most Important Export Markets

Europe has grown in importance as the most important export market cited by respondents. While 37% of the respondents stated that Europe was their most important export market in 1990, 45% stated it was their most important market in 1992 (Figure 11). The PTA dropped from the most important export market in 1990 (51% of all respondents) to a level on par with Europe in 1992 (45% of all respondents). This is a trend which KEDS should encourage, as exports to Europe earn hard currency. While PTA export sales do not, as a rule, earn hard currency, some recent manufactured exports from Kenya to PTA countries have indeed commanded hard currency payment.

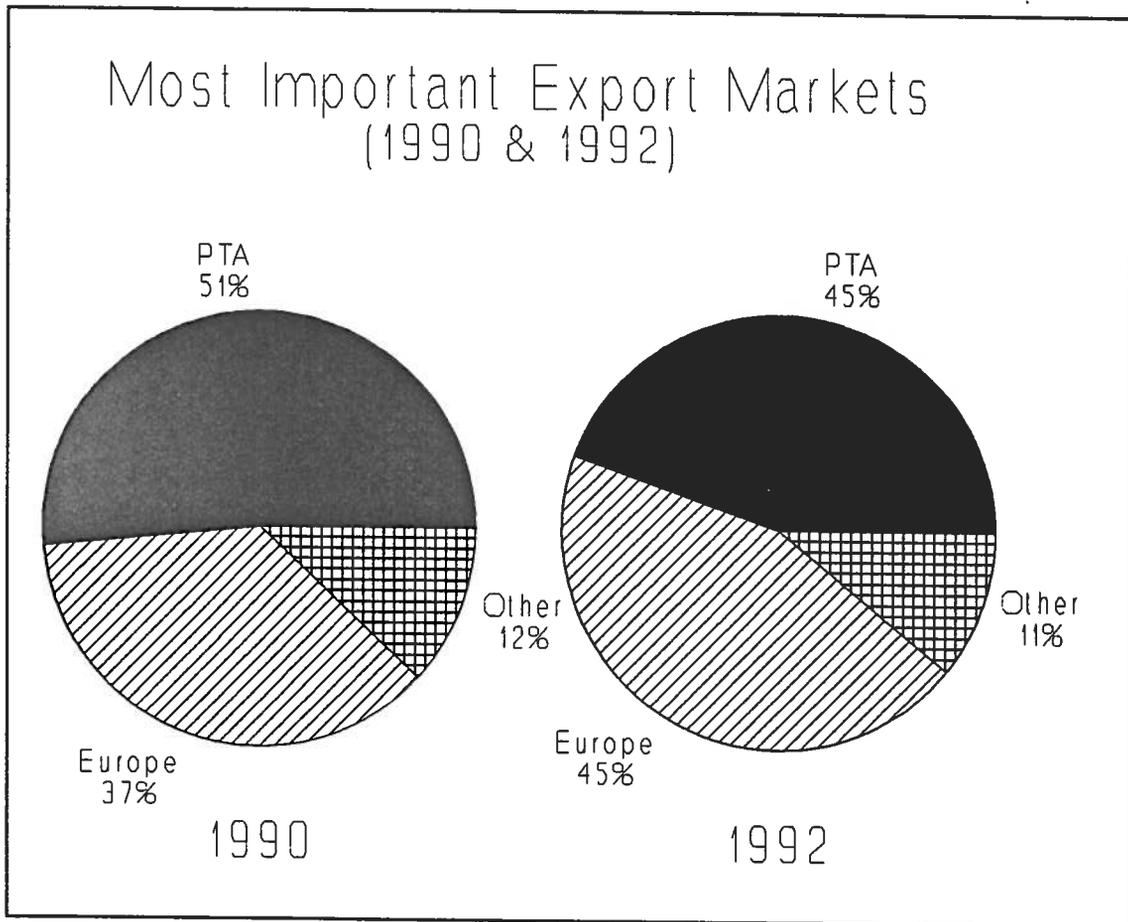


Figure 11

3.4.6 Single-Market Exports

The study examined the most important export markets by category of firm. Analysis shows that a single market is most important to agriculture-only firms (in this case, Europe), accounting for 87.7% in 1992 compared to manufacturing (in this case the PTA) with 71.9% in 1992. The "combination" firms, those with mixed agriculture, manufacture and/or "other" activities show a sharp decline between 1990 and 1992, due to a major diversification of their export markets. The average for all firms remains fairly constant with 77% citing one market as their most important market in 1992 compared with 73.8% in 1990.

3.5 Employment

Sustainable employment is one of the goals of the KEDS Project. This survey was conducted in part to teach the project more about the factors affecting sustainable employment in Kenya. In general, total employment among respondents increased by 29.4% between 1990 and 1992.

Figure 12, below, shows that annual employment growth among responding firms was generally uniform, with women, men and total employment numbers all growing 1990-1992. Proportionally, female employment has increased nearly five times faster over the study period than male employment (77.9% compared to 16.5%). Female employment has expanded in all sectors, although employment creation is higher in the horticulture sector than the manufacturing sector.

Employment has increased the most among the middle-level firms (total sales of Ksh 10-100 million), increasing by 20% over the survey period, and among the largest firms (Ksh 250 million or more) by 32%.

