

**AN ASSESSMENT OF THE IMPACT OF MARKET LIBERALISATION
ON RETURNS TO TEA FARMERS IN NYERI SOUTH DISTRICT**

BY

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**A RESEARCH PROJECT REPORT SUBMITTED IN PARTIAL FULFILMENT
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2009

DECLARATION

I declare that this Project report is my original work and has never been presented for academic purposes in any other university

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DEDICATION

I dedicate this Project report to my family and friends who have been a source of inspiration and support all through my life.

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ABBREVIATIONS AND ACRONYMS

A	-Acre
CDF	-Constituency Development Fund.
CTC	-Cutting, Tearing, Curling
GL	-Green leaf
Ha	-Hectares
LATF	-Local Authority Tax Fund
KTGA	-Kenya Tea Growers Association
KTDA	-Kenya Tea Development Agency
KGS	-Kilograms
M T	-Made Tea
S	- South
SCDA	-Special crop Development. Authority
TBK	-Tea board of Kenya
TRF (K)	-Tea research foundation of Kenya
TRF (EA)	- Tea research foundation of east Africa
TTFR.	-Tea Task Force Report August 2007
Tons	-Tonnage
UK	-United Kingdom

ABSTRACT

The aim of this study was to investigate the impact of liberalization of the tea sector on tea returns to farmers. The overall goal of liberalization was to empower farmers and improve their returns. This research looked at these target goals of liberalization that include management, Policy, production, haulage, marketing and new market development.

Recent decades have seen rapid growth of the world economy. Markets and tea returns in most developing countries have not shared in the prosperity even after liberalization though it was anticipated to increase jobs opportunities and maximize on returns. The resultant situation being farmers' dissatisfaction with tea farming. The study has borrowed from liberalization theories like Ohlin Trade Theory, International trade theory and free trade theory these theories were chosen due to their relevance to try and help in assessing the impact of tea sector liberalization.

The research design was a descriptive study. Data collection was carried out by administering questionnaires, through focus groups and interviews where appropriate. The collected data was analyzed and presented by use of both qualitative and quantitative methods using the Statistical Package for Social Sciences (SPSS)

The study main findings were that liberalization of tea marketing did not benefit the farmers as intended. Therefore the liberalization objectives were not met. Competition, management and cost of production were cited as major liberalization objectives that were not met hence impacting negatively on tea farmers returns. Key recommendation points include stakeholders' empowerment through capacity building on management, segregation of policy issues by Tea Board as regulator so as to reduce duplication and conflict of roles by both management and elected leaders. Value addition and technological embracement in line with the global manufacturing trends geared towards improving and enhancing farmers' returns from tea.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The first tea bush as per record of tea journal dates back to 2737 BC when Emperor Chen Nung in South West China used leaves from a bush tea tree and felt they were refreshing as a drink and very stimulating. This started a tea trade in the Far East on barter trade-in exchange with spices from India, Ceylon and Sri Lanka. In Kenya tea (*Camellia Sinensis*) as a cash crop was introduced in Limuru in 1903 by Mr.Caine a settler and it was only in 1926 when commercial farming came into effect. Tea liberalization come into effect in the year 2000.

Historically the tea industry has been one of the most successful stories in Kenya's agricultural economy. Tea planting and production expanded rapidly after independence in 1963, from a low production of 501.8 tones planted on 3142 hectares of land in 1963 to a high of over 228965 tones on 100196 hectares in 2007, (Ministry of Agriculture Bulletin, 2007:28) Despite the remarkable growth in the tea industry compared to other agricultural economies, the industry has experienced some challenges. These challenges included the increasing cost of inputs, climatic change, population increase, marketing and competition from substitute products.

In Kenya the government liberalized the tea industry in 2000 where they ceded the management, marketing, value addition and new market development to elected representatives with a sole aim of improving quality production, quantity increase as well as market development with an utmost goal of improving returns to the shareholders. In an effort to try and address these challenges and improve the situation, the government undertook a series of changes in 1997 that culminated in the liberalization of the small scale tea sector in July 2000. The repeal of the Tea Act of 1961 and the change of K.T.D.A from a parastatal to an agency, placed the management of companies under a Board of Directors. (Kenen, 1999). The tea sector liberalization targeted key areas that included tea management controls, Policy formulation, implementation, Production, Processing and marketing of tea.

Liberalization changes took effect after the year 2000, but the industry has continued to be affected by several factors hence the need for this research. This study therefore tried to assess the impact of tea liberalization and its effects on Production, marketing, management, implementation and governance and the effect it has had on tea farming and returns of small holder farmers in Nyeri South District.

The collapse of the Soviet Union and the end of the cold war saw corporate governance becoming a buzzword in the early 1990s (Freeman, R.E.1989: 60). This made economic wisdom the world over due to market dynamics that started prevailing, where the financiers -World Bank, European Union and others, started clamoring for a more liberal economy with less or no government direct controls other than in policy and regulations. It also coincided with the globalization thrust that saw most economies trying to come together under World Trade Organization (W.T.O): The resultant case was clamor for more public control of most economic base institutions that were formerly government controlled hence the term liberalization that became fashionable in the late nineties and 2000;

In general, liberalization refers to relaxation of previous government restrictions, more so in areas of social or economic policy. Most often, the term is used to refer to financial or economic liberalization, where the latter is seen as a process that tends to free economies from strict government controls with an aim of making the economy free. The main objectives of liberalization in Kenya was to create more jobs, empower, shareholders, generate revenue and take employment closer to the people in an effort to try and curtail rural urban migration (T.T.F.R.2006). Liberalization was seen by some proponents like farmers, NGOs and buyers as a base of social responsibility in business, with an ethical notion of human welfare and consequent improvement of the quality of life in society, this became the cardinal force behind liberalization world over. Trade liberalization theories looks at trading procedures with a view of reducing the barriers that hinder improvement of returns. The key objective behind liberalization being change in governance by addressing procedures and implicit rules that determines a company's ability to make management decisions for the good of its shareholders, and other stakeholders satisfactory. (Madsen, Penguin: 1990: 139)

The utmost goal of liberalization was improvement of returns to the investor of the business tea farming being one. Martin Oluba Executive Director, (Forte Financial Limited, Lagos, Nigeria 2000) looks at the future of African markets growth strongly depend on how institutions embrace liberalization but with caution of what, where and how far that will go. The Kenya government took cue from this global push and started a spirited campaign to liberalize Government Corporations with an aim of freeing them from its direct management. The corporate institutions targeted included the communication sector; (Telkom Kenya,) Kenya Tea Development Agency. (KTDA) who were the tea managers. Kenya Cereals board (KCPB), Kenya Cooperative Creameries (KCC) just to mention a few. All those were formerly State Corporations where government managed without shareholders inputs. The government policy to liberate the whole economy was with a view to encourage businesses and their shareholders to be more involved in their management by contributing directly to governance issues, with a view of addressing the emerging challenges in tea farming that included, rise in input costs, climatic change, population increase, change in marketing strategies globally and competition from substitute products. This study therefore aimed at assessing the impact of liberalization on tea farming in Kenya and its effects to tea returns, with special emphasis to small scale tea farmers in Nyeri South District.

1.2 Statement of the Problem

Tea farming over the years has had strict government controls as a special crop. These controls covered all aspects that included licensing, production, marketing and value addition all in an attempt to improve farmer's returns. These controls resulted to excess red tapes that could not match the new global trade needs. The global economic change in an attempt to suite global village economy resulted in the world major donor support groups like World Bank, International Monetary Fund and others advocating for a Free economy, hence the move to liberalize. (African Capacity Building (A.C.B.F) C.I.D.A 2005).

Liberalization of the tea sector in Kenya and in Nyeri South District in particular has had some noticeable impact on the returns to tea farmers. Some of the factors that have contributed to these impacts are the changes in the management of tea factories from public to private sector, the quantity of tea production has also been affected, while cost of production have increased. In addition the entry of substitute products into the beverage market such as coffee, herbal tea, juices and mineral water has brought in competition, and a call for new marketing strategies. Tea sector liberalization was introduced in 2000 but no study has been carried out to establish its impact on the monetary returns to the small scale farmers. This study therefore seeks to investigate the impact of liberalization on tea farmers returns in Nyeri South District.

1.3. Purpose of the study

This study assessed the impact of tea liberalization on the returns of small scale tea farmers in Nyeri South District.

1.4: Broad objective

The broad objective of the study was to assess the impact of tea liberalization and the effect it has on the returns of tea farmers in Nyeri south District.

1.4.1: Specific Objectives

The study was guided by the following objectives,

1. To examine the impact of increase in cost of production on net returns to farmers.
2. To investigate the impact of changes in tea management from a state corporation to public company after liberalization on net returns to tea farmers.
3. To establish the impact of competitors products on net returns to tea farmers.
4. To assess the impact of marketing strategy on net returns to tea farmers.

1.5: Research questions

The researcher tried to answer the following questions:

1. How has increase in cost of production affected returns to tea farmers?
2. How has change in management from State Corporation to private company impacted on tea returns to farmers in the last eight years?
3. How has competition in tea trade impacted on tea farmers returns?
4. How have the prevailing marketing strategies after liberalization affected tea returns to farmers?

1.6: Significance of the study

This study will assist the government in future developmental policies on tea management. Recommendations made herein will give probable economic tea solutions to the existing challenges after liberalization.

The study will give recommendations on the best economic tea marketing policies in line with the global change so as to try and improve farmer's returns.

The findings from the study will assist stakeholders to understand the importance of product diversification so as to cushion the producer from undue competition by embracing value addition. In conclusion the study results will be a reference resource to scholars and a bench mark for future researchers who would be interested in pursuing further academic work on liberalization.

1.7: Limitation of the study

The main limitations of the study were that most farmers did not have proper records. This was verified by use of secondary data held in the factories.

Several farmers were unwilling to give information more so on financial matters. Much of the financial data was verified using secondary company data.

The area was too wide and expansive hence the researcher was not able to cover the whole area due to limited resources especially finance and time availed and the tight University calendar This was overcome by sampling from the population by use of factory registers where respondents were randomly chosen and at some points some research assistants were engaged to fasten the process.

1.9: Assumptions of the study

This study was conducted with the following assumptions.

