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FOOD MARKETING

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ABSTRACT

This chapter deals with food marketing in Coast Province. It discusses fruits, vegetables, meat, fish, coconuts, cashew nuts, maize, sugar and milk, respectively. Commodity flows from producer to consumer are described. Private traders, processors, co-operatives and parastatals are reviewed, with their roles in local, regional, inter-regional and international trade. Actors and institutions specialise along commodity lines and according to trade levels. Levels of competition differ from one commodity to another and evolve with changes in national policies.

INTRODUCTION

The Kenya Coast is a region of contrasts as regards the supply of food. The area receives most of its cereals from up-country, hundreds of miles away. Mombasa harbour facilitates cheap palm-oil imports which favours consumers but discourages local farmers. Some areas have a high potential for vegetables, but they are located in the most isolated parts. A large part of the region is covered with citrus and mango trees, but the fruits cannot be sold. The Indian Ocean supplies abundant sea fish but refrigerated trucks carry fresh-water fish daily from Lake Victoria to Mombasa. In short, the Kenya Coast is not feeding itself. These and other phenomena are examined in this chapter.[1] The traders involved in the commodity flows are discussed together with the structure of the marketing channels. The commodities are distinguished in three groups with different levels of market regulation and government involvement: fruit and vegetables; meat and fish; and finally, copra, cashew nuts, cereals, sugar and milk.

HORTICULTURAL MARKETING

Fruit and vegetable marketing in Kenya has always been the domain of private traders, with little involvement of co-operative organisations, marketing

1 The chapter is mainly based on fieldwork in Taita Taveta (Dijkstra & Magori 1994) and Mombasa in the period October-December 1991, and in Kwale, Kilifi and Mombasa between November 1993 and January 1994. The author wishes to thank the directors and staff of the Central Bureau of Statistics, the Ministry of Agriculture and the Coast Development Authority, for their assistance and support as well as Tom Magori and Prof. Jan Hoorweg.

boards and other parastatals. The risky nature of the trade is the main reason for the state's absence, as the perishables require an efficient and flexible marketing system. Most fruits and vegetables have to reach the consumer within a week, some even within a few days (e.g. kale and spinach). Cold storage can extend shelf life, but it is costly and often uneconomical when dealing with the domestic market. Transport distances from producer to end user determine the types of traders involved in horticultural trade. Local trade in rural areas is in the hands of different traders than the regional trade from production areas to urban centres, the interregional trade or the international trade. The longer the distance the more types of traders are involved resulting in longer marketing channels (Dijkstra 1997).

Local horticultural trade

Local horticultural trade concerns the selling of locally grown vegetables and fruits to local consumers. The distance between production site and place of consumption is short and can usually be covered on foot. The exchange takes place in official market places, retail shops and roadside stalls. The latter two are most prevalent in Coast Province; the region has only a limited number of official market places, mainly situated in larger towns such as Mombasa, Malindi, Kilifi and Voi.[2]

Taita Taveta is the only district with official market places in the rural areas. This has two reasons. Firstly, the population concentrations in the Taita Hills and near the Taveta springs make development of market places more urgent and decisions about their location rather easy. Secondly, the County Councils of Kwale, Kilifi and Tana River Districts, which are responsible for the markets in their territories, play a rather passive role. They do not actively plan and develop new market places, but wait for unofficial ones to come up and afterwards start collecting market fees. A good example is the busy daily market at Ukunda, Kwale District, which rapidly developed in the early 1990s. The stalls are squeezed together on a small stretch of land between the main and parallel road. The traders pay fees but do not receive any services in return.

Local horticultural marketing channels involve three marketing levels at most: a farmer sells directly to consumers or a retailer acts as intermediary. Both, farmers and retailers, can sell at the market or sell their produce in a kiosk or a roadside stall. The majority of them are women. They usually travel on foot carrying the produce on the head. If retailers are involved, they can either go to nearby farms to buy or wait for the farmers to come to them. Horticultural commodities that are out of season or cannot be grown in the area are generally not sold in the stalls and kiosks because they are too expensive. The only exceptions are onions and tomatoes. They are essential ingredients to every dish and required only in small quantities. Even when relatively expensive, people will ask for these ingredients and traders will purchase them in Mombasa when necessary. The latter activity is defined as regional trade.