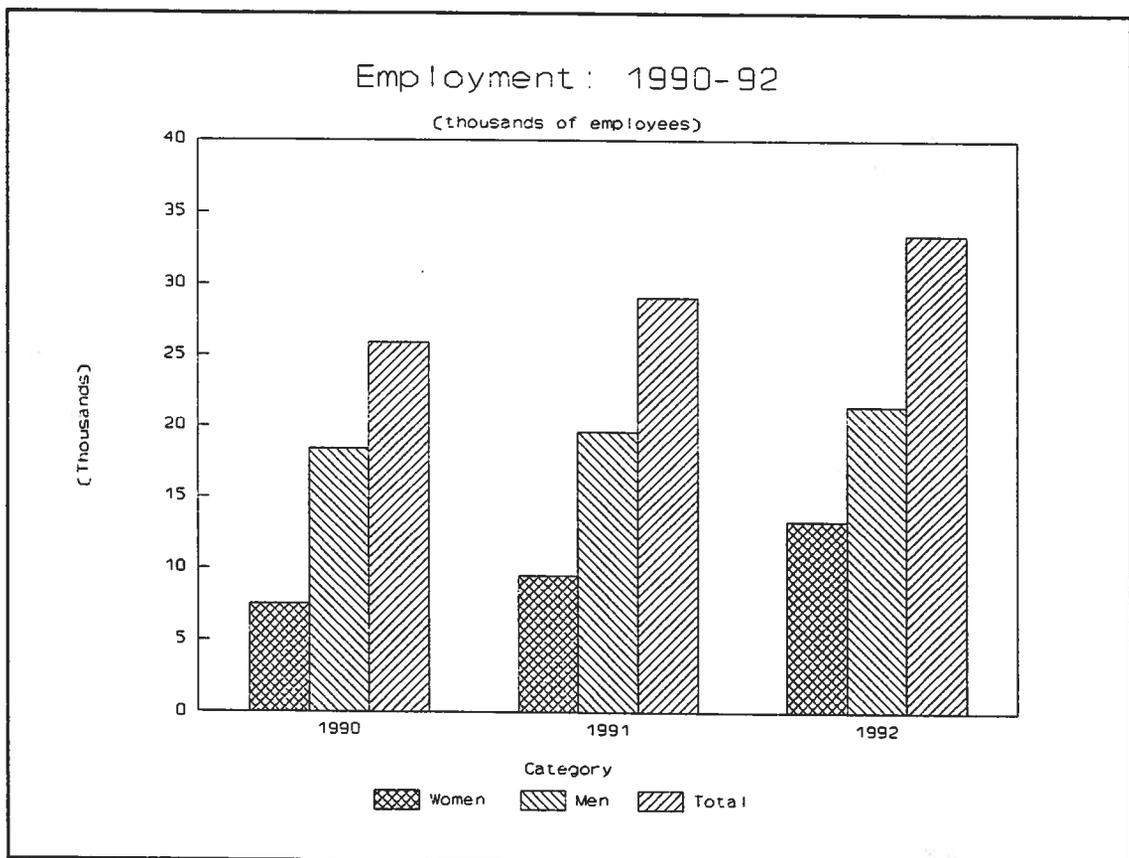


Figure 12

As Table 3.9 reveals on the following page, 65 of the 123 respondents (53%) employ at least 100 employees. Fifty-one of those 65 firms are in the KEDS-targeted sectors of agriculture-only and manufacturing-only.

3.5.1 Employment by Sector

The largest employers are the horticultural exporters, 51% of which employ more than 100 employees and of these 19 firms, seven have more than 500 employees. Among manufacturing enterprises, 66% of the firms employ more than 100; only 6% (three firms) are in the "Over 500" category compared to seven agriculture firms.

Table 3.8
Number of Employees by Type of Business: 1992
(All Respondents)

Type of Ent.	0-9	10-19	20-49	50-99	100-500	> 500	Total
Ag-Only (#)	2	4	7	5	12	7	37
Manuf-Only (#)	0	0	8	8	29	3	48
Other Only (#)	1	2	1	1	2	2	9
Mixed (#)	7	1	5	6	10	0	29
Total # Resp	10	7	21	20	53	12	123

Only two of the 85 firms listed as ag-only or manufacturing-only have fewer than 10 employees, representing 2.4% of those firms. Microenterprises (firms employing 0-9) will not be targeted by the KEDS Project. The figure below illustrates the growth in both male and female employment among ag-only exporters.

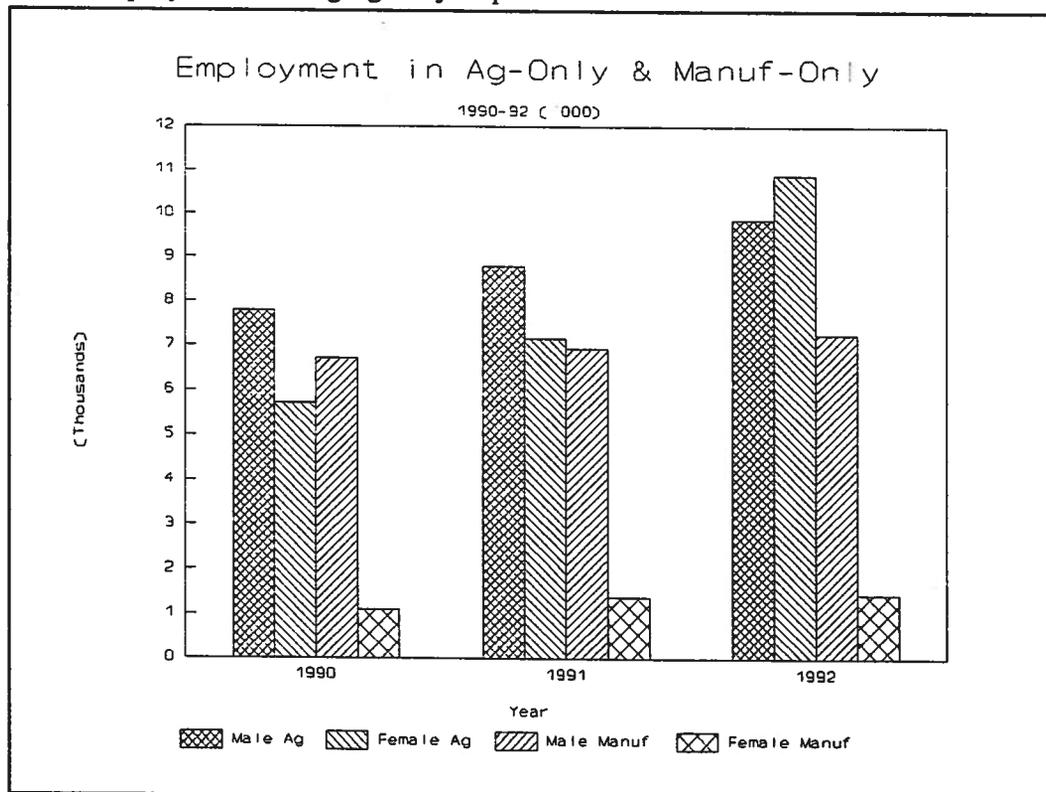


Figure 13

3.5.2 Employment and Gender

Female employment among firms surveyed is growing, both in real terms and as a percentage of the total work force. The greatest growth (in real terms) in female employment was in large companies, firms with total annual sales of Ksh 250 million or more (60.8%). Female employment registered a growth of 54.8% in the Ksh 10-50 million sales category, and remained virtually constant in firms with total sales of Ksh 10 million or less per annum.

Figure 14 below shows that the greatest percentage breakdown in male and female employees in manufacturing-only and agriculture-only firms between 1990 and 1992. The biggest change among the firms surveyed was in female employment by ag-only firms, which increased from 27% to 37% of this work force.