- i) That data collected and sample drawn was adequate for making logical conclusions.
- ii) That the sampling method chosen i.e. the questionnaire interview as well as focus group collected all valid and reliable data.
- iii) That all respondents were truthful and responded voluntarily.
- iv) That the researcher though a resident of the area undertook an objective research devoid of subjectivity and used all data that was made available objectively leading to reliable conclusions.

1.10 Definitions of significant Terms.

Act. - This is a legal legislative order outlining how an activity or process should be done in conformity with the law of the land.

Accountability -This is a term used to mean an organization is answerable to and satisfactorily conforms to laid national and international prudent management.

Brand. - This is a term symbol or sign or a combination, intended to identify goods and services offered that differentiates ones products from that of the competitors.

Company - This is a registered legal entity subscribed under cap 486 of the laws of Kenya

Director - Elected or selected person by virtual of shares or expertise or both for the purpose of managing a company through policy formulation as executive or non executive member.

Democracy -This denotes an organization where policies and tenets are run freely and with respect to individuals opinions for the good of all and with due respect to laid down human right principles.

Efficiency - That the organization makes the best use of resources at its disposal.

Fairness - That the organization treats all its stakeholders including Clients, Employers, suppliers, creditors, shareholders and the community in which it operates reasonably and justly.

Independent -Which the organization acts of its free will, in its best interests and with consideration for all its stakeholders and not according to dictates of external interests.

Public offer -This is offering of shares by enlisting into the stock market for purpose of Public trading. It's done under approval of the Capital Market Authority.

Factory -This denotes a processing plant for this case a tea manufacturing process.

Liberalization -This is a term used to define a system of management change from a state controlled to a freer management where shareholders have more say in the daily running process of the enterprise and management and policy makers are subject by responsibility accountable to their shareholders.

Shareholders -These are individuals or institutions that own shares in an enterprise. They derive benefits through dividends and other appropriate services as per business formulation. They are always listed in the company registers.

Stakeholders -Unlike shareholders these are individuals or enterprises that interact with an organization for the sole purpose of doing business or getting a given service. They are not listed in the companies register neither do they participate in dividend payments.

Probity -That the undertakings of the organization are honest and have integrity.

Responsibility-That the organization exercises good judgement. That's it's able to make informed decisions act accordingly and accept the consequences of its actions.

1.11 Chapter summary

This chapter has introduced the background of the study and the problems facing Kenyan tea producers. The challenges facing the farmers that include the increasing cost of production, climatic change, population increase as well as change in marketing strategies and competition have been listed as the main challenges facing tea farmers after liberalization. The objective of the study therefore was to assess the impact of tea liberalization and the effect it has had to tea farmers returns. The various reviews, expresses the researcher's findings and those of other authors, concerning the research topic.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The purpose of this literature review is to give a conceptual meaning as well as empirical evidence that liberalization was undertaken in the Kenya tea sector. The main emphasis focus being the areas of impact as stated in the conceptual framework. These impact areas include tea production, input costs, management, competition and marketing with a view of assessing their impact to farmers' tea returns. (Tea Task Force Report (August 2007).

The chapter is organized within some sections outlining economic liberalization, why governments have opted for it, its merits and demerits. The theories related especially the international trade theory and its related theories the functionalist theory and dependency theory, and how they have a bearing to tea liberalization.

Historical perspective of tea sector liberalization has been linked to other sector liberalization with a view of assessing its success or failure. Tea trade both globally and in Kenya has been outlined to give an indication of effect and its overall impact to returns. Empirical findings from other scholars have been included to support the research, with an overall view of gaining insight into how liberalization has impacted on producers, manufacturers and generally the wider economy that depend on agriculture and more so tea farming in particular. The review therefore has addressed the concept of liberalization, established its impact to tea farming returns by comparing it to other similar liberalized enterprises locally and internationally with special reference to tea farming in Nyeri south District.

2.2 Economic Liberalization

Economic liberalization is a broad term that refers to fewer government regulations and restrictions in the economy in exchange for greater participation of private entities; the doctrine is associated with neoliberalism. The arguments for economic liberalization include greater efficiency and effectiveness that would translate to a "bigger pie" for everybody (Anderson, (2004)

Most first world countries, in an order to remain globally competitive, have pursued the path of economic liberalization: partial or full privatization of government institutions and assets, greater labour-market flexibility, lower tax rates for businesses, less restriction on both domestic and foreign capital, open markets, etc. British Prime Minister Tony Blair wrote that: "Success of liberalization goes to those companies and countries which are swift to adapt, slow to complain, open and willing to change. The task of modern governments is to ensure that their countries rise to this challenge." In developing countries, economic liberalization refers more to liberalization or further "opening up" of their respective economies to foreign capital and investments. Three of the fastest growing developing economies today; China, Brazil and India, have achieved rapid economic growth in the past several years or decades after they "liberalized" their economies to foreign capital.

Many countries nowadays, particularly those in the third world, Kenya being one arguably have no choice but to also "liberalize" their economies in order to remain competitive in attracting and retaining both their domestic and foreign investments. In the Philippines for example, the contentious proposals for Charter Change included amending the economically restrictive provisions of their constitution. Deardorff (1984). The collapse of the Soviet Union and the end of the cold war saw corporate governance becoming a buzzword in the early 1990s (Freeman,1989: 60).This made economic wisdom change world over due to market dynamics that started prevailing in world economies. Financiers like World Bank, European Union and others, started clamoring for a more liberal economy with least or no government direct controls other than in policy and regulations. This coincided with the globalization thrust that saw most economies trying to come together under World Trade Organization (WTO:2000, 135).

Globally tea producing countries mostly have had private tea management systems with large scale holding as their base of production hence being able to absorb excess production costs. This has over the years cushioned tea trade from the excess dynamic changes affecting the trade globally. In Kenya population expansion and availability of land after independence created a good environment for tea farming growth with no major supportive policy to check the increased production of the 1980s and 90s.The resultant situation become oversupply to the international market,

The government major focus in agriculture included general management, husbandry, processing, and bulk packaging, with little or no branding and marketing. The global call for conformity to good agricultural practices (GAP) and good manufacture practices (GMP) resulted in the use of very expensive inputs that were mostly sourced as imports being oil based against a heavy global exchange currency fluctuation. Tea production and marketing has not been spared from the ever increasing trading tariffs and duties both locally and internationally. This has made tea very expensive to produce. (Tea Task Force Report: August: 2007) .It was against such background that tea was liberalized. Liberalization generally is a process that tends to free economies from strict government controls. The oxford Dictionary defines liberalization; - “as a process that aims to make the economy less strict or free”. In Kenya the government liberalized the tea industry in 2000 when they ceded the management, policy formulation, marketing and new market development to its elected representatives with a sole aim of improving quality production, quantity increase as well as market development with an utmost goal of improving returns to the shareholders. The Kenya Institute of Management (2008:14). Sees Kenya like most African countries as one endowed with resources that are not well managed, as most economic controls were vested on the minister or state corporation agent.

Martin Oluba Executive Director, Forte Financial Limited, Lagos, Nigeria sees the future of African market growth will strongly depend on how they shall embrace liberalization but with caution of what, where and how far they shall go, and the steps chosen for the intended situations. Kenya government took cue from this global push and started a spirited campaign to liberalize Government Corporations and free them from its direct management. Kenya economic sector liberalization targeted corporate institutions in 2000 that included: Communication sector; (Telkom Kenya,) Kenya Tea Development Agency. (KTDA) who were the tea managers. Kenya Cereals board, (KCPB), just to mention a few. Formerly they were all State Corporations where government agents run the show with least or no shareholders inputs. The government economic policy behind liberalization of the whole economy was with a view to encourage business growth and shareholders involvement in management by contributing directly to governance issues and consequently improve returns.

2.3 Theoretical framework

Various liberalization theorists have looked at global economies with a view of evaluating their achievements and impacts to stakeholders. These theories applicable to tea liberalization include the international trade theory, free trade theory and economic theories.

2.3.1. The International trade theory

International trade theory provides explanations for the pattern of international trade and the distribution of the gains from trade. The theory convinces most economists of the benefits of liberal trade. But many non economists oppose liberal trade. (Anderson J. 2003)

Liberalization looks at trade as a free market where gains continue to increase due to improvement in quality of the product and improvement in efficiency. (U.N.Synthesis Report Geneva 1999) Critics to the theory favor a professionalism approach as they argue that liberal approach exposes small indigenous industries to undue competition which ends up having them wind up or be bought out (GATT 2001) Liberalization looks at individuals as the inherent base of economic growth where their support by empowerment results to increased production, better quality with subsequent improvement in governance and ultimately better returns.

Therefore liberalization is seen by most trade and social theorists as one that offers better returns to the shareholders. Tea industry proponents like the World Bank and Internationally Monetary Fund looks at liberalization as one that would reduce conflict increase return with a view of improving agricultural confidence so as to act as a base of streaming down rural urban migration as part of millennium goals. While most Governments especially third world saw it as unfair exposure of the cottage industries that required protection not exposure to undue competition (Krasner D.S.1996) The total opposite of a liberalized economy would be North Korea's economy with their closed and "self sufficient" economic system. North Korea receives hundreds of millions of dollars worth of aid from other countries in exchange for peace and restrictions in their nuclear programme.

Tea liberalization was done with an aim of freeing the sector from the beurocratic government controls, to one where agricultural activities and decisions are taken directly by the stakeholders and are held reliable by their subjects in terms of efficiency, service, production, product diversification, new markets search as well as prudent management.

The major objective being higher returns to the stakeholder as well as overall spread of prosperity across the agricultural sector and the economy at large. Policies that make economic growth open to trade and participation with the rest of the world are more endowed for sustained economic growth. There is substantive evidence that more outward oriented countries tend consistently to grow faster especially where their economy is agriculturally based than the inward looking ones. (Kenen, 1996) Liberalization a phenomenon of the 1980s come in place at a time when a new "highway Utopia had started coming in mostly in the third world economies as an influence from the west, the Internet Communication Technology (ICT).The resultant situation being a total revolution of how things used to be done. The ICT radical change affected all spheres of community lives, politically, socially, technologically, communication as well as decentralizing of services and products. Agriculture economy which is the hub of most southern economies was not spared by the change, tea being one of the major bulk products exported to the west. This called for a paradigm shift in how management issues used to be done and a more liberal approach to all aspects, hence liberalization proponents come in with this strength base background to try and address the inevitable change. Therefore liberalization was seen as a solution to tea farming ever increasing challenges. (Tea Task Force Terms Of Reference 1999).