Regional horticultural trade

Regional trade refers to all trade beyond the local level but remaining within the confines of the province. Most regional trade is destined for Mombasa with its large population and the purchasing power of the resident middle and upper classes. Mombasa also has a distribution function, channelling fruits and vegetables from one part of the coastal region to another through the wholesale market at Kongowea, which is situated on the mainland near the bridge between the North Coast and Mombasa Island. Pineapples which are grown in large quantities in Marafa and Baricho (Malindi District)

2 It has to be noted that a market place is not the same as a so-called market centre (see Chapter 3).

pass the market on their way to Ukunda at the south coast. Tomatoes and cabbages from Taita as well as tomatoes and onions from Taveta, change hands in Kongowea on their way to Kwale and Kilifi. The only exception is the supply of Malindi. Many hotels and restaurants buy at the Malindi municipal market which guarantees fair prices and offers sufficient demand to traders from as far away as Taita.

In the case of regional trade, three more traders enter the picture: collecting traders, middlemen and urban wholesalers. The middlemen are the spill of each marketing channel: they organise the transport of commodities from the production areas to the urban centres. Although they usually hire a truck instead of providing the actual transport itself, they bear the risks. At the buying stage, they either buy directly from individual farmers or use intermediaries, namely purchasing agents and collecting traders.

Although purchasing agents and collecting traders do the same job, the former work on behalf of a middleman receiving a commission, while the latter work independently taking title to the produce and bearing the financial risks involved. They negotiate with farmers about prices and assemble produce which facilitates quick collection by the middlemen. While many middlemen live in the urban centres, purchasing agents and collecting traders reside in the production areas. They know when and where farmers are ready to sell and how to negotiate with them. Farmers in Kwale, for instance, sell their fruits on the tree. The agent or trader approaches the farmer to buy the fruits on a particular tree and, while standing under the very tree, negotiates the price per fruit. After agreement, the agent or trader brings labourers to harvest and pack the fruits in polythene bags. The bags are then brought to the house of the agent or trader to wait for collection by a middleman. Most farmers nowadays want to be paid on the spot, many having been cheated in the past by traders who never returned. In order to pay, purchasing agents receive advances from middlemen while collecting traders finance the buying from their own means.

Middlemen do not always use agents or collecting traders. In Marafa (Malindi District), for instance, the larger farmers produce such quantities of pineapples that a few farms are enough to fill a truck. In the Taita Hills, on the other hand, middlemen share trucks because they are unable to fill a whole truck with vegetables due to the large amount of capital required. The vegetables traded — tomatoes, cabbage, kale, spinach, carrots, leek, baby marrow, lettuce and capsicums — are relatively expensive and the truck rent is substantial because of the large distance to Mombasa. The middlemen, of whom about half are women, come from the hills and do not have access to credit.[3]

Part of the activities of horticultural middlemen in the Taita Hills have been taken over by the Taita Horticultural Produce Co-operative Society, or Taita HPC in short, one of the few registered horticultural co-operatives in Kenya and the most recent landmark in the long co-operative history of the Taita Hills.[4] Initially, the Taita HPC operated under the

3 Usually women traders become less important when transport distances and/or turnovers increase and indeed the majority of the Kenyan middlemen in regional and inter-regional trade are men.

4 In 1941, colonial officers initiated the Taita Vegetable Growers Co-operative Society (TVGCS) which performed well until 1946. After World War II, farmers started to lose confidence due to payment delays and a decline in producer prices and it was eventually liquidated in 1959 (Technoserve 1989). Three years later, it was replaced, with varying success, by the Ngangao Farmers Co-operative Society (NFCS). Improvements in access roads led to an increase in number of local middlemen (Wolf 1985). The NFCS was liquidated in 1982 and the Taita Farmers Co-operative Society (TFCS), a coffee growing, processing and marketing organization, took over the horticultural marketing activities. However, most of the former NFCS members stopped delivering produce after the society ceased to pay bonuses in 1987 (Technoserve

umbrella of the Taita Farmers Co-operative Society (TFCS), but in 1992 it became independent so as not to be used as a cash source by the latter. The Taita HPC has been rather successful, at least until 1994. It instructs its members what to grow on the basis of long-term monitoring of prices in the Mombasa market and also supplies horticultural inputs. Commodities are graded and packed in standardised boxes before being transported in the truck owned by the society to a permanent stall in the Kongowea wholesale market. The pay-out ratio to the farmer-members is high: 85-90% (Technoserve 1993). The key to success is a combination of good quality, market-oriented planning of production, access to retailers and, last but not least, a strong and uncorrupted management.

One reason for the formation of the Taita HPC was the feeling that middlemen were taking undue advantage, leaving the farmers with small rewards for their efforts. This feeling is quite general and stems from the gap between farm-gate prices in the production areas and selling prices in Mombasa, but it is not always legitimate. It is not the absolute difference between selling and buying price that is important, but the difference between the selling price, on the one hand, and the buying price plus marketing costs, on the other. Trade risks and the need for experience need to be taken into account when judging profits.[5] Part of the profit of the middlemen must cater for losses during less fortunate trips or put differently, rewards the middlemen for the risks they bear during transport of the commodities.

