Economic and Social Research Foundation

Globalisation and East Africa

Working Paper Series No. 8

National Entrepreneurship in the Export of Horticultural Products in East Africa

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October 2003

1.0 INTRODUCTION

1.1 Background

Agricultural exports are very important for many developing countries as the main source of foreign exchange earnings and economic growth. Expansion of agricultural exports is considered one of the most promising means of increasing incomes and augmenting foreign exchange earnings, particularly in countries stepping up their development efforts. Even for countries that have shifted the weight of the economy from agriculture to manufacturing or other sectors, agricultural exports continue to play an important role in creating incomes in rural areas and providing raw materials to related sectors.

Over the last two decades, agricultural exports diversification has been pushed as an economic development strategy for Sub-Saharan Africa. Traditional export crops such as coffee, cotton, cocoa, palm oil and tobacco, are all suffering from large price variability and declining world market prices[1]. For instance, between 1978 and 1987, the average annual price changes for cotton, coffee, tobacco and tea were all negative, ranging from –2.4% for cotton, to -6.8% for coffee. Diversification into non traditional exports has been tried in commodities such as vegetables, fruit, cut flowers, meat, fish, bee products, herbs, spices, nuts, dyes, essential oils and organically grown traditional export crops[2][3]. Although the growth of non traditional exports have been higher than that of traditional agricultural exports in most African countries, non traditional exports have however not replaced traditional agricultural exports.

The East African economies are essentially agricultural based. Uganda's exports are dominated by agricultural products, which account for over 90% of the export earnings. Coffee accounts for over 50% of agricultural exports. The total value of Ugandan agricultural exports amounted to US$491.1 million in 1996. Food crops (plantains, cassava, sweet potatoes, millet, sorghum, maize, beans, groundnuts and sesame) represent 60% of agricultural GDP, livestock 19% and export crops (coffee, cotton, tea and tobacco) 12%. Some high value crops, such as cut flowers and certain vegetables and fruits, are also being exported. The government is developing a strategy to encourage exports of both food crops and high value crops, in order to further diversify exports[4].

Coffee and tea are Kenya's principal agricultural exports. Coffee was the country's leading foreign currency earner until 1987. In that year, world coffee prices declined and coffee exports fell to $277.7 million, down from $445.6 million in 1986. About 83 percent of the country's commercial agricultural production is exported, including

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[1] Crops that are not part of the customary diet of the local population and grown primarily for their high cash values and export potentials are categorized as nontraditional

[2] World Bank, 2000. Can Africa Claim the 21st century? The World Bank, Washington.

[3] Rising costs of greenhouse heating and labour coupled with pricing pressure in an increasingly global economy have made tropical countries a favoured alternative for producing green-house crops. Some tropical fruits and vegetables also show substantial export promise as consumers' desire for variety and awareness of the health benefits of these crops increases.

[4] Tjalling Dijkstra, 2001. Export Diversification in Uganda: Development in Non-Traditional Agricultural Exports. African Studies Centre.

95 percent of its coffee. Kenya is trying to reduce its heavy reliance on coffee and tea by developing other export crops. The most successful diversification to date has been in the sale of fresh fruits, vegetables and flowers. Exports of these farm crops earned US$ $100 million in 1987, up more than a third from the $73 million in sales the previous year. Other alternative crops being promoted are pyrethrum and sisal fibre, but export sales of these products remain disappointing.

In Tanzania, over 50% of the exports is agro-based constituting exports of primary products such as coffee, cotton, sisal, tea, tobacco and cashew nuts. The processed agro exports account for below 30% of total exports. Non-traditional exports such as horticulture and fish are also becoming important. In 2000, non-traditional exports accounted for up to 44 percent of the total exports. During the era of socialism based on public sector led development, the state took the lead in agribusiness investment including plantations, processing and marketing of inputs and outputs. Since the mid 1980s, policy reforms have been implemented involving liberalisation of agri-business and enhancing incentives for the private sector to engage in agricultural business. This has however not been accompanied by efficient and broad based supply response by private investors in various agricultural businesses[5].

Although there is considerable entrepreneurial capacity demonstrated by African small business in supplying domestic markets, a recent study on agricultural trade in Tanzania identified lack of entrepreneurship as one of the factors responsible for poor performance in the sector[6]. According to the study, only a few (commercial) farmers export directly, most of these being foreign farmers. The indigenous players are not professionals and lack information on foreign trade issues, including foreign exchange management and how to tackle un-certainty surrounding trade. The report cites numerous cases where Kenyans and South Africans import (e.g. oranges and other fruits) from Tanzania and then re-export[7][8]. The study concludes that international market prices are only partially transmitted to domestic farmers.

In Kenya, it is estimated that in 1986, foreign owned companies accounted for more than half of the value of Kenya's horticultural trade, while firms owned by Kenyan Asians and Europeans accounted for another 39%. Firms owned by Africans or having Africans in senior management positions accounted for 6% of trade (Jaffee, 1992).

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[5] World Bank, 2000. Agriculture in Tanzania Since 1986. World Bank, Washington

[6] Haidari Amani, David Nyange, Josaphat Kweka and Vincent Leyaro, 2003. Trade Policies and Agricultural Trade in the SADC Region: Challenges and Implications: Preliminary Report for Tanzania. ESRF

[7] An article in the Israel Agro-business identifies one of the key features of entrepreneurship in the sector as direct contact with the market - via the media, to achieve daily contact with market and buyers, to monitor the product's behaviour in the market, buyers' complaints, price fluctuations, potential competitors, future development possibilities, etc.

[8] This is however disputed by the Kenyans. The oranges exported to international markets are mainly the seedless, while those from Tanzania are the seeded. Pre-cautions by the plant health inspectorate regarding transmission of diseases by plant material limits this.

1.2 Research Problem

Despite the role played by agricultural exports in the East African economies, very few indigenous entrepreneurs export directly to the international markets. The export business is mainly controlled by agents of international companies. By not exporting directly, the farmers get a very small percentage of the international market prices. In addition, by the foreign companies being the main exporters, the country looses since only a small percentage of the export revenue remains in the country. There is therefore a need for increased participation of the indigenous entrepreneurs in the export of agricultural products.

Peter Gibbon (2003) in his article argues that supermarkets which increased sourcing of fresh produce from developing countries has been generally accompanied by a decline of the proportion of this produce accounted by small-scale producers. He attributes this to their growing use of buyer pow er to demand more services and lower prices from suppliers. He concludes that, rather than small scale producers in developing countries reaping from the new opportunities, they are instead experiencing marginalization and exclusion.

Available statistics indicate that although Kenya accounts for over 25% of the flowers sold in Europe, the country only earns US $ 110 million from the entire floriculture business, compared to US $3.6 billion earned in the Dutch flower auction, which is Kenya's main outlet (Bjorn, 2003). The auction fee is normally a percentage of the auction turn over. Auction agents charge an average of 16%, which works out to a total of $135 million payment by Kenya flower growers to Dutch auction agents. On the other hand, freight companies charge a further US $2 per kg. Considering that Kenya exports about 30,000 tonnes of flowers annually, the total freight bill is about US$ 60 million. This means that Kenya should earn at least US $ 700 million from the industry (ibid).

With the almost near collapse of the cooperative unions in the three countries, development of private entrepreneurship is imperative for the survival of the agricultural sector. If we have active entrepreneurs, the produce will be able to reach the markets. Backward linkages will also ensure that farmers are motivated to produce more. An entrepreneur exporting from East Africa however ought to realise that he is competing with entrepreneurs from other countries such as South Africa, Thailand and Israel. The entrepreneur therefore need to be very conscious of need to cut costs at all level without compromising quality. By the produce reaching the market at a competitive price is the only way to make the horticulture industry vibrant. Entrepreneurs therefore play an important role linking the producer and the market, and/or as also producers.

The study acknowledges the sophistication, both in terms of finance and technology, required to maintain a successful flower industry. This has acted as a barrier to potential indigenous entrepreneurs. However, there are sectors considered less demanding, such as raw (non-processed) fruits and vegetable exports, which national entrepreneurs have not tapped[9]. Although processing fruits has an added value, it can also present a capital barrier to the farmers who want to participate in this business.

[9] In this report, the term fresh produce is used to refer to both fruits and vegetables

1.3 Objectives

The purpose of the proposed study is to examine the extent of indigenous participation in the export of horticultural products in East Africa countries.

