CHALLENGES FACING INTERNATIONAL AGRIBUSINESS IN KENYA

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OCTOBER, 2014
DECLARATION

This research project is my original work and has not been presented for examination to any other university

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This research project has been submitted for examination with my approval as the University supervisor.

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SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI
DEDICATION

This work is dedicated to my parents Mr and Mrs Joshua Kiniaru, beloved Husband Alex Kamau and lovely siblings.
ACKNOWLEDGEMENTS

There are a number of people without whom this thesis might not have been written, and to whom I am greatly indebted.

To God almighty, for his grace, gift of life and blessings.

To my father Mr. Joshua Kiniaru Kagunyi, Msc and mother Mrs Tabitha Judy Kiniaru, beloved husband Alex Kamau who have always been an encouragement and inspiration to me throughout this project and life. For their financial and moral support, even when the road seemed too bumpy. A special thank you for nurturing in me the appreciation of education and for the many ways in which you have supported me in my determination to find and realize my potential.

I would like to acknowledge the advice and guidance of my supervisor, Mr. E. O Mududa and moderator, Mr. Kagwe. Your kindness and willingness to lead me has been profound. May God bless your future endeavors in leading and seeing many, more go through your hands. I also appreciate the work done by my lectures in MBA program and the entire university fraternity.

To my siblings Njeri, Ciku and Kagunyi, many thanks for your prayers, sacrifice and passion for my academic success. To my friend Sylvia Njeri, classmates and other friends whose help and contribution to this research has been realized.

To the all the governing bodies and entrepreneurs for your contribution, support and encouragement.

God bless you all.
ABSTRACT

International Agribusiness has contributed massively to wealth and employment, foreign exchange earnings, enriched nutrition, poverty reduction and food security. This leads the investor to look for market before the produce matures and this is either locally or internationally. The main objective of this study is to determine the challenges facing international agribusiness in Kenya. This research study has adopted a descriptive research design approach. The target population of this study was 206 firms and individuals combined. A sample size of 100 employees was regarded adequate in this study. Primary data was gathered directly from respondents and for this study; the researcher used a questionnaire. Quantitative data collected using questionnaires was analyzed using descriptive statistics using SPSS (Statistical Package for Social Sciences). The study found out that there is an increase in the appetite towards involvement in international business. However, the drawback comes about in meeting the international standards set in regard to international exports that compromises on the quality of the end product to the international market. The study depicted that governing bodies need to create awareness to the general public on the export documentation requirements, any special requirements, the international standards set in regard to international exports quality. the entrepreneurs also need to be vigilant in finding out on the current state of the international market as well as educate themselves in what is expected of them from the global market they seek to venture into.
# LIST OF ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>MNC</td>
<td>Multinational Corporations</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
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<tr>
<td>KNBS</td>
<td>Kenya National Bureau of Statistics</td>
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<tr>
<td>HCDA</td>
<td>Horticultural Crop Development Authority</td>
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<tr>
<td>U.S</td>
<td>United States</td>
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<tr>
<td>ACP-EU</td>
<td>African Caribbean &amp; Pacific – European Union</td>
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<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
</tbody>
</table>
TABLE OF CONTENTS

Declaration ..................................................................................................................................... i

Dedication .................................................................................................................................... ii

Acknowledgements ...................................................................................................................... iii

Abstract ....................................................................................................................................... iv

CHAPTER ONE: INTRODUCTION .........................................................................................1

1.1 Background of the study ........................................................................................................1

1.1.1 Concept of international business ...................................................................................2

1.1.2 Challenges of international business operations ...........................................................3

1.1.3 International agribusiness in Kenya ................................................................................5

1.2 Research problem ..................................................................................................................7

1.3 Research objective ................................................................................................................8

1.4 Value of the study ..................................................................................................................8

CHAPTER TWO: LITRATURE REVIEW .................................................................................9

2.1 Introduction ...........................................................................................................................9

2.2 Theoretical foundation ........................................................................................................9

2.2.1 Mercantilism theory ......................................................................................................9

2.2.2 The absolute advantage and comparative advantage theories .....................................10

2.2.3 The factor proportions and new trade theories ............................................................10

2.2.4 The product life-cycle and national competitive advantage theories .........................11

2.3 International agribusiness ....................................................................................................11

2.4 Challenges facing international agribusiness .......................................................................12

CHAPTER THREE: RESEARCH METHODOLOGY ..........................................................15

3.1 Introduction .........................................................................................................................15

3.2 Research design ..................................................................................................................15

3.3 Target population ................................................................................................................15
3.4 Sampling ........................................................................................................15
3.5 Data collection ................................................................................................16
3.6 Data analysis ..................................................................................................17

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS ........18
4.1 Introduction ....................................................................................................18
4.2 General information .....................................................................................18
4.3 Discussion of findings ..................................................................................19

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS ..........23
5.1 Introduction ....................................................................................................23
5.2 Summary of the findings ..............................................................................23
5.3 Conclusion ....................................................................................................23
5.4 Recommendations .......................................................................................24

REFERENCES ......................................................................................................25

APPENDICES ........................................................................................................I
APPENDIX (i): QUESTIONNAIRE ......................................................................II
APPENDIX (ii): LIST OF ABBREVIATION .........................................................III
LIST OF TABLES