Coastal middlemen sell their commodities to wholesalers and retailers in the wholesale market at Kongowea (Mombasa), to retailers in the municipal market of Malindi, and sometimes to retailers in retail markets in Mombasa . Citrus fruits are sold in polythene bags, mangoes in *pakachas* (baskets of palm leaves), pineapples per dozen, tomatoes per box and bananas per three to ten bunches. Most middlemen bring only one or two types of commodities to Kongowea and wholesalers in the market specialise along the same commodity lines. Some of the middlemen dealing in fruits sell through auctioneers at Kongowea. Bananas, which come from Taveta, are auctioned throughout the year. Oranges, mangoes and pawpaws from Kwale and Kilifi are auctioned during peak periods. The system guarantees quick selling at competitive prices. Buying requires bidding skills and knowledge of the auction system. Since this is beyond the scope of many retailers, some wholesalers specialise in buying fruits at the auction to sell to retailers. Sometimes, they also sell in smaller quantities to consumers although retailing is officially forbidden in the wholesale market.

A survey by the author in December 1991 showed that almost half of the traders (47%) selling in the market were Kamba, while this group constitutes only one-eighth of the inhabitants of Mombasa. The Kikuyu were the second largest group: 18% of all traders compared to 6% of the general population of Mombasa. The Mijikenda, who are the largest ethnic group in town (28%) and in the coastal region for that matter, did hardly sell in the market. The situation was not much different in the Majengo retail market on Mombasa Island. The

1989). In 1990, the Taita HPC was established with German technical assistance.

5 For example, in January 1994, during the harvest season, pineapples went for Ksh.3 per piece in Marafa and middlemen sold them for Ksh.8.15, on average, in the wholesale market in Mombasa. Extension officers complained that the price was almost tripled, and that middlemen were exploiting the farmers. Calculations for 1994 show, however, that only Ksh.1.29 remained after deduction of all marketing costs (a full truck carries 2,300 pineapples, on average; marketing costs consist of truck hire (Ksh.7,500), labour hire (Ksh.600), council cess and market fees (Ksh.775)). That is, provided the truck did not get stuck and did not break down, both distinct possibilities given existing road conditions. Access roads are poor and many roads become impassable after a heavy downpour.

Kamba and Kikuyu were the largest trader groups again (29% and 22%, respectively) while the Mijikenda formed a small minority (7%).

Retailers in the Majengo market depend on the Kongowea wholesale market. Travelling to the production areas is uneconomical for them because distances are long in relation to the quantities required. Regular contacts between farmers and retailers only exist in the case of certain leafy vegetables that are grown under irrigation just outside Mombasa. Apart from retailers, other buyers also frequent the Kongowea market. Hotels, hospitals, army barracks, boarding schools and ship chandlers need large quantities of fresh vegetables and fruits.[6] Usually, however, they use specialised traders and each institution has a trader who buys on order. Another group consists of entrepreneurs specialised in fresh fruit juices. They usually process at home using a hand squeezer, kitchen blender and family labour. The juices are delivered on order to tourist hotels or sold in road-side kiosks. With rising prices of soft-drinks, fruit juices are more and more popular among the urban consumers. The only large-scale juice factory (Bawazir Fruit Processors in Mtwapa) is unable to compete with these cottage industries. It produces juice concentrate for the international market and small quantities of tinned juices for the local market. The factory buys its supplies directly from farmers or co-operatives that are able to deliver fruits of constant and high quality.

Inter-regional horticultural trade

Horticultural commodities from other parts of Kenya are tomatoes, cabbages, onions and Irish potatoes. All of them are transported by road; cabbages from Nyandarua and Kiambu Districts, tomatoes from Nyeri, and onions from Kajiado (Loitokitok). Irish potatoes come from Meru, Nyandarua and Molo.[7] The chief outgoing commodities are mangoes and citrus fruits. They are transported by road from Kilifi, Kwale, Lamu and Tana River Districts to destinations in Central and Rift Valley Provinces. Bananas and onions, less known commodities, are carried twice a week by rail from Taveta to Voi where the few wagons are uncoupled to wait for the Mombasa-Nairobi train. The commodities arrive in Nairobi early next morning, one day after being loaded in Taveta.