Specifically, the study intends to:

- Review the status and key players in the export of fresh fruits and vegetables in East Africa.
- Review the role of the following categories of entrepreneurs in fresh produce exports (multinationals, non indigenous local entrepreneurs, state entrepreneurship, indigenous large scale and medium scale entrepreneurs and informal small scale entrepreneurs).
- Compare the above entrepreneurs in the three East African countries to identify similarities and differences in their approaches, and identify positive traits.
- Identify barriers facing indigenous entrepreneurs exporting fresh fruits and vegetables in East Africa.

1.4 Methodology

The first part of the study is a literature review. Secondary data was gathered from surveys done by previous studies.

The second approach was interviews with stakeholders including personnel from the ministry of agriculture, and ministry of trade and commerce regarding entrepreneurship in the horticulture industry. The third approach will be case studies. Different indigenous enterprises will be interviewed. This will include both successful and under performing enterprises. The objective is to get a glimpse of how they started their businesses and how they manage their businesses, competition and the factors responsible for the growth and non-growth of the indigenous enterprises.

Finally, a survey was conducted in the last phase of the study. The survey investigated issues such as levels of education, previous experience before venturing into the business, sources of capital, marketing approaches and the various approaches adopted by the entrepreneur in expanding his business. The main objective was to analyse if there are certain characteristics associated with success or failure. Details regarding the survey are included in chapter 5.0. The following chapter is a theoretical review of the fresh and fruit export industrial structure.

2.0 FRUIT AND VEGETABLE EXPORT TRADE COMMODITY CHAIN

A commodity chain describes the connections between different enterprises involved in the design, production, and marketing of a finished product. The commodity chain for international fresh fruit and vegetable trade is made of retailers, importers, exporters, and growers. The chain of operations and the agents involved are shown in the table below.

Exporters are not just shippers of produce, but also the primary party responsible for meeting the supply chain requirements set by retailers. These firms need the capability to work closely with overseas importers, organization to deal with growers to meet volume and quality requirements, capital to invest in transportation and post harvest facilities, ability to benefit from governmental incentives, and connections to bypass bureaucratic hurdles. As a result, only a few large firms within each country succeed in this venture.

The shipping agent books the plane, arranges export formalities, and handles the produce at the airport, including storage if necessary. In the recipient country, the same shipping agent clears the produce through customs, handles it at the airport and keeps in contact with the importer. The importer sells to the wholesaler. The wholesaler combines the imported products with imports from other sources to supply the retailer with an assortment.

Table 1: Chain of Operations and The Agents[10]

Operations		Agents (1)	Agents (2)
1	Field production, harvesting	Growers	Large scale farms
	Grading, packing, cold storage	Packing station	“
	Transport to airport/seaport	Transport company	“
2	Handling at airport/seaport	Shipping agent	Shipping agent
	Flight to Europe and other markets	Airlines/sea line	Airline/sea line
	Handling at airport/sea port	Shipping agent	Shipping agent
3	Transport to wholesaler	Importer	Chain store
	Transport to retailer	Wholesaler	“
	Sale to consumer	Retailer	“

Different exporters use different approaches to procure horticultural products. Some have linkages with the markets while others operate solely through the market. The approaches includes the following:

- The most basic level is the sport market purchases. In this approach, the exporter purchases from the market at a particular time at market prices. The exporting firm may buy from farmers, local merchants or truckers.

- The second approach involves vertical integration. In this approach a marketing firm develops its own production firm.

- The third approach is market reciprocity agreements. Under this, the exporter is not involved in the production process but has developed an informal trading relationship with a certain sub-set of growers, although the produce is exchanged at the current market price.

[10] The organisation becomes easier if the number of agents can be reduced for instance with a cooperative, or if big enough farms are to operate their own packing station and trucks. Marketing agents can also be replaced by supplying direct to the chain store.

- Advanced methods of procurement involve contracts between the exporter and the farmer. Contracts in marketing channels, occurs in the case of uncertainty and high risks. In the forward market contracts method, there are formal commitments to buy and sell specified quantities and qualities of produce at particular times. Prices may be agreed in advance or at the time of exchange.

- The highest level is the contract farming. Under contract farming, the buyer is involved in the production process. The exporter provides production inputs and technical advice on credit and the farmer makes a commitment to follow the buyer's instructions regarding production.

Export of fruits and other horticultural products from developing countries to Europe are characterised by high uncertainty because the produce is highly perishable, quality standards are specific, and supplies show a seasonal variability[11]. Products need to be placed in shade immediately after harvest, transported in refrigerated trucks to packing facilities, cooled, washed with chlorinated water, graded, and packed under controlled humidity and temperature. Facilities for post harvest handling including cold storage chambers require considerable investment. Not many growers have capital or expertise to undertake post harvest processing. Therefore, specialized processors or exporters themselves assume this function. The next section reviews the production of fruits and vegetables in East Africa. The review is done on a country basis. However, in the last chapters, comparisons of the three countries will be done, and the concluding chapter will consist of lessons from the three countries combined.

3.0 THE FRUIT AND VEGETABLE INDUSTRY IN EAST AFRICA

Tanzania

Tanzania has good climatic growing conditions for growing fruits. The most important fruits include pineapples, passion fruits, citrus fruits, mangoes, peaches, pears and bananas. The fruits growing areas are shown in the table below. The next table shows the production estimates. Small-scale farmers practising traditional methods of growing fruits account for a large share of the produce[12]. Most of these farmers are however not commercial oriented and cannot meet the quality required for exports.

[11] By 2005, all ACP countries exporting to the EU are required to have implemented the Pesticide Initiative Programme. The programme requires the implementation of an information system to make it possible to track the agronomic history of production and exports and detailing pertinent issues such as the producers, date of production, and the contaminated batch.

[12] Post harvest losses in fruits and vegetables are over 50 percent.

Table 2: Tanzania: Distribution of Fruit Production by Zones

Agro-ecological zone	Region	Fruit grown
Coastal Belt Mtwara	Tanga, Pwani, Dar es Salaam	Oranges, Tangerines, Plums, Pears, Mangoes, Pineapples
Central Plateau	Dodoma, Singida, Tabora, Kigoma, Morogoro	Mangoes, Pineapples, Oranges, Tangerines, Plums, Peaches, Leovs, Grapes
Lake Zone	Mwanza, Mara, Kagera, Shinyanga	Mangoes, Citrus, Banana
Northern Highlands	Arusha, Kilimanjaro	Mangoes, Avocados, bananas
Southern Highlands	Iringa, Mbeya, Rukwa	Mangoes, Pears, Oranges, Tangerines

Source: Nyange et al

Table 3: Production of Fruits in Tanzania (Metric Tonnes)

Fruit	**1990/91**	**1994/95**	**2001/2002**
Oranges	38,800	113,573	145,000
Mangoes	61,680	165,514	146,000
Pawpaw	2,036	10,644	3,000
Pineapple	24,306	146,512	200,000
Guava	2,470	4,582	1,200
Lemon	2,975	8,082	1,200
Passion	1,043	1,783	1,700
Mandarin Orange	1,963	3,680	1,300
Avocado	497	5,231	5,500
Mafyurisi	1,919	5,200	3,800
Tunda damu	NA	15,677	18,000
Apple	NA	3,469	4,020
Locquat	NA	NA	170
Jackfruit	NA	NA	150
Total	**231,267**	**770,492**	**532,860**

Source: Ministry of Agriculture database

Table 4: Summary of Horticultural Products trade in Tanzania (MT)

		1995	1996	1997	1998	1999
Vegetables	Export	767.854	617	3766.05	6684.67	498.446
	Import	13019.48	37.107	27.1213	550.147	982.354
Fruits	Export	320.071	2657.73	2393.37	3887.8	2190*
	Import	2064.31	369.687	976.87	809.729	951.68
Spices	Export	67.42	306.75	7826.07	1240.9	6970.46
	Import	163.338	85.159	1258	190.185	120.181
Processed products	Export	NA	43.741	NA	20.312	5.63
	Import	NA	330.746	848.141	1527.77	852.024

*The figure for 1999 is an estimate

Source: Ministry of Agriculture

Data on horticultural exports is limited and most of it is based on estimates. The destination, amount exported and the value of exports are shown in the tables 4 5 and 6[13]. Variation is very high from year to year. This can be attributed to climatic conditions such as drought (both in the country and in other exporting countries including those outside the region which are competitors), pests, and bilateral relations. Another key feature is the trade with the neighbouring countries especially

[13] The imports include for instance seedless oranges from South Africa

the high exports to Kenya. A detailed table showing the country of destination for a specific product, the value and amount exported, is included in the appendix.

