HORTINLEA
DIVERSIFYING FOOD SYSTEMS

"Diversifying Food Systems: Horticultural Innovations and Learning for Improved Nutrition and Livelihood in East Africa" (HORTINLEA)

JOINT INTERIM REPORT (SP12)

01/01/2014 – 31/12/2014

FORMAL REPORT

Description of activities/milestones
SP12: Elaborating Value Chain Strategies for Indigenous Vegetables
V1: To develop a conceptual framework. Literature review has been conducted and conceptual framework developed
V2: Develop a questionnaire for the panel survey (1wave 1-3). Questionnaire has been developed and pretested
HS3: Participation in the first wave of the panel survey. Representative household survey (1.wave) is conducted, data set is cleaned.
V3: To assess the market potential for organic vegetables and its effects on producers and consumers. Reports on the market potential of organic certified indigenous vegetables.
HS4: Participation in the second wave of the panel survey. Representative household survey (2.wave) is conducted, data set is cleaned.
V4: To identify major socio-economic and environmental drivers of indigenous vegetable value chains affecting the vulnerability to food insecurity. Reports on the vulnerability of food insecurity of indigenous vegetable value chains.
V5: Preparing an exit strategy for handing over the results to local partners. Capacity building and future collaboration with African partners.
HS5: Participation in the third wave of the panel survey, Representative household survey (3rd wave) is conducted, data set is cleaned.
HS6, V6: Analysis of the 1-3 waves of data and writing of scientific research articles. Survey data analyzed, and policy recommendations to improve the food security and livelihoods of indigenous vegetable producers and consumers provided.
V7: To identify the relevant actors of local and coordinated vegetable value chains and describe their respective functions A desktop review of existing literature has been carried out to identify and classify actors of local and coordinated AI value chains. In addition, during the household baseline survey, focus group discussions with farmers groups, traders (including supermarkets), consumers and frontline officers from ministry of agriculture have been conducted. a value chain map has been developed that graphically presents the relevant chain nodal points, market actors and their functions and relationships with one another.
V8: To analyse of the governance structures in co-ordinated value chains (Grades & standards, power distribution) A first analysis has been conducted with regard to local and co-ordinated value chains and the most important actors with their functions in respect to setting standards. Further research is needed to establish the actor which controls the chain through setting prices, control of information flow and terms of payment.
V9: To analyse the infrastructure and institutional conditions in co-ordinated value chains and evaluate the performance different value chains Activity has not started yet.

First empirical research has been completed to guide further inquiries (desktop review, focus group discussions) and actors of local and coordinated AIV value chains have been identified and classified. A value chain map has been developed that graphically presents the relevant chain nodal points, market actors and their functions and relationships with one another. The Value Chains segments in this study consists of the following steps: input, production, trade, marketing and consumption, with transport as a cross-sectional issue involved in several steps **(Activity V7).** In Kenya, the domestic agri-food system is experiencing increasing demand for high-value products and a tendency toward supply chain modernization. The growing urban middle class has preferences for higher levels of food quality, food safety, diversity, and convenience. The AIV coordinated value chains in Kenya are dominated by three major retail supermarket; Uchumi, Naivas, Tuskys and Nakumatt supermarkets. These buyers set and enforce quality standards and quantity requirements because of the perceived risk of producer failure. Such quality grades and standards include leaf size, spotlessness, no evidence of insect attack and freshness. Except for Uchumi supermarket which engages producers directly, the other supermarkets work with intermediaries for their supplies. At this stage, this study has not identified actors who control the chain through setting prices, control of information flow and terms of payment. There are ancillary actors that have established quality, labour and environmental standards for AIV value chains. They include government agencies (HCDA-KenyaGAP; NEMA, Ministry of Public Health) and international organizations (EUREGAP). However preliminary discussions with farmer groups show, that those farmers are unaware of these standards. More information regarding infrastructural investments and profit margins by different actors will be analysed to determine the power relations between the actors in the value chain **(Act. V8)**.

Within the scope of SP9, the literature has been reviewed regarding the role and impact of supermarkets on smallholders in Kenya. One important result is that supermarkets aim at reducing transaction costs (TAC) through the implementation of standards to be competitive. Smallholders cause higher TAC than large-scale farmers, since many contracts are needed which have to be monitored and organized by the supermarkets. Here, more research is needed, to what extent smallholders are integrated in the procurement systems of supermarkets and which arrangements are needed to better integrate smallholders. This research question will be analysed by conducting a survey of farmers, traders, and supermarkets **(V1).** A core instrument to reduce TAC is the introduction of standards in value chains. In order to explore the status quo of the implementation of standards from the viewpoint of traders and supermarkets, adequate questions have been integrated in the trader and supermarket survey. In addition, a literature review is currently conducted. A preliminary result is that that the ability of supermarkets to supply consumers with sufficient and safe food requires changes in the procurement system. Thus, the agri-food system has changed from a more fragmented chain, consisting of very long channels and little quality control to a more centralized supplier system with contract-farming and more specialized middlemen.

There is a growing literature on how the growth of supermarkets affects the procurement system in domestic food value chains; however, the growing role of quality standards has been largely ignored. In terms of standards, a focus will be put on the relevance of organic produced vegetables and the related standards **(V3)**. In order to answer these research questions, respective questions were incorporated in questionnaires **(V2 & HS3).**