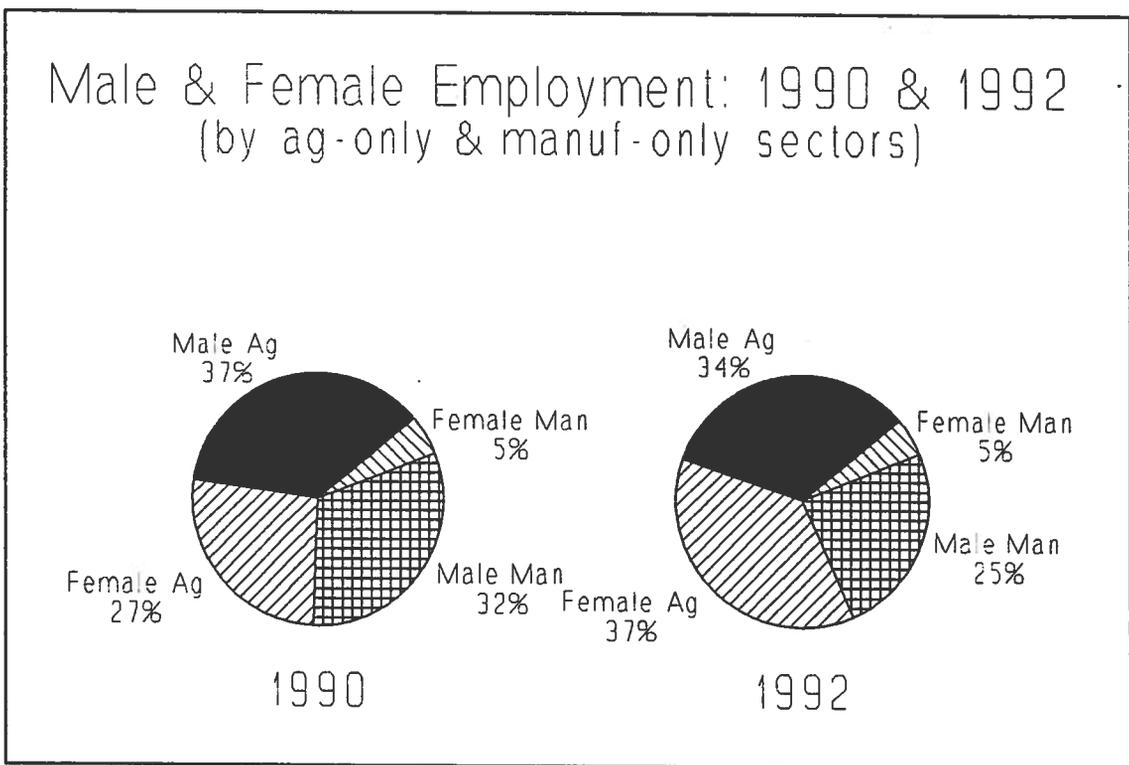


Figure 14

Table 3.10 illustrates the 78% increase in female employment between 1990 and 1992. There are several reasons for this increase. First, the largest growth of women's employment has been in agriculture, a sector which has grown by 50% in total sales between 1990-92, compared to some 21% for the manufacturing-only sector.

Second, Kenyan law generally makes it more financially and administratively attractive to hire women rather than men. For example, Kenyan corporate law requires firms to pay more benefits (eg., health, social security) to men than women. This is particularly true for married women. Kenyan law assumes that most social benefits to married women are covered by their (presumably employed) husbands.

Third, the skill and educational level of women has increased dramatically over the past decade. This, coupled with the aforementioned factors, often makes women more viable competitors than men for many jobs. Hence, the number of full-time women vs. full-time men has grown faster in both agriculture and manufacturing. This is particularly important in agriculture, however, where women have traditionally played a stronger role than men in Kenyan society, and in such fields as clerical, service and computer-related jobs.

Finally, women are perceived by many employers as being more reliable workers, more dependable and conscientious, and less likely to cause problems on the job than men. Women are viewed as easier to control and discipline than men, less likely to unionize, and less demanding for higher pay and benefits than men.

All these factors help to explain why there has been a stronger and faster growth in women's employment than men's in the export sector.

Table 3.9
Employment: 1990-1992

Category	1990	1991	1992	% Increase 1990-92
Total Female Employees	7,497	9,472	13,337	77.9%
Total Male Employees	18,374	19,578	21,407	16.5%
Total Employees	25,871	29,050	33,479	29.4%

3.6 Net Worth

Firms were asked to estimate their net worth on the questionnaire. Net worth proved to be a difficult, if not ambiguous, measure of an enterprise's size or importance. Figure 15 provides a visual representation of respondents' views with regard to net worth between 1990-92. Small firms (estimated net worth Ksh 0-10 million) show a mild increase over the two years. Firms with net worth of Ksh 10-50 million and Ksh 50-100 million show mild decreases in net worth. The larger firms (net worth > Ksh 100 million) are numerically few and had no respondents for 1991.

Firms may be understating their net worth. Alternatively, it could be that most of these firms are not very capital-intensive. In point of fact, as Figure 16 demonstrates, agriculture-only firms have the lowest net worth, even though they are the most dynamic exporters. Few agriculture-only firms are capital-intensive, rather they are very labor-intensive, as Section 3.5 Employment has shown.