Table 4.1: Challenges of International Agribusiness in Kenya ..........................20

Table 4.2: Challenges encountered locally affecting international market entry ......21
LIST OF FIGURES

Figure 4.1: Gender of the respondent .................................................................18

Figure 4.2: Awareness on set international standards, trade rules and transparency 19

Figure 4.3: Business experience and satisfaction..................................................20
CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Transnational agribusiness shapes trade and thus affects food security and development in developing countries. Improved trade rules and increased transparency about the operations of these businesses are essential if trade is to make a positive contribution to an economy. Beginning with the pioneering work of Perlmutter (1969), numerous scholars have emphasized the importance of adopting a global strategic approach to business (i.e. Hamel and Prahalad 1985, Yip 1989). However, the optimal strategy for tackling global markets has been a matter of dispute. As the international business develops, the company may decide to source some components from overseas, and to standardise some of its products. As Briscoe and Schuler (2004) point out, when a certain critical mass develops, the company must choose other, more complex strategies of tackling the international market.

As consumer preferences across national markets converge, trade barriers fall, and national economies integrate to form a global economic system, increasing numbers of small businesses across national markets are taking advantage of trading opportunities engendered by the globalization of markets and production. The potential for global sales is clear, but does it extend to small businesses in reference to agribusiness? Some observers have noted that African countries are falling behind in this global economic race (Zeng, 2008). This is a serious matter because of the key role that entrepreneurs and small businesses play in job creation and economic growth in every country. Despite small businesses being engines that drive economic growth in most economies, small scale enterprises are at a great disadvantage in this race for growth and profitability globally.

Agriculture is also the largest contributor to Kenya’s gross domestic product (GDP) upto 30% and constitutes 40% of export earnings. In Kenya, agriculture supports 75% of all households. Kenya is the leading exporter of tea, with considerable amounts in coffee,
sisal and horticulture. Animal products like sale of eggs, meat products and fish are also fetching farmer’s lots of money. (Mounde, 2014). Agricultural development effectively stopped as the 1914-18 war required the able-bodied expatriates from agriculture, together with large numbers of Africans, recruited as soldiers and porters in the campaign against the German forces in Tanganyika. Progress was resumed as returning European soldiers responded to market opportunities. After the Protectorate was formally declared as Kenya Colony in 1920, this was followed by a decade of expansion in which coffee, tea, sugar and pyrethrum were developed as export crops, with substantial investment from overseas. (Pereira, 1997). The following decade brought the world depression of the 1930s. Prices for export crops fell heavily but, fortunately, the high quality of Kenya coffee and tea maintained sales enough for survival. (Pereira, 1997).

1.1.1 Concept of international business

International business is the exchange of goods and services among individuals and businesses in multiple countries. It can also be viewed as a specific entity, such as a multinational corporation or international business company that engages in business among multiple countries. (www.businessdictionary.com).

International business describes business transactions in which more than one country is involved. The stopping criterion is that a firm or organization is operating in foreign countries. These companies are often called Multinational Corporations (MNC’s). Sometimes companies become active in other countries to offer their goods or services, but more often they have other attempts. Today it can be lucrative to build or relocate a plant in a foreign country because of lower labour costs. Borrowing money in one country and using it in another can be as reasonable as relocating headquarters into a certain country because of fiscal advantages. The concepts of international business as includes exporting and importing whereas exporting is concerned with the selling of domestic goods in another country while importing is concerned with purchasing goods made in another country.

Balance of Trade is also another concept that brings out international business. It represents the difference between the visible export and import. It may be shown in the
following way. It may be shown through the difference between visible exports and visible imports. Favorable balance of trade indicates that a country’s export is higher that its import. When a country’s imports are higher than its exports, then it is called unfavorable balance of trade. Another factor that is viewed under the balance of payment concept is balance of payment. This is the difference between an addition of visible and invisible exports from visible and invisible imports. Favorable balance of payment is seen if more money is flowing in the country than flowing out of the country. Unfavorable balance of payment exists when more money is flowing out of the country than flowing in.

Exchange Rate is the rate at which one country can exchange its currency with other country’s currency. Exchange rate is of four types. Devaluation includes the reducing the value of nation’s currency in relation to currencies of other nations. Revaluation increases the value of a country’s currency in relation to that of the other countries. Fixed exchange rate which is an unvarying exchange rate, which is set by the government and floating exchange rate, that is an exchange rate that fluctuates with market conditions.(Rasel, 2014).

1.1.2 Challenges of international business operations

Globalization refers to a fundamental shift in world economy in which nations are moving toward an interdependent global economic system. (Hill, 2009). Globalization has resulted in markets in which previously historically separate markets have become one huge global marketplace as a result of reductions in trade barriers and advances in information and transportation technologies. As a result, small firms can now participate in international trade right from inception. Another facet of globalization is globalization of production. Companies can locate production facilities in countries where labor and other production inputs are cheaper. The end result is that globalization presents new threats for small companies in Africa in the form of increased competition from foreign entrants. Locally manufactured goods now compete with cheaper good quality products from emerging economies, such as China, India, and Brazil. These inexpensive imports
are rapidly replacing locally made goods and shutting down small-scale manufacturers. (Ekeledo, 2009).