Liberalization frequently benefits more the developing economies as there are more large implicit subsidies, often channeled to marshal the narrow privileged interests that trade protection theorists often provides (Kenen 1996).Moreover, the increased growth that result often tends to increase market share. Competition a product of liberalization brings along efficiency and product diversification as well as search for new markets. Free tea markets after liberalization were meant to benefit from five major gains though there was considerable overlap among them (O.E.C.D:1998). Liberalization anticipated gains include static gains, higher returns and more stable employments, with a total productivity gains. In the United States liberalized Aircraft industry have had an absolute advantage both in efficiency and production than China whose structure in their aircraft industry is closed.(Abbot,1998).Static gains from liberalization was estimated to contribute 2% of Uruguay's Gross Domestic Product.(GDP)(Abbot: 1998).

2.3.2 Gains from liberalization

Static gains out of trade liberalization were not trivial but absolute gains that don't fully measure liberalization attainment or give an absolute measure of success. Richardson and Rindal (1995, 1996) through their research showed that both production and non production workforce in the United States received a higher return by as high as 14% more after liberalization than before. Export oriented firms tend to have a more stable employment pattern. Liberalized trade exposes companies or countries to new production and management patterns as well as technologies. This fosters higher productivity at both the firm and country level due to the increased competition. These gains are closely linked to cross company direct competition and will to promote and improve the current holding so as to remain relevant. Substantially this encourages intra firm trade competition build up while trying to answer the shareholders call and expectations with a resultant case of multinational corporation competition that enhances productivity and creation of trade cash up benefits. (Martin, Baro: 1991, 1994). The social economic changes within most Britain companies especially as pertains freeing from state control have had a great impact on the overall organizational structures both in Private and public as well as voluntary services. This is due to improved awareness and capacity building where individual realizes their worth and rights as more and more state control dwindles. (Toffler, 1970:27). A lack of trust can quite easily arise when the intention of the proposed changes are wrongly interpreted by the shareholders, this can be so more because of an already existing mistrust from previous encounters. Lacks of proper communication as liberalization gets started contribute to poor results.

Kurt Lewins sees "Organizations as one that exists in a set of ones equilibrium which many a time is not ready for change". This mostly creates organizations that are easily prisoners of the state or self culture. (Bate, Miller and Friesen, 1984). Successful change in these organizations through liberalization brings in the much anticipated change gains. Liberalization success depends on how well it's executed and the various models that have been put in place. The major model that tries well to give a base of a well integrated liberalization process is the Mc Kinsey's 7S Model that addresses strategy, systems, skills, style, staff and shared values as the cardinal pillars of liberalization.

2.4 Impact of Liberalization.

Liberalization comparative advantages differences between nations are explained by the exogenous differences in national characteristics. Most capitalistic nations have had preference of trade liberalization as a choice as they look at it as one that increase productivity and hence give a fast return to investment. Creation of rural jobs to stream down rural urban migration is seen as a key advantage to government proponents of trade liberalization, Opponents of this theory of international trade sees it as one that exposes the young tender economies to undue competition leaving the less developed vulnerable and a dumping site of the huge economies waste and substandard goods. Though proponents argue that countries should equally benefit from economies of scale, the true situation is that the weaker economies tend to suffer more by trade balance shift toward the large economy. (Ricardo: 2000) Heckscher Ohlin analysis model of the factor proportions predicted that countries would have a comparative advantage in the trade of goods they relatively use due to relative abundance factor benefit. Hence proponents tend to support their case of liberalization on comparative advantage theory that tries to augment the international trade theory. (Deardorff, 1984)

National economies equilibrium positive trade gains are anticipated as one where gains are more than losses. Dissenting forces of this theory looks at it as one that tend to make more and more losers who are never compensated .This is so because of opening of doors to undue global competition from even giant economies, where subsidies are common. Down sizing and retrenchments are seen by opponents as key demerits of liberalization. Liberalization results impacts a lot on various key factors of the economy which include management, cost of production, marketing strategies and competition.

2.4.1 Management

The tea sector management changes from the traditional protected management to a liberal, management has had a key bearing in liberalization with ample call for very profound management skills. This called for capacity building amongst farmers and leaders that proved to be a key challenge after liberalization. The resultant situation being conflict in both policy formulation as well as management implementation. Tea Task Force Report; 2006/07)

2.4.2 Cost of production

Tea production costs have had a geometric rise against the market price that has been on the decline this has had a devastating effect to tea farming. The global oil crisis has had a key effect on tea production with least answer or check. Most tea main production systems are oil based or use oil as energy source.

2.4.3 Marketing strategies.

Tea has had a continued dependence on traditional markets making them oversaturated. The net result being intra competition within the tea trade. The tea trade has not changed much to match the global changing times by embracing new marketing strategies unlike their competing beverages in the market.

This is the core of liberalization, as it's the one that brought in new management of the tea industry; it affects all other variables in the manner it's implemented with a substantial effect to tea returns.

2.4.4 Competition

The continued entry of new beverages and alternate products continue to reduce the tea market share. More and more soft beverages are entering the old traditional tea market with a lot of ease, more so with a more preferred dispensation of ready to drink alternate packages by competitors hence the more preference and convenience.

2.4.5 Empowerment

For liberalization to succeed concerned individuals at all levels require to be empowered by being given equal to task responsibilities and training to be able to handle the new challenges. The empowerment methods applied have an effect to tea returns due to efficiency and productivity (E.A.T.TA Report T.T.MBA.2008).

2.5 Global tea liberalization anticipated negative impacts

Globally tea producing countries mostly have had private tea management systems with large holding as their base of production hence being able to absorb excess production costs and over the years have been able to caution on the excess dynamic changes affecting tea trade globally. Kenyan tea trade was liberalized out of global pressure.

Governments in principal normally shift liberalization to favor their end product markets through economic controls under the guise of free trade. There has been an increasing concern over the potential negative impacts of trade liberalization, particularly on the environmental and natural resources of developing countries and economies in transition where trade has grown most rapidly. In these countries, the threat of serious environmental harm from increased trade can be a substantial impediment to further liberalization unless appropriate policies and measures to protect the environment are in place and enforced. Without these policies and enforcement, the resulting pollution of air, water, and soils and the unrestrained use of natural resources can spark a rapid decrease in national development.

The United Nations Environment Programme (UNEP) believes that the potential for negative impacts of trade on the environment can be minimized, if not avoided entirely, by integrating environmental considerations - that complement rather than inhibit trade - into development planning. Programmes to restructure economies in this way, however, must be designed to ensure that environmental values and natural resources are used in a sustainable manner. UNEP's mission in this field is to improve the capacity of nations to understand the close links between trade, the environment, and development and to help decision-makers integrate environment and trade policies during liberalization. This report is a review of studies in six countries commissioned under UNEP's "Capacity Building for Integrating Environmental Considerations into Development Planning and Decision-making" programme. Over a two-year period, UNEP has worked closely with national institutions in Bangladesh, Chile, India, the Philippines, Romania and Uganda to identify both the environmental impacts of trade liberalization and the economic instruments can be used to sustain ably manage these impacts. These projects are the first of their kind as they were entirely conceived, designed and conducted by teams of national experts in their own country.

UNEP report on liberalization impact focuses on unique trade-related environmental problems and their social and economic implications as they apply to diverse economic sectors and a range of countries. Importantly, these projects chosen involved a wide range of stakeholders who accurately identified the dynamics of environmental degradation and developed innovative and acceptable national response strategies.

2.5.1. Kenya Tea Production and liberalization impact.

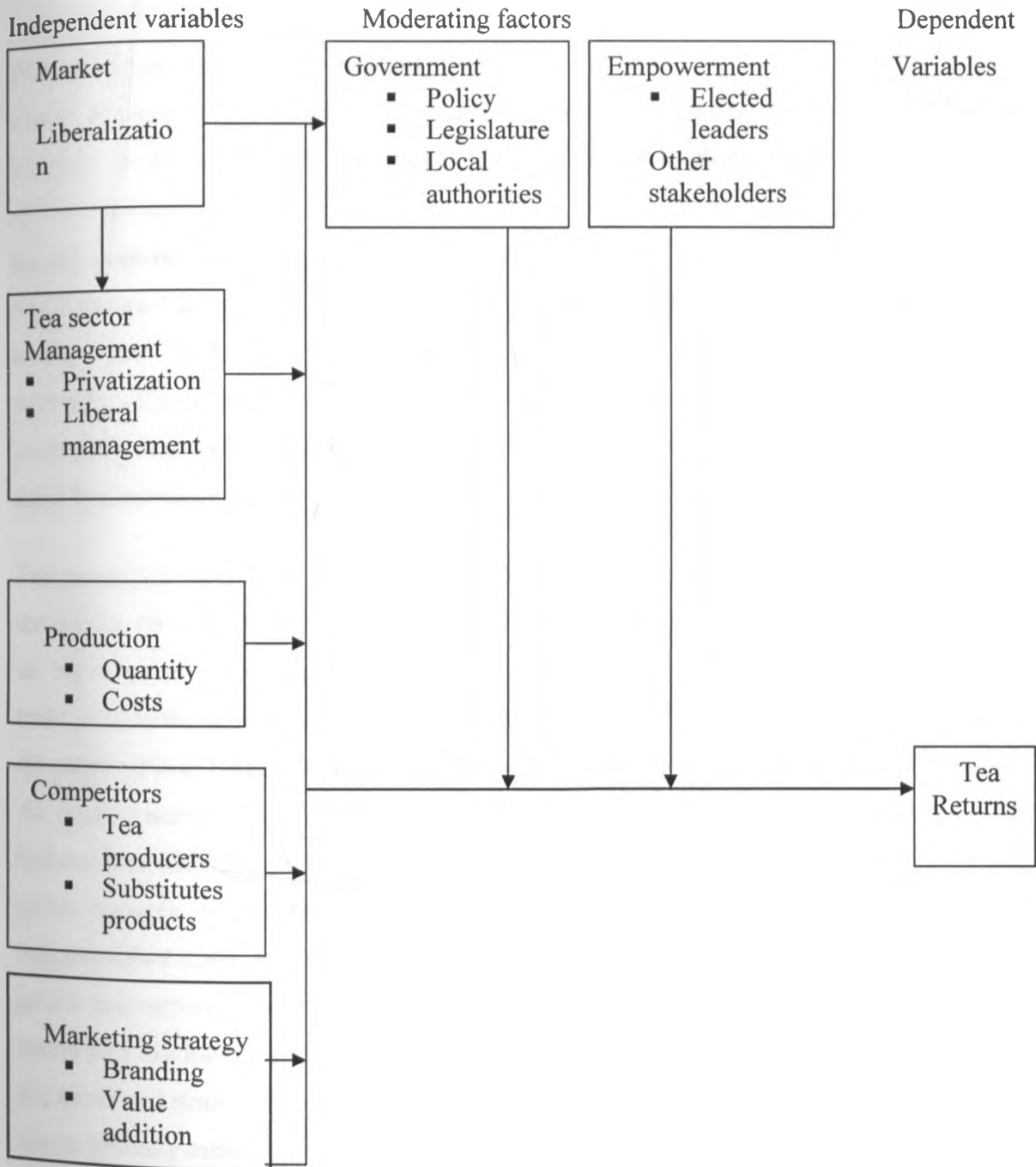
Tea production in Kenya has shown tremendous increase over the last 25 years, because of the wide expansive areas available then, government boost in terms of research development of quality cultivars and the global demand for quality tea that Kenya was able to offer the market. In the early 2000 other players joined the market with low costs of production and fair quality plus a niche of value addition. This started eroding the return value to the Kenyan producer who was still a bulk market provider. The small scale producer has grown more in production than the multinationals. This trend has not matched returns as multinationals costs of production have been lower, with moderate market base hence better returns. Several factors have influenced the increase in tea production. Input costs, competition as well as management after liberalization According to Tea Board of Kenya manual (2006) tea production has been in the increase, due to the favorable factors that include enhanced production policy framework, due to improved extension services a merit of liberalization. Technological improvement on inputs and improved supply due to improvement in infrastructure and research advancement have left the tea trade exposed to challenges that include overproduction, increase in input cost, new competition as well as new management challenges.