Table 5: Tanzania Export of Fruits and Vegetables to Neighbouring Countries

	1993		1994		1995		1996	
Destination	Quantity (MT)	Value (000Tsh)	Quantity	Value	Quantity	Value	Quantity	Value
Kenya	65	14,819	35	6764	90	20,250	100	21,137
Zambia	20	4,730	25	5094	18	2,502	45	9,979
Malawi	15	3,363	10	1472	5	1,121	35	9,384
Total	100	22,912	70	13,300	113	23,873	180	40,500

Source: Kitule, 1999

Table 6: Destination of Tanzania Fruits and Vegetables Exports

	1993		1994		1996	
Destination	Quantity (MT)	Value (000Tsh)	Quantity	Value	Quantity	Value
European Union	418	97,960	400	88,794	416	84,800
Gulf States	301	79,101	280	64,206	561	147,213
Neighbouring countries	100	22,912	70	13,330	180	40,500

Source: Kitule, 1999

Kenya

Like Tanzania, Kenya also has a favourable climatic condition for growing fruits and vegetables. Kenyan farmers have committed a sizeable hectarerage to production of fruits and vegetables. In 1999, for example, 134,000 ha of prime land were planted with fruits and 97,000 ha with vegetables. The leading commodities by hectare, volume and value were bananas, mangoes, citrus, papaws and avocado (fruits) and kales, cabbage and tomatoes (vegetables). This hectarage yielded 3,276,000 tons of fresh produce. Out of this production, a small proportion (70,000 tons) was exported. The bulk of the fruits and vegetables that did not find its way into the export market were used by farm families for subsistence. The remainder was sold to Kenyan consumers through direct purchases from farms, retail outlets or various other arrangements (Kiilu et al, 2000). Production of major fruits and estimates is shown in the table below.

Table 7: Major Fruit Production/Forecasts 1999-2003 (tonnes)

Commodity	**Production**	**Forecasts**			
	1999	**2000**	**2001**	**2002**	**2003**
Avocados	9,233	10,156	10,918	11,463	12,037
Macadamia nuts	810	851	915	960	1,009
Mangoes	3,995	4,794	5,153	5,411	5,681
Passion Fruits	932	978	1,052	1,104	1,160
Pineapples	67,070	70,424	75,705	79,491	83,465

Source: Okado, 2001

Fruits and vegetables exported from Kenya can be categorised as follows:

- Canned fruit and vegetables (including canned pineapple and french beans)
- Fruit and vegetable juices (including pineapple, passion fruit, orange and tomato juices)
- Fresh temperate, sub tropical and tropical fruits and vegetables (including French beans, chillies, okra, mango, avocado, strawberry, pineapple, passion fruit etc)

Kenya Canners, a subsidiary of Delmont, in 1965 was granted exclusive rights to produce and can pineapples. This monopoly expires in 2005. Currently, no other firm cans pineapples in the country. Similarly, no other large company is allowed to engage in the production of fresh pineapples in the country because of the monopoly status granted to Kenya Canners by the Government. The pineapples grown in the country are by small-scale farmers and they are faced with the problem of where to sell them because no processor can be licensed to process them.

Uganda

Uganda's fertile soil is also suitable for the production of a range of fruits and vegetables. Fruits of significant importance and potential for export include pineapples, passion fruits, papaya, avocado, mangoes, oranges, apple bananas and jack fruit. Production is mainly by small producers scattered over a very wide area. Fruits in Uganda are produced naturally with little inputs. This gives Uganda the opportunity to supply the organic market, which is still small though growing. Vegetables of economic importance such as beans, peas, onions, okra, cabbage, carrot, tomatoes can also be grown in most parts of Uganda. Production of most of the vegetables is below 100,000 tonnes per annum except for beans, which surpassed 400,000 tonnes in 1999.

Table 8: Production trends (metric tonnes) of major fruits in Uganda and growth rates (1995-99)

	1995	1996	1997	1998	1999	Annual growth rate %
Pineapple	150,000	150,000	160,000	163,000	163,000	2.5
Passion fruit	7,800	8,000	8,000	8,100	8,300	1.4
Citrus	24,000	25,000	24,000	26,000	26,000	2.0
Papaya	21,000	22,000	22,500	22,000	23,000	1.8
Avocado	22,000	22,500	23,800	24,000	24,200	2.6
Mango	39,000	40,500	40,000	42,000	42,000	1.8
Gros. Banana	1,200,000	1,200,000	1,200,000	1,300,000	1,300,000	2.4
Apple banana	2,200,000	2,200,000	2,250,000	2,250,000	2,300,000	1.1

Source: Agona et al, 2002

Uganda's fresh produce is exported mainly to the United Kingdom and other European countries such as Netherlands, France, Belgium and Germany (Djikstra, 2001). The value of exported fruits and vegetables increased from 0.63 million US$

(this figure is different from the one provided in the table below since it does not include dried fruits) in 1995 to 3.07 million US$ in 2001 (IDEA, 2001). Fresh fruits with an estimated value of $1.2 million were exported to neighbouring countrie s in 2002.

Table 9: Fruit Exports by Volume (MT)

	Banana	Mangoes	Pineapples	Dried fruits	Fruit+vegetable
1990	951	Na	279	na	10,508
1991	1,814	Na	137	na	16,370
1992	1,952	Na	27	na	11,306
1993	301	na	36	na	48,109
1994	2,534	8	29	4	41,721
1995	805	11	56	29	42,672
1996	3,025	0	24	1	56,798
1997	78	1	4	3	30,290
1998	663	na	90	16	9,962
1999	763	11	65	11	11,995
2000	1,623	na	1,616	9	28,774
Growth (% p.a)	5.79	0.48	4.47	15.07	2.57

Source: Agona, et al 2002

Table 10: Fruits Exports by Value (000$)

Year	Banana	Mangoes	Pineapples	Dried fruits	Fruit+vegetable
1990	519	Na	176	Na	4,845
1991	162	Na	73	Na	4,509
1992	208	Na	18	Na	3,008
1993	173	Na	29	Na	13,018
1994	1,530	8	44	3	15,559
1995	451	9	29	31	18,938
1996	908	0	38	3	27,463
1997	52	0	6	2	13,212
1998	222	Na	43	42	6,040
1999	473	7	49	20	5,244
2000	982	Na	725	23	7,005
Growth (% pa)	4.4	14.21	4.36	32.73	4.78

Source: Agona et al, 2002

4.0 FRUIT AND VEGETABLE EXPORT ENTREPRENEURSHIP IN EAST AFRICA

Tanzania

The export of horticultural produce in Tanzania dates back to the post independence days. As early as 1960s, a few private farmers from the northern highlands exported fresh produce by air. From 1972, the National Agricultural and Food Corporation took charge in a big export drive, gathering produce from small holders and large farmers in Kilimanjaro and Arusha regions and also from LIDEP in Soni (Tanga) and the Tchenzema in Mgeta in Morogoro. A large share of the produce came from the West Kilimanjaro Farmers Association. This was exported through Dar es Salaam and

Kilimanjaro airports. However, it proved difficult to produce according to schedule and the scheme was abandoned in 1975 (Verheij, 1982).

As in the other economic sectors, the growth of entrepreneurship in the export of fruits and vegetables was severely affected by the Arusha Declaration of 1967. The entrepreneurs in the sector have been adversely affected by lack of transport infrastructure and cooling facilities. Considering the perishability of the two commodities, the two sets of facilities are indispensable as far as a robust export business is concerned. For instance, when other countries shifted from air to sea for the transport of most products like pineapples to overseas, Tanzanians due to lack of port facilities still used the less competitive air transport. A survey done in 1999, noted that 75% of the firms used air, 12.5% used ocean and 12.5% used ocean and air (Kitule, 1999).

A study done on the export and development of horticultural products in Tanzania noted that exports in the country were low because of the following reasons (Kitule, 1999):

- Many farmers and exporter have no idea of how to export their products
- Advertisement of Tanzania horticultural products are non existent
- Unavailability of good seed for high yielding production
- Refrigerated ships in Tanzania not available
- Very little information on export markets was available
- Bureaucracy in export procedure and documentation
- Exports were mainly by air which was very expensive and made it difficult to compete with other exporting countries which exported by ship
- The Tanzania mission abroad was not aggressive enough to collect enough information on Tanzania imports to their station countries.

An earlier study by Verheij (1982), noted that to make the enterprise a success, the following requirements should be fulfilled:

- A high level of managerial skills
- A good infrastructure in the producing country ensuring a smooth flow of inputs and proper maintenance of equipment on the farm and in the packing station (cold store), on the road and at the airport
- A tight organisation to streamline the flow of produce on its 700 km journey to European markets
- Instant communications (such as telephone and fax) to facilitate immediate action in case of mishaps (changes in available cargo space, in flight schedule etc)
- Long enough supply season to establish a strong routine in the production-transport marketing chain.

