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The Interplay between Commodity Markets and Rural Livelihoods: A Focus on the Tea Industry in Rural Kenya

By Mary Omosa

Address all inquiries to:
Institute for Development Studies
University of Nairobi
P.O. Box 30197
00100 GPO, Nairobi, Kenya.
Telephone: 254 20 338741/337436
Mobile: 0733-524903
0722-499706
Fax: 254 20 222036
Email: idsdirector@swiftkenya.com
ids@nbnet.co.ke
uonids@nbnet.co.ke
URL: www(ids)-nairobi.ac.ke

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Abstract
Through the years, the agricultural sector has occupied a central place in rural Kenya. Agriculture is also a dominant sector in the Kenyan economy and it is a source of livelihood for the majority of the rural population. The sector accounts for 30-35 percent of the gross domestic product and well over 60 percent of foreign exchange earnings. Furthermore, agriculture engages nearly 80 percent of the nation's workforce and most rural households are dependent on this sector for subsistence and cash income.

Evidently, agriculture is central to rural development efforts and the sector is a possible gateway to improvement in the distribution of national incomes, faster rural development necessary to bring about rural-urban balance, faster growth in employment opportunities and the generation of raw materials for the domestic industry. Indeed, in rural Kenya, agricultural growth, rural development and poverty alleviation are intertwined. Hence, in recent times, poverty alleviation has also been seen in terms of having access to productive resources and more importantly, being able to participate in the decision-making process at the global market level.

This study, therefore, focuses on the linkages between commodity markets and rural livelihoods. Specifically, the study looks at how the tea market is organised, the forces that direct and influence the way the various parties conduct their businesses, the resultant formal and informal linkages, and how these structures affect the role of the tea industry in the Kenyan economy.
The Tea Industry in Kenya

In Kenya, tea was first planted at Limuru in Kiambu District in 1903 and later spread to other districts on commercial basis in the 1920s. However, it was not until about 1959 when tea was first introduced to African areas on experimental basis under the auspices of the Special Crops Development Authority (SCDA). From these nucleuses, the crop spread to other districts that were considered suitable for tea growing. In 1964, the Special Crops Development Authority was replaced with the Kenya Tea Development Authority (KTDA). By 1930, the area under tea covered 4,047 hectares, with an annual production of 1,814,836 kilogrammes of made tea. Currently, area under tea stands at 113,892 hectares (Kenya 1999b, p.1).

On the other hand, smallholder tea production was first introduced in Kenya in 1952 on a pilot basis in Kirinyaga and Kericho Districts. In 1957, the first tea factory was constructed at Ragati for purposes of processing tea from smallholder farmers. This was followed by the introduction of field extension services for smallholder tea growers and the establishment of two marketing boards. These were: (i) The Central Province African Tea Growing and Marketing Board (CPATMB) to serve farmers to the East of the Rift Valley, (ii) Nyanza and Rift Valley Provinces African Tea Growing and Marketing Board (NRVPATGMB) to cover growers to the west of the Rift Valley. Other players in the industry have since included The Kenya Union of Small Holder Tea Growers,¹ The Tea Research Foundation,² and the Kenya Government.³ Several changes have, however, revolutionised the tea industry,
the most recent being the privatisation and liberalisation of the tea sub-sector. This process, which began in 1991, culminated in the change-over from the Kenya Tea Development Authority to the Kenya Tea Development Agency Limited, for the express purpose of handing over power to tea farmers.

The Kenya Tea Development Authority

The Kenya Tea Development Authority (KTDA) was established as a state corporation in 1964, with the primary mandate of managing tea from the smallholders whose cultivated land falls below 10 hectares per person. The KTDA has since been described as the boldest and most ambitious agricultural programme in the country (Finance 2000, p.24). Within the first decade of its establishment, smallholder tea production became the most profitable economic activity and two decades later, Kenya was the leading black tea exporter in the world and the largest tea producer, after India and Sri Lanka. Other players in the market include the Kenya Tea Growers Association and the Nyayo Tea Zones Development Corporation.