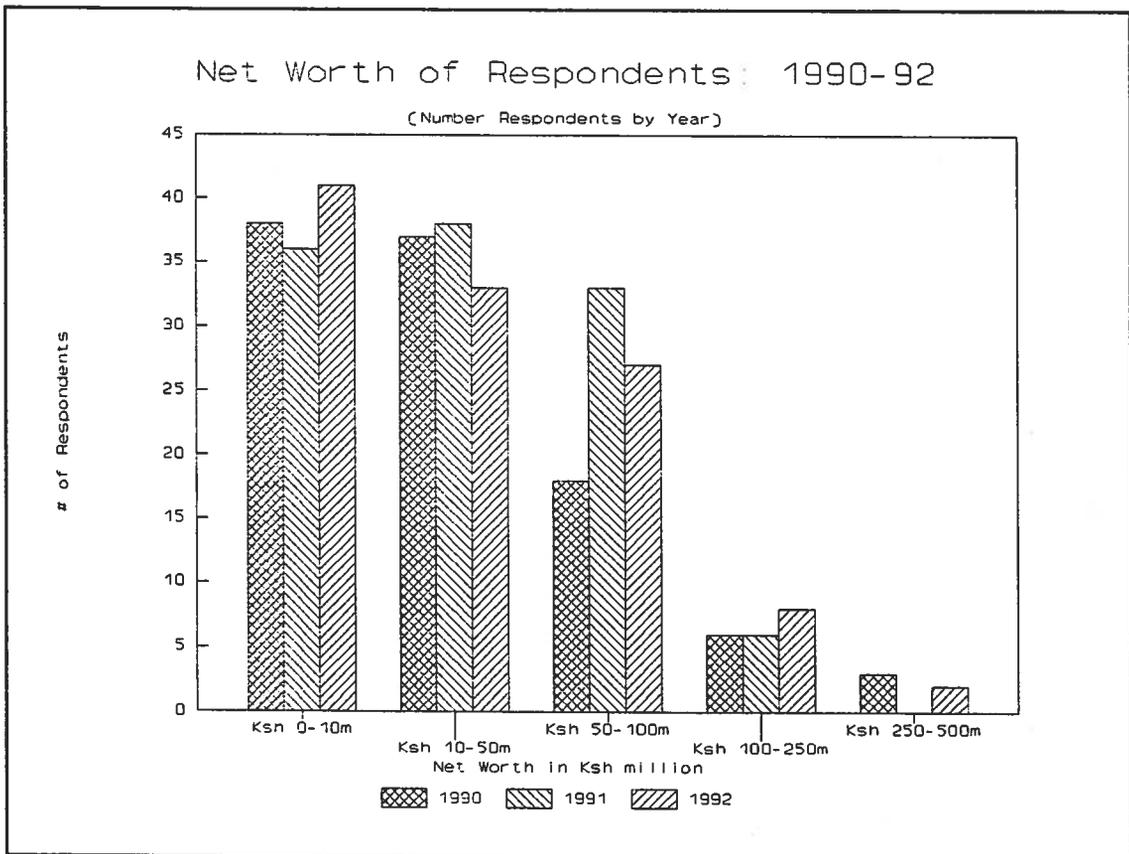


Figure 15

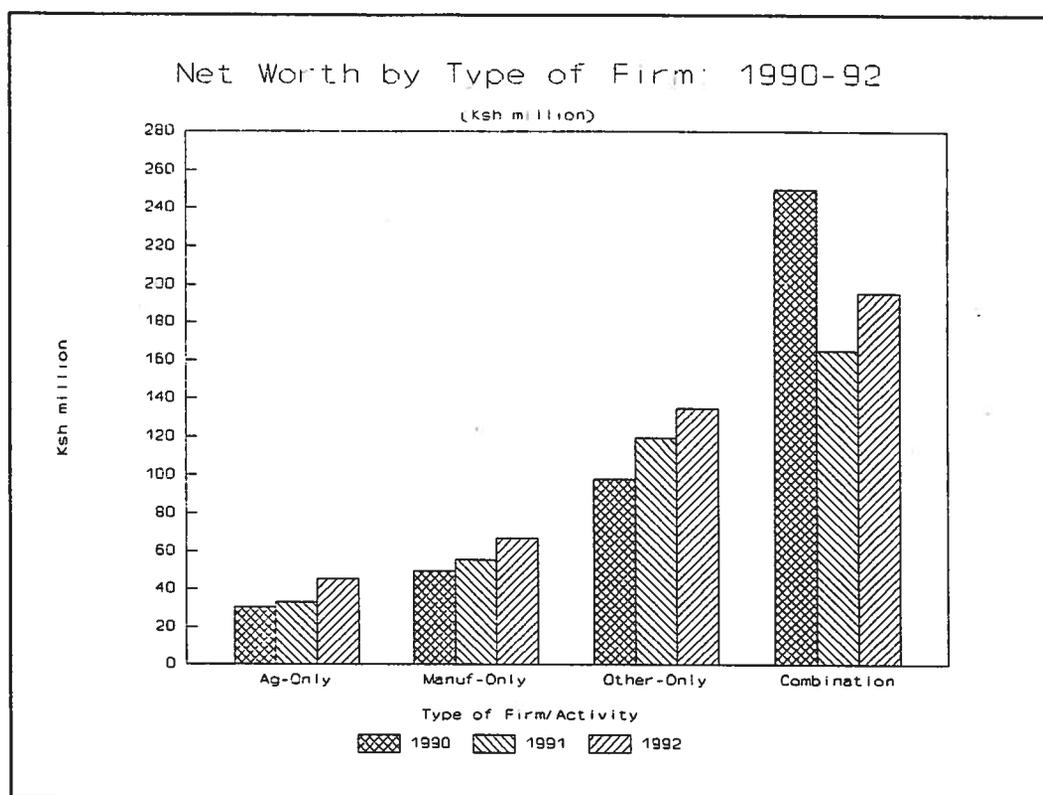


Figure 16

3.6.1 Net Worth Compared to Total Sales

Table 3.11 shows that nearly a quarter of all respondents (30 firms or 22.9%) stated that their total annual sales were less than Ksh 25 million while their net worth was less than Ksh 10 million. Fifteen firms (11.5%) cited total sales levels in the range of Ksh 25-100 million with net worth of Ksh 10-50 million. Eighteen firms (nearly 14%) stated that their total annual sales were Ksh 100-500 million and that their net worth was Ksh 50-100 million. The trend of increased total sales being reflected in increased net worth generally holds true.

Table 3.10
Net Worth of Firms Relative to Total Sales: 1992

Net Worth in 1992:	#	<25M		25-100M		100-500M		>500M	
		Sales %	#	Sales %	#	Sales %	#	Sales %	
0-10M	30	22.9%	8	6.1%	1	0.8%	1	0.8%	
10-50M	10	7.6%	15	11.5%	8	6.1%	0	0.0%	
50-100M	3	2.3%	6	4.6%	18	13.7%	0	0.0%	
100-250M	0	0.0%	0	0.0%	5	3.8%	3	2.3%	
250-500M	10	7.6%	5	3.8%	3	2.3%	5	3.8%	
Total Resp	53	40.4%	34	26.0%	35	26.7%	9	6.9%	

4.0 Other Factors Affecting Export Performance

A number of other questions were posed to the Survey group in an effort to understand what factors affect exports. Questions were posed regarding the importance of imported raw materials, the ability to increase production, the impact of government policy and incentives, among others (see Annex, Survey Questionnaire).

4.1 Raw Material Imports

Figure 17 provides a graphic illustration of the importance of raw material imports to exporters. The largest proportion of exporters (37%) import more than 50% of their raw material requirements, while, at the other extreme, 21% of respondents state that they use no imported raw materials.