The marketing structures of inter-regional trade differ in two ways from regional trade. Firstly, incoming commodities are not auctioned in the Kongowea wholesale market, and, secondly, two levels of middlemen exist in the marketing chain. Commodities like potatoes, cabbages and tomatoes, which are produced in the central highlands, find their main market outlet in Nairobi. Specialised middlemen bring the vegetables from the farms to the Wakulima wholesale market in the capital. Most of the coastal middlemen buy the commodities from up-country middlemen instead of going to the farms but this makes them price takers, meaning that they have to accept the price demanded. In turn, they add transport costs, market fees and a profit margin to the selling price.

In the case of outgoing commodities, price setting takes place at the Kongowea market, although this market does not have the central position for tropical fruits that Nairobi has for temperate vegetables. A fair part of the citrus and mangoes is transported directly from the farms and smaller urban centres to up-country destinations by the coastal bus companies that maintain direct services to

6 The ship chandlers, a small group of 12 companies, supply everything from fresh vegetables and fruits to engine parts, detergents and toilet paper, to ships at Mombasa harbour. Most chandlers deal with a single supplier of horticultural commodities in Mombasa who is able to supply vegetables and fruits from all over Kenya in a very short time.

7 Chips (french fries) are a popular lunch meal among the urban workers because of its moderate price and high fat content.

various destinations in Central Province.[8] The auctioning system further deters up-country middlemen and makes them purchase directly from the farms.

International horticultural trade
Horticultural exports from Kenya increased greatly during the 1980s. Between 1980 and 1990 the value of horticultural exports did grow with 361%, compared to an increase of 205% for all exports (Dijkstra & Magori 1991). The major part of the vegetables, fruits and cut-flowers are, however, produced in Central and Rift Valley Provinces and are freighted by air from Nairobi. International airlines are the primary source of cargo space to Europe, which is by far the most important destination. The coastal region lags behind in production and exports. The climate can only partly be blamed for this. An important constraint is the limited air freight capacity because of the relatively small number of international flights scheduled for Mombasa. Nevertheless, exports from the coastal region have picked up in recent years. The chief success is the mango: in 1992 mango exports increased with 45%.[9] Exports are expected to rise further with the use of refrigerated containers which makes sea transport of mangoes to the Middle East feasible. Introduction of so-called CA-containers (controlled atmosphere) will probably allow sea transport to Europe in the near future.

The Kenyan side of the international marketing is relatively short. Export traders use purchasing agents who buy from the farmers on their behalf. Thereafter, own trucks and personnel are used to collect the fruits from the agents. In some cases export traders do not use agents but bring in their own personnel to do the buying or to deal with a local farmer association. The latter was the case along the Tana River in 1993 but this trade was disrupted due to road banditry. Although distances are long, independent middlemen are not involved because of the need for optimal quality control. Only non-bruised mangoes of the right variety, size and colour can be exported. They have to be sorted and packed in carton boxes before transport to Mombasa, sorted, graded, waxed and repacked on arrival in Mombasa, and finally kept in a cold store until exported. Export requires management and trade experience, substantial amounts of capital and knowledge of overseas markets. The number of successful mango exporters at the Coast is small. In 1993, three traders accounted for the major part of the mango exports through Mombasa. One of them had his own estate with so-called Florida varieties – rare at the Coast but in high demand in Europe.[10] Most mango trees are of the (local) Ngowe and Boribo varieties and the imported Apple variety. These three varieties will be difficult to sell in Europe in the future because the supplies of the Florida-varieties in the world market are rising.

Apart from mangoes, few other horticultural commodities are grown for export. Some trials with, for example, bananas, melons and pineapples have been undertaken, but in most cases the market was lost after some time. Severe competition in the international market and quality problems were the main reasons. In 1991, for instance, an Italian-owned plantation at the Sabaki River (Malindi District) started export of bananas to Italy by sea. Crop diseases, international competition and prob-

8 A large part of the coastal fruits bypasses not only the Kongowea market, but also the Wakulima market in Nairobi. The busses take the commodities directly to urban centres such as Thika and Nakuru.

9 In 1991, 483 tonnes of mangoes were freighted by air from Moi International Airport, with a total FOB value of Ksh.13.3m. In 1992, the tonnage increased to 705 tonnes, with a total f.o.b. value of Ksh.17.5m (source: HCDA office, Mombasa). The total exports of mangoes from the Coast were even higher because substantial quantities were exported through Jomo Kenyatta International Airport in Nairobi.