The main objectives of the KTDA are to:

(i) Promote and represent the common interest of all small holder tea growers and their factories;

(ii) Regulate and improve the relations between members of the association and their employees;

(iii) Make rules and regulations for the maintenance of tea cultivation, manufacturing, packaging, transportation and warehousing standards;
(iv) Set and make recommendations on tea picking for the various small holder tea-growing zones;

(v) Establish and maintain funds for enabling the furtherance of the objectives of the association by means of subscriptions, voluntary contributions, levies and borrowing on such terms and security as may, from time to time, be approved by members;

(vi) Co-operate with other similar organisations on matters of common interest or with a view to gaining common or uniform action when necessary;

(vii) Collect and circulate statistics and maintain such records as may be of assistance to members in the conduct of their business;

(viii) Negotiate on behalf of all members and with respect to labour unions, as regards remuneration and terms of service of growers, and Tea Factory Company employees; and

(ix) Provide for any other matters, which are approved by the association as being in furtherance of its objectives.

Generally, the above objectives are set to be fulfilled in the course of each party carrying out their obligations. On his/her part, the tea farmer picks green leaf from the farm and delivers it to the buying centres where a leaf collection clerk in charge of purchases spreads the leaf on beds for inspection. If found to be good, the tea is weighed, bought and a receipt issued to the farmer. The green leaf is then put into sacks and transported to the factories.
for processing and subsequent distribution and marketing through bodies such as the Kenya Tea Packers\(^6\) and the East African Tea Traders Association.\(^7\) Payments to smallholders is on a monthly basis and, at the end of each financial year, farmers are paid total proceeds from their tea sales less transportation, processing, handling and marketing costs.

However, several disappointments are cited in relation to the role of the KTDA. Returns to farmers in proportion to the value of delivered tea have been a subject of intense debate.\(^8\) It is argued that although tea farmers are supposedly better endowed compared to their counterparts in subsistence production, they too are now trapped in a vicious circle of poverty. And, whereas the new KTDA is a farmer-owned limited liability company, questions still abound. As such, although it is argued that KTDA has made the small holder tea sub-sector one of the most successful agricultural ventures in the developing world (Kenya 1999b, p.7), there are indications that members are dissatisfied with operations and some are already seeking alternative market outlets. For example, in March 2001, the Tea Board of Kenya\(^9\) sounded an alarm that farmers in Buret, Kericho, Nyamira and Sotik were hawking green leaves and this portends a severe threat to the industry. They argued that such outlets, locally referred to as *Soko Huru*, have the potential of lowering the quality of tea and consequently, the price of Kenyan tea in the world market. Moreover, there are fears that tea from such outlets could be bought by companies at throw-away prices or, low quality tea from neighbouring countries could find its way into the domestic market.
This study therefore argues that the above issues in the tea industry revolve around the fear whether structural changes alone are likely to make a difference and whether, in fact, the farmer's voice will be heard. Furthermore, it is not clear whether these smallholder tea farmers actually interpret their livelihoods in terms of the nature of linkages that they maintain with tea processing and marketing agencies. As such, the study focuses on rural livelihoods and how they, in turn, shape the perspectives of smallholder farmers towards the marketing of green leaf.

**Commodity Markets and Rural Livelihoods**

Whereas the importance of tea production to rural livelihoods is clear, the interplay between the tea commodity market and people's everyday live is not understood. Yet, the actual contribution of these economic activities is so dependent on how the people concerned choose to interact with the market and this is deeply rooted in their way of life. Livelihoods is here used to refer to efforts aimed at making a living, attempting to meet various consumption and economic necessities, coping with uncertainties, responding to new opportunities and making a choice between different value positions (Long 1997a, p.11). The assumption is that in making decisions, households will interweave their own perceptions and experiences with how a given strategy operates, and this is bound to affect outcomes. As such, common strategies, tea marketing included, will be variously executed, and results will differ and levels of success will be interpreted and experienced differently.
In real life situations, therefore, the choice of where and when to sell one's green leaf is subject to who knows what, what it is that they know, what image they would want to project of themselves, and the value system informing this perceived identity. But, while this tends to suggest that the strategies that households engage in, as regards tea marketing, are pre-determined, this may not always be the case. Livelihoods are often a dynamic process and one in which 'new' ideas are always emerging. As such, the marketing strategies that people identify with, are likely to change or, be seen to have changed, for various reasons. In this regard, Wallman identifies time, information and identity as the other equally important elements that come into play in shaping livelihoods, in addition to the rather conventional factors of production, that is, land, labour and capital (Wallman 1984, p.28).