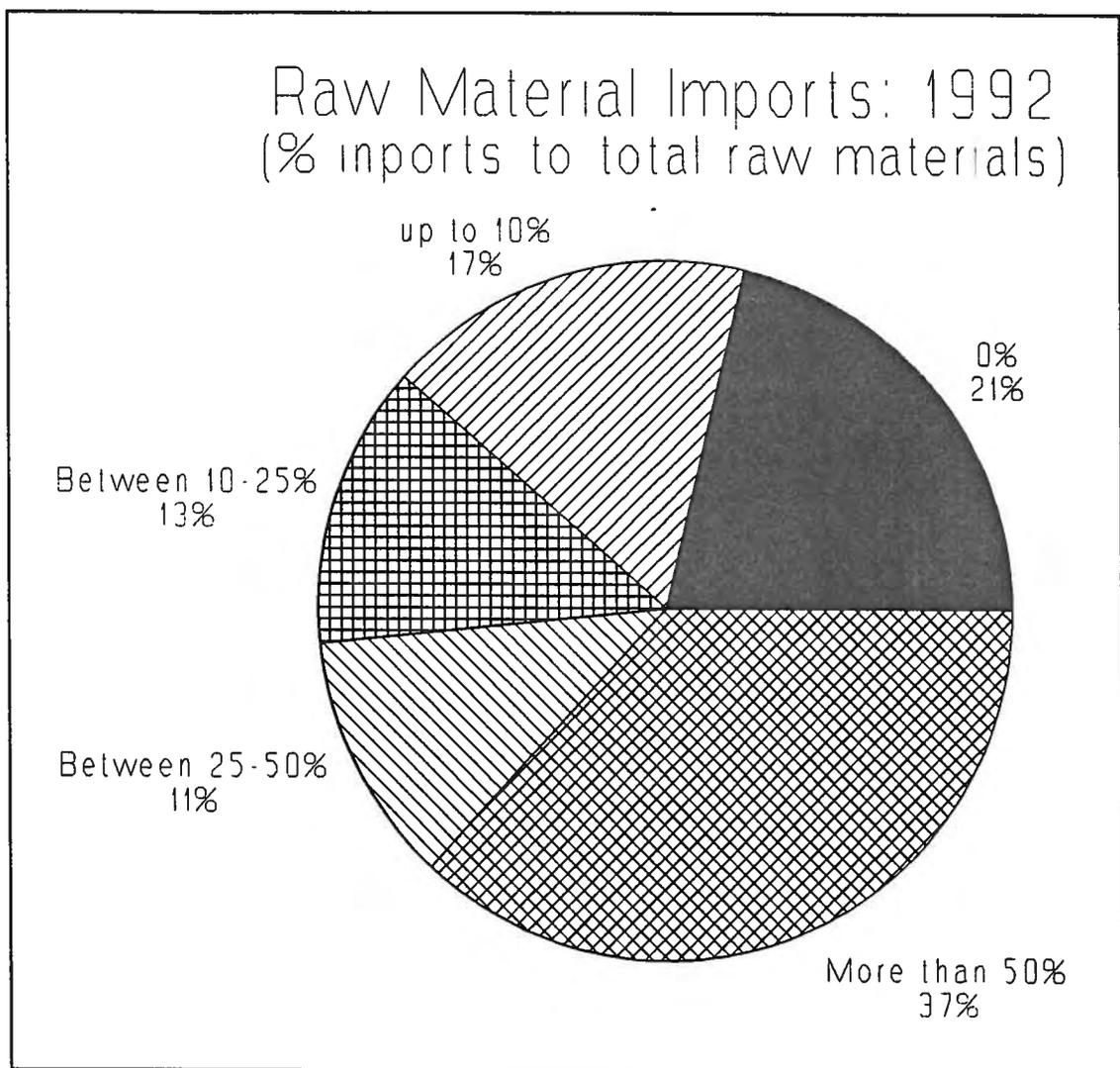


Figure 17

The aggregate figures disguise sectoral differences, as Table 4.1 and Figure 18 show. More than half of all manufacturing firms who responded to the questionnaire state that they import more than 50% of the value of their raw material requirements compared to only 17.1% of agriculture-only firms. On the other hand, 34.3% of all agriculture-only respondents state that they import none of their raw material requirements compared with only 3.7% of the manufacturing respondents.

In fact, the two sectors are at opposite ends of the spectrum with regard to their imported raw material requirements, with 62.9% of the agriculture-only respondents stating they import less than 10% of the value of their raw materials compared to 13% for the manufacturing firms.

Table 4.1
Value of Imported Raw Materials Relative to All Raw Materials

Range	% All	% Ag-Only	% Mfg-Only
0%	21.3%	34.3%	3.7%
up to 10%	17.2%	28.6%	9.3%
Between 10-25%	13.1%	17.1%	13.0%
Between 25-50%	11.5%	2.9%	22.2%
More than 50%	36.9%	17.1%	51.8%
Total Responses	100.0%	100.0%	100.0%

This table demonstrates further that agriculture-only firms employ much more local value in their production than do manufacturing firms. Not only do agriculture-only firms use far less imported raw materials, but, they also use far more local labor. Presumably the nature of their products dictate this pattern: agricultural produce requires minimal imported inputs and heavy labor content, while manufactured goods are unable to find all components on the local market and do a significant amount of import-assembly-export sales to the region. Thus, for a number of reasons, the value-added for production in the agricultural exporting sector is far higher than in manufacturing.

This imbalance also likely reflects the relative underdevelopment of the manufacturing sector, which lacks foreign investment and technology transfer. Such developments would then enable increased local production and decreased imported inputs. This is an important strategic issue for Kenya.