10 The Florida-varieties VanDyck, Haden and Kent seem to do best at the Coast.

lems at the port of destination forced the company to stop exporting the next year. Thereafter it concentrated with success on the supply of high quality bananas to the Mombasa market. Farmers at the Njukini irrigation scheme in Taveta used to grow French beans and Asian vegetables like karella, turia and okra for an exporter from Nairobi in the beginning of the 1990s. The trader, however, stopped buying in 1992 and the farmers shifted to maize, tomatoes and onions for the local market (the exporter had increased his supplies from Murang'a which was nearer to Nairobi and accessible by tarmac road). This experience once again shows the weakness of coastal horticultural exports. The vegetables cannot be sent by air from Mombasa and have to be transported up-country. A substantial part of the mangoes are purchased by Nairobi traders for export by air. Only three types of horticultural commodities from up-country are regularly sent by sea namely tinned French beans, tinned pineapples and avocados. The avocados are loaded in refrigerated containers similar to the ones for mangoes.

MEAT AND FISH MARKETING

Meat and fish, like vegetables and fruits, are handled by private traders. The marketing structures, however, differ in two respects. Firstly, the marketing channels of meat and fish have a high degree of vertical integration: in many cases one and the same trader takes care of different stages of the marketing process, e.g. wholesaling and retailing. Secondly, some large companies act as coastal market leaders. In the case of meat two additional factors are important, namely the need to slaughter the animals at some stage and government regulations that commercial slaughtering has to be done at registered slaughterhouses and slabs.

Chicken, mutton and goat are the common types of meat in the rural areas while chicken and beef are in demand in the urban centres. Pork consumption is low because of Islamic dietary restrictions. Only tourist hotels buy substantial quantities of pork. The animals are slaughtered in Central Province and brought down to the Coast by large traders. Sea fish is eaten in the coastal urban centres, in the tourist hotels and in the villages of the fishermen. Crustaceans and prawns are consumed in the tourist hotels and are destined for overseas consumers. Below, the marketing structures for beef,[11] chicken and fish are described.

Beef

The monopoly of the Kenya Meat Commission (KMC) over commercial slaughter ended in the 1970s when private slaughterhouses were officially permitted. The KMC was to concentrate on the export market and the private firms on the national urban markets. The KMC was to receive its supplies from the Livestock Marketing Division (LMD), another parastatal, that was primarily responsible for the purchase of livestock in the pastoralist areas (Evangelou 1984). The LMD was, however, unable to compete with private traders who offered higher prices as well as direct payment (Rutten 1992). At present, there are six main slaughterhouses at the Coast: at Mariakani, Uwange Ndege, Kasemeni, Pungu, Miritini and Vipingo. The facilities are privately owned except the one at Mariakani, which is owned by the KMC and which was not operational in 1993. Individual pastoralists or ranchers can sell their animals to traders who come to the homestead or to traders at local periodic auctions or bring them to one of the slaughterhouses in the

11 The marketing channels for mutton and goat meat are largely the same as for beef: the animals come from the same sources, are slaughtered in the same slaughterhouses, and sold by the same butchers. The only difference is that sheep and goats (and poultry as well) are also bought alive by consumers to be slaughtered at home, while this is not common for beef cattle.

urban centres. The first two are the common alternatives for professional traders from other parts of Kenya, like Eastern and Rift Valley Provinces. All three alternatives are important for cattle from the coastal region, although in 1993 active auction rings existed only in Kwale and Kilifi.

When an owner brings his animals to a slaughterhouse, either on foot or by truck, he will sell to one or more traders, after agreeing on a price per kilogram. The cows will then be slaughtered, weighed and paid for. As the next step, the trader sells the meat in units of half-carcasses to butcheries, local hotels and restaurants. If he owns a butchery himself, he will prepare cuttings and sell the steaks and spare ribs, among others, to large tourist hotels and restaurants or to individual consumers over the counter. The trader who buys the animals at the homestead or at a local auction ring has essentially the same alternatives as the individual seller.

At slaughterhouses nothing goes to waste. The offal (intestines, plucks, legs, head) and hides are sold to specialised traders. The offal buyers sell again to butchers or to consumers who come to their stalls. Some of them prepare soup, which is in high demand because of its nutritious content. Most hide traders live at Mariakani. They visit slaughterhouses with their trucks to buy the hides every morning. They dry the hides the natural way or use salt after which they are sold to tanners in Central Province.

The degree of vertical integration can be high, especially when traders visit pastoralists and ranchers to buy the animals while selling at least part of the meat in cuttings at their butchery. In some cases the level of integration goes even further. Two coastal companies have their own slaughterhouses and butcheries to supply hotels and consumers. They are market leaders for beef. The first company, Vipingo Meat Supply, has its own ranch and controls the entire marketing chain from breeding to selling of ready-made beef on contract to large hotels.