Basic physical infrastructure required for economic development, such as good roads, ample power supply, and good rail and river transportation facilities, are in very poor shape in most African countries. As a result, deplorable roads, deteriorating rail lines, where rail transportation still exists, inadequate power supply, and unusable waterways have combined to make small business operations difficult. For example, damage to equipment because of power surges and down time due to unavailability of electric power during production hours are major problems for small manufacturers in some African countries (Akwani, 2007). To overcome this problem, entrepreneurs who can afford it own private generators to power their manufacturing operations, thus increasing production costs and making their products less competitive. Furthermore, poor transportation facilities and bad roads result in higher cost of moving goods from one section of the country to another. In addition, the information and communication infrastructure in most African countries are weak. Access to information infrastructure is considered an indispensable condition for widespread socio-economic development in this age of globalization and information economy (Cogburn, Adeya, 2000). The result of poor communication networks in most countries in the developing world is the low level of Internet usage. Also, there is inadequate broadcasting facilities, computing infrastructure, and other consumer electronics mostly in the interior village that concentrates on farming as a way of life (Eifert and Ramachandran, 2004).

Every country has their own regulations and laws set up and it will be the Importers and exporters obligation to know them. One must be aware of international laws. Research should be the first thing one does after deciding to go global with your small/mid size company. Some products may be banned in some countries and even though one may not be aware of these restrictions, the company will end up in trouble if you ship those products. (Feray Yuksekbas, 2011). Cost is also another key factor that will drive one and their company towards international business. One must calculate all possible costs that may be incurred. How to get the products delivered in the most economical way is the
question. At the end of the day if the total cost will be more, then the expectation to consider taking the risks of opening the door to international business may be a position to consider whether this will be profitable or not. (www.wikiinvest.com/stock)

Business partners overseas may not communicate in the language(s) that is known and this could be another barrier to the business. Successful communication is the key factor in everything in our lives, and if there is no effective communication – this in turn will affect the success of the business that is intended to take place. Relationships with people from other cultures are enhanced in the presence of awareness of cultural differences such as communication styles, religious beliefs, power structures, and attitudes toward time and work. It is therefore important for the entrepreneur to study and try to understand the country’s cultural structure before deciding to get into business. (www.wikiinvest.com/stock). Payment Methods and Currency Rate are other obstacles that the small business owner must address before accepting or placing international orders. Countries may have different payment methods that are locally popular, but may not be commonly used internationally. In order to secure the business always selects the safest option. The currency exchange rate is also of importance. One must be aware of the currency exchange rates at the time of buying or selling the products. Drastic changes on the exchange rates may hit the business negatively. We all know that every penny counts for businesses. (Feray Yuksekbas, 2011).

1.1.3 International agribusiness in Kenya

Globalization of markets and production has produced many opportunities and new threats for businesses hitherto accustomed to dominating their domestic markets. Entrepreneurs are individuals who identify market needs and launch firms to meet those needs. Unlike salaried employees, entrepreneurs assume ownership risks. entrepreneurs include not just the founders of business firms but also "second-generation operators of family owned firms, franchisees, and owner managers who have bought out the founders of existing firms" (Longenecker, Moore, Petty, 2003). Although the terms entrepreneur and small business manager are not synonymous, most entrepreneurship begin as small businesses.
Kenya earned Sh 93 Billion from the cultivation of fruit, vegetables, flowers and nuts in the year 2013 up from shs 87.71 billion in 2012. Kenya is on the spot light when it comes to enhancing safety measures on its horticultural exports as it emerges that some farmers are still using banned pesticides during production. This may lead it to losing its position as the world’s biggest horticultural exporter in the wake of the rising cost of production and compliance bottlenecks linked to the tighter safety measures. The number of intercepted consignments of fresh produce from Kenya to the European union range between 41-45 between the months January to April in the years 2013 to 2014 respectively. (Odhiambo, 2014). Farmers must also adhere to the authorized and registered pesticides, as well as observe pre-harvest intervals before harvesting. A number of Kenyan consignments have recently been locked out of the EU after buyers raised concern over use of a pesticide known as dimethoate that is popular among vegetable farmers. It is mainly used by tomato, cabbage and kale farmers to kill mites and insects. (Odhiambo, 2014).

Export is the fastest growing foreign exchange earner in Kenya. According to the Kenya National Bureau of Statistics (KNBS), the sub-sector generates over $300 million (Sh2.6 billion) in foreign exchange earnings annually. Agribusiness has contributed massively to wealth and employment, foreign exchange earnings, enriched nutrition, poverty reduction and food security. Both locally and internationally it brings up a great need to prepare the market way before the crop is ready for harvesting. This leads the investor to look for market before the market matures. When it comes to the international market, the consistency in supply and adhering to food safety and quality standards in accordance with national and international laws as prescribed by the Kenya Bureau of Standards and international standards are often quite challenging to achieve. This is due to negative factors from the end of the exporter. This may include lack of proper consistent water supply. Without borehole water supply the farmers are forced to depend on intermittent supply of local water companies, or water from rivers that are often seasonal, to keep the plants green.