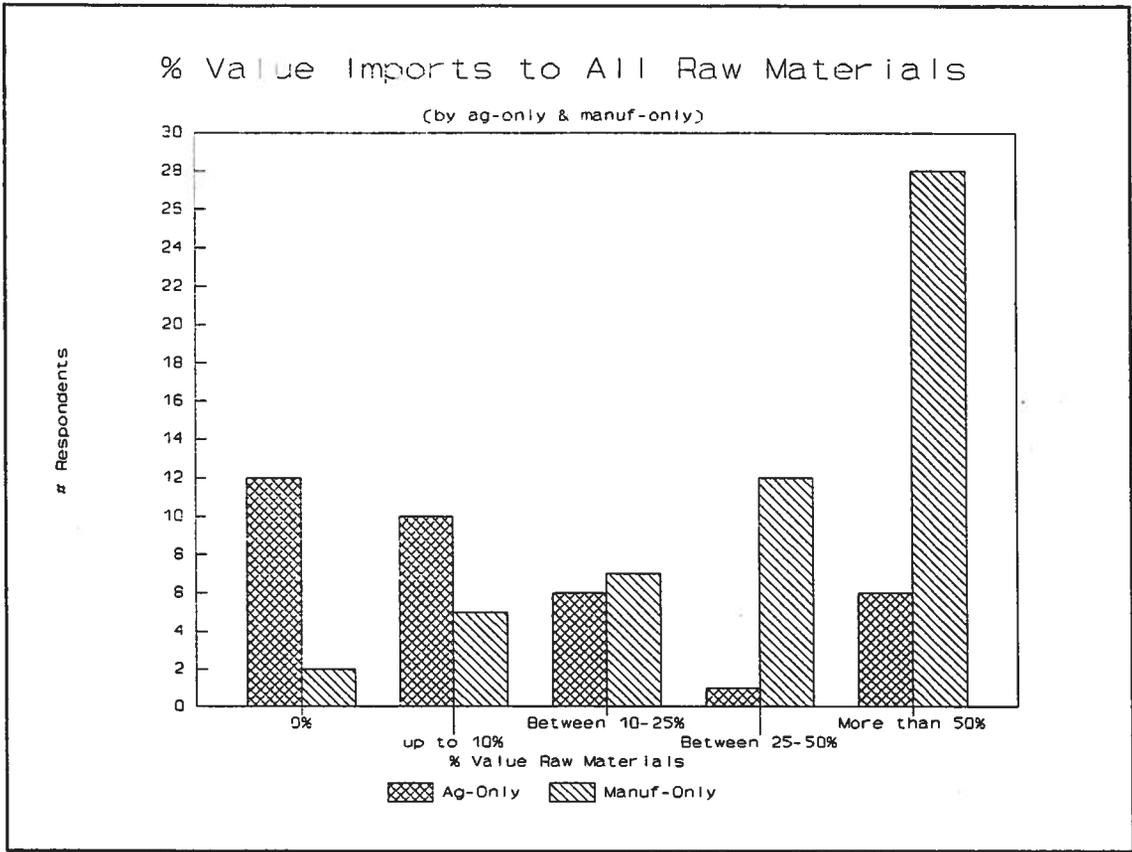


Figure 18

Figure 18 reveals the distribution of firms responding to the survey question regarding the percentage of raw materials used in production. Among agriculture-only firms, the most popular response was "0%", followed by "Up to 10%."

In contrast, among manufacturing-only firms, the most popular response was "More than 50%." The second most frequent response was "Between 25-50%."

4.2 Government Incentives and Programs

The most important Government of Kenya export promotion "program" used by surveyed exporters is the foreign exchange retention (FER) scheme. Figure 19, below, reflects the number of respondents from the various sectors using these programs. In fact, some 60.3% of all Survey respondents stated they used the FER. [As this document goes to press in early April 1993, the Government has recently announced a cancellation of the FER Scheme. Implications of FER accounts cancellation are not dealt with in this report.]

The second most important export promotion scheme among firms responding is export compensation, with 40.4% of all respondents stating they used this program (the ag-only firms using export compensation are processing firms). The Duty/VAT Remission scheme was next in terms of usage, with some 35.3% of all respondents stating they used this program. Finally, two respondents use manufacturing under bond (MUB), while only one has taken advantage of the Government's export processing zone (EPZ) program.

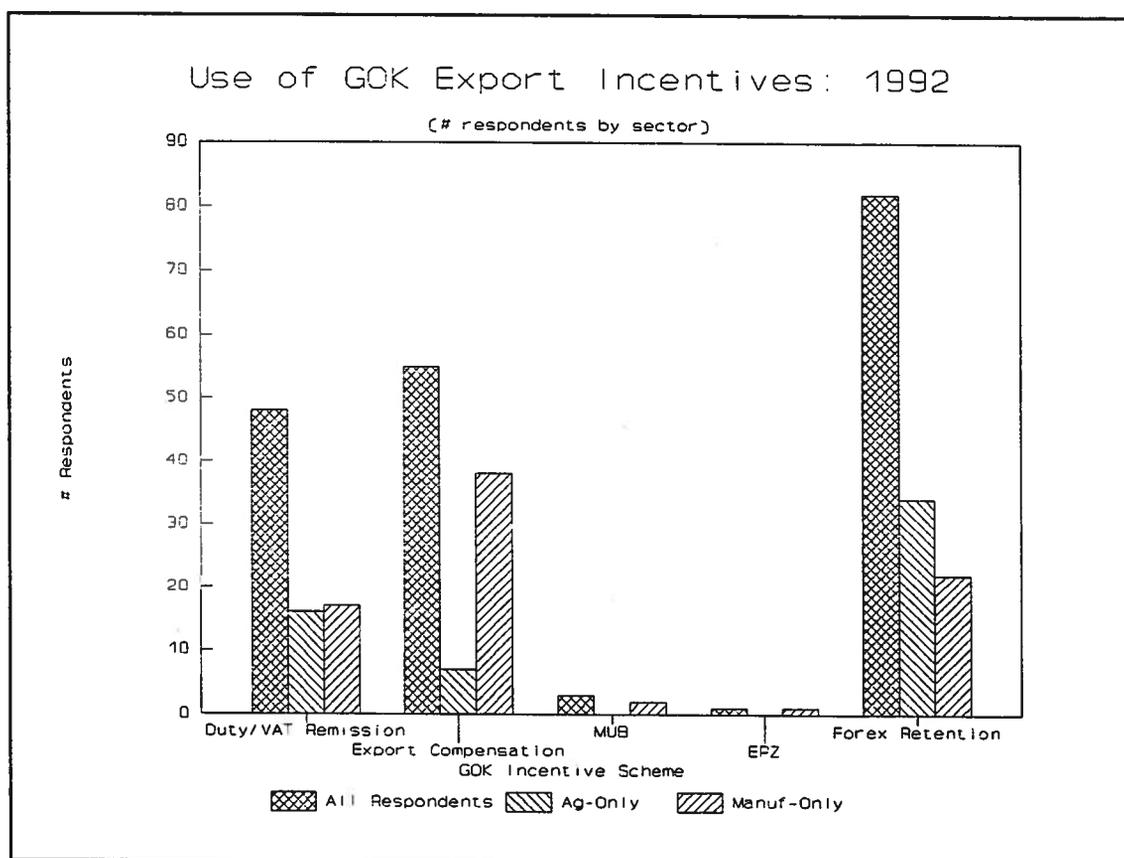


Figure 19

Figure 20, on the following page, further contrasts the use of Government of Kenya (GOK) export incentives by sector in 1992, comparing only the number of agriculture-only firms with the number of manufacture-only firms using various programs. The three major programs used by these respondents are the same as for all firms surveyed, namely: foreign exchange retention (FER), duty/VAT remission, and export compensation.