The second company, Afro Meat, also owns a ranch but has diversified its marketing activities in a remarkable way. The company buys cattle from ranchers in Taita Taveta for its slaughterhouse in Mombasa. In addition, Merino sheep are bought from farmers in Central and Rift Valley Provinces. The animals are transported by company trucks. The company has its own cold stores and a butchery that supplies large hotels and sells cut meat to individual customers. Additional income is generated by allowing animals from others to be slaughtered against a fee. The company has further established its own broiler farm at the Coast, to provision hotels and consumers through the existing channels for beef and mutton. The company also buys fish (especially Nile perch and tilapia) from Lake Victoria, which is carried by refrigerated trucks to the cold stores in Mombasa. Most of the fish is sold in the internal market, but some is exported. Also, sea fish is bought from Wananchi Marine Products in Mombasa, and pork and bacon from Farmers Choice in Nairobi. Altogether, Afro Meat is able to supply any kind of Kenyan meat and fish from stock, a service that is especially attractive to the tourist hotels.

Poultry

Poultry marketing differs from cattle marketing in many ways. The trade is in the hand of different traders and the slaughtering is done elsewhere. Vertical integration of activities starts at the production level, as many poultry traders are breeders as well, with broiler farms around Mombasa and Malindi. The large breeders usually have a slaughter unit at the farm. These farms may also have layer sections, but specialised layer farms are also found. The smaller farms usually bring their broilers to the slaughterhouse at the Mackinnon Market in Mombasa which has specialised in poultry. The coastal breeders have to compete with up-country competitors. Broilers from Central Province are dressed, frozen and transported by insulated trucks. The chickens are not transported live because of the high death rate during transport. For one-day chicks, the coastal poultry farmers depend on specialised hatchers such as KenChick at Athi River.

While broilers at the specialised farms around Mombasa and Malindi are of exotic breeds, indigenous chickens are common in the rural areas. Farmers sell them to neighbours at the farm gate or to consumers in a local market. The animals are killed and dressed at a local slab or at home. Kamba traders are known to transport indigenous chickens from Machakos, Kitui and Makueni to Mombasa. They sell to individual customers, who have the chickens killed and dressed at the Mackinnon slaughterhouse or they sell to small hotels and restaurants who often prefer to slaughter the animals themselves.

Fish

Artisanal fishermen sell their catch to traders on the beach or to stockists with refrigerators in market centres along the coast. The beach traders dry or smoke the fish to sell to local consumers or act as intermediaries between the fishermen and stockists. The stockists sell the fish to hotels and local consumers. Small fishermen usually do not sell directly to hotels and consumers for several reasons. Often they do not know where to find the customers, while large hotels and urban traders prefer not to deal with them or with small beach traders because of irregular supplies (individual fishermen may not be able to go out, for instance, when the weather is poor or they may not have a catch, leaving their customers without fish). Thirdly, many fishermen have taken money advances from fish traders with the obligation to sell to them. Some traders own the boats and nets which they hire out to fishermen.

In two cases, fishermen have managed to bypass the traders. Fishermen co-operatives in Malindi and Shimoni own refrigerators which enables them to guarantee a regular supply to tourist hotels. They also sell to consumers in the Mombasa fish market. The local fishermen have to compete with a large international company, Wananchi Marine Products, which owns trawlers, refrigerated trucks and cold stores, and which commands guaranteed outlets to tourist hotels and retailers. However, with the exception of prawns, the company has to depend on small fishermen for the supply of crustaceans. Crabs and lobsters are found in the shallow parts of the water where the trawlers of the company would run aground. Moreover, they have to be hand-picked to avoid cracking. The fishermen deliver the catch to agents of the company. The shellfish is sold to tourist hotels and exported, for instance, to Japan, where the company originates from.

Two large companies transport fresh water fish from Lake Victoria, Lake Naivasha and elsewhere by refrigerated trucks to their cold stores in Mombasa (one of them is the earlier mentioned Afro Meat Company). Initially the supply mainly served to meet the demand of the resident Luo population, but later the tourist hotels also demanded tilapia and Nile perch, as well as the local population because of the rising prices of sea fish.

COPRA, CASHEW NUTS, CEREALS, SUGAR AND MILK

Until recently, the marketing of copra (dried meat of coconuts), cashew nuts, cereals, milk and sugar was regulated to a greater extent than the commodities discussed so far. The trade of copra and cashew nuts was largely in the hands of district co-operative unions. Milk collection and wholesaling was the responsibility of the Kenya Co-operative Creameries (KCC). The inter-district trade of cereals was the virtual monopoly of the National Cereals and Produce Board (NCPB) while the supply of local and imported sugar to wholesalers was the responsibility of the Kenya National Trading Corporation (KNTC), an agency of the Ministry of Commerce and Industry. The buying and selling prices of cereals, milk and sugar were set by the government. However, with economic liberalisation the monopolies have come to an end and prices have been decontrolled.