The Tea Boards' report (2007) estimated the global tea oversupply growth stood at 1.3%. The tea gluts continue to affect Kenyan Tea market currently standing at between 1.50 – 2.0 dollars. (TBK Annual Bulletin-2007).

2.6 Conceptual framework

The conceptual framework figure 2.1 below brings out the interrelationship between the various stakeholders that independently interrelate and are influenced by varying intervening variables with a resultant impact on returns as the dependent variable that affects tea trade positively or negatively.

Figure 2.1 Tea Liberalization Conceptual Framework



Independent variables

A number of independent variables continue to impact on the small scale tea sector. These variables include:

2.6.1 Market liberalization

Tea has had a continued dependence on traditional markets making them oversaturated. The net result being intra competition within the tea trade. The tea trade has not changed much to match the global changing times by embracing new marketing strategies unlike their competing beverages in the market.

This is the core of liberalization, as it's the one that brought in new management of the tea industry; it affects all other variables in the manner it's implemented with a substantial effect to tea returns.

2.6.2 Competitors

The continued entry of new beverages and alternate products continue to reduce the tea market share. More and more soft beverages are entering the old traditional tea market with a lot of ease, more so with a more preferred dispensation of ready to drink alternate packages by competitors hence the more preference and convenience.

2.6.3 Production costs

Tea production costs have had a geometric rise against the market price that has been on the decline this has had a devastating effect to tea farming. In most models of trade there is an improvement in aggregate efficiency when an economy moves from autarky to free trade. This is the same as an increase in national welfare. Efficiency improvements can be decomposed into two separate effects: production efficiency and consumption efficiency. An improvement in production efficiency means that countries can produce more goods and services with the same amount of resources. In other words, productivity raises for the given resource endowments available for use in production. Consumption efficiency improvements mean, in essence, that Consumers will have a more satisfying collection of goods and services from which to choose. Many economists define the objective of the economics discipline as seeking to identify the best way to use scarce resources to satisfy the needs and wants of the people of a country. *Economic efficiency* is the term economists use to formally measure this objective.

Since free trade tends to promote economic efficiency in so many models, this is one of the strongest arguments in support of free trade.

2.6.4 Marketing strategies

There has been continued dependence on traditional markets of tea making them oversaturated. The net result being intra competition within the tea trade. The tea trade has not changed much to match the global changing times by embracing new marketing strategies unlike their competing beverages in the market. A common misperception about international economics is that it teaches that everyone will benefit from free trade. One often hears that voluntary exchange, whether between individuals or between nations, must benefit both parties to the transaction; otherwise the transaction would not occur. Although this argument is valid for exchange between two people, the conclusion changes when one considers two countries made up of multiple individuals.

Economists themselves often espouse the position that free trade is beneficial to all, albeit often with the caveat, "... at least in the long run". In the short run, factors of production may be relatively immobile across industries. In the presence of immobility, it can be shown that while export industries would gain from free trade, import-competing industries would lose. Thus, in the short run, resource adjustment problems can explain losses to some groups. In the long run, once all resources can move to alternative industries, some models (e.g. Ricardian) suggest that everyone in the economy would benefit from free trade. Other models (e.g. Heckscher-Ohlin), however, suggest that some groups may continue to lose even in the long run.

2.6.5 Management

The tea sector management changes from the traditional protected management to a liberal, management has had a key bearing in liberalization with ample call for very profound management skills. It makes sense that one firm would be more successful than another firm in a local market if it could produce its output more efficiently - that is at lower cost than the second firm. If the two firms produce identical products, then the less efficient firm is likely to be driven out of business, generating losses. If we extend this example to an international market then it would also make sense that a more efficient foreign firm would absorb business from a less efficient domestic firm.

Finally, suppose all firms in all industries domestically were less efficient than all firms in all industries in the foreign countries. It would then seem logically impossible for any domestic firms to succeed in competition in the international market with the foreign firms. International competition would seemingly have only negative effects upon the less efficient domestic firms and the domestic country.

Moderating variables

There are various variables that continue to affect the outcome of liberalization by moderating the effects. They include,

2.6.6 Policy

The policy change has had a moderating effect to tea returns depending on the way is done and implemented. The change will have an impact on the independent variables and ultimately an overall effect to farmer's tea returns.

2.6.7 Empowerment

For liberalization to succeed concerned individuals at all levels require to be empowered by being given equal to task responsibilities and training in the best management tenets to be able to handle the new challenges .The way empowerment is done will have an effect to tea returns due to efficiency and productivity(E.A.T.TA Report T.T.MBA.2008)

2.7 Chapter Summary

Liberalization of the tea sector was undertaken with a view to addressing these challenges. Moderating factors like policy change, politics and climate also affect returns. The Kenyans post election violence as a case in point affected tea farming in the Rift valley as well as the Central Kenya in 2008 due to the political turmoil. Whereas the prolonged drought has affected farmers returns due to low yields. Much of the intervening variables were not predictable hence cannot be controlled. The major target goal of liberalization was to have the stakeholders in the tea sector benefit from tea business, where accountability and policy are done by self elected representatives who are equally stakeholders, and owe elegance to their principal. This was to be achieved by running the institutions within the corporate governance principals and be subjected well to the law of the land under the companies act Cap 486. Institutions were to be established with a view of reducing the negative effects of varying variables to the benefit of the stakeholders.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the methodology which was used to conduct the study. The research was a descriptive study on the impact of liberalization on tea markets as well as its effect to returns. It includes a description of the research design, the area of the study where the research was carried, sample and sampling procedures, data collection methods as well as how data was analyzed. Its importance is that data collected will be gotten in its actual context in which natural phenomenon it occurs.

3.2 Research design

The research was a descriptive study on the impact of liberalization of the tea farming in Nyeri South District. Descriptive study design was useful in gaining insight into the general situation without utilizing the whole population. The sample drawn randomly was representative of the whole population. Individual and group interviews were conducted this provided first hand information from the participants who are the farmers, workers, businessmen and other members of Othaya community.

3.3 Target Population

The target population was tea farmers, elected leaders, management as well as opinion leaders drawn from Nyeri south District. The total population in the division who are small scale farmers and whose sole livelihood depends mostly on tea as well as doing business that is supported directly by tea farming. The average farm holding in the area is less than 0.2 Hectare. This supports an average household of six family members. (Census 1999)

3.4. Sampling procedure and research design.

The study involved probability sampling design where samples were drawn randomly and segregated into elected leaders, management, technical staff and opinion leaders. A sample size of respondents was established by use of a sampling matrix table 3.1 below. Stratified random sampling technique was applied. This being a probabilistic sampling design technique was good enough to give adequate responses and information relevant for accurate results for analysis.

Table 3.1 sampling matrix.

Chinga T.Factory	Total Number per category	Target number for Questionnaire	Target number for Focus group	Target number for Interview
No of Growers	7256	148 (2.0%)	0	6
No of Management staff	6	6	6	0
No of technical staff	6	6	6	0
No of elected leaders	202	42 (2.1%)	6	6

Iriaini T.Factory.

No of Growers	5675	112 (2.0%)	0	6
No of Management staff	7	7	7	0
No of technical staff	4	4	4	0
No of elected leaders	159	35 (2.2%)	0	6
Gitugi T. Factory	5232	104 (2.0%)	0	5
No of Growers				
No of Management staff	6	6	6	0
No of technical staff	4	4	4	0
No of elected leaders	143	34 (2.4%)	5	5

3.5: Method of data collection

Various data collection tools. Instruments and techniques were used to collect data. These tools and techniques applied include the questionnaire, interviews, and focus group interviews among others.

3.5.1 Questionnaire

Questionnaires to find out the divergent view held by farmers on the effect of liberalization was administered right from the family holding through to the elected tea leaders as well as the other stakeholders mostly the administrators, as well as business community. This was administered to four different groups, as farmers, elected leaders, management as well as technical staff working in the division as agricultural officers.

Samples were drawn from the farmers, factory staff, elected leaders and area opinion leaders who forms part of Othaya community. Stratified random sampling was used. Farmers, management staff as well as elected leaders were interviewed randomly during the course of research.

