

PRESENTATION

INTERNATIONAL AGRICULTURAL SEMINAR

**“HOW TO BETTER INVOLVE FARMERS’ ORGANIZAIONS IN
AGRICULTURAL PUBLIC PROGRAMS”**

Auditorium International
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**THEME: EXPERIENCE OF SELF FINANCING OF FO & AGRICULTURAL
PROFESSIONALS ORGANIZAIONS**

Experience of self financing of KENFAP/KENFAP Services Limited - KENYA



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1. INTRODUCTION

KSL was established by the National Executive Committee (NEC) of the Kenya National Federation of Agricultural Producers (KENFAP) to promote and develop the commercial activities of the Federation. The ultimate aim of this establishment was to drive the Federation towards financial sustainability. KSL was registered as a company limited by shares in April 2005 under the Companies Act Chapter 486, laws of Kenya.

KENFAP is the umbrella and legitimate farmers' organization representing interests of 1.8 million farm families. It was established in 1946 as a farmers Union representing the large scale farmers who were mainly settlers. However, it underwent institutional transformation from a Union to a Federation in 2003. KENFAP is a non-political, democratic federation of Kenya farmers that operates through local, regional and international networks. KENFAP is a member of Kenya Private Sector Alliance (KEPSA), East African Farmers Federation (EAFF) and International Land Coalition (ILC) purposely to amplify farmers' voice locally and internationally through strategic coalitions and partnerships.

KSL on the other hand offers agro-based services to farmers at competitive rates to benefit their farming activities through:

- Linking farmers to markets & offering agro-based business solutions
- Developing community based agro-tourism
- Agro-processing and value addition
- Consultancy, training and research services including surveys, profiling of agro-based organization, project management and market research
- Sourcing for bulk inputs for members

KSL's Vision & Mission:

Vision: *"To be the most innovative, profitable and preferred commercial agri-business company in Kenya"*

Mission: *"To conduct business by providing quality and reliable products and services to its customers while generating satisfactory returns to the shareholders and promoting agri-business in the country".*

2. STRATEGIC OBJECTIVES

2.1 To promote financial sustainability of the company & the federation through engagement in viable business opportunities while securing and attracting new investments for the benefits of the farming concerns and shareholders by:

- Enhancing farm inputs supplies business through grouping of farmers, consolidating their input requirements, sourcing of these inputs and negotiating for favourable pricing
- Successfully soliciting and carrying out consultancy and training jobs through focused and professional approaches
- Attain profitability for tourism, hospitality & conferencing facilities within KSL mandate
- Develop & manage the assets of Women Enterprise Development Centre in Nyahururu

- Sourcing for marketing opportunities for farmers produce and negotiating for rewarding contracts for KSL and farmers (brokerage service fee)

2.2 Designing, developing and delivering quality products and services that are market driven, satisfy the customers and ensure a fair market share by:

- Developing and strengthening KSL capacity to market quality agricultural products & services (including high value vegetable seeds from Rijk Zwaan)
- Organizing & utilizing KENFAP's membership advantage – geographical coverage, human resource capital, numbers, goodwill and representation
- Strengthening KSL profile through promotion of agricultural value chains, constructive engagement with other private and public sectors in agricultural sector development and promoting research and uptake of agriculture in learning institutions as a rewarding career. This will boost KSL's influence in the business environment and boost its client portfolio

2.3 To promote KSL visibility in the market through distinct branding, public relations and engagement in corporate social responsibility by:

- creation of awareness of KSL products and services to the target customers
- Embracing the idea of *inclusive business* to solve social and economic problems affecting the mostly poor Kenyan farmers. KSL aims to act as a change agent for the (rural) society, seizing opportunities in order to improve systems, invent and disseminate new approaches and advance sustainable solutions that create an impact on human development. Therefore, besides making mere economic profits, KSL continuously seeks to generate and add social value on all the products and services it offers by proposing and initiating new innovative and economically sustainable enterprises for Kenyan farmers along various agricultural value chains

2.4 To promote good governance in the organisation through an effective and efficient management structure and policies by:

- Enhancing the operational efficiency of KSL through improved management and office infrastructure
- Engaging and sustaining qualified personnel in KSL for improved services