Foreign exchange retention (FER) is of major importance to agricultural exporters, with 83% using the scheme compared with 41% of the manufacturers-only. As would be expected, both agriculture-only and manufacture-only respondents utilize the duty/VAT remission scheme about equally (39% of agriculture-only respondents, and 32% of the manufacturers). Likewise, agriculture-only exporters use export compensation very little (17.1%) relative to manufacturers (70.4%) who use it widely.

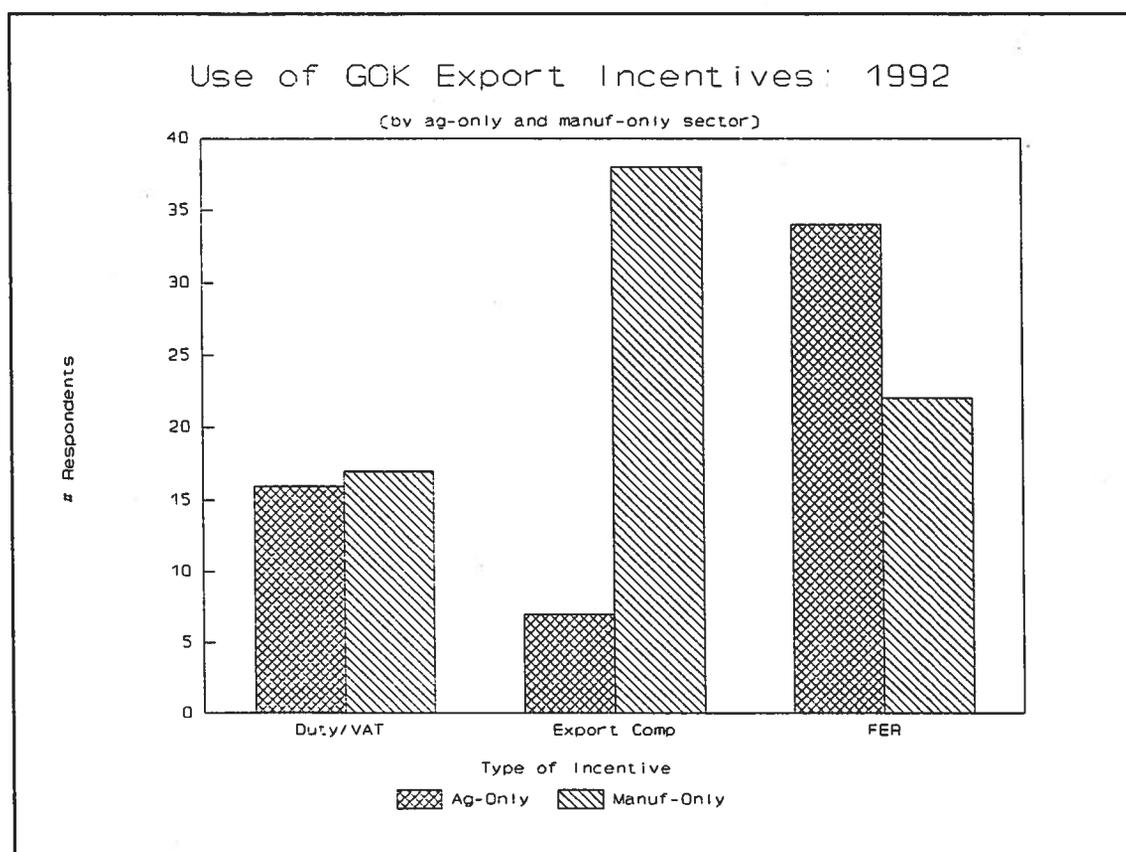


Figure 20

4.3 Volume of Production vs. Value of Production

Question 16 asked respondents to list their major product and then to indicate it on a basis of volume of total production and on a basis of value of total production. The purpose of the question was to determine whether or not a relationship could be drawn between firms' volume of production and the value of that production.

Only 86 of the respondents answered the question correctly.¹⁴ Respondents stated that their major product comprised 67.5% (with a standard deviation of 26.9) of the volume of their production, and 67.2% (with a standard deviation of 26.9) of the value of their production.

¹⁴. One hundred and twenty answered the question, but 34 answered the question incompletely (eg, answering volume but not value) or incorrectly (eg, citing their major product as comprising 100% of their total volume but only 5% of their value of production).

That is, the responses show no statistical difference between the volume and value of production.

4.4 Volume of Exports vs. Value of Exports

Respondents were also asked the volume of exports and the value of export sales (Question 26). Again, no statistically valid difference was found between the two factors (volume and value). Respondents stated that their major export accounted for 69.3% of their volume of exports (with a standard deviation of 29.4) while stating that their most important export accounted for 68.9% of the value of their exports (with a standard deviation of 30).

4.5 Finished Products

Of the 129 respondents to Question 17 (asking if the firm purchases finished products to supplement own production), 42% of those who replied said that they do purchase finished products, and 58% said they do not. When broken down on a basis of sectors, 44% of the agriculture-only respondents state that they purchase finished products from outsiders to supplement production, while 30% of the manufacturers-only stated that they did.

The wording of this question should guide the analysis. That is, many agricultural producers purchase from other producers and from "outgrowers". When further disaggregated on a basis of size (based on total sales), over half of all agriculture-only producers with total sales of Ksh 100 million or less per annum purchase from outsiders, while less than a quarter of those with production of greater than Ksh 250 million per annum purchase from outsiders to supplement production.

4.6 Seasonality of Production

The questionnaire asked respondents about the seasonality of their production. One hundred and twenty-seven respondents answered the questions regarding seasonality (Questions 18 and 19), with 34% (43 firms) replying that their production was seasonal and 66% (84 firms) replying that their production was not seasonal.

Of the agriculture-only respondents, 39% answered that their production was seasonal while, of the manufacturing-only respondents, only 13% responded that their production was seasonal. Agriculture is less seasonal than might be expected, particularly given the fact that over 90% of the agriculture sector respondents export their produce to Europe, where demand for such products as cut flowers and fresh fruits and vegetables is distinctly seasonal. The fact that so few agricultural respondents consider themselves affected by Europe's seasons suggests that Kenya has carved out good market niches for constant exports to Europe. The fact that 44% of ag-only exporters purchase from other firms or "outgrowers" may also contribute to ag-only exporters' supply stability.

As can be seen on the following page in Figure 21, while manufacturing production is fairly constant on a quarterly basis (with a slight upward variation in the July-September period), agriculture shows peak production in the January-March period (nearly 30% of annual production) with the lowest production in the July-September period. This coincides with Europe's winter and summer, respectively.