Copra and cashew nuts

The marketing of copra and cashew nuts has posed recurrent problems. During the last decade farmers were often advised to increase production but generally received small rewards for their efforts. Low prices and payment delays led to a steady decline in the production of both tree crops. In the case of copra, the low prices were the result of low prices for palm oil at the international market. Soap industries are the most important users of coconut oil in Kenya and they shift to imported palm oil whenever locally produced oils become too expensive. In 1993, they relied for about 80% of their raw material on imported palm oil. The coastal oil millers furthermore pay low prices in order to remain competitive.[12] As a consequence, many farmers became disillusioned and many oil mills work far below capacity. Import restrictions and levies on palm oil, which could support the local farmers and millers, are non-existent.

Producer prices for cashew nuts are also determined by world market prices although the latter have been generally fair. In the past, however, the farmers were often paid low prices because of mismanagement at Kenya Cashewnuts in Kilifi, the only large-scale factory. The construction of a second factory by a private company near Kwale was halted half-way, due to political intervention.

Equally important were collection problems. Collection of cashew nuts and copra has been the responsibility of co-operative societies in Kwale and Kilifi. Each society has a store where farmers deliver produce. The district co-operative unions deal with the oil millers and the cashew nut factory on behalf of their societies. They instruct societies to whom to deliver every one or two weeks. In return they receive transport, storage and buying commissions from the factories, which are passed on to the societies. They also collect the actual payments for the produce on behalf of the societies which, in turn, pay the farmers. The system is bureaucratic and sensitive to mismanagement, corruption and interference by local politicians. It has led to excessive creaming off and payment delays of up to a few years.

Confronted with this situation, the oil millers and the cashewnut factory have deployed private agents who are more efficient in many ways. First of all, the agents work on a smaller scale than the societies, using small stores and dealing with farmers who live nearby. Moreover, each agent delivers to one processor who sends his truck to collect the copra or cashew nuts every few days, going from agent to agent. If a particular farmer has a large amount of produce, the agent directs the truck there to collect the bags (in the case of a co-operative, the farmer has to take public transport or hire a truck to bring his bags to the co-operative store, paying for the costs involved). Finally, the processor pays cash on delivery through his agents. The agents themselves receive a commission per bag, which stimulates the collection of as much produce as possible. Sometimes they make extra money by paying the farmers less than agreed by the processor, but it seems they manage to keep the farmers satisfied.

In 1993, farmers, having a choice, preferred private agents, even when receiving less money than through the co-operative system. They opted for

12 In 1993, Coast Province had 16 oil millers, of which 13 were based in Mombasa. One of them, Msambweni Development Co, had its own plantation with 150,000 coconut trees in Kwale. The others relied on individual farmers. Some of the oil mills belong to soap factories.

cash money rather than promises of future payments, the more so because the co-operatives often defaulted on their obligations. The Kwale Co-operative Union has already lost the battle. For a few years, farmers stopped harvesting coconuts and cashew nuts, or, in the case of coconuts, sold them fresh in the Mombasa market. Many farmers have placed their hopes now on the private agents that have newly arrived. The battle between the Kilifi Co-operative Union and the private agents has not yet been decided, but few experts have doubts about the outcome in favour of the latter.

Cereals

Cereals, of which maize, rice and wheat are the most important, are deficit commodities. Additional supplies have to be imported from other parts of Kenya or from outside the country. A few coastal locations have a surplus production of maize – but only when the rains fall as required. The surplus is usually sold to consumers in nearby market centres. Relatively small quantities of cereals were sold to the NCPB in 1993, when the board still possessed a near-monopoly on trade across district borders. The board bought Ksh.2 million worth of cereals in Coast Province between July 1993 and January 1994 (including maize and rice), compared to Ksh.4.3 billion in the rest of the country (Daily Nation 1994a).

The role of the NCPB was more important when it came to supplying cereals. Cereals were brought in from up-country districts like Trans Nzoia and Embu. Transport was by road by private transporters. The board owned stores in the industrial area of Mombasa, and in the towns of Kilifi, Kwale and Voi. In January 1994, the Kenyan government lifted all restrictions on cereal marketing, reducing the role of the NCPB to that of regulator of the national strategic reserve.

Private traders are allowed to transport unlimited quantities of maize from one part of Kenya to another. Private transportation of maize across districts and regions has become a thriving business. As a consequence, price differences between surplus areas and deficit areas elsewhere have decreased, notably to the advantage of coastal consumers (Sasaki 1995). In addition to the liberalisation of the internal market, policy attempts were made to link the domestic market to the world market. Private traders are allowed to import maize after licensing. This policy, however, has not been implemented as consistently as the internal liberalisation.