The study concluded that under the prevailing conditions in Tanzania that period of the study, it was difficult to meet the requirements. According to the ministry of agriculture, currently, the barriers to horticultural produce exporters include lack of infrastructure, lack of market information, unreliable supply of produce and lack of capital (Mwosha per com, 2003).

Another study done for FAO specifically on fruits made the following recommendations to solve the constraints facing the fruit exporting firms (Nyange, Undated):

- Centralising some of the activities of the exporting firms
- Establishing of a database for Tanzanian exporters
- Adoption of generic promotion
- Product specialisation and brand development
- Quality control at farm level
- Introduction of semi-processed and frozen produce
- Coordination of facilitating agencies
- Tax exemption

Kenya

Fresh produce for export has for many years been grown on small farms in Kenya. In 1992, about 75% of fruits and vegetables for export from the country were produced by small holders (Harris 1992). African fresh produce was in demand only during the season they could not be grown in Europe. Gradually, Europeans expanded procurement year round and increased the variety of fruits and vegetables purchased. The volume requirement thus skyrocketed and drew commercial farms and export firms into cultivation of fruits and vegetables. By 1998, four of the largest exporters in Kenya were sourcing only 18% of their produce from small farms, while 42% came from large commercial farms, and 40% from exporter owned or leased farms.

In the mid 1950s to mid 1960s there were only 3 firms competing in the fresh produce market. More exporters however entered into the market in the 1970s. Most of these exporters were mainly Asians. When the government decided to liberalise the market, about 80 exporters were operating. By 1980s, there were over one hundred licensed exporters. Despite the large number of exporters, new entrants did not get a share of the market. As shown in the table below, a handful of large exporters dominated the industry by 1995.

Table 11: Concentration of Kenya's Fresh Fruit and Vegetable Exports (Percentage Shares of Export Volumes)

	1970	1979	1981	1985
Largest 3 firms	75	44	55	49
Largest 6 firms	83	65	79	67
Largest 9 firms	90	74	89	82

Source: Jaffee, 1992

As shown in the table below, Kenyan Asians exporters who had expertise in domestic horticultural production and marketing were the pioneers in the business. The group had good connections with Asian immigrants in Europe who helped them market their produce. Large exporters with financial and managerial background entered the market in the 1990s. Many local entrepreneurs also entered in the same period. However, only a few African owned companies survived, and a handful of large exporters dominated the sector. Locally owned firms mainly concentrated on the domestic market with little penetration into the international market.

Table 12: Shares of Kenya's Horticultural Export Trade by Firm Ownership, 1985-86 (%)

Firm Ownership	Fresh Fruit and Vegetables	Processed Fruit and Vegetables
Foreign owned (MNCs)	0	91
Private Locally Owned	97	9
Kenyan Asian	81	7
Kenyan European	9	2
Kenyan African	7	0
Local cooperative	0	0
Kenyan Parastatal	3	0
Total	100	100

Source: Jaffee, 1992

In a study done on private enterprises in the sector, Jaffee (1992) identified the following reasons why Asians were succeeding:

- Their firms had considerable experience in domestic market before entering the export trade.
- Most have their own wholesale/retail establishments in their own farms.
- Some have complimentary interest in freight forwarding and transport.
- Some have relatives in Europe whom they conduct a significant portion of the trade

In addition, Africans failed for the following reasons:

- Most of those entering the field had no prior experience in the trade or in international marketing.
- Most of the entrepreneurs have maintained diverse business or other professional interests, which have little or no relation to horticultural marketing.
- Most of the firms operate only on a small scale or part-time basis, trading in a single or narrow range of commodities.

Another study by Okada (2001) listed the following problems facing local firms in the country:

- Lack of information on what the market wants in terms of variety and timing
- Inadequate price information to enable a competitive bargain and margin
- Often, the importers claim that the product is of unacceptable quality, even when this is not true, leading to non payment
- Limited air-freight space on commercial air carriers, increasing risk and acting as a barrier to new entrants
- Firms sending the same products to the same markets using the same agents. Agents take advantage of the competition to exploit the Kenyan exporters. This is different with the fruit and vegetable processing industry where the firms have different product lines and serve different markets.

A paper by Omasa (2001) identified the problems facing fresh produce exporters in Kenya as high freight rates, stringent packaging, lack of quality packaging materials, unaffordable cold storage facilities, poor rural infrastructure and limited dissemination of market information. Currently, it is estimated that six companies control 90% of all exports by value (Gibbon, 2003) [14].

Table 13: Fruit Export Competitor Analysis

Product	Main Competition	Kenyan Marketing Constraints	Possible Solutions
Fresh Pineapples	Ghana, Ivory Coast, Costa Rica	1. Limited availability 2. Poor sea freight facilities 3. High airfreight cost	1. Process fresh at source/air freight 2. Preferential air freight rate
Mangoes	South Africa, Gambia, Ghana, Costa Rica, Puerto Rico, Mexico	1. Poor harvest/husbandry control 2. Wrong varieties of sea freight 3. Poor sea freight facilities 4. Poor picking control from small scale farmers	1. Process at source/air freight 2. Preferential air freight rate 3. Technical assistance on husbandry handling
Avocados	South Africa (by sea freight in Kenya season) Israel, Spain, USA, Mexico	1. Fuerte not preferred variety 2. Poor sea freight facilities 3. Poor picking control from small scale farmers	1. Move to Hass variety 2. Sort out Mombasa Port 3. Preferential air freight rates in June-August
Strawberries	Israel (in Kenya season) spain, Holland, USA	1. Variety constraints/sweetness 2. Travel delays 3. Long growing period	1. New varieties, better yields 2. Tight transport cool chain
Passion Fruits	Zimbabwe	1. Not a major market	1. Processing at source
Melons	Spain, Brazil, Israel, South Africa (all by sea freight)	1. Not possible by air freight (too heavy) 2. Quality/climate control	1. Sea freight 2. Technical inputs

Source: Okado, 2001

Uganda

The number of fruits and other fresh produce exporters in Uganda has increased dramatically in the last few years, making the market very competitive. The number increased from 25 in 1996 to 81 in 1998. Most of them are small players and the biggest 18 exporters handle approximately 90 percent of the total exports. About 60 percent of the exports are through export agents who buy as ordered by certain importers in Europe and receive a commission (Djikstra, 2001).

One problem facing the export of fruits from Uganda is high freight costs. Most countries have shifted to sea freight but Uganda been land locked has to rely mainly on air freight. In 1996, the airfreight of a sample shipment of passion fruit from Uganda to the UK represented 49% of the total CIF costs (IDEA, 2001).

Another major problem with exporting fruits is limited cargo space especially in peak season. Few cargo planes service the Entebbe route. Although a charter plane has to be contracted at the start of the export season, the exporters work with small intervals

[14] Kenya's largest exporter of fresh vegetables and cut flower is Homegrown, with 6,000 local employees and its own nightly DC8 flight to the UK.

between ordering and sending of produce. Information regarding the quantity to be supplied is received within about two weeks (IDEA,2001).

Unreliable European importers have also been a problem facing the export of fruits in Uganda. Exporters do not have long-term contracts with the importers. Some turn to other exporters who are offering a low price. Others over estimate their market and reduce orders or stop ordering when the exporter has already committed oneself[15].

For entrepreneurship in the export of fresh produce to take off in Uganda, Djikstra (2001) identifies the following conditions. First, what he calls the modern exporter should have a farm to secure supplies throughout the export season. The exporter should have the transport means to deliver produce to the airport and a cold store to increase the shelf-life of the commodities. Also important is establishing a good relationship with the importer. Capital to finance the first few shipments to Europe is also important. Others include telephone and fax to be in constant touch with the importers.

5.0 SUMMARY OF THE LITERATURE REVIEW

The literature review has highlighted the barriers facing fresh produce exporters in East Africa. Although, Kenya has a more advanced fresh produce export infrastructure, the barriers facing exporters seems to be cross cutting in all the three countries. They range from lack of information and capital, poor transport infrastructure especially cargo space, lack of centralised marketing leading to exploitation by importers in Europe, and inability to meet the stringent quality required.

Although many indigenous African owned firms have indeed recently entered the trade of horticultural products export in East Africa, the trade has remained largely dominated by foreign owned companies or members of the small minority Asian and European communities.