Transport of the produce to the market is also another factor if one does not have their own private means. This leads to hiring and thus the farmer has got to do their
calculations right so they don’t incur losses in the long run when the expenses incurred override the revenue earned. Upon harvesting, they are left at the mercy of the brokers, who buy the produce cheaply, but sell them at a fortune while they export to the international market. The brokers call the make the decisions, dictating to Buyers in the international market depending with the goodness if what they are selling in terms of quality, consistency and availability. Also, this also has led to the use of brokers instead of supplying direct to the consumer in most cases. The infrastructure, which mostly is the road network, is poor and this affects the timing to the consumers and also for goods that are easily perishable, do not make it in good condition to the market and this affects the quality when it comes to the international standards. This leads the farmer to incur losses as they have to sell their produce at a throw away price or as export rejects. Most of the cattle rearing ranches are involved in large-scale export of prime meat and rearing bulls for breeding. This calls for excellent export connections from the supply from the farm to packaging to final exportation.

Some of the fertilizers used are banned by the international market and this leads to produce rejection. Lack of clean planting materials is another challenge that passion fruit farmers face. The German Technical Cooperation is implementing the Private Sector Development in Agriculture programme in collaboration with the Ministry of Agriculture, Horticultural Crops Development Authority and Kenya Horticultural Development Program especially in Rift Valley, Central and Eastern Provinces to address and assist farmers in enhancing production of clean planting materials. (Ngotho, 2012).

### 1.2 Research problem

As consumer preferences across national markets converge, trade barriers fall, and national economies integrate to form a global economic system, increasing numbers of small businesses across national markets are taking advantage of trading opportunities engendered by the globalization of markets and production. The potential for global sales is clear, but does it extend to small businesses? Some observers have noted that countries in the developing world are falling behind in this global economic race (Zeng, 2008). This is a serious matter because of the key role that entrepreneurs and small businesses
play in job creation and economic growth in every country. Despite the fact that small businesses are the engines that drive economic growth in most economies.

In a research related to international business, Adyang (2012) in his study of fast moving goods multinationals in Kenya appreciated the fact that shareholding structures between their global operations with controlling shares and minority owned in Kenya posed a stiff competition in terms of penetration to markets outside the region. Companies have to face the realities of the challenge of completion. Gichinga (2012), also in his study of challenges of implementing entry strategies in the East African market also noted that existing management control and particular budgeting systems pose as challenges in the entry to the international markets.

Education and training support for entrepreneurs and small-scale enterprises will help establish a good foundation for small business growth. Firms should therefore be encouraged to become entrepreneurial because of their potential to explore nontraditional business models and also see the value of agribusiness as a mode of career path as well as a source of income. They should also take advantage of the government’s help that it is offering to agribusiness both locally and internationally to boost agriculture awareness and its value to the country. (Kula, Downing, and Field, 2006).

Given the importance of the findings by previous researchers, what has been done is research in relation to international business and other fields but very few studies have been done directly towards finding out the specific challenges in international business. This study therefore seeks to fill the gap as well as extend the knowledge guided by the following research question: what are the challenges facing international agribusiness in Kenya today?

1.3 Research objective
The main objective of this study was to determine the challenges facing international agribusiness in Kenya.
1.4 Value of the study

The findings of this study will be of value to the Kenyan entrepreneur and organizations experiencing challenges in the quest to enter and thrive in the international markets. The insights on responses by a successful firm can offer lessons and make both anticipation and management of change by these firms better. An evaluation that they may undertake by the use of this study will enable them to recognize faults and room for improvement to make its future experiences better.

The policy makers, regulators, import - export governing bodies and government in general will have an opportunity to understand the changes that are in current business environment perhaps improve it to facilitate appropriate responses as we enter regional and global markets which are competitive.

Scholars and researchers will also find the results of this study useful for further research on influence of various specific factors that both positively and negatively affect international agribusiness in Kenya and beyond.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The chapter is divided into Theoretical review study, international agribusiness, challenges facing international agribusiness, globalization in the international business environment, strategic choices for international business.

2.2 Theoretical foundation

International trade or business is the purchase, sale or exchange of goods and services across national borders (Wild, Wild & Han 2006). There are many theories regarding international trade. Some of these include mercantilism, absolute advantage, comparative advantage, factor proportions theory, international product life cycle, new trade theory and national competitive advantage.

2.2.1 Mercantilism theory

Mercantilism is a theory that states that nations should accumulate financial wealth through exports and discouraging imports. This was accomplished through trade surpluses, government intervention and colonization. These three things worked together. Trade surplus was maintained through the colonization of underdeveloped territories for their raw materials. The country would colonize these underdeveloped countries, ship the raw materials needed for export back to the home country and export the finished product around the world. The government intervention occurred when they banned certain imports or imposed a tariff on these imports. At the same time, the government would subsidize their own industries to expand exports. (Mun, 1630)

2.2.2 The absolute advantage and comparative advantage theories

The absolute advantage theory was the ability of a nation to produce a product more efficiently than any other nation using the same amount or fewer resources. The difference in this theory is that trade should not be banned or restricted by tariffs but allowed to flow freely according to the demand of the market. This theory also states that
the objective be that the people of the country have a higher living standard by being able to obtain goods more cheaply and in greater abundance. The theory measures a nation's wealth on the living standards of the people and not on the money the country has in its reserve. (Smith, 1776). In the comparative advantage theory the country in question may not be able to produce the good more efficiently than any other country but can produce the good more efficiently than any other good within its own country. This type of trade is accomplished if, say, one country has the absolute advantage in two different types of exports but it costs more monetarily or in labor than another country. This second country then has the comparative advantage. It is able to produce and export this second good to the first country cheaper and more efficiently. (Ricardo, 1817).