3.5.2 Interview

Interviews were conducted on farmers who doubled as opinion leaders as well as current elected leaders as buying center committees and directors to establish their current view towards tea farming. An attempt to try and compare tea farming now and when the sector was not liberalized was done. This was done by use of systematic sampling on specific farmers with the only economic reliance being tea farming, through a prepared interview guide.

3.5.3 Focus group

Divergent views regarding tea farming and the community expectations towards the industry was sought by use of focus group interview where opinion leaders drawn from the community were systematically sampled and interviewed. Instruments used consisted of open and closed –ended questions. Farmers were encouraged to express themselves freely and provide information on farming situation in the community without fear.

3.6: Data analysis synthesizing and reporting

The major tool of analysis was a qualitative descriptive statistics approach, which included frequencies, mean and modes. Cross triangulation was applied to assist in comparison across factories. Comparable data was established to determine significant differences in levels of tea income before and after liberalisation. The result were used to assess the outcome of tea liberalization to the small scale sub sector and whether it has had an impact on tea farmers' returns.

3.7 Test of validity and reliability of results.

Data collected was subjected to test analysis to establish its validity and reliability for using pilot trials. This was done by subjecting data to retesting or split half reliability methods to establish its validity and stability in line with other known research findings, this gave credence to instruments used is measuring the actual intended concept and the reliability of the content realized.

3.8 Variables

The variables in the study included production where the data collected was a continuous variable of weight expressed in kilograms by use of numerical methods on a quantitative research design. Data collected was expressed in percentages and frequencies and processed data was presented by use of bar and pie charts. Marketing strategies, management and policy give ordinal variables data as it is qualitative research design. Data obtained by use of focus group method and interviews method where data collected was expressed in an ordinal scale e.g. best taking a numerical scale of one and poor a numerical expression of five. The dependent variable farmers returns data was collected by use of tally scores from farmers pay slips and numerically expressed as frequencies this being a quantitative research design.

3.8.1 Definitions of Variables

The various variables that has an impact on liberalization were defines as per table 3.3 below. The various indicators, measurements and how they impact on returns were outlined.

Table 3.2 Operational definitions of variables.

Variable	Indicators	Measurement	Impact on return to farmers
Market liberalization Impact.	Liberalized companies	More successful liberalized companies. Quantitatively measured.	Improved economy better returns from investments
Cost of production	Increase in production cost	More of income going to cost of productions ksh/kg Quantitatively measured	Reduction in returns
Management change	More elected leaders	Good and attainable policies, support and direction.	Improved and better services to farmers
Empowerment	More trained staffs	More and more identified tea management graduates	Good and well attainable strategic plans and mgt support.
competitors	New beverages and alternate drinks	More consumers' preference of diverse drinks. Qualitatively measured.	Loss of market and consequently returns.
Marketing strategies	New market strategy	New achieved markets. Quantitatively measured	More new products realized and diversified. Better returns realized.

CHAPTER FOUR

DATA ANALYSIS PRESENTATION AND INTERPRETATION

4.1 Introduction

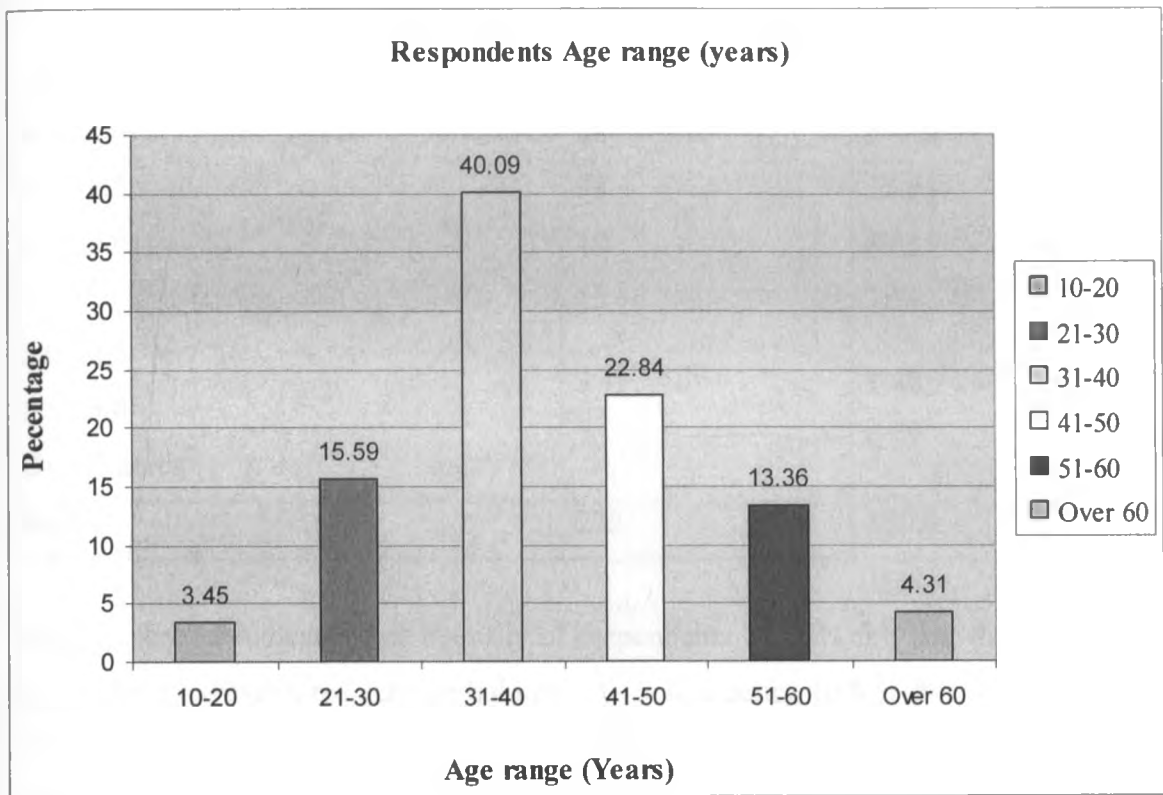
The survey was carried out using questionnaires, focus group and interviews as appropriate. Out of 470 questionnaires distributed 342 responded. This represented a 72.77%. The study was to establish the impact of tea market liberalization on small scale tea farming and the net effect to their returns. Three selected tea factories in Nyeri South were identified, with four sample categories targeted namely, Tea management staff, Tea elected leaders, Tea technical staff and ordinary farmers.

The questionnaire was divided into three sections. The first part collected information on the demographic data and numbers. The second part dealt on tea production costs, husbandry, liberalization targets and gross margin. The third part dealt with effects of liberalization on tea business, tea consumption, beverage preference and competition. While the last section dealt with tea trade challenges and the overall views on liberalization, and its impacts to tea farming.

4.2 Demographic Data

Out of the total respondents figure 4.1 below, the age range between 31-40 years had the most respondents at 40.09% .Age 41-50 had 22.84%, 21-30yrs with 15.95% ,age 51-60 had 13.36% the second least 4.31% at over 60 years and the least below 20 years at 3.45%. Majority of the tea farmers according to the responses are of the age bracket 31-40 years, this puts tea farming as one where it's undertaken by the most productive group. This agrees well with the national agricultural population reliance of the most productive age well between 21 years to a maximum level at 31-40 years as it starts to decrease down towards 50 years. From this data therefore the liberalization recipients' majority were the right age group and the most dynamic hence the most expectation on contribution to the liberalization goals.

Figure 4.1 Respondents Age Brackets in Years.



4.3 Tea acreage holding. (A)

Majority, 41% of respondents table 4.1 below, indicated their farm holding was over 0.5 and 1.0 acre or less. While 24.63% holds less than 0.5 of an acre.15% of respondents had land holding over 1.01acres and below 1.05 acres.7% of respondents had land holding at over 1.51 acres and below 2acres.While 6 % of respondents have acreage over 2.01 acres and below 2.5 acres. The trend decreases as the acreage increases to only 0.97% of respondents holding over three acres. This puts tea farming in the area as one done by small scale farmers and agrees well with the government liberalization targets of small scale tea farmers. The national tea acreage holding in the small scale holding stands at 0.5 acres according to agriculture statistics (Tea Board of Kenya Survey: 2007).The acreage holding is attributable to increase in population as well as decrease in formal employment hence most young people settling down for farming hence the small scale holding

Table 4.1 Tea Acreage holding per family.

Tea acreage holding	Frequency	Percentage %
0.1-0.5	52	24.63
0.51-1.0	88	41.70
1.01-1.5	33	15.64
1.51-2.0	18	8.53
	15	7.11
2.01-2.5	3	1.42
2.51-3.0	2	0.97
Over 3 acres		
total	232	100.0

Table 4.2 below indicates that majority of respondents 83.19% felt that there has been a remarkable increase in tea acreage holding. It's only a peltry 16.8 % that felt there was no increase. This was because of the positive support base due to improved policies on new nursery creation and farm establishments after liberalization that allowed individuals to start own nurseries for tea.