A study, like this one, on commodity markets must, therefore, be seen in a wider context, and this includes looking at how market opportunities interact with people's livelihoods. Hence, some of the forces that may contribute to changes in livelihoods include externally stimulated processes such as policy guidelines and other planned interventions. However, despite a possible uniformity in these interventions, rural households will receive and experience these processes diversely. One of the primary considerations of this study, therefore, is the need to look at the interplay between commodity markets and rural livelihoods and how this comes to shape the outcome of tea as a commodity crop.
The interface between the tea commodity market and rural livelihoods must, therefore, be analysed in the light of the choices that households make, in an attempt to meet their basic needs and the context in which these operations are conducted. This context could be social, cultural, political or economic in nature. Therefore, livelihood is sustainable when it can cope with, and recover from, stresses and shocks, and thus maintain or enhance its capacities and assets, both now and in the future and without undermining the natural resource base (Ashley & Carney 1999). To this end, the context of the people being studied is fundamental to understanding livelihoods and these, in turn, influence impact. This refers to the totality of people’s surrounding and it includes the broad political and economic structures and the immediate physical, social and cultural environments where people live and work (Hebinck 2002).

Therefore, resources and livelihoods are inter-linked, and this relationship determines the type and direction of outcomes resulting from various activities, interactions with markets included. In other words, the level of caution with which people handle markets is dependent on the type of vulnerabilities within which they must operate. This involves linking, holistically, the variety of ways by which rural people manage to make a living and the contexts in which they conduct these activities. This includes paying attention to the processes that shape this endeavour, and the activities of institutions and individuals that appear external to the communities under consideration but who, nevertheless, influence what goes on. As such, the
totality of the context in which people conduct their businesses is crucial to studying the interplay between commodity markets and rural livelihoods.

**Research Question**

This study focuses on the nature of linkages between tea production and marketing, and how these impact on rural livelihoods. Whereas the liberalisation of markets is assumed to result in market friendly incentives that can encourage the accumulation of capital and more efficient allocation of resources (World Bank 1994, p.2), the interplay between market forces, government policy and social structure continues to shape and re-shape the relationships that govern tea markets.

Hence, in the midst of what seems like expanded choices, tea farmers are constantly making decisions, some of which present them with dilemmas and most of which have an impact on their livelihoods, tea marketing included. The decisions that these farmers take draw from various experiences, some of which are local and others that are based on activities taking place in far-away places. This study therefore seeks to understand the following:

(i) **Who are the actors and how are they organised?** In other words: How is the tea commodity market structured and organised? Who defines the market requirements and how is this transmitted? What type of negotiations and trade-offs characterise the functioning of this market structure? What formal and informal forces direct and influence the way green tea is marketed within given catchment areas?
What are the ongoing interactive processes and strategies in place within and beyond the catchment areas? That is: Who gets enlisted into this commodity market and how? How does their involvement affect the way they have organised their production process, at the farm level, and the nature of linkages that they maintain with markets? Who may have fallen out of the market chain and why? What strategies have producers brought on board so as to protect their interests and how? How do producers in disadvantaged positions manipulate situations and, thereafter, strategise to gain control of markets?

How do actors construct, reproduce and transform formal linkages? That is: Do events that take place far away affect the way tea farmers organise the marketing of their farm produce? What are the arenas for negotiation vis-a-vis documented procedures? In other words, where and how have changes taken place? How do the parties concerned create room for manoeuvre within fairly standardised procedures, such as quality requirements?