3 KSL BUSINESS PORTFOLIOS & PERFORMANCE (2009 – 2011)

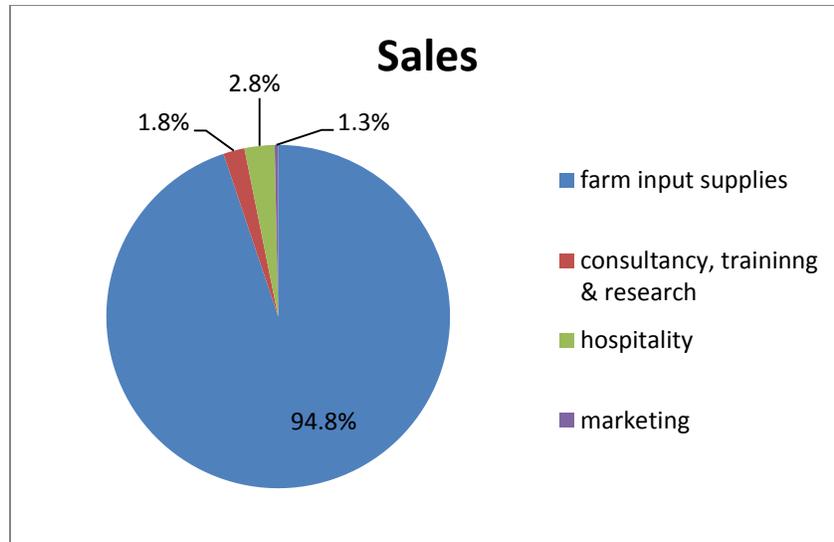
3.1 Farm input supplies (including vegetable seeds)

3.2 Training, Consultancies & Research (including agri-event management)

3.3 Tourism, hospitality & conferencing

3.4 Marketing and market linkages

Business unit	Turnover in Euro				
	2009	2010	2011	Total	% of total
Farm input supplies	1,918,080	375,545	247,730	2,541,355	94.8
Training, consultancy and research	4,765	18,280	30,627	53,672	2.0
Tourism, hospitality & conferencing	-	32,800	43,090	75,890	2.8
Marketing & market linkages	4,055	2,228	2,415	8,698	1.3
Total	1,926,900	428,853	323,862	2,679,615	



Currency in Euros

Year	2009	2010	2011	Total
Total Income	1,940,185	3,485,640	4,164,956	9,590,781
Total expenditure	1,936,300	3,482,611	3,825,024	9,243,935
Surplus	3,885	3,029	339,932	346,846
<u>Sources of income</u>				
Donors	1,859,032	2,136,223	2,160,772	6,156,027
Gov't assignments	35,650	1,309,090	1,950,600	3,295,340
Members subscriptions	17,954	22,252	36,804	77,010
KSL contribution	25,450	15,500	13,625	54,575
Others (rental parking etc,)	2,099	2,575	3,155	7,829
TOTAL	1,940,185	3,485,640	4,164,956	9,590,781
<u>Progressive contribution in %</u>				
				Mean
Donors	95.8	61.3	51.9	69.7
Gov't assignments (KAPAP)	1.8	37.6	46.8	28.7
Members subscriptions	0.9	0.6	0.9	0.8
KSL contribution	1.3	0.4	0.3	0.7

Others (rental parking etc,)	0.1	0.1	0.1	0.1
TOTAL	100.0	100.0	100.0	100.0

4 SUITABILITY OF KSL TO CARRY OUT VARIOUS BUSINESS ASSIGNMENTS

Since 2008, KSL has supplied farm inputs to farmers through various arrangements. However, it has particularly participated in the supply of various types of fertilizers, pesticides and maize seeds under a European Union, World Bank and Government of Kenya Program known as National Accelerated Agricultural Input Access Program (NAAIAP). KSL remains the highest supplier of quality inputs under this program having supplied over 135,700 small scale farmers (majority of whom are KENFAP members) spread across the entire country since its inception

KENFAP Services Ltd has gained immense experience in consultancy-(research and advisory services), trainings, supply of farm inputs, planning and managing of agri -events and study tours. This has been through its wide coverage; expansive distribution network; good partnerships with relevant stakeholders such as suppliers, researchers, financial institutions, markets, government line ministries and a dedicated team of highly skilled and experienced staff in various fields.

In July 2010, KSL was consulted by UNDP and the government of Kenya (through the Ministry of Youth affairs) to carried out a priority value chain analysis in 24 selected political constituencies in Kenya. The main objective of this study was to review existing reports, select a lead sub-sector for each constituency and analyze value chains related possibilities with the greatest potential to contribute to sustainable economic growth in Kenyan political constituencies.

KSL has been involved in training of farmer groups, cooperative societies and commodity associations in many areas including entrepreneurship, organizational development, leadership, agronomic technologies amongst others through its dedicated team of experts. In addition, KSL and KENFAP have been prominent in provision of extension services. In provision of these services, KSL employs methodologies that reach a critical mass of farmers within the shortest time possible. This includes field days & fairs, mass media (radio and television, documentaries), farmers' consultative fora under KENFAP where different farmer groups meet fortnightly to discuss matters of their common interest groups (CIG). We have more than 5000 such groups in the cropping zones of Kenya.

