

ROLE OF HORTICULTURAL CROPS DEVELOPMENT AUTHORITY AND HORTICULTURE SECTOR PERFORMANCE REPORT

TO: UNIVERSITY OF CALIFORNIA AND NAIROBI TEAM

BY: HORTICULTURAL CROPS DEVELOPMENT AUTHORITY



(April, 2013)



1.0 THE HORTICULTURAL CROPS DEVELOPMENT AUTHORITY

The Horticultural Crops Development Authority ('HCDA') is a Parastatal body established under the Agriculture Act, Chapter 318 of the Laws of Kenya, through Legal Notice No. 229 of 1967. The statutory objective of the Authority is to promote and develop the production and marketing of horticultural produce. At the time of establishing the Authority, the horticultural sub-sector was seen as a viable solution for the country's need for cash crop diversification, enhanced food nutrition, income generation, employment creation and foreign exchange earning in addition to providing raw material for agro-processing industries.

The focus of the Authority at inception was mainly the small-holder farmers who had the potential to utilize their own labour, as the production processes were labour intensive, with a view to getting high return for their limited land. The sub-sector has been the focus of most government policies, including the previous Economic Recovery Strategy (ERS), the Strategy for Revitalization of Agriculture ('SRA'), the Agricultural Sector Development Strategy 2010-2020 ('ASDS'), and the Kenya Vision 2030: First Medium-Term Plan (2008-2012). Besides, the Government has developed a National Horticultural Policy that outlines key policy interventions to revamp and reposition the sub-sector.

Over the years, HCDA's functions have evolved with the changing Government policies and sub-sector demands. Initially, the focus was on development and marketing, product value-addition, opening up new production areas and markets, undertaking market promotions and marketing produce on behalf of the farmers. However, with liberalization and reduced Government involvement in direct trading, HCDA's role has been re-engineered to regulating, promoting, coordinating, developing and facilitating operations of the horticultural sub-sector to ensure smooth production and marketing environment and to advocate for policies that favour investment and enhanced performance of the sub-sector.

1.1 Vision

A globally competitive horticulture sub- sector in Kenya.

1.2 Mission

To develop, promote, facilitate and co-ordinate growth of a commercially-oriented horticulture sub-sector through appropriate policies and technologies to enhance and sustain socio-economic development.

1.3 Mandate

The overall Mandate of the Authority is to facilitate the development, promotion, coordination and regulation of the horticultural sub-sector in Kenya. The roles and responsibilities of the Authority are to:

- (a) Provide advisory services to the government and the sub-sector to facilitate proper planning.
- (b) Provide marketing intelligence information to the sub-sector.
- (c) Facilitate provision of inputs on cost recovery basis to farmers and assist in grading, storage, collection, transportation and warehousing of products destined for overseas markets.
- (d) Provide specialized extension services to farmers.
- (e) Facilitate marketing of horticultural produce on cost recovery basis.
- (f) With the approval of the Minister, by order published in the Kenya Gazette:
 - (i) Regulate and control the cultivation, picking and transportation of horticultural crops;
 - (ii) Regulate and control the marketing of horticultural crops by growers;
 - (iii) Impose a levy or levies on growers including levies at different rates in respect of any growers or section of growers, for the purpose of financing the operations of the Authority or its' agents and for such other purposes as the Minister may approve;
 - (iv) Fix and collect any fees and charges imposed under the provision of this order;
 - (v) Indicate prices either generally or in reference to any particular circumstances;
 - (vi) Provide for any other matter which is approved by the Minister as being in the furtherance of the development of horticultural crops or conducive to the exercise of any of the powers of the Authority;
 - (vii) Raise such loans of such terms and for such purposes as may be approved by the Minister after consultation with the Minister for the time being responsible for finance;
 - (viii) Provide loans for the purpose of developing horticultural crops;
 - (ix) Establish, acquire and operate processing factories, enter into agreement with factories and promote and subscribe for shares in any company incorporated in Kenya for the purpose of production, processing and marketing of horticultural crops, and;
 - (x) Investigate and research into all matters relating to the sub-sector generally and in particular production, processing and marketing of horticultural crops and products.

2.0 INDUSTRY BACKGROUND

Kenya has a long history of growing horticultural crops for both domestic and export markets. Over the years, the horticultural sub-sector has grown to emerge as the most important sub-sector in the Agricultural sector. Kenya's ideal tropical and temperate climatic condition makes it

favourable for horticulture production and development. The climate is highly varied supporting the growth of a wide range of horticultural crops. Horticulture in Kenya is mainly rain fed though a number of farms, especially the ones growing horticultural crops for export, also use irrigation. The sub-sector is characterized by a tremendous diversity in terms of farm sizes, variety of produce, and geographical area of production. Farm sizes range from large-scale estates with substantial investments in irrigation and high level use of inputs, hired labour and skilled management to small-scale farms, usually under one acre.