Sugar and milk

Like cereals, sugar and milk are deficit commodities in Coast Province. Moreover, Kenya as a whole is a net importer of sugar and powdered milk. Unfortunately, a coastal sugar factory and a dairy factory have closed down in the past two decades. The former, the Ramisi Sugar Factory in Kwale District, had its own estate of 12,000 acres and a further 1,500 out-growers with 8,000 acres. The factory was closed down in 1988 because of problems related to sugar cane diseases and unpredictable rainfall. The factory also had difficulty competing with cheap imported sugar. The 1,500 outgrowers lost their only source of income and a large number were in danger of losing their land, as the Agricultural Finance Corporation (AFC) threatened to sell the farms in order to recover its debts (Daily Nation 1994b). In the absence of local sugar production, the Coast became completely dependent on sugar from western Kenya and on imported sugar. Until 1993, the KNTC had a monopoly of the trade. In that year the market was liberalised and private traders were allowed to import sugar. Soon, imports accounted for over 25% of all sugar consumed in the country (Chalon 1994). Coast and Eastern Provinces were the main destinations for the imported sugar and have remained so.

Competition was also cited as a reason for the closure of the milk processing factory at Mariakani in the second half of the 1970s. At the time, it was managed by the Kwale/Kilifi Dairy Co-operative Union. The factory used to collect milk from farmers at various collecting centres in Kwale and Kilifi but was allegedly closed on health grounds and competition from KCC for the milk market in Mombasa. The decisive reason was most probably an acute financial crisis, as creditors were after the factory and farmers claimed Ksh.165,000 for delivered milk the union had not paid for. In 1978, the KCC was ordered to take over operations at the, then closed, Mariakani plant. In 1979, farmers started to deliver milk again, but after a short while decided to boycott the factory and KCC because of unacceptable payment delays, increased charges for the collection of the milk and the outstanding debts that were still not paid. The milk plant closed down again and was left to rust. KCC had questioned the viability of a fresh-milk factory in the region from the start, and it had sufficient up-country milk to supply the Mombasa market.

A few years later, a plant was built by KCC at Miritini near Mombasa with assistance of foreign aid. The factory was to produce reconstituted milk from milk powder and butter-oil with some fresh milk to improve the taste. The milk powder and butter-oil were donated by European countries. In 1993, the KCC plant at Miritini was still in operation. Most of the farmer producers had stopped selling milk or did sell small quantities directly to consumers. The KCC supplied reconstituted milk to retailers in the coastal towns. In 1992 the KCC lost the monopoly on the marketing of fresh milk. Private trade of raw milk in urban centres was no longer illegal and private processors were allowed to procure milk directly from farmers. Since then, KCC has experienced increasing competition from rural-to-urban sales of raw milk and small-scale processors selling pasteurised milk and a variety of fermented products (Ngigi 1995)

Conclusion

Food marketing in Coast Province is the domain of private traders who specialise along commodity lines and according to marketing levels. Their level of competition and scale of operation differs from one commodity to another. In the case of vegetables and fruits many small traders operate within marketing channels that are characterised by a high level of competition. The most crucial marketing stage concerns the activities of middlemen in regional and inter-regional trade. Their profits result at least partly from the risks associated with transport and the margins can decrease if these risks are reduced – hopefully to the benefit of the farmers. This can only be realised by infrastructural improvements notably of the rural access roads.

In the case of meat and fish many small traders operate alongside a few large companies. The latter act as market leaders by virtue of their large turnover, degree of vertical integration and their relations with large institutional buyers such as tourist hotels. Pastoralists, fishermen and small traders in meat and fish benefit only to a limited extent from the activities of the big companies. Researchers need to look into the possibilities to strengthen the linkages between both groups of market participants. They should also examine whether the activities of the big companies lead to oligopolistic market structures and imperfect competition.

Until recently, copra, cashew nuts, cereals, milk and sugar were handled by parastatals and co-operative institutions but marketing structures were subject to drastic changes in the first half of the 1990s. The former monopolies were lost and the organisations were reduced to being one of the actors in a free market system. The aim of these structural adjustments was to improve the efficiency and effectiveness of market channels to the benefit of producers and consumers. Some positive effects were indeed achieved. One concerns the increasing flows of copra and cashew nuts with the introduction of private purchasing agents who operate alongside the co-operative intermediaries. Another positive effect concerns the increased availability of milk and fermented milk products in urban centres.

The liberalisation of the sugar and maize markets has turned out to be a mixed blessing for the region. Imports by private traders potentially lower consumer prices because of the nearness of Mombasa, the port of entry. At the same time, lower consumer prices will limit future possibilities to revive the coastal sugar industry or to increase local maize production.

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