2.2.3 The factor proportions and new trade theories

The factor proportions theory states that countries import goods where resources to make them are in short supply and export goods where the resources are abundant. The other theories concentrated on the productivity of a specialized good while this theory focuses on the abundance and cheapness of the goods. Using this theory, a country will specialize in labor products if the cost of labor is lower than capital and land and specialize in capital and land if the cost is lower than labor. If a country has a large amount of land and specializes in exporting agriculture products then they will more than likely import the capital products needed to help in the labor of these exports. In the new trade theory, via the achievement of scale, trade can increase the variety of goods available to consumers and decrease the average cost of these goods. Further, the ability to capture economies of scale before anyone else is as first-mover advantage. Nations may benefit from trade even when they do not differ in resource endowments or technology. New trade theory is not at odds with Comparative Advantage, since it identifies first mover advantage as an important source of comparative advantage. (Krugman, 1979)

2.2.4 The product life-cycle and national competitive advantage theories

The product life-cycle theory attempts to explain global trade patterns. First, new products are introduced in the United States. Then, as demand grows in the U.S., it also appears in other developed nations, to which the U.S. exports. Then, other developed
nations begin to produce the product as well, thus causing U.S. companies to set up production in those countries as well, and limiting exports from the U.S. Then, it all happens again, but this time production comes online in developed nations. Ultimately, the U.S. becomes an importer of the product that was initially introduced within its borders. The weakness of this theory is that not all new products are created in the United States. Many come from other countries first, such as video game consoles from Japan, new wireless phones from Europe, etc. Several new products are introduced in several developed countries simultaneously. (Vernon, 1966). The latest theory is the national competitive advantage that states a nation's competitiveness in a certain industry depends on the ability of that nation to innovate and upgrade that industry. This theory takes into account the resources of the country and, in addition, the skills of the country and technological abilities. The national competitive advantage concentrates on improvements in technology and worker processes and worker training and development. (Porter, 1990)

2.3 International agribusiness

After the 1973 oil crisis, agricultural growth slowed as less untapped land became available. Government involvement in marketing coupled with inefficient trade and exchange rate policies discouraged production during the 1970s. Coffee production booms in the late 1970s and in 1986 have in the past temporarily helped the economy in its struggle away from deficit spending and monetary expansion. Although the expansion of agricultural export crops has been the most important factor in stimulating economic development, much agricultural activity is also directed toward providing food for domestic consumption. (www.nationsencyclopedia.com)

International business includes Commercial agriculture which is large-scale production of crops for sale, intended for widespread distribution to wholesalers or retail outlets. In commercial farming crops such as wheat, maize, tea, coffee, sugarcane, cashew, rubber, banana, cotton are harvested and sold into world markets. Agricultural production across the world doubled four times between 1820 and 1975 to feed a global population of one
billion human beings in 1800 and 6.5 billion in 2002. According to (www.wikiinvest.com /Avery) of the agribusiness funded Hudson Institute, Asia increased its consumption of pork by 18 million tons in the 1990s. As of 1997, the world had a stock of 900 million pigs, which is predicted will rise to 2.5 billion pigs by 2050. He told the College of Natural Resources at the University of California, Berkeley that three billion pigs will thereafter be needed annually to meet demand. He writes: "For the sake of the environment, we had better hope those hogs are raised in big, efficient confinement systems."

Africa is the leading tea producer, and was fourth in the world in 1999, behind India, China, and Sri Lanka. Production in 1999 reached 220,000 tons. Tea exports were valued at $404.1 million in 2001, or nearly 18% of total exports. The tea industry is divided between small farms and large estates. The small-scale sector, with more than 260,000 farmers, is controlled by the parastatal within the country of production. The estates, consisting of 60–75 private companies, operate on their own. (www.nationsencyclopedia.com). This is followed by Coffee as the third leading foreign exchange earner. In 2001, coffee earnings totaled $91.8 million. Production in 2001/02 amounted to 52,140 tons. Similar to the tea sector, coffee is produced on many small farms and a few large estates. The suspension of the economic provisions of the International Coffee Agreement in July 1989 disrupted markets temporarily, driving coffee prices to historical lows. (www.nationsencyclopedia.com)

Farmers must also adhere to the authorized and registered pesticides, as well as observe pre-harvest intervals before harvesting. A number of Kenyan consignments have recently been locked out of the EU after buyers raised concern over use of a pesticide known as dimethoate that is popular among vegetable farmers. It is mainly used by tomato, cabbage and kale farmers to kill mites and insects. (Allan Odhiambo, 2014).
2.4 Challenges facing international agribusiness

While trade barriers and unfair practices take many forms, the most common examples are intellectual property infringement including copyright, patent and trademarks. Customs procedures that are not uniformly applied, lack of competitive bidding for foreign government tenders, the application of direct or indirect subsidies by a foreign government in favor of domestic suppliers, burdensome certification and testing requirements that are not required by domestic manufacturers, influence peddling that includes corporate entity or country is interfering with fair trade practices at your expense, and bribery, corruption and requests for payoffs when foreign bribery prevents you from competing fairly on the basis of price, quality or service. If you feel your company’s exports or foreign bids have been, or may be adversely affected by a trade barrier or unfair business practice, you may file a complaint electronically with the Trade Agreements Negotiations and Compliance within the International Trade Administration. (Ekeledo 2009).