The sub-sector generates over US\$300million in foreign exchange earnings. The total horticultural production is close to 3 million tones making Kenya one of the major producers and exporters of horticultural products in the world. Europe is the main market for Kenyan fresh horticultural produce with the main importing countries being United Kingdom, Germany, France, Switzerland, Belgium, Holland and Italy. Other importing countries include Saudi Arabia and South Africa.

A well-developed and dynamic private sector has profitably marketed a wide range of horticultural products to diverse international markets. Government role in this sub-sector has been mainly facilitating the sectoral growth through infrastructure development, incentives and support services. Structural and macroeconomic reforms, plus the introduction of more liberal trading environment has also provided a major boost to the country's horticultural prospects.

2.1 HORTICULTURE PERFORMANCE

2.1.1 Local performance

The total domestic value in the horticulture sector in 2012 amounted to Ksh.217 Billion occupying an area of 662,835 Ha with a total production quantity of 12.6 Million Tons. As compared to 2011, the total value, area and production increased by 6%, 9% and 38% respectively. This was because of favourable weather conditions in the production areas that saw the increased production and subsequently the value. The major contributors of the increased value were bananas and Potatoes. In Table 1, the contribution to the total value in 2012 by the sub-sectors was as follows; Vegetables (48%), Fruits (28%), Flowers (18%), Nuts (3%) and Medicinal and Aromatic Plants (Maps) (2%).

Table 1: Industry performance by category 2010-2012

Product	2010			2011			2012			share by value
	Area (Ha)	Quantity (Ton)	Value Kshs (Million)	Area (Ha)	Quantity (Ton)	Value Kshs (Million)	Area (Ha)	Quantity (Ton)	Value Kshs (Million)	
VEGETABLES	277,284	4,600,000	85,736	277,578	4,642,522	95,564	336,517	6,084,341	104,920	48%
FLOWERS	3,419	133,736	44,964	3,213	123,270	41,608	4,039	878,067	39,685	18%
FRUITS	158,291	2,768,435	50,578	177,715	2,848,028	60,645	166,915.00	5,236,365	61,524	28%
NUTS	94,838	123,221	3,796	99,576	147,583	5,876	98,063	226,785	6,900	3%
MAPS	4,173	2,673	44	7,004	15,034	429	17,301	152,430	4,940	2%
TOTAL	538,005	7,628,065	185,118	565,086	7,776,437	204,122	622,835	12,577,988	217,969	100%

2.1.2 Export performance

The total value of Horticultural exports in 2012 was Ksh 87 Billion having exported 380,000MT of produce. This was a 4% decline in quantity exported as compared to 2011 while the value remained unchanged. The decline in quantity and value was due to the decline in quantities of nuts and processed fruits exports. Though the production of nuts has increased particularly Macadamia, smuggling has hindered the collection of the correct export data. The biggest gains in exports was vegetable both in value and quantity as shown in table 2.

Table 2: Horticulture Exports 2010-2012

Product	2010		2011		2012		% change	
	value (Kshs)	Quantity (Kgs)	value (Kshs)	Quantity (Kgs)	value (Kshs)	Quantity (Kgs)	Quantity	Value
Flowers	35,557,457,205	120,220,846	44,506,056,083	121,891,436	42,872,537,453	123,510,784	1%	-4%
Vegetables	123,813,087	123,813,087	21,513,237,985	92,201,537	4,043,059,592	45,110,395	22%	11%
Fruits	2,789,134,974	32,501,074	3,626,732,716	37,068,526	2,945,364,388	12,479,881	-4%	11%
Nuts	1,997,516,145	11,827,980	2,660,083,562	12,999,655	6,947,505,790	65,410,205	-17%	-5%
Processed fruits	6,762,034,204	79,013,546	7,287,583,444	78,382,021	9,415,032,764	30,553,573	-20%	-19%
Processed vegetables	9,187,224,162	35,649,188	11,636,009,448	38,305,653	21,490,276,838	103,356,938	12%	0%
Totals	56,417,179,777	403,025,721	91,229,703,238	380,848,828	87,713,776,825	380,421,776	0%	-4%

2.1.3 Major Challenges faced

The Authority and the industry as whole face various challenges that include;

- (i) Conflicting legal instruments and regulations governing the sub-sector
- (ii) Dynamic and versatile operational environment e.g. bureaucracy in decision making, currency fluctuations, regional trading challenges etc
- (iii) climate change
- (iv) Increased competition from other countries for horticultural products in the international market

- (v) Unfavourable global trade/regulatory regime and other market requirements
- (vi) Un-competitiveness of the sub-sector due to high cost of farming agro-inputs, agro-processing, and marketing logistics
- (vii) Un-serviced loans due to the Government and increased requirements of securities for funding agricultural related enterprises
- (viii) Limited capital and lack of affordable credit to horticultural farmers
- (ix) Poor and inadequate infrastructure mostly at the rural areas with high productivity
- (x) Increased post harvest losses due to inadequate handling knowledge and facilities