The review has also identified that despite operating under duress, non-indigenous groups such as Asians in Kenya and Europeans in Tanzania have made a break through in the sector. It is not clear why the Arabs with similar networks in the Middle East have not managed to be similarly successful.

The following are the study hypothesis:

i) Most of the African entrepreneurs entering this field had no prior experience in horticultural trade or in international marketing per se.
ii) Most such entrepreneurs have maintained diverse business or other professional interests which have little or no relation or linkage to horticultural marketing, yet which have continued to consume most of their resources and attention

[15] Payment is normally made after the consignment has been delivered and most of the importers do not honour the promise.

iii) Most of these African owned firms have sought to operate only on a small scale or part-time basis, trading in a single or narrow range of commodities, making them less attractive to overseas buyers, air/flight carriers or medium-large scale growers.

No previous study has ever tried to analyse the export of fresh produce in East Africa from an entrepreneurial perspective. From the data gaps that emerged in the literature review, a questionnaire survey was administered. The survey made an attempt to identify if there are common traits found in those firms, which have been successful. The questionnaires addressed the following issues:

- Does education matter in this business? Are those with education exporting more than those without education?
- Does the profession (such as management, agriculturalist, economist) matter?
- Is previous experience either in farming, domestic trade or import export business of other products a major factor? How many were civil servants or worked for an agricultural-horticulture based company?
- Do those who combine export business with other businesses have an added advantage?
- How many started their businesses small scale and then gradually expanded, and how many started large scale and is there a pattern emerging?
- How many have expanded their business and how many through savings and how many through loans?
- Is there any link between politics and the nature of business?
- How many travel abroad to do their marketing and is there a difference in the amount exported?

A total of 17 companies were surveyed in Uganda, 13 companies in Kenya, and 11 companies in Tanzania. There is no clear documentation of the total number of companies that are in operation. Some of the companies are seasonal. Currently, there are 21 firms registered with the Horticulture and Fresh Produce Exporters of Kenya, and 25 firms registered with the Uganda Exporters Board. The total number of companies operating in Tanzania is not known. The list used was obtained from the Ministry of Agriculture, the Board of External Trade and the traders themselves (gave names of colleagues).

No sample frame was developed since the sample size was very small. As expected some of the entrepreneurs especially those of the Asian origin were reluctant to be interviewed. The data presented in the next chapter therefore represents only those companies whose entrepreneurs were willing to be interviewed. Correlations will be done in future drafts.

6.0 DATA ANALYSIS

Ethnic background

In Uganda, entrepreneurs of African origin own 88% of the companies surveyed, while Asians own 12 %. There was no fruit or vegetable export company owned by a European. One of the Asians had returned from Kenya while the other one still had a Canadian citizenship. In Kenya, 58% of the entrepreneurs were of African origin, 25% Asian and 17% European. Tanzania was the only country that had an entrepreneur of American origin. In the survey, 70% were of indigenous African origin, 20% European/American and 10% Asian. This is however not a reflection of increased African participation in any of the three countries since one company can account for 30% of the market share. However, as discussed later in this report, the high participation of Asians in the Kenya sector may have given the sector some impetus[16].

Education background

Tanzania seems to have the entrepreneurs entering the industry with the highest level of education, with 60% having a masters and above, while 40% had a bachelors degree. There was no entrepreneur with a level of education below a bachelor degree. The entrepreneurs were also specialised with 70% having a degree in a course related to management and 10% to agriculture. In Kenya, 20% had a doctorate and masters level of education, 30% bachelors and 30% diploma/certificate. The remaining 20% of the entrepreneurs had a high school level of education. In Uganda, 12% had a Masters level of education and above, 24% bachelors, 35% diploma/certificate level and 29% had a high/secondary school level of education. Although 71% of the entrepreneurs in Uganda had their post secondary education in a course related to business management such as economics, accounting and marketing, none of the entrepreneurs had done a course related to agriculture or horticulture. Contrary to conventional beliefs, the level of education does not seem to be a major factor in determining the performance of a company. Some of the most promising entrepreneurs in the sector had only basic high school education.

Career background

None of the entrepreneurs in Tanzania had ever worked with the ministry of agriculture. However 12.5% had been involved in intensive farming before getting into fresh produce export, 12.5% had worked with the ministry of trade, while the rest (75%) had been engaged in either clearing and forwarding, or import export business. In Kenya, 20% had worked with the ministry of agriculture, 60% had been involved in the import/ export business and 10% had worked with a bank. None of the entrepreneurs in Uganda had worked with the Ministry of Agriculture, although one had worked with the Ministry of Cooperatives and Marketing. Sixty four percent had previously worked in some business that involved import and export, 5.8% in clearing and forwarding, 5.8% in banking and the rest previously worked in businesses not related to the three categories above. Prior experience in export related business seems to have played a role in the growth of some of the companies. For instance one Ugandan entrepreneur had to temporary stop exporting after encountering problems with the importers paying for the shipment.

Engagement in other career and business activities

In addition to the export business, 40% of the Tanzanian entrepreneurs are involved in farming, 40% in other forms of business and 20% employed. None of the

[16] With reliable exporters at the inception, the country becomes recognised as a major source of the product, and it is much easier for new entrants to piggy back on the established system and network

entrepreneurs was involved 100% in the export of fresh produce. Even those with big farms had diversified into other produce other than fresh produce. None of the entrepreneurs in Kenya is employed. Although fruit and vegetable export is the core business, 60% are also engaged in other types of minor businesses. In Uganda, apart from the fruit and vegetable export business, 70% are involved in farming, 24% are doing other businesses, 24% are involved in other export related businesses and 24% are also involved in other businesses related to trade. Only 2 entrepreneurs in Uganda are involved in politics though not at the national level and this does not seem to have any impact on the business. In fact one can argue that lack of involvement by politicians in the business could be a major setback in the growth of the business. This has made the lobbying not as intense as in other sectors, despite the role the sector plays in the economy. Subsequently, minor obstacles and high taxation have continued accounting for a major part of the total cost.

How much attention is given to the business is however a crucial factor. A casual look at the big players in Kenya and most of the rapidly growing companies in Uganda reveals that export of fresh produce is their entrepreneur core business. This is contrary to Tanzania where none of the entrepreneurs has the export of fresh produce as the core business. With the fresh produce as the core business, effort is made to source from the cheapest sources, and aggressively search for markets. This could also explain why the out-growers scheme in Tanzania has also not taken root.

Reasons for venturing into the business

Thirty percent of the entrepreneurs in Tanzania entered the business because they were already involved in some farming activities, 40% wanted to diversify an already existing business, and 40% was because they already had a network with the importers. In Kenya, 70% started their business to diversify an already existing business, 40% already had a fruit and vegetable growing farm and 30% because they had established a network with the importers[17]. In Uganda, 59 % said they ventured into the business because they already had a farm producing fruits and vegetables. Others (29.4 %) had a similar type of business and they wanted to diversify. Thirty five percent ventured because they already had a network with the importers through being involved in business along the same lines. For instance one of the successful entrepreneurs in the business was initially working for another fruit and vegetable exporting company before he decided to start his own company.

Years in operation

The average years in operation for the Tanzanian company are 9.5 years. The oldest company is 25 years, while some were started as recent as two years back. The average years of operation for the Kenyan companies is 10.5 years. The oldest company is 31 years, while the most recent was started 2 years ago. Asian companies are the oldest. The average number of years in operation for the companies in Uganda is 8 years. Some were established 13 years ago, while some have been in operation for only 2 years. Data in this section is not conclusive because for some of the

[17] Note that there are many cases in this analysis where the percentages are more than 100. This is because some entrepreneurs belong to more than one category.

entrepreneur whose fresh produce is not the core business or were involved in farming before, they mixed the other core business with a unit doing the fresh produce export.

How the company was acquired

Ninety percent of the companies in Tanzania were established by the current owners, with only 10% bought. In Kenya, 84% of the companies were established, 8% bought and 8% inherited. In Uganda, the current owners established 93% of the companies. Only one company was inherited. The above data could mean two things. One, the industry is relatively new and it is still growing and therefore there the chances for inheritance have been limited. Second, the critical factor in the business is handling logistics and other routine managerial activities and not necessarily physical assets (with the exception of those Kenyan companies with a packaging plant and cooling facilities. One does not necessarily have to buy an existing company to enter into the business if you already have a network.