In seeking to understand the nature of linkages between tea producers and markets, this study will focus on network building and knowledge construction with the aim of showing how globalisation is driven, defined and contested, on an on-going basis, within the small holder tea sector. Further to this, the study aims to demonstrate the nature of interventions between commodity markets and rural livelihoods and whether these come to define the way people conduct their businesses.
Methodology

This study will focus on the smallholder tea industry in Kenya, currently operating under the auspices of the Kenya Tea Development Agency Limited. According to the Kenya Tea Development Authority (KTDA) in-house Journal of 1999, the KTDA is the biggest single tea producer and exporter in the world. Current membership stands at 320,000 growers and the Agency produces over 57 percent of the total tea output in the country.

KTDA factories are found throughout the tea growing regions in Kenya. To the west of the Rift Valley, these factories are located in Nakuru, Kericho, Bomet, Trans Mara, Narok, Nandi, Trans Nzoia, Kisii, Gucha, Nyamira, Kakamega, Vihiga, Mt. Elgon and Marakwet Districts. To the east of the Rift valley, KTDA factories are found in Kiambu, Thika, Maragua, Muranga, Nyeri, Kirinyaga, Meru, Nyambene, Tharaka Nithi and Embu Districts.

The study's population will, therefore, include smallholder tea producers; Soko Iluru dealers including out-growers, brokers and agents; KTDA factory management staff including directors, managers and extension officers; and multi-national companies operating in the vicinity.

Fieldwork will be conducted in three phases and both qualitative and quantitative methods of data collection will be applied. The preliminary phase will consist of interviews with selected tea growers. This will be
followed by a household survey consisting of both closed and open-ended questions. Issues and questions emerging from these interviews and the household survey will, thereafter, be addressed with the use of key informants. In addition, an attempt will be made to bring into the picture, for purposes of comparison, the scenario for tea growers located east of the Rift Valley and the marketing strategies employed at the tea auction in Mombasa.

**Sampling**

This study will largely be based on a random selection of one KTDA factory along the Kericho-Nyamira tea corridor, namely, the Kebirigo Tea Factory in Nyamira District. The selection of Kebirigo Tea Factory, one of the 39 KTDA factories in the country, is guided by the existence of a variety of markets open to tea farmers, who are, otherwise, expected to sell their green leaf through designated KTDA factories. Some of these potential markets include multi-national tea factories, *Soko Huru* dealers and fellow growers.

This study will therefore be interested in those tea growers who are faced with the possibility of selling their green leaf to other markets besides the KTDA. The study population is segmented into three: tea producers, buyers of green leaf, and leaf processors.
Smallholder Tea Producers

This study focuses mainly on the Kebirigo KTDA Factory catchment area. Actual boundaries will be demarcated with the use of the factory’s Buying Centres. To this end, 12 Leaf Buying Centres will be randomly selected from the 45 that fall under Kebirigo Tea Factory. These are Kebirigo, Makairo, Tinga, Kianungu, Bosiango, Nyakemincha, Ikobe, Ramba, Nyakeore, Ibacha, Etono, and Nyameru.

Thereafter, 60 questionnaires, consisting of both closed and open-ended questions, will be administered to smallholder tea farmers spread equally over the selected 12 KTDA Buying Centres. Some of the sampled farmers will then be taken up for in-depth study through open interviews. The actual selection of respondents for these open interviews will be purposively done and these will comprise of smallholder tea producers that are knowledgeable, available and willing to participate in discussions. There will be, however, an attempt to vary the characteristics of these farmers to include men and women, the young and elderly, small and medium acreage, and diversity in the market outlets that are being utilised. A total of 12 such farmers will be targeted for open discussions.

Soko Huru Dealers

A total of 50 Soko Huru dealers will be targeted. These will be drawn from out-growers, agents, brokers, and individual farmers, who sell their green leaf to non-KTDA factories. The actual selection of Soko Huru will be pegged to
dealers who operate within, and in the vicinity of, the 12 Buying Centres already sampled. This information will be triangulated with in-depth interviews with some of the dealers.

*Tea Factory Management*

In order to fully understand the intricacies surrounding tea marketing, officials from each of the factories will also be interviewed, right from the smallest unit. Some of these staff will include the tea Buying Centre Clerks and Committee Members, Factory Managers and Directors, Leaf Base Managers, and Field Extension Officers.