The state plays a major role in the regulatory power in the local-global political economy. For example, the EU uses its competition policy against “abuse of a dominant market position” to prosecute and punish EU companies that collude in setting prices. Kenyan farmers need know whether the EU will agree to a joint ACP-EU action against international companies, like the above quartet, that collude in fixing prices (Ibid). Scholars like (Bair, Gibbon, 2002) of Yale University support this view by showing that regulatory mechanisms shape the geography and configuration of commodity chains as well as the regulatory context that affects the extent to which developing country exporters may benefit from their participation in global production networks.

Despite existing policies on financial support for small businesses, very few entrepreneurs receive financial help when they need it. Lack of financial support is the number one constraint in developing their business. Small businesses consider procedures for securing business loans from banks cumbersome, and the collateral demanded for such loans excessive. Banks, on the other hand, defend their behavior by noting that most small firms that apply for loan do not present acceptable feasibility study or good
business plan. Furthermore, many entrepreneurs do not even have a deposit account in a bank, a condition for advancing a loan to an applicant. To complicate the problem, there is no law to protect a bank against loan default. Banks also point out that entrepreneurs are unwilling to acquire formal training in how to run a business. Although in some African countries banks are by law required to set aside a certain percentage of their profits for small business loans, many banks would rather pay a fine than make what they believe to be a high risk loan. (Ekeledo 2009).

Have the Right Shipping Method yet another factor. How to ship the cargo in a timely, safe and cost effective fashion, which option would be best for the business and as well as the goods. These questions may seem complicated if one is new to the shipping industry. When getting started you may want to reduce the risk and use a system as they have the logistics experience, knowledge, and software a small company does not have, and they cost less than hiring employees with such expertise. (www.wikiinvest.com/stock)

Gereffi, Gibbon & Daviron, (1993) reached a consensus in the last decade that the actoriness of actors in a chain changes over time. For instance, Kenyan farmers accounted for 55% of all fresh fruits exported from Kenya to the UK in 1993 but this value fell to under 20% in 1999. These changes are attributed to the entry of better financed and dedicated British importers with the necessary logistic capacity for production and shipment plus distribution and ripening centers in the United Kingdom. These developments raise questions about the future of smallholder crop producers and whether this economic marginalization and exclusion of smallholders may not threaten international development. Farm workers fear protesting against unfair practices because if they lost a consignment, there would be few other alternatives while the farmers lack a major negotiating tool; the ability to walk away from trade negotiations since there are just a few buyers.(Benoit,1990).
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction
This chapter sets out various stages and phases that were followed in completing the study. The following subsections include; research design, target population, sampling, data collection and finally data analysis.

3.2 Research design
This research study adopted a descriptive research design approach. This type of study utilized survey method where participants answered questions administered through an open ended questionnaire. The researcher then recorded and described the responses given.

3.3 Target population
According to Ngechu (2004), a study population is a well defined or specified set of people, group of things, households, firms, services, elements or events which are being investigated. Thus, the population should fit a certain specification, which the researcher is studying and the population should be homogenous. The target population of this study comprised of 206 firms in international agribusiness that were randomly picked. Of the 206, 7 are in the category of governing bodies, 99 registered firms and 100 individual entrepreneurs.

3.4 Sampling
The study adopted proportionate technique. Proportionate sampling (Van Dalen, 1999) provides the researcher a way to achieve even greater representativeness in the sample of the population. This means that each stratum has the same sampling fraction. Kish (2005) says that 30 to 200 elements are sufficient when the attribute is present 20 to 80 percent of the time (i.e., the distribution approaches normality). Based on this contention, a random sample size of 3 governing bodies, 48 firms and 49 individual entrepreneurs was regarded adequate in this study. Out of the governing bodies and the registered firms, middle management staff was used to carry out the study where as the business proprietors for the individual entrepreneurs.
3.5 Data collection

Primary data was gathered directly from respondents and for this study; the researcher used a questionnaire. The questionnaires included open-ended questions and were administered through drop and pick method to respondents who are in the international business sections. The unstructured questions were used as they encourage the respondent to give an in-depth and felt response without feeling held back in revealing of any information. With unstructured questions, a respondent’s response give an insight to his feelings, background, hidden motivation, interests and decisions and give as much information as possible without holding back.

3.6 Data analysis

Data analysis is the whole process, which started immediately after data collection and ended at the point of interpretation and processing data. The researcher perused the completed research instruments and document analysis-recording sheets. Quantitative data collected using questionnaires was analyzed using descriptive statistics using SPSS (Statistical Package for Social Sciences). Data was presented using tables, charts, and graphs with respective interpretation.
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction
This chapter presents the analysis and interpretations of the data collected. The research was conducted on a sample of 100 respondents from Senior, middle management for the governing bodies and the entrepreneurs both in registered and unregistered firms to which questionnaires was administered. However, out of the issued questionnaires, 80 were returned duly filled in making a response rate of 80%, which was sufficient for statistical reporting.