Ownership

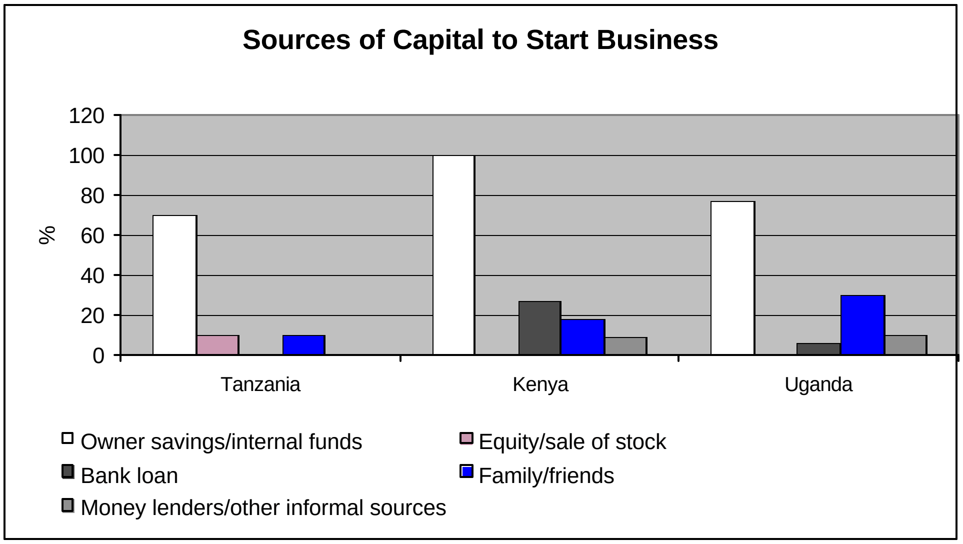
Regarding ownership, 44% of the companies in Tanzania are owned solely. Local partnership is 33%, while international partnership is 22%. In Kenya, 55% of the companies are owned through a local partnership, while 9 % are owned through an international partnership. In Uganda 56% of the companies are owned solely, while the rest are local partnerships. There are no international pa rtnerships. Partnerships sometimes create their own managerial problems but in countries where financial capital for expansion is very scarce, this is an option worth exploring. According to one farmer in Tanzania, international companies want to invest la rge scale, but the local partners do not have capital to enter into such partnership

Management structure

In 90% of the companies in Tanzania, the principal shareholder is also the managing director. The figure for Kenya and Uganda is 91% and 75% respectively. This is a positive aspect in the sense the entrepreneur is fully in control of the business. On the other hand, it can also be a limitation if the principal shareholder is not conversant with the managerial aspects of the business such as marketing, quality control and export procedures and would be more appropriate if one were to hire a qualified manager to handle these aspects. This however depends on the size of the company.

Sources of Capital

Another interesting aspect is the inability or unwillingness by the traders to borrow money from the financial institutions to establish business. In Uganda, 77% established their business through savings, 30 percent borrowed money from friends and relatives, 10% from moneylenders, and other informal sources (this is mainly to supplement the savings). Only one entrepreneur established his business through a bank loan. The start up capital for all the companies in Kenya was internal savings, except for one company whose entrepreneur was a former bank employee and established his company through a bank loan. However, 27% supplemented the savings with a bank loan, 18% got money from family and friends, and 9 % from moneylenders. Bank loan for those who indicated accounted for between 10-30 % of the start up capital. The initial capital for 70% of the entrepreneurs was internal savings in Tanzania. Ten percent acquired some funds from family/friends. In addition, 10% acquired funds through sale of stocks to start the company. These are however European entrepreneurs. Interesting enough, none of the initial capital was acquired through a bank loan in Tanzania.



Capital for expansion

The scenario is repeated regarding capital for expanding the company. In Uganda, 65% of the companies expanded through savings, 41% through funds from family/friends/other informal sources. Only 24% expanded through bank loans. In Kenya, 73% used internal savings to expand their business, 18% sold shares, while 46% acquired a bank loan. The company owned by the European did not use savings for expansion but used stocks and bank loan. In Tanzania, 70% still used savings to expand their companies. Ten percent had borrowed money from friends and relatives to expand. Only the firm owned by the American had borrowed money from the banks to expand. One of the firms owned by an Asian used equity/sale of stocks to expand. Although, data available is not conclusive but one can observe the tendency of African companies to be risk averse and relying more on informal sources of capital to expand their business. This is in contrast with European companies that had been able to acquire bank loans to expand their business.

Growth in Investment

The issue surveyed was whether the company had made any expansion since inception in terms of capital investment and profit. It is worth noting that the categories given for the capital expansion were rather broad for such level of small companies. The categories from 5,000 US$ to 200,000US$ and a category from 200,000US$ to 800,000US$ are rather broad. A company could have made a substantial expansion since its inception but not moved to another category in our classification. This was therefore not a very good measure of how much the company had grown. Analysing the turnover also had similar problems. Some entrepreneurs were running more than one business from one office and the accounts were mixed.

Capital Investment Categories

Value (000US$)	Category
Up to 5.0 5-200	A B
200-800	C
Above 800	D

Turnover Per annum Category

Value (000US$)	Category
Below 10	A
10-100	B
100-500	C
500-1000	D
Above 1000	E

In Tanzania 20% of the companies (all foreign owned) had a starting capital investment above 800,000 US dollars, 10% between 200-800, 000 US dollars, 20% US$ 500-200, and 50% below 5,000 Us dollars. Currently, only 11% have a capital above US $ 800,000. 33% have a capital investment between US$ 200-800,000, while the remaining 56% have a capital between US$ 5-200,000. None of the companies are currently in category *A*. One compa ny capital investment declined from category *D* to category *C*, while 5 companies moved from category *A* to *B.*

In Kenya, 9% of the companies have a capital investment above US$ 800,000, 36% between US$ 200-800,000, 46% between US$ 5-200,000, and 9% below US$ 5,000. None of the companies started with a capital investment above US$ 800,000. Most of them started with a capital below US$ 5,000 (45%) and between US$ 5-200,000 (45%).

In Uganda 29 percent of the companies have a capital investment below 5,000 US$, 65% between US$ 5,000-200,000 and 6% between US$ 200 and 800,000. None of the companies had capital above US$ 800,000. Only 5 companies had registered expansion from one category to the other. Three companies had moved from category *A* to *B* since they were started, while 2 companies had moved from category *B* to *C*. There was no expansion from category *A* to category *C* meaning some of those companies, which had started with low capital, were still struggling to get off the ground.

Turnover

Only one foreign owned company had an annual turnover above 1 million US dollars in Tanzania. Half of the companies have a turn over of between 100-500,000 US dollars while 25% range between US$ 10-100,000. 13 % still have a turnover below 10,000 US dollars. This is a clear indication that most of the companies had at least registered some growth in profits since inception.

In Kenya 9% of the companies have a turn of over US$ 1,000,0000, 18% between US$ 500-1,000, 45% between US$ 100-500,000, and 27% between US$ 10-100,000. None of the companies have an annual turn over below US$ 10,000. Companies less than three years since they started have not recorded much increase in turnover, compared to the old ones, which have moved from one category to the other. None of the companies have recorded a decline in profits.

In Uganda, 29% of the companies had income below 10,000 US$ per annum, 18% between 10-100,000US$, 29% between 100-500,000 US$ and 24% between 500-1,000,000 US$. No company had a turnover above 1,000,000US$.

As explained in the earlier paragraphs because of the broad categories, it is not possible to conclude on this section. It is however obvious that the Kenyan companies are far way ahead of the other countries. This can even be deduced by casually observing the level of investment such as cooling facilities, packaging lines and huge ware houses by the Kenyan companies, which are virtually lacking in the other two countries.

Frequency of exportation

This disparity in income can be explained by the frequency of exportation. Most exported once per week, a few once per month, while others managed only once in three months. The most frequent exporter was 3 times per week. The highest frequency of exportation was in Kenya where 27% exported almost on a daily basis. 82% exported on a weekly basis. The poorest performance was in Tanzania where most are seasonal exporters. Only an Asian and the American owned company export on weekly basis. Most of the other firms exported on monthly basis.

Commodities exported

The main produce exported in Tanzania is mangoes. It is exported by 50% of the exporters, 40% export pineapples and bananas while 30% export french beans. Papaws and passion fruit are exported by 20% of the companies. The main produce exported in Kenya is avocados (64%), mangoes (64%) and passion fruit (64%). Thirty six percent of the companies exported pineapple and french beans. The product exported by most of the companies in Uganda was banana (77%). Other major export commodities include hot pepper (59%), 53% okra, chilli and pineapples each. Avocadoes, mangoes and passion fruit were by 41% of the companies. From the above data, Tanzania seems to have a comparative advantage in fruits such as mangoes and pineapple, Kenya in avocado and French beans, and Uganda in bananas and spices. For instance, the best performing companies in Kenya seem to have French beans as a major component of their exports[18].