KSL has also established market linkages between small scale producers to markets. One of the major linkages has been a contract growing arrangement between the small scale sorghum producers and The East Africa Breweries Limited (EABL). In this arrangement, KSL has ventured into white sorghum seed "Gadam" distribution to farmers. These farmers enter into a contractual arrangement in which they are assured of a market for their produce. In the year 2010, over 2740 farmers from Migori, Machakos, Makeni, Embu and Meru North regions were linked to this market. KSL through the KENFAP field coordinators has been training farmers on best practices in sorghum production.

KSL through KENFAP has participated in the review and development of policy documents. Some of these policies include national agricultural extension policy (NASEP) in cotton, horticulture, rice, land use, seed. It has prominently contributed to the agricultural sector reform policies through participation in agriculture sector development strategy (ASDS), agricultural sector coordinating unit (ASCU) and communication strategy for the Agriculture sector amongst others.

KSL has entered into a partnership with a Dutch agricultural laboratory institution known as BLGG AgroXpertus and a local agency- AgriQuest for real time soil analysis and recommendation services. KENFAP field staff will collect soil samples from farmers’ fields to be delivered to the AgriQuest laboratories for a state of the art soil analysis through a technology known as infra-red soil spectroscopy. It will henceforth take an average of 4 days to get the analysis and recommendation to the farmer from the time of sample taking.

KSL through KENFAP has undertaken research and evaluations nationally and regionally in countries such as Kenya, Uganda, Tanzania, Zambia, Eastern Congo, Eritrea, Ethiopia and Southern Sudan.

KSL has got technical representation in 60 counties in Kenya through KENFAP’s technically qualified field personnel who have a minimum of BSC in Agriculture for the district level staff and a Masters degree for the management staff. KSL offers consultancy services through a pool of experts who have both educational and professional qualifications in addition to work experience. Personnel are assigned a consultancy based on the client’s requirements and their area of expertise which is as follows:

Expertise of personnel

Expertise	Capacity
Business management & Strategic Planning	5
Finance and Accounting	5
Institutional Development and Organizations Strengthening	4
Agricultural Economists	3
Environmental Scientists	4
Social Scientists	4
Agronomists	8
Food Technologists	2

5 CONSTRAINTS & CHALLENGES

- Membership that has become used to “free” service are unwilling to start paying for them
- Too many organizations (NGOs, government ministries, volunteers) offering similar services
- Over-reliance on donors to support the agricultural sector
- Subdivision of farms making sourcing and marketing of inputs and outputs extremely uneconomical
- Contracts that favour processors in procurement, quality and pricing
- Customer-satisfaction aspects of the KENFAP/KSL Quality Management System related to the delivery of services and attached products are not well articulated such as quantifying impact of services and pricing
- Low profitability in agri-business/farming as compared to other enterprises – this has made young people disengage in agricultural studies and business
- Strong lobbying & representation by enlightened processors and exporters in the government decision-making institutions/committees
- Research and extension services that are not well interpreted to farmers and agribusiness entrepreneurs
- Inconsistent & unpredictable agri-business global environment (subsidies, pricing, supplies)

- Erratic & unpredictable government policies & interventions in agri-business especially farm input supplies and marketing. The government may abruptly impose or cut tariff and non-tariff barriers such as import tax on agricultural products or engage in importation of inputs such as fertilizer hence distorting market forces and prices
- High production costs
- Inefficient marketing systems and contracts between producers and processors/exporters
- Lack of sufficient knowledge in Good Agricultural Practices hence exposing their products to stringent quality controls (or outright rejections) especially those destined to European markets
- Well established cartels (brokers) who control prices at will as in potatoes
- Dishonouring contracts by either farmers or processors/exporters
- Erratic weather and lack of expertise and equipment to predict it

6 FUTURE PROSPECTS FOR KSL

1. Avail certified potato seeds to over 200,000 farmers by engaging in production and processing of potato seeds through contract farming, certification (by KEPHIS), processing & branding
2. Collaborating with farmers and government in construction and activation of collection centres and Warehouses
3. Production and processing of maize and wheat seed
4. Enhancing and replicating agro-tourism success to 2 other regions in Kenya hence diversifying agricultural tourism
5. Greenhouse production of pepper and other vegetables for local, regional and international markets



Farm input supplies



Technical Advisory Services



Training



Agro-tourism



Data collection during a value chain analysis consultancy assignment



Field training and demonstration by KSL staff in a farmer's field

JUST ANOTHER MARKET DAY IN AFRICA?



THANK YOU!