4.2 General information
The study sought to ascertain the information on the respondents involved in the study concerning the gender. This was for the purpose of finding out the risk appetite in both genders in relation to taking up agribusiness as a career, form of employment as well as income increase to the nation. The bio data points at the respondents’ suitability in answering the questions. and looks at this as a lucrative venture as opposed to the previous mentality of viewing agribusiness as a venture of the peasants.

![Figure 4.1: Gender of the respondent](image)

From the findings, 55% of the respondents were male and 45% were female. This implied that currently the two genders have almost a similar appetite towards international agribusiness and also look at this as a lucrative venture as opposed to the previous mentality of viewing agribusiness as a venture of the peasants.
4.3 Discussion of findings

Awareness of set international standards, trade rules and transparency

The respondents were requested to convey their awareness on the set standards internationally. From the findings, such information is provided to all interested through the internet and even through physical documents at the respective agencies and the government itself.

![Figure 4.2: Awareness on set international standards, trade rules and transparency](image)

From the data above, the information is readily available and therefore it is up to the interested parties to use what is relevant to the business in question. However, there is resistance to change in reference to the standards, stringent new standards as an NTB, as well as corruption. Recently EU warnings on sub-standard agricultural export thus causing the global market to be stricter on countries. Improved trade rules and increased transparency about the operations of international businesses are essential if trade is to make a positive contribution both to the nation as well as the running businesses. This has become a reality with the help of the governing bodies. Recently, there is the launched Single Window System as a huge step towards ensuring transparency in the trade environment as manual interaction is minimized hence no opportunities for issues like corruption. Systems can also be set to observe specified set rules, which then must be followed to the latter. Therefore, all pertinent government agencies should be encouraged to change towards the same.
International agribusiness experience

The respondents were requested to give their international experience in agribusiness. The study further sought to find out if this, depending on their level of satisfaction, would be a venture they look at as a long term source of income and growth as well as their general perception of the international business market and involvement.

![Bar chart showing the level of satisfaction with the business undertaking.]

Majority of the respondent (48%) expressed that they were satisfied with the business undertaking as well as their understanding of it and its requirements both locally and internationally. 21 and 16% were neutral and unsatisfied respectively but were however still interested in seeing the business to its growth and success. The 6% percent that were highly unsatisfied were either not fully committed or had other business ventures and this was not a major priority to them therefore its success was not of paramount importance.

Challenges of international agribusiness in Kenya

The respondents were requested to indicate the aspects of the challenge that affected their business most towards either the success or failure of it.
Table 4.1: Challenges of International Agribusiness in Kenya

From the findings, majority (30%) felt that the government played a huge role in regulating power in the local-global political economy. This in turn affects the relation with the global market depending on whether the country will be viewed as a good investment partner or otherwise. This is closely followed by support from banks and financial institutions (24%) that is currently warming up to support of small and medium enterprises in their growth. This is closely followed by the International regulation and law set up (20%) that determine the kind of produce that is exported to their markets. The right shipping method and availability of recommended fertilizers rank low, (16% and 10%) respectively. These are factors that may also fall as controllable factors as they have a number of options.

Challenges encountered locally affecting international market entry

The respondents were requested to indicate the challenges encountered locally that may be a hindrance towards penetration of the global market.
<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unavailability of recommended pesticides</td>
<td>4.5</td>
<td>0.55</td>
</tr>
<tr>
<td>Climate changes</td>
<td>3.12</td>
<td>0.02</td>
</tr>
<tr>
<td>Extension services</td>
<td>2.05</td>
<td>0.38</td>
</tr>
<tr>
<td>Use of inputs</td>
<td>3.9</td>
<td>0.32</td>
</tr>
<tr>
<td>Soil Nutrient deterioration</td>
<td>3.5</td>
<td>0.17</td>
</tr>
<tr>
<td>Poor infrastructure</td>
<td>2.14</td>
<td>0.35</td>
</tr>
<tr>
<td>Use of outdated technology</td>
<td>2.01</td>
<td>0.40</td>
</tr>
<tr>
<td>Pests and diseases</td>
<td>3.3</td>
<td>0.09</td>
</tr>
</tbody>
</table>

Table 4.2: Challenges encountered locally affecting international market entry

From the findings of the study, most of the respondents agreed that the unavailability of recommended pesticides, use of inputs, pests, diseases and soil nutrients deterioration that had a mean score of 4.5, 3.9, 3.5, 3.3 respectively, as the major challenges locally whereas the use of outdated technology, poor infrastructure, extension services and climate changes that had a mean score of 2.01, 2.14, 2.05, 3.12 respectively ranked low. However it was also noted that all these factors are controllable factors. The current government is also sensitizing the need to grow the agricultural sector as this in turn increases the GDP as well as balance of trade and payments and foreign exchange.
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter presents the summary of the findings, and it provides the conclusions and recommendations of the study based on the objectives of the study. The main objective of this study was to determine the challenges facing international agribusiness in Kenya.

