Case Study Summary
Horticulture Exports from Kenya
from Conference Paper No.14
“Are Horticultural Exports a Replicable Success Story? Evidence from Kenya and Côte d’Ivoire,” by Nicholas Minot and Margaret Ngigi

1. Nature of the Success

a. Why is it considered a success?
   • fruit and vegetable exports have quadrupled in real terms between 1974 and 1999, exceeding $150 million per year and becoming Kenya’s third leading foreign exchange earner
   • over half is produced by smallholders

b. motors of change
   • private traders exploit growing European markets for Asian vegetables
   • tourist industry increases availability and lowers cost of air freight
   • inexpensive smallholder irrigation technology

c. What constrains further expansion?
   • increasing competition from other nations
   • food safety regulations
   • growing concentration among importers

2. Aggregate Impact

a. scale and productivity gains
   • 100,000 small farmers produce export fruits and vegetables
   • smallholders earn an average of $188 per year from fruits and vegetables

b. equity
   • smallholders account for 60% of exported fruits and vegetables
   • flower exports, however, almost exclusive domain of well-capitalized commercial farms
   • share of fruit and vegetable income constant across income levels among smallholders
   • food safety regulations and quantity requirements of large buyers increasingly place smallholder outgrowers under pressure

c. sustainability
   • financial: highly profitable for smallholders; returns to land 6-20 that of maize; no input or price subsidies

3. Lessons for Building Future Successes

• favorable climates available in many surrounding countries
• stable non-interventionist policy regime
• alternate models exist for linking smallholders with high-value export markets
## 4. Dynamics and Drivers of Change

<table>
<thead>
<tr>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Phase 3</th>
<th>Phase 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colonial Period</td>
<td>Early Independence</td>
<td>Take Off</td>
<td>New Challenges</td>
</tr>
</tbody>
</table>

### Timing:
- Phase 1: 1895-1962
- Phase 2: 1963-1973
- Phase 3: 1974-1990
- Phase 4: 1991 on

### Key actors:
- **Phase 1:**
  - commercial farmers
  - colonial research stations
- **Phase 2:**
  - Del Monte Corp.
  - large foreign firms
  - Horticulture Crops Development Authority (HCDA)
- **Phase 3:**
  - private traders
  - Del Monte Corp
- **Phase 4:**
  - private traders

### Motors of change:
- **Phase 1:**
  - WWII
  - local research on tropical fruits
- **Phase 2:**
  - foreign private investment
  - HCDA play facilitating role, no market controls
- **Phase 3:**
  - Del Monte investments (by 1977, pineapple accounts for 65% of f&v exports)
  - demand for Asian vegetables grows in the UK
  - tourism industry grows rapidly, brings local demand and airfreight capacity
  - inexpensive smallholder irrigation technology
- **Phase 4:**
  - increasing competition in export markets
  - food safety concerns in EU countries
  - rise of supermarkets

### Beneficiaries:
- **Phase 1:**
  - commercial farmers
  - early outgrower schemes for smallholders
- **Phase 2:**
  - private exporters;
  - smallholder outgrowers have little access, account for only 10-20% of production
- **Phase 3:**
  - commercial farmers
  - exporters
  - smallholder outgrowers increase to 50% share
- **Phase 4:**
  - commercial producers

### Production gains:
- **Phase 1:**
  - limited exports of passion fruit juice
  - dehydrated vegetables exported to Allied armies in WWII
  - pineapple canning plants with outgrower schemes
  - by 1962, real exports reach $19 million per year
- **Phase 2:**
  - 9,000 ha pineapple plantation by Del Monte
  - Kenya Fruit Processing exports passion fruit juice
  - exports increase 50% to $29 million per year (in real 1995 $)
  - annual growth 4.4% per year
- **Phase 3:**
  - exports triple in real terms to $104 million (in real $1995)
  - annual growth 8.3% per year
  - export growth tapers off, to 1.1% per year
  - total exports $150 million (in $1995)
- **Phase 4:**
  - 100,000 smallholders participate
  - median prodn value $188/year
  - returns to land under French beans 6-20 times greater than maize

### Impact:
- smallholders disadvantaged by food safety regulations and increasing concentration among buyers