Tonnes exported

The average export in Tanzania was 70 tonnes in 2000, which increased to 103 tonnes in 2001. This however jumped to 251 tonnes in 2002. This rapid increase in the

[18] Most fruits are seasonal but with minimal irrigation you can ensure supply of French beans throughout the year

average is mainly because the American owned company increased its sales from 280 tonnes to 1150 tonnes. This is low compared to Kenya whose average export was 285 tonnes in 2000, 294 tonnes in 2001, and 384 tonnes in 2002.

Main Destinations

The main destination for Tanzania exports is the Middle East and especially United Arab Emirates. Sixty percent of the companies export to the Middle East, while 40% export to the united Kingdom, 20% Netherlands and 20% France. The major markets for Uganda products were UK (82%) and Sweden (24%). Eighteen percent exported to Switzerland, Norway, Holland, Germany, France and Denmark. Incidentally only one company exported to the Middle East. The main destination of the Kenyan exports was UK (64%), Middle East (46%), and Germany (27%). Eighteen percent also exported to Belgium, France and Netherlands. It is not clear why the Tanzanian exports prefer exporting to the Middle East, but it could be something to do with less stringent standards compared to the European markets. The return from the Middle East market can however not be considered to be as high as that of Europe.

Production farms

Half of the exporting companies in Tanzania have their own production farms. Forty percent of the companies, however, also rely on out growers while 20% also do spot market purchases. Half of the companies in Kenya have their own farms, while the rest relies entirely on out growers. However, 73% use out growers, which is an indication that even those with farms have to supplement their produce. Only 56% used spot market purchases. The same case applies to Uganda. Although 71% have their own production farms, there is no company that relied on its own production. The internal produce had to be supplemented with out growers. Actually, 82% of the companies used the out growers scheme compared to 30% who also used to the spot market purchases.

Contrary to earlier literature, own production farm is not a major determinant of exports, although it is a good measure of ensuring quality control. Some of the companies without their own farms and relying exclusively on out growers were exporting more than those with farms. It is therefore not true that the exporters necessarily have to be farmers. However, at a certain period, after exporting for a number of years, most of the entrepreneurs decide to a buy a farm to streamline their business.

Sources of market information

In Tanzania, 62.5% have links abroad and 80% travel abroad in search of markets[19]. Fifty percent rely on trade fairs for information and 40% local export promotion associations. Thirty percent rely on their relatives' abroad and 20% rely on the Internet. In Kenya 73% did not have any links abroad to promote their produce. Although, 73% travelled abroad in search of markets, it was not clear if these trips

[19] This can be misleading, most of them normally combine the trip with other core business activities not related to fresh produce but take advantage of the opportunity.

were designed for other purposes not related to fresh produce. The internet (55%) and local export promotions associations (46%) were the main source of information. Others were trade fairs (36%) and importing agent (27%). Only 18% used embassies and 9% relatives abroad. Only 59% of the companies in Uganda had links abroad to promote their business and 70% travelled abroad to look for markets. The main source of information was trade fairs (53%). Others include local export promotion associations (47%), internet (41%), and importing agents (41%). Only 12% relied on embassies abroad for information. Unfortunately, despite the importance of e-marketing only one Kenya company owned by an Asian has a website.

Barriers in the sector

There are basically two major problems cited by the exporters. These include high freight charges and lack of capital. Lack of capital is however general unless the exporter specifies why he/she needs the capital. The following tables give a summary of the problems highlighted.

Ranking of Problems by the Entrepreneurs in Tanzania (Percentages)

Problem	**Main**	**Minor**	**Not a problem**
Transport and cooling infrastructure	83	-	17
Small volumes exports	33	50	17
Low quality produce	20	40	40
Stringent standards by importers		50	50
International market information	34	-	66
Market uncertainty	33	33	33
Unreliable importers	20	60	20
Competition from other countries	66	33	
Bureaucratic local export procedures	50	33	17

Ranking of Problems by Entrepreneurs in Kenya

Problem	**Main**	**Minor**	**Not a problem**
Transport and cooling infrastructure	67	22	12
Small volumes exports	22	44	34
Low quality produce	22	33	45
Stringent standards by importers	45	55	
International market information	22	56	22
Market uncertainty	67	11	22
Unreliable importers	45	33	22
Competition from other countries	56	33	11
Bureaucratic local export procedures	12	44	44

Ranking of Problems by Entrepreneurs in Uganda

Problem	Main	Minor	Not a problem
Transport and cooling infrastructure	83	17	0
Small volumes exports	83	17	0
Low quality produce	30	30	40
Stringent standards by importers	30	40	30
International market information	50	42	8
Market uncertainty	54	38	8
Unreliable importers	62	15	23
Competition from other countries	54	23	23
Bureaucratic local export procedures	28	36	36

Poor transport and cooling/storage infrastructure is the main problem in all countries. Freight charges account for a huge fraction of the total cost and sometimes getting cargo space is not guaranteed. Other problems include competition from other countries. Although, bureaucratic local export procedures were indicated, as a major problem in Tanzania, it did not feature in the other countries. Unreliable importers and small volumes export were also indicated as major problems in Uganda. Market uncertainty was also a major problem in Kenya. However, depending on the destinations of the produce, the production methods used and the form of network, different entrepreneurs encounter different types of problems.

6.0 CASE STUDIES

6.1 Sunripe Limited Kenya

Sunripe Limited Kenya is among the largest horticultural exporting companies in Kenya. The company was established in 1969 by Mr. Shah (senior) a Kenyan citizen, whose family had immigrated to Kenya from India at the turn of the last century. Mr. Shah had initially worked as general import trader before he entered into partnership with a large group of Kenyan African farmers to export French beans, pineapples and passion fruit to Europe.

The company has since undergone rapid expansion. It entered into an agreement with one of the big French Company Lacour, which supplies most of the French supermarket chains. This partnership has given Sunripe an edge over the other companies. Lacour provided a supplier's credit to install a pre-packaging line in which French beans are washed and cooled to remove their natural heat and sealed into consumer packs. Pre-packaging has made it possible to airfreight the products to France and deliver them directly to the supermarkets.

Although the company has its own 730 acre farm, out growers account for 93% of sunripe's total supplies. Most of the beans, tomatoes, passion fruit, mangos, bananas and avocados are supplied by over 500 small scale farmers contracted by the company. The company provides them with inputs and teaches them modern farming practices. Some of the problems the company is facing in the business include lack of airfreight cargo space and high import duty on packaging material.

Although the company runs as a family operation, the man behind the success is Mr. Hasit Shah, who inherited the business from his father. Mr. Shah is a Master of Science graduate (specializing in Maths) from the University of Southern California. He joined the computer industry after graduation, but his father later invited him to join the business. He has been able to develop an innovative packaging system and marketing strategy in a very competitive industry. Sunripe could actually be the only company in the region with a website.

The company has grown from a small enterprise with only three workers when it started in 1972 to over 300 hundred workers today. In 1990, the company had a turnover of US$ 3.5 million, all from exports.

6.2 Chrissmill Farm[20]

Chrissmill Farm can be considered to be the pioneer farm in the export of pineapples in Tanzania. The farm is owned and managed by Mr. Louis Kadri a shrewd Tanzania businessman. The farm is located in Kibaha near Dar es Salaam and has been specializing on the production of pineapples.

Mr. Kadri had been growing and exporting pineapples for three years when he decided to expand his production. He approached the International Finance Corporation (IFC) supported institution; the Africa Project Development Fund (APDF) in Nairobi for technical assistance on how to get a loan. The APDF did a feasibility study and found the expansion plan to be feasible.

APDF approached the Common Wealth Development Corporation (CDC) and DEG a German bank to finance the project. The two institutions agreed to finance the project, but on one condition; the two institutions will be involved in the management of the farm as board members and a technical team will be hired to run the farm. The latter turned out to be the undoing.

CDC and DEG contracted an expert firm from the UK to manage the farm. Despite the farm been medium sized, the hired manager imported heavy machinery and hired other personnel such as a plantation manager, finance manager highly increasing the overheads of the project. The team was new in Dar es Salaam and they disregarded the advice of Mr. Kadri who had extensive experience in local farming. For instance despite his advice on application of fertilizer because of the soil texture in Dar es Salaam they went ahead and applied fertilizer using the model used by Delmont in Kenya and companies in other regions. This had negative impacts on the production of pineapples in the farm. They also insisted that the farm will only grow pineapples and no other crops making the land lie fallow after harvesting pineapples while other short season crops could have been planted.