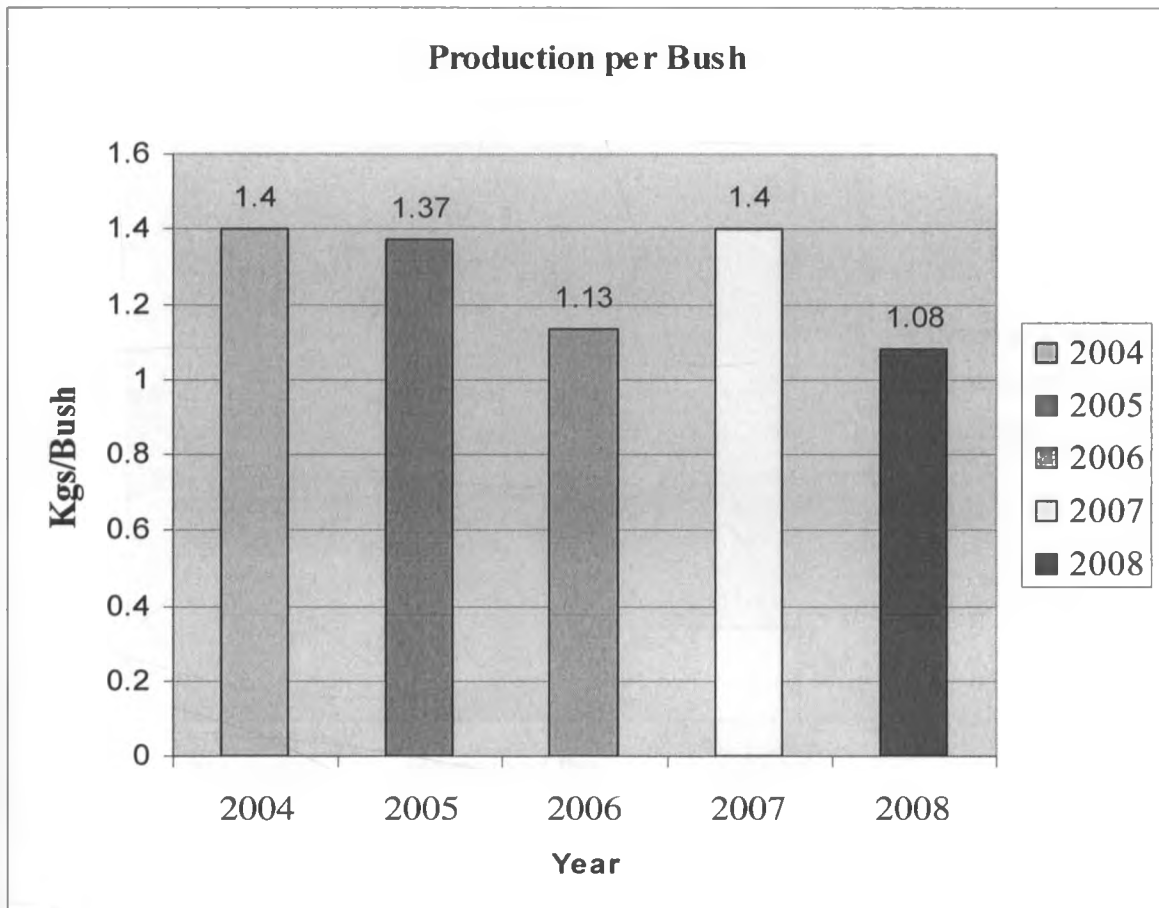
Table 4.2 Tea Acreage increase in the last eight years

Response	Frequency	Percentage %
Yes	193	83.19
No	39	16.81
Total	232	100.0

4.4 Production per bush

Figure 4.3 below indicates that Production per bush ranged between 1.4 kgs/bush as the highest recorded yield in 2004 and 2007. The lowest production of 1.08 kgs per bush was recorded in 2008 being the lowest. Year 2006 recorded a production of 1.13kgs per bush. This disagree with the national agricultural survey records on productivity that portrays a gradual increase in production per bush over the years after liberalization (Min of Agriculture production survey 2007; Vol 11)

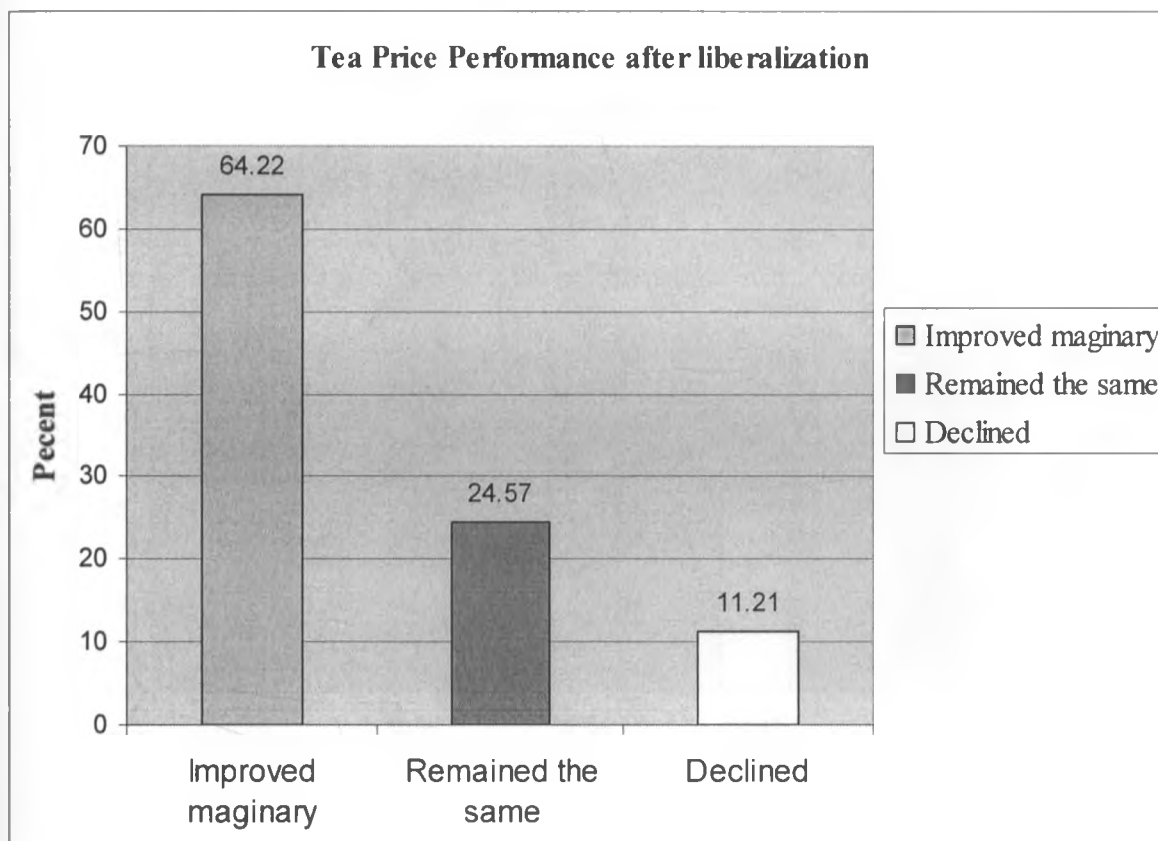
Figure 4.3 Production per Bush in Kilograms



4.5 Tea Price Performance

Majority, 64.22 per cent of the respondents as per figure 4.4 below indicated that tea prices had improved marginally in the last eight years, while 24.57 per cent indicated that there was no improvement. Whereas 11.21% said that prices declined in the period under review. This disagrees with the national held record on tea prices that has tended to continue on a down ward trends against expectations of corresponding improvement on technology and agricultural knowledge, which has continued to improve over the years after liberalization. (Tea Task Force Report 1999).

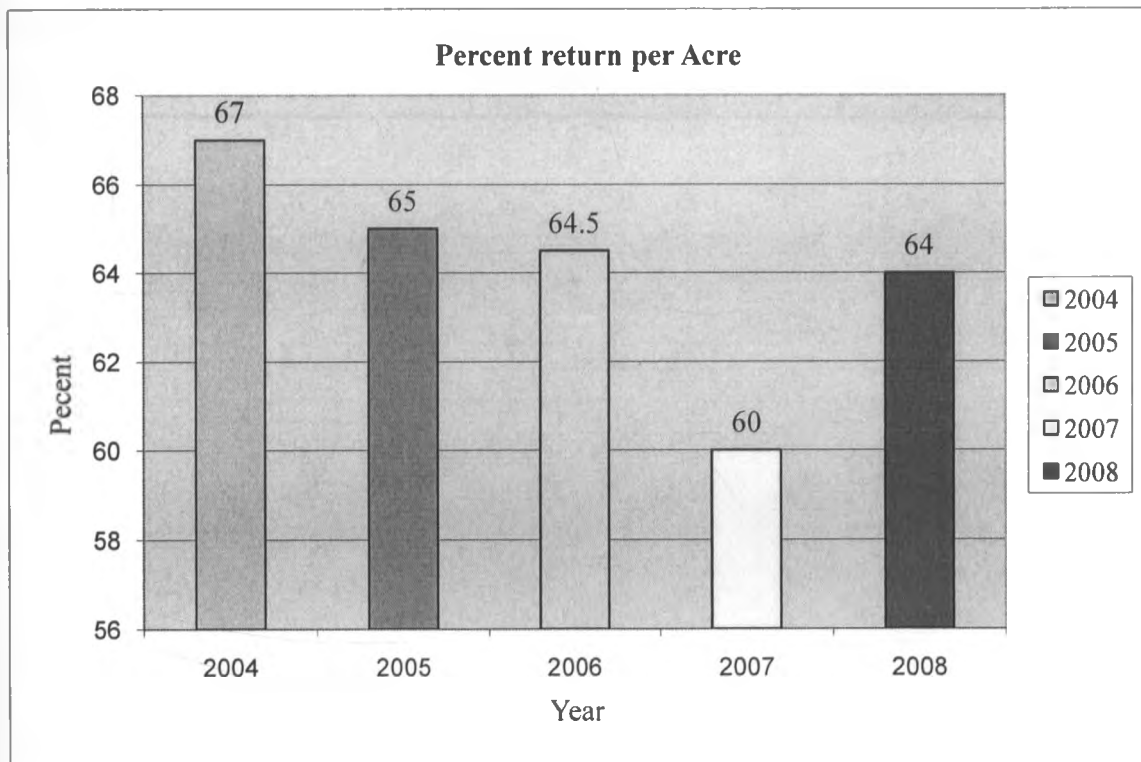
Figure 4.4 Tea Price Performance after liberalization



4.6 Comparative Return per Acre

From the response data as per figure 4.5 below indicates that the return per acre has been going down since liberalization. In 2004 returns to farmer stood at 67%, dropping to 65% in 2005, and 64.5% in 2006. In 2008 there was an increase to 64% this was influenced by other factors like weather of a global market abnormal demand due to frost in Asia and India. Year 2007 registered the lowest return at 60% while 2004 registered the highest return at 67%. This tended to agree well with proponents of liberalization who felt that tea returns were on a downward trend, hence the need for government task force of the late nineties that recommended liberalization of the tea sector.

Figure 4.5. Comparative Percentage Return per Acre after Liberalization



4.7 Tea Trade Liberalization impact

Majority, 63.36% of the respondents as per table 4.3 below indicated that tea liberalization had impacted to a large extent to the growth of the tea industry, 29.74 % felt it was to a very small extent while 6.90 percent indicated that there was no impact on growth of the tea industry. Respondents were very skeptical on the extent of gain from liberalization, with a hoping 30 % feeling there was very little to show as impact from liberalization.