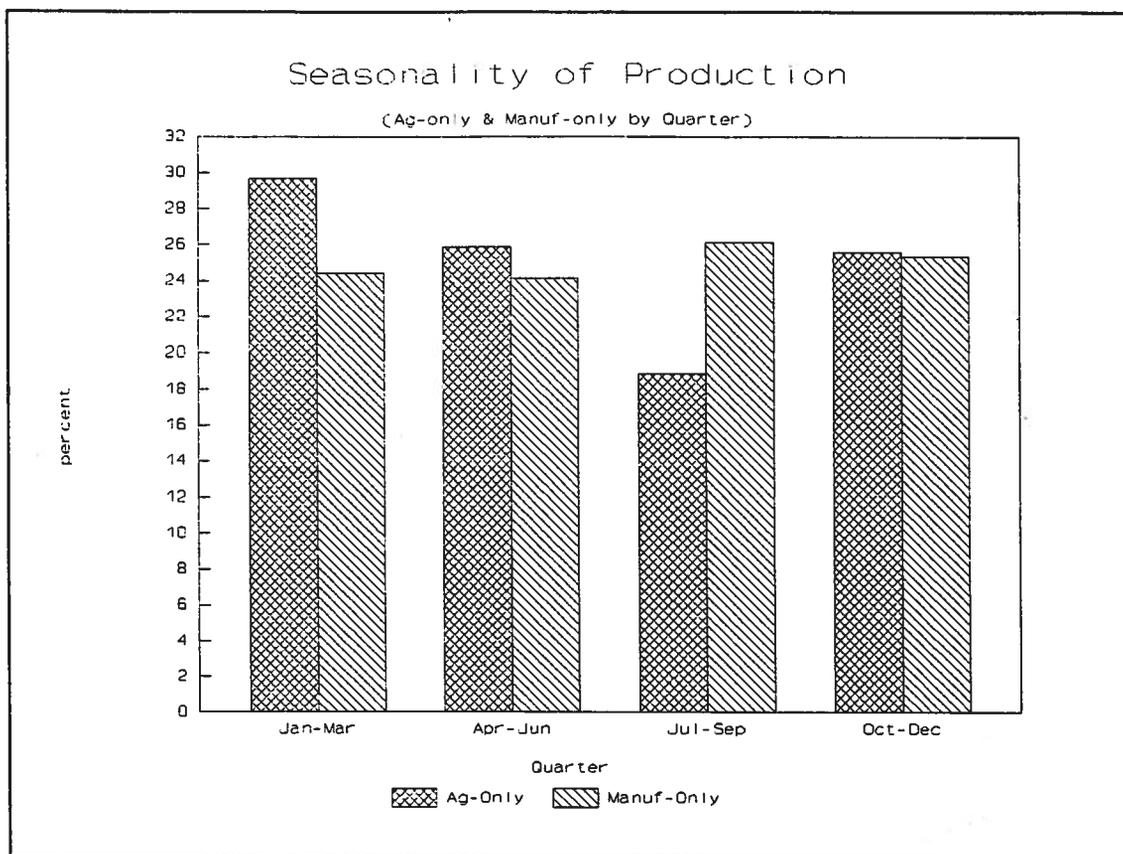


Figure 21

4.7 Ability to Increase Production

Question 20 asked respondents whether or not they could increase production to meet new sales orders. The majority, 87%, stated that they could increase production under such circumstances and 13% of respondents stated that they had production constraints.

However, on a sectoral basis, 26.3% of the agriculture-only respondents stated they could not increase production compared to only 8% of the manufacturing-only respondents. The most important reasons cited by the agriculture-only group were finance and capital (50%), land (30%), and storage, freight and handling (30%).¹⁵ Only four manufacturers (8%) responded that they could not expand production, citing raw materials, finance and capital as the major reasons.

These figures reflect the different characteristics of the two sectors being evaluated in regards to excess capacity. The 25% of ag-only respondents who answered that they lacked the ability to increase production cite finance, perhaps reflecting the smallness of the firms and low capitalization levels or inability to meet collateral requirements. In the view of 92% of respondents from the manufacturing sector, capacity exists for expanding production (i.e., excess or unused capacity).

¹⁵. Of the ten respondents who replied that they could not expand production, several provided multiple reasons for not being able to increase production.

4.8 Perceptions of Export Performance in 1992

Respondents were asked whether or not they considered 1992 to be a better year for their exports than 1991. Eighty percent of all respondents felt that 1992 was a better year than the previous year. However, when broken down on an ownership basis, only 60% of the wholly-owned local and foreign firms felt 1992 was better than 1991, while the mixed local-foreign firms had a high "1992 better than 1991" rating of 84%. The relatively negative perception of the local firms is understandable, considering that they have fewer options than foreign firms to weather the vagaries of the local and regional economy. We can conjecture as to why 40% of the wholly-owned foreign firms should have felt 1992's performance was poorer than 1991, and cite such factors as: the country's political and financial instability; exchange rate volatility; and difficulties with repatriation of dividends.

Kenya held national multi-party elections in late-December, in the middle of our questionnaire gathering exercise. The analyst working on this study examined the responses to the "forecast attitude" questions to compare the body of responses received prior to elections with the responses received after elections. Analysis revealed no statistical difference between the two sets of responses.

Table 4.2
Exporter Who Felt 1992 Better than 1991¹⁶
(Respondents by Category of Ownership)

Type of Ownership	# Responses	% Responses
Wholly owned locally (private)	47	58.8%
Mixed local-foreign (private)	22	84.6%
Mixed local-foreign (public)	5	83.3%
Foreign	6	60.0%
All Responses	80	80.0%

¹⁶. Excludes those who responded "worse" and "the same."

4.9 Expectations of Export Performance in 1993

Table 4.3 compares perceptions for export performance in 1993 relative to 1992 among respondents by ownership. Expectations are high across the board. Over 90% of all respondents felt 1993 would be a better year than 1992, with foreign-owned firms in a change, now the most bullish.

Table 4.3
Exporters Who Consider Prospects for 1993 Better than 1992¹⁷
(Respondents by Category of Ownership)

Type of Ownership	# Responses	% Responses
Wholly owned locally (private)	69	90.8%
Mixed local-foreign (private)	24	96.0%
Mixed local-foreign (public)	6	100.0%
Foreign	10	100.0%
All Responses	109	93.2%

Horticultural exporters are the most optimistic of all respondents with regard to future performance. Over 90% of horticultural exporters responding to our survey believe that 1993 will be a "better" year than 1992, compared to 71% for the manufacturing group.

¹⁷. Excludes those who responded "worse" and "the same."