*Data Analysis*

Study findings will be analysed with a view to understanding the nature of interactions between smallholder tea farmers and their potential markets. Consequently, both qualitative and quantitative techniques of data analysis will be applied in an attempt to understand:

(i) The processes through which individuals mediate and organise the information that they receive, and the manner in which they rework this information through social processes;

(ii) How the tea market is constructed and re-constructed and variations in these realities and its implications, if any, on global markets; and

(iii) The dilemmas that characterise the linkages between smallholder tea producers and (global) markets.
The general aim of the study is to understand the interplay between commodity markets and rural livelihoods, and how these come to influence the way people conduct their businesses. The general assumption is that, whereas markets have a structure and there are rules and regulations governing how businesses should be conducted, what actually takes place is dependent on several factors. These include the characteristics of who is engaged in these markets and why. These, and other related issues form the subject matter of will be pursued in detail by this study.
Bibliography


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1 The Kenya Small holder Tea Growers Association draws membership from all the 315,000 smallholder tea growers and their respective factories and operates independently from the KTDA. The association was registered under Section 10 of the Societies Act on 27th November 1998.

2 The Tea Research Foundation of Kenya (TRFK) carries out research on the control of pests, diseases, improvement of planting materials, husbandry, yields and quality. It advises tea producers on the best clone selection to suit the various ecological zones, and on how to care for their tea in order to improve production and attain the best quality.

3 The role of the government is to ensure that all stakeholders observe the Tea Act. The government takes care of policy formulation and implementing framework in the tea industry. Representatives consist of the Permanent Secretary - Ministry of Agriculture, the Director of Agriculture, Permanent Secretary - Ministry of Finance, and the Chairman - Tea Board of Kenya.

4 The Kenya Tea Growers Association (KTGA) was established by large scale tea producers in 1931 to promote common interests of members in the cultivation and manufacture of tea and to promote good industrial relations and sound wage policies for the workers. Membership to the association is open to growers who maintain more than 10 hectares of tea.

5 The Nyayo Tea Zones Development Corporation (NTZDC) is a state corporation established in 1985, with the responsibility of managing government tea projects around the forest zones. The projects are spread over all tea growing districts and are meant to create a buffer zone between the settlement areas and government forests.

6 The Kenya Tea Packers (KETEPA) receives made tea from factories accounting for 7% of the tea industry and repackages it into different sizes for sale locally.

7 The East African Tea Traders Association (EATTA) brings together tea producers, brokers and buyers in Eastern Africa. The objectives of the association are: (i) to promote the best interest of tea trade in Africa, (ii) to ensure the orderly marketing of tea, (iii) to foster close relations within
the trade and (iv) to collect and circulate statistical information that may be of assistance to members in the conduct of their business. According to the rules of the association, dealings in tea in East Africa are only permitted between members. It is, therefore, a requirement that those wishing to trade in tea have to take up membership with the association.

Some of the critics have included the Coffee and Tea Parliamentary Association (COTEPA). COTEPA was formed by members of parliament from tea growing areas in 1994 with the aim of promoting and protecting the interests of smallholder farmers, by looking into the existing relationships between the farmers and the authority. Top on the agenda, for its formation, was the need to campaign for the immediate privatisation of the KTDA.

The Tea Board of Kenya (T.B.K) is a state corporation under the Ministry of Agriculture, charged with the overall function of regulating the tea industry. Established under an Act of Parliament (Cap 343) on 13th June 1950, the Board is charged with the responsibility of licensing tea growing, manufacturing and exports. In addition, it advises the government on all policy matters regarding tea. Representation is drawn from government, K.T.D.A., K.T.G.A., N.T.Z.D.C and E.A.T.T.A.

The bulk of the tea sold by the KTDA on behalf of the smallholder farmers is done through the Mombasa Auction, held every Monday except for public holidays. The auction is conducted under the supervision of the East Africa Tea Trade Association (EATTA). According to the KTDA sales and marketing division, the current outlets market as follows: Mombasa Auction - 60%, Kenya Tea Parkers - 7%, Direct Sales (Overseas) - 16%, Direct Sales (Local) - 4%, and Factory Door Sales (Growers Outlets) - 3%.