Table 4.3 Tea Trade Liberalization Impact to the Tea Industry

	Frequency	Percentage %
To a large extent	147	63.36
To a very small extent	69	29.74
Not at all	16	6.90
Total	232	100.0

4.8 Negative impact from tea liberalization

Majority of respondents, as per table 4.4 below, 90.95% felt that too many directors have had the major negative effect after liberalization. This is because the numbers increase costs through allowances and maintenance. Poor marketing strategies took a close second with 61.21% feeling it has had a major negative effect as there was no clear marketing strategy in place hence the very old way of marketing different from the current.. Continuous increase on cost of production with respondents tallying at 50% taking third position this is because there has been a global increase in most input products like fertilizer and oils all mineral based.

The negative effects of poor farmer's link with KTDA and Tea board and delayed fertilizer as input material returning a response of 48.28% and 41.38% respectively. Majority of respondents felt that liberalization challenges seemed to have only shifted position from the Government masters to new elected masters.

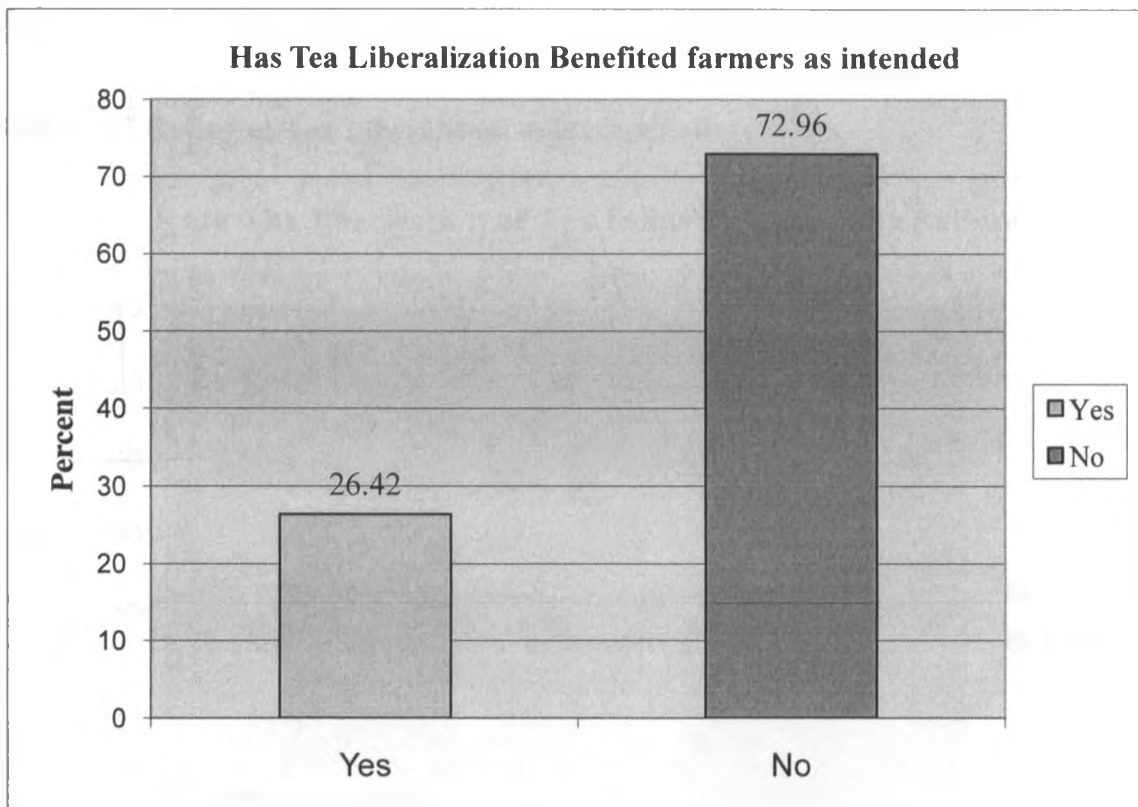
Table 4.4 Negative effects to tea farmers associated with liberalization.

	Frequency	Percentage %
Price decline	4	1.72
High and fluctuating cost of production	116	50
Fertilizer quality not guaranteed	1	0.43
Too many directors	211	90.95
Payment delays	2	0.86
Low tea bonus	39	16.81
Delayed delivery of fertilizer	96	41.38
Mismanagement of factories	13	5.60
Poor farmers links with KTDA	112	48.28
Low monthly payments	73	31.47
Poor or no marketing strategies by the Government/KTDA	142	61.21
Mode of elections poor	51	21.98
Poor Tea Board regulation and controls	71	30.60
Government interference	65	28.01

4.8.1 Tea Liberalization Impact to Farmers

According to figure 4.6 below majority, 72.96% of the respondents indicated that tea liberalization had not benefited them, while 26.42 percent indicated they had benefited from tea trade liberalization. From the respondents data it's evident that most farmers have not met their expectation on liberalization. From the data this negates the key objective of sector liberalization that was to improve tea returns to the stakeholders. (Tea Task Force Terms Of Reference; 1999) Majority felt that liberalization gains had not trickled to the intended recipients due to excess build up costs in tariffs and excess director's allowances.

Figure 4.6 Tea Liberalization Impact to farmers.

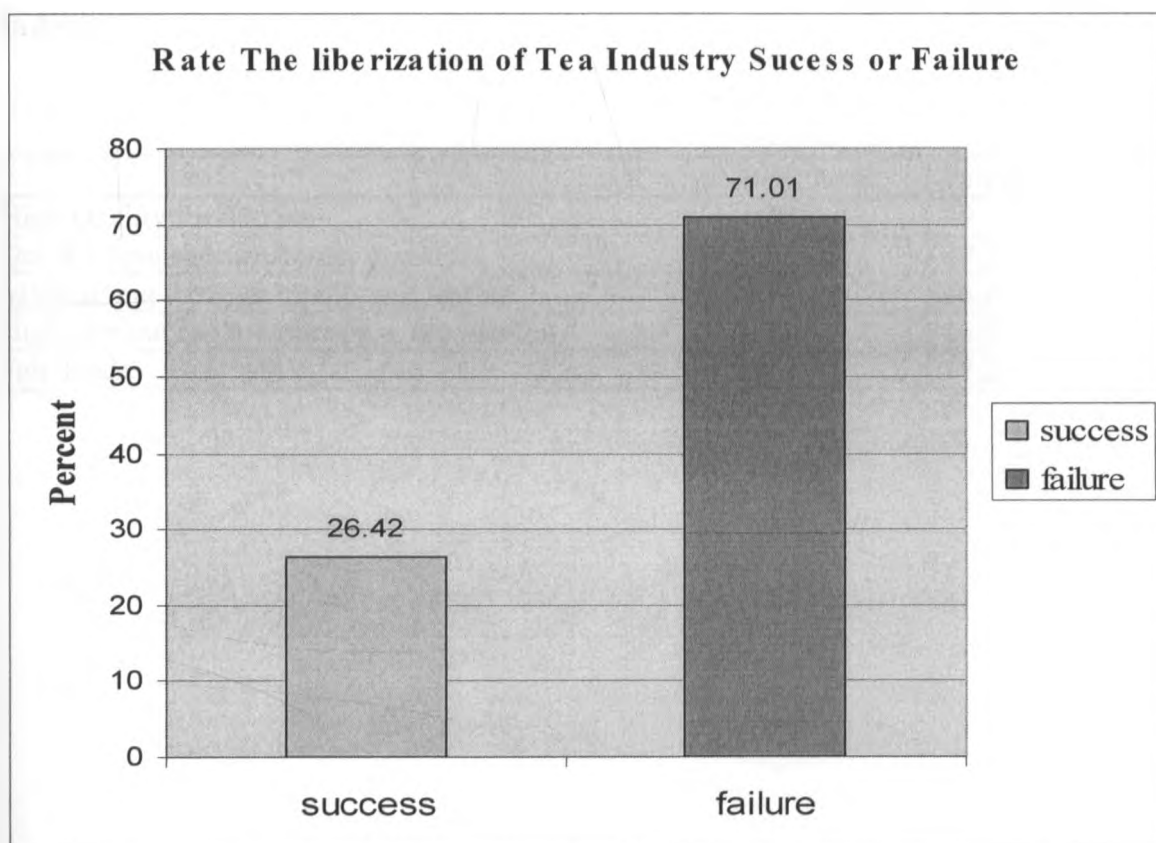


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4.8.2 Rating of Liberalization

Majority 71.07 percent as of the farmers thought that liberalization of the tea industry was a failure, while only 26.42 percent felt that it was a success. From the respondents data figure 4.7 below it's evident that most farmers felt they were yet to benefit from the trade liberalization hence the reason for this study. Majority of respondents felt that liberalization goals were not met as at the point of implementation issues of capacity building and preparedness were not addressed hence the emerging challenges. The actual liberalization framework failed to incorporate all stakeholders and farmers in particular hence the failure to realize its intended goals. This agrees well with the Mc Kinsey's 7 s model that looks at liberalization as one that only succeeds if the strategy,systems,skills style, staff and shared values are all addressed as cardinal pillars of liberalization.

Figure 4.7 Rating of Tea Liberalization Success/Failure



4.8.3 Liberalization Key Principles and Way Forward

Competitive advantage measures

Majority of respondents 49% felt that the industry can only remain competitive if it continued producing high quality products. Costs cutting measures in production by embracing modern technology and diversification in trade. Most respondents were in agreement that product diversification as well as improvement and embracing of new technology are main follow up route to have the industry remain competitive. The two attributes scored 17% and to most it was felt to be good liberalization goals that would have tea business remain competitive as per respondent's data table 4.5 below.

Table 4.5 Liberalization Key Principles to Maintaining Competitive Edge in the Tea Industry

	Frequency	Percentage %
High Quality Production	29	49
Quick response to customer questions	4	17.2
Maintaining the high quality production	3	16.8
High cost cutting measures e.g. automation	3	16.8
Fair Trade	4	17.2

4.8.4 Effects of current directors election method to the company performance

Cross tabulation of the current way of electing directors of tea factories and General performance of factories since liberalization as per table 4.6 below shows that there was a significant relationship between ways a company elects its directors and the general performance of factories since liberalization. Chi square =9.71p value 0.044.spearman correlation coefficient of 0.475.The companies with stable directors after liberalization tended to perform and have better returns.