5.2 Summary of the Findings
In the recent past there is an increase in the appetite towards involvement in international business. Given changes in the global community and opening up of markets plus emergence of RECs with favorable trade agreements, individuals are urged and willing to take advantage of opportunities set. The study found out that local factors are within the control of the entrepreneur. The set standards in the global market to the entrepreneur are readily available both on the internet as well as at designated government offices that deal with international business.

Kenyan exporters eyeing European markets relief from a looming tax burden after the government signed a new Economic Partnership Agreement (EPA) with Brussels. The Ministry of Foreign Affairs and International Trade announced that the EAC states had finally signed an agreement with the European Union, two weeks after the initial deadline lapsed. Therefore the role of the state in the regulatory power in the local-global political economy as well as international regulations and laws set up play a key role to the success of the international business among other underlying factors mentioned.

5.3 Conclusion
This study concludes that in the recent past there is an increase in the appetite towards involvement in international business. Given changes in the global community and opening up of markets plus emergence of RECs with favorable trade agreements, individuals are urged and willing to take advantage of opportunities set. The study concludes that the challenges that lead to the success of international agribusiness are both local and international. However, they are challenges that can be overcome as the
information of the requirements are now readily available as this has been offered from the government front, the internet as well as from the specific firms that trade internationally. These challenges continue to be prevalent but the solutions are also available for the success of such businesses as awareness of the standards set internationally continue to be spread. The State plays a major role in the regulatory power in reference to the local-global political economy. The State may use its competition policy against “abuse of a dominant market position” to prosecute and punish companies that collude in setting prices. This in essence protects the growing entities against harsh completion from the global market.

5.4 Recommendations
International agribusiness is a field with great potential both for the nation in reference to revenue increase and the growth of the foreign exchange market. However, Kenya is on the spotlight when it comes to enhancing safety measures on its horticultural exports as it emerges that some farmers are still using banned pesticides during production. This may lead to it losing its position as the world’s biggest horticultural exporter in the wake of rising cost of production and compliance bottlenecks linked to the tighter safety measures. The Government in conjunction with its governing bodies should sensitize the importance of working in line with the set standards and procedures in the global market. Globalization of markets and production has produced many opportunities and new threats for business hitherto accustomed to dominating their domestic markets. Entrepreneurs are individuals who identify market needs and launch ventures that meet these needs. Therefore, in the quest of searching for new markets outside the country’s borders, they also need to consider meeting the needs of such markets through research whilst interacting with these markets even as they make their products tailored to their needs.
REFERENCES


Mugenda M. O. and Mugenda A. (1999), Research Methods: Qualitative and Quantitative Approaches, African Centre for Technology Studies, Nairobi, Kenya


APPENDICES

APPENDIX QUESTIONNAIRE

This is a survey questionnaire for a research that we are conducting regarding the challenges facing international agribusiness in Kenya. The questionnaire contains three parts that seeks to find information from governing bodies in Kenya, registered firms as well as individuals in this line of business. Your response and your identity will be kept confidential and we will not share the information we obtained with anybody else. It will be used for academic purpose only. Your response to this survey is very valuable and will be appreciated. Thank you very much for your participation.

Directions: Please tick Yes or No, and use the spaces provided to where applicable

Name : ..................................................... (Optional) Date .....................
Age : .................... Gender:

.............................................

GOVERNING BODIES.

1. In the recent past is there an increase in the appetite towards involvement in international business?

2. How are the Kenyans fairing in meeting the international standards set in regard to international exports?

   ( ) Highly satisfactory     ( ) Neutral     ( ) Highly Unsatisfactory

   ( ) Satisfactory           ( ) Unsatisfactory

3. What challenges do you encounter?
4. Improved trade rules and increased transparency about the operations of international businesses are essential if trade is to make a positive contribution both to the nation as well as the running businesses. What factors may lead this to being a reality from the end of a governing body?

5. Are the Kenyan business individuals as well as registered firms aware of the export documentation requirements, any special requirements, move of goods to a foreign country regulations, the need of export licenses as regards to shipping of items?

6. If not, are the governing bodies educating the general public of the same to avoid any fraud involvement from the importing countries?
This is a survey questionnaire for a research that we are conducting regarding the challenges facing international agribusiness in Kenya. The questionnaire contains three parts that seek to find information from governing bodies in Kenya, registered firms as well as individuals in this line of business. Your response and your identity will be kept confidential and we will not share the information we obtained with anybody else. It will be used for academic purpose only. Your response to this survey is very valuable and will be appreciated. Thank you very much for your participation.

Directions: Please tick Yes or No, and use the spaces provided to where applicable

Name : .................................................. (Optional)  Date .................
Age  : ....................
Gender:

REGISTERED FIRMS / ENTREPRENEURS

1. How would you rate your overall experience in the international agribusiness?

( ) Highly satisfactory  ( ) Neutral  ( ) Highly Unsatisfactory
( ) Satisfactory  ( ) Unsatisfactory

2. What challenges do you encounter on a day to day running as a business in the global village?

3. Are these challenges that are within your scope of change?
4. What could be done do to make it better or what would your recommendations be?


5. Are there any local factors that are hindrances to involvement in international business?


6. How significant are tariffs imposed by importing countries to the final price given to the consumer?


