Challenges and opportunities of small-scale farmers in Kenya: The KTDA experience

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INTRODUCTION

This presentation took note that the conference venue was one of its kind in the field of tea to be held in Kenya. He remarked that the venue was relevant because of Karatina University's surrounding neighbourhood, a "beautiful, lush tea gardens, fed by fresh streams flowing from the adjacent Mount Kenya." He said that the University's location is an important landmark in the history of small-scale tea farmers as the early tea farmers were trained on agronomic aspects of tea growing at the University, the then Kagochi Farmers Training Centre.

On the history of tea growing in Kenya, the author added that in 1957, the first factory for smallholder tea farmers was built at the foot of Mount Kenya at Ragati in Nyeri, serving about 500 acres of tea. In the same year a small factory management started through a management agreement with multinational tea companies, that is Ragati. Today, Ragati is the nearest factory to Karatina University and processes tea produced by the University.

HISTORY OF TEA

According to the legend, a Chinese Emperor Sheng Nong discovered tea in 2737 BC while boiling water under the shade of a tree. A light blowing breeze accidentally caused some leaves to fall into the water, which the Emperor tasted and found it refreshing, hence the beginning of tea world.

In Kenya, tea was introduced in 1903 by G. Caine and was first planted in the present-day Limuru, but commercialization started in 1924. In 1950, Tea Board of Kenya (TBK) was formed and mandated to regulate the tea industry in all aspects of tea production: Research, Manufacture, Trade and Promotion at local and international markets. In 1957, the first factory for smallholder tea farmers was built at the foot of Mount Kenya at Ragati, Nyeri, serving about 500 acres of tea. In the same year, a small factory management was started through a management agreement with multinational tea companies. Ragati is the nearest factory to Karatina University and processes tea produced by the University.

After independence, Kenya Tea Development Authority (KTDA) was formed through Legal Notice No. 42 of 1964 and took over the liabilities and functions of the Special Crop Development Authority (SCDA), which had been formed in 1960 to promote the cultivation of cash crops including those of small-scale tea farmers. In 1991 the Parastatal Reform Strategy Paper was developed which listed KTDA among strategic parastatal set for privatization. Then, Sessional Paper No. 2 of 1999 led to the privatization of Kenya Tea Development Authority (KTDA), culminating to the formation of the present Kenya Tea Development Agency (KTDA) Limited.

KTDA was incorporated on 15th June 2000 as a private Company under CAP 486 of the Laws of Kenya, becoming one of the largest private tea management agencies in the country, managing 45 factories at its inception. Presently KTDA manages 66 tea factories in Kenya with over 560,000 small-scale tea farmers and is the largest producer of black CTC Tea in the region, accounting for 60% of the total tea grown in Kenya. It also manages two factories in Rwanda.

KTDA BUSINESS MODEL

KTDA has 560,000 small-scale farmers who own 66 tea factories, which in turn own KTDA. The factories are managed by directors elected by the tea growers. Kenya is a leading exporter of black CTC tea and third largest producer, followed by China and Sri Lanka, India and Vietnam.

In 2013/2014 financial year, the growers produced approximately 1.1 billion kilograms of green tea, the highest ever produced in the history of KTDA. It exported approximately half a million kilograms in the same year to the world market. This accounted for 25% of the total world tea exports. The world then produced 4.83 billion kilograms of tea and consumed 4.63 billion kilograms.

In Kenya, tea contributes about 11% of Agriculture sector contribution to gross domestic product with tea exports contributing 26% of total foreign exchange.

KTDA's role in return on investment includes active involvement in every stage of tea value chain from farm inputs and agri-extension, transport, warehousing, processing to marketing and financing. At the farm level, KTDA has improved agro-economical practices such as pruning, fertilizers application and tea plucking. Through extension officer, KTDA conducts periodic training on farm management to improve productivity of tea bushes. This ensures KTDA tea is of superior quality giving them a competitive advantage.

KTDA is leveraging on technology to increase its efficiency by factory automation such as with the introduction of Continuous Fermentation Units (CFUs), weigh feeders and electronic green leaf weighing machines. Leveraging on technology has reduced factory overheads costs and improved accuracy of green leaf weighing. KTDA is also investing in hydropower projects so as to cut down on cost of energy. For instance, Imenti hydropower in Meru is complete, and Gura, Chania and Metumi are under constructions while others are at pre-construction stage.

On market emerging trends, KTDA has embarked on product diversification projects to match the tastes and preferences of the consumer. Such specialities include: green and black orthodox and oolong varieties of tea which are already under production at Kangaita Tea Factory. Michimikuru and Itumbe are at installation stage, while nine factories are at pre-construction stage. KTDA continues to explore new markets in countries such as Russia, China, USA and Indonesia in order to expand its market share.

Farmers' challenges as brought out by KTDA include: Fluctuating tea prices, exchange rates and interest rates, for instance, in the 2014/2014 financial year tea prices at the Mombasa port declined by 22%; High cost of input like fertilizers and labour; Climate change, which has led to gradual raise in temperature of earth atmosphere leading to extreme weather conditions such as very heavy rains or very dry spells; Increased subdivision of tea farms due to social economic demands leading to uneconomical tea production; Poor road network especially during rainy seasons; and, Political disturbances in international tea markets affecting the demand of tea.

KTDA interventions on farmers challenges are: Investment on hydropower to cut down on cost of energy hence low production costs; Exploring new markets in Russia, China, USA and Indonesia, among others, in order to expand Kenya's market share; Certification of tea factories in Food Management Systems and Quality Management; Rainforest Alliance Certification Programmes to facilitate environmental conservation for example by planting trees; and, Maintenance of road network with funds levied from tea incomes.