The project was however sustainable, until they started exporting. The first consignment of 1,200 tonnes was exported to Las Spencer in Italy. The consignment

[20] Mr. Kadri has promised to send me the details regarding the money details, amounts exported in various years and the history of the farm. The Common Wealth Development Corporation Office in Dar es Salaam claimed they were not aware of the project. However, it is indicated in their website that in 1990 they had a 10 % equity holding in Chrismill Farms and by the same year the had advanced 104, 000 pounds loan investment to the farm.

was rejected because they were infected with the black spot disease. It turned out that even the rest of the fruits in the farm had a similar attack and could not be exported. In a subsequent board meeting the CDC and DEG representative requested that he borrows more money to continue with production. Mr. Kadri refused since he was the one supposed to bear all the costs. Eventually, in 1997 the board decided to close down the project.

Mr. Kadri estimates that the loss made in the whole project was more than 1 million US dollars. For instance they had bought machinery worth 80,000 pounds. The two financial institutions wanted to liquidate his farm to recover the expenses but later dropped the move when he threatened to go to court.

Mr. Kadri is now developing his farms again with the name Visiga Farms. He is currently planting pineapple seeds to start exporting after harvest. The only difference is that this time he will not do the exports. He will only be producing and selling to exporters. He thinks exporting is very complex and demanding. He especially cites problems with the customs department. At one time he had to open a total of 250 boxes for verification instead of a sample. He has therefore entered into some form of contract with an agent from Las Spencer in Italy, who has some shipping connection and will be coming to Dar es Salaam to buy the fruits. Another businessman from Dubai has also expressed keen interest in buying his produce. He however does not plan to get any other loan to develop his loan. He has also diversified into mango business.

The case of Chrissmill Farm raises questions as to whether African enterprises develop into some managerial problems after expansion. Before he invited the partners, Mr. Kadri had a small but well managed and thriving fruit export business. The key issue is not whether the enterprise should expand, but at what pace. Gradual and systematic growth of companies seems more sustainable.

6.3 Byantu International- Uganda

Byantu International Uganda represents the case of an enterprise with potential but unable to expand. By the time the interview was conducted the enterprise had temporarily stopped exporting fruits.

The enterprise is owned by Mr. Nyakoojo Byaruhanga, who has proven to be a shrewd businessman in other fields. After completing a course on sales, he joined a former Government parastatal, and rose through the ranks to become a sales manager. He later joined Motor Trust Uganda Limited as a sales manager. Later, he left to establish his own company; Safari Motors. He is also a ruling party councillor in one of the Kampala wards.

He later acquired a big farm (2.5 kilometre, approximate size in hectares not revealed) from the Government and started cattle farming. Later on another exporting agent convinced him that there is good business in horticulture export; and he therefore decided to diversify. They entered into some form of loose partnership and started growing vegetables for export, though on small scale.

Although they exported vegetables to Sweden and UK for one year, the business later ran into problems, both internal and external. The importing agent they were dealing with was not reliable. Out of 7 exports made, he only paid for two. The local partner was not reliable either. He was not delivering the fresh produce as they had initially agreed[21]. After making the losses, he has decided to put the export business on hold and reorganise the whole operation, since the land is too big to be left fallow. He is looking for a loan (support) to acquire a tractor to improve production, but the commercial rates charged by the banks are too high for him to afford a loan. He also plans to explore other markets such as Germany. No marked initiative has however been made on the two issues.

With such a big farm, Agro Farm has the potential of joining the ranks of other big exporting enterprises in Uganda. One of the reasons this is not happening is that Mr. Byaruhanga other core business are doing very well and he considers farming as a part time activity. It has nothing to do with lack of entrepreneurial skills. Unlike most of the other entrepreneurs in the business, he however did not have any prior experience in import and export business or worked in a horticultural industry, and hence how he was been swindled by unscrupulous partners and importers. He also did not have any network with people in the business locally or abroad. Nor had his farming been exploited to a scale where he could have employed a full time qualified manager to deal with the export barriers arising. The case study however illustrates why it is difficult for some of the small enterprises in Africa to take off in into large scale.

7.0 CONCLUSIONS

This paper has reviewed the structure and organisation of the fresh fruit and vegetable business in East Africa. The paper has also analysed the management systems and problems experienced by the entrepreneurs in the sector. Key among them is the high freight charges, lack of transport and storage infrastructure and access to capital for expansion. The survey done has revealed that most of the entrepreneurs are averse to taking bank loans and have to rely entirely on savings to investment in the business. Although innovative informal sources of capital have been utilised, the capital available from such sources is limited. The study has also revealed that those who take the business as a core business perform better than those with diversified businesses which make them spread too thin and distract their energy and financial resources. The survey has also established that there is very minor correlation between the level of education and performance in the sector. Entrepreneurs with very limited education are flourishing. Which is partly linked to the earlier point that unlike those who are employed somewhere else, this group relies entirely on the export business and one can say it is *a do or die battle to succeed*.

Amidst those struggling to stay a float, we have also identified successful case studies. Although being a farmer is an added advantage, the intricacies of the export business goes deeper than merely farming, and there are those who have succeeded without even owning a farm.

[21] Importers can only import a certain minimum quantity from the exporter, to ensure they are dealing with bulk imports and most exporters can not meet that amount from their production farms forcing them to rely on out growers

The success on the African entrepreneur in this business can be enhanced by a number of measures. One is identifying a suitable supplier company in Europe (or other markets) and entering into some form of agreement such as the one by Sunripe Kenya and Lancour of France. The supplier company will provide capital and technical expertise to improve production and meet the market and consumer requirements. Secondly, rather than operating a small scattered company, entering into local partnership where possible will boost revenue and also reduce the operating costs. Even where bank loans are not available, informal sources of capital are there and should be utilised to supplement the existing capital.

Lastly, with increased globalisation, e-marketing will be the norm. Establishing websites to market their products and using the internet to look for markets will be inevitable. All this will be possible if there is a strong unit within the government to negotiate for favourable and realistic trading conditions under agreements such as EU-ACP and AGOA. Without this, the business will continue to be dominated by large international companies while the small African companies operate from the periphery.

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Appendix 1:Tanzania Fruit Export (2002) –Data sourced from TRA

Commodity	Destination	FOB Value (Tshs)	Net Weight (Kg)
Banana		*25,905,000*	*865,290*
	UAE	30,000	65
	Kenya	24,500,000	860,000
	Comoros	1,375,000	5,225
Dates		*157,808,640*	*52,800*
	Gibraltar	157,808,640	52,800
Pineapples		*31,085,455*	*72,355*
	UAE	20,549	55
	Hungary	2,373,606	300
	India	27,691,300	68,000
	Kenya	1,000,000	4,000
Guavas, mangoes and mangosteens		*4,437,000*	*87,460*
	UAE	320,000	1,460
	Hong Kong	210,000	6,000
	Kenya	1,857,000	50,000
	Rwanda	2,050,000	30,000
Oranges		*109,713,132*	*3,065,120*
	UAE	16,000	20
	Kenya	109,697,132	3,065,100
Mandarins, clementines, wilkings		*21,467,252*	*30,050*
	Kenya	21,467,252	30,500
Lemons and limes		*613,355*	*300*
	Germany	613,355	300
Citrus fruit		*2,737,000*	*6,525*
	UAE	2,137,000	5,755
	Oman	600,000	770
Watermelons		*500,000*	*20,000*
	Kenya	500,000	20,000
Apples		*930,000*	*1,882*
	UAE	630,000	1,582
	Oman	300,000	300
Pears and Quinces		*33,289,799*	*245,000*
	UAE	23,955,359	110,000
	Kenya	9,334,440	135,000
Peaches, including nectarines		*47,256,450*	*12,990*
	Pakistan	47,256,450	12,990
Plums and sloes		*4,140,404*	*60,000*
	Kenya	4,140,404	60,000
Strawberries		*4,202,609*	*1,500*
	Germany	4,202,609	1,500
Other fruit		*669,840*	*2,375*
	UAE	223,000	445
	Botswana	276,840	1,500
	Oman	170,000	430
Dried Apricots		*471,838,266*	*978,000*
	India	471,838,266	978,000
Other dried fruit		*136,064,120*	*300,120*
	India	136,014,120	300,000
	Oman	50,000	120
Peels of citrus fruit or lemons		*10,201,120*	*4,990*
	Switzerland	3,444,515	1,760
	Germany	975,827	230
	St. Helena	5,780,778	3,000