Table 4.6 Current Way of Electing Directors and Effect to Overall Factory Performance after Liberalization.

		General performance of factories since liberalization						Total	
		Good		Fairly		Poorly			
		Fre q	%	Fre q	%	Freq	%	Freq	%
Current way of electing directors of tea factories	Excellen t	0	.0%	0	.0%	1	100.0 %	1	100
	Good	1	25.0 %	2	50.0%	1	25.0%	4	100
	Poorly	1	7.7%	0	.0%	12	92.3%	13	100
Total		2	11.1 %	2	11.1%	14	77.8%	18	100

$$X^2 = 9.71, \quad P \text{ value} = 0.044 \quad r = 0.475$$

4.9 Comparison of tea prices after liberalization

The table 4.7 below indicates that there was a high correlation between tea liberalization and tea price behavior in the last ten years. Spearman correlation coefficient = 0.589, p value 0.024 Therefore the tea prices were affected by tea liberalization change, and therefore the overall tea trade as a business. Therefore from the research its evident that liberalization had a key effect on tea prices hence impacting on farmers return directly.

Table 4.7 Liberalization benefits to farmers and Tea Price behavior in last eight years.

		Tea Price behaviour in last ten years						Total	
		Improved marginally		Remained the same		Declined			
		Fre q	%	Freq	%	Freq	%	Freq	%
Has tea liberalization benefited farmers as intended	Yes	1	50.0%	0	.0%	1	50.0%	2	100%
	No	0	.0%	1	6.3%	15	93.8%	16	100.0%
Total		1	5.6%	1	5.6%	16	88.9%	18	100.0%

$$X^2 = 8.5,$$

$$P \text{ value} = 0.024$$

$$r = 0.589$$

4.10 Comparison of tea liberalization benefit to tea bush acreage increase

There was no absolute relationship between tea liberalization and the increase in tea bushes. Chi square 2.026 p value = 0.567 as per table 4.8 below.

Hence liberalization did not influence the increase in tea bushes realized during the period under review. Hence other factors could have influenced the increase in tea bushes during the period. These factors include increase in population, lack of formal employment hence most school dropout end up joining tea farming.’ Rise in global poverty index due to global recession have left a large population with little choice but to join any sector that looks promising agriculture being one.

Table 4.8 has tea liberalization benefited farmers as intended and has it had effect on Number of tea bushes increase

		Number of tea bushes increased								Total	
		1-500		501 – 1000		1001 to1500		1501 to - 2000			
		Fre q	%	Freq	%	Fre q	%	Freq	%	Freq	%
Has tea liberalization benefited farmers as intended	Yes	0	.0%	2	100	0	.0	0	0	2	100
	No	2	18.2%	5	45.5	1	9.1%	3	27.3	11	100
Total		2	15.4%	7	53.8	1	7.7%	3	23.1	13	100

$X^2=2.026$ & 0.567

P Value= 0.567

r = 0.164

4.11 Overall anticipated liberalization benefits to tea farmers

There was no absolute correlation between farmers intended benefit of liberalization and the actual liberalization gains chi square 18 p.value 0.007 and a correlation coefficient of 1 as per table 4.9 below. Hence farmers did not benefit from tea liberalization. Thus from the respondents it can well be concluded that liberalization is yet to have an impact on farmers as their returns continue to go down even after tea market liberalization. Most farmers interviewed felt that liberalization failed to address the critical issues of governance and marketing hence did not result to the anticipated gains in terms of improved returns.

Table 4.9 has tea liberalization benefited farmers as intended and have farmers benefited after trade liberalization

		Have farmers benefited after trade liberalization				Total	
		Yes		No			
		Freq	%	Freq	%	Freq	%
Has tea liberalization benefited farmers as intended	Yes	2	100.0%	0	.0%	2	100.0%
	No	0	.0%	16	100.0%	16	100.0%
Total		2	11.1%	16	88.9%	18	100.0%

$X^2=18$ P Value= 0.007 $r= 1$

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This study was a survey on the impact of tea trade liberalization and the effect it has had on farmer's tea returns. Tea factories were selected three in number namely, Chinga tea factory, Iriaini Tea factory and Gitugi tea factory all in Nyeri south District. Data was collected using questionnaires that had been divided into four parts. The target audience where samples were drawn included company directors, management, technical staff and ordinary farmers. The target sample of respondents was 470 and out of that 342 responded representing 72.77% of the target. The response data was analyzed using descriptive statistics guided by the objectives of the study that included the impact of tea management change, increase in cost of production, the impact of competition on tea trade and the overall impact of tea marketing strategies on net returns to farmers

5.2 Summary of findings

The study finding on tea liberalization was that most respondents felt 72.96% felt that liberalization of the tea trade did not benefit them, though it had targeted the key challenging issues.

5.2.1 Tea Acreage and tea prices

From the findings, there was no absolute correlation between the increase in tea bushes (acreage) and liberalization chi square values of 2.026 p value of 0.567 that depicts no absolute correlation and hence the acreage increase was affected by other factors like population increase or rich agricultural land availability and not necessarily liberalization. This is well supported by a tally score of 64.22% that liberalization period tea prices have marginally improved. Correlation of results shows an absolute high correlation with a spearman correlation of 0.589 p value 0.024. Therefore the tea prices were affected by tea liberalization change, and have had an overall impact on tea trade as a business.

5.2.2 Management and Empowerment

Majority of respondents on the issue of management change, 90.95% felt that too many directors have had the major negative effect after liberalization.

Upon tabulation of liberalization effect to tea prices, respondents indicated that they all generally agreed. Thus the overall performance of tea business shall be affected by the director's roles and affect the overall tea returns to the farmer.

On the issue of staffing respondents mostly management and staff felt that directors have usurped most of the management powers and there is a lot of interference with staffing hence a respondent score of 94.74%. Respondents 78.95% felt that there is no clear policy and no job segregation hence the ever increasing conflicts between management and policy makers.

5.2.3 Cost of production and farmers returns

Most respondents 90.95% felt that the cost of production has increased with liberalization with an overall high in 2008 (ksh.39.89) From the respondents data the cost of production has been on the increase since 2004 with the highest change being year 2008 at Ksh.39.89 cost per kilogram and a ksh 3.90 increase from previous. Year 2007 registered the least change at 0.23 shillings per kilogram made tea. On cross tabulation of cost of production to gross margin there is an absolute high correlation spearman correlation 0.581. chi 8.5 p value 0.026. This shows that after liberalization the net return to tea farmers has been on the decline.

Competition a resultant product of liberalization has had a key impact after liberalization. Majority of respondents, at 36% listing it as the major challenge facing the tea industry after liberalization with most respondents citing lack of the industry in venturing in value addition and product diversification as the main edge of the competitors.

5.3 Discussion of findings

Liberalization was anticipated to increase job opportunities, improve returns and bring about fast trade development. But in these research findings liberalization results were that it did not improve returns due to some challenges that included high numbers of directors hence a bigger cost burden and erosion to farmer's returns. Interference with management due to politics and poor marketing strategies were key challenges that were identified as having negative impact to liberalization. Poor or no management empowerment resulted to poor policies especially on marketing and failure to embrace new technology. The study evidently highlights that the government liberalized tea business out of pressure but not will hence the lots of missing links therein.

The findings also emphasize the previous findings by trade liberalization synthesis report (UNEP 1999) an experience report on Bangladesh ,India and Uganda liberalization experience, that most governments liberalization are done half hearted out of pressure and not will. This is well supported by the economic theory , Mc Kinsey's 7s model on trade liberalization that looks at liberalization successes as one dependent on how social values, skills, staffs, systems, shared values and strategy applied influence the success or failure of liberalization. Therefore it can be concluded from the results that liberalization of the tea sector did not meet its objectives, and it's yet to deliver its intended benefits.

5.4 Conclusion.

From the analysis of data collected about the impact of tea trade liberalization on marketing and its overall impact to tea trade. It's clear that farmers did not benefit from liberalization as intended. Liberalization objectives were not met which included management from a state corporation to a private company. Most respondents felt that the director number and role in management did not add value and hence there was a negative impact to farmer's returns. The cost of production was highly placed as a negative effect where its increase has resulted to erosion of farmer's returns. Most respondents felt competition has had a key effect to returns of tea while poor marketing strategies have resulted to low or no new markets with a resultant situation of erosion of farmer's returns. It's important to note from the data that capacity building is a key element of empowerment though moderating in effect, in this case it was overlooked or ignored, hence the conflicting signals of liberalization from different stakeholders.

The main objective of the study was to assess the impact of tea trade liberalization its effects to markets and the overall impact it has had to farmer's tea returns. From the findings of the study it's evident that the study objectives were achieved. Farmers did not benefit from liberalization as expected and that the liberalization main target goals failed to address the farmer's problems that had called for liberalization. This is well evidenced by the ever declining profit margin every year and the overall increase in input costs (Production costs), hence the continued farmer's agitation for better tea returns though the government and other stakeholders thought the sector has been long liberalization. From the study its clear that all stakeholders were not involved in liberalization and mostly where involved capacity building was inadequate if not lacking.

5.5 Recommendations

Liberalization as a principal has the potential of improving returns to farmers. The already concluded liberalization failed to address or was curtailed by implementers from achieving its full potential. The current situation was and is still such that the government influence is ever there even after liberalization and where not direct its there through elected leaders. The main recommendation is one where the government enacts a law to that would keep check on all policy issues on tea to act as a check. Tea Board of Kenya the tea regulator in Kenya to be funded from the exchequer so as for it to affect its supervisory roles. A law should be enacted to cushion small scale farmers from undue competition from the international giants. Value addition and alternate embracing of technology should be taken as a source of hope more than the current holding where it's seen as downsizing tool hence no support or goodwill.

Tea medicinal properties should be explored so as to boost use while the tea growing geographical potential exploited for its intellectual potential so that tea can be marketed and promoted together with other known achievers like wildlife and athletic and the rich ecological back ground.

5.6 Limitations of the study.

This study encountered several challenges when collecting data. The main ones being that most farmers did not have proper records. This was verified by use of secondary data held in the factories.

Several farmers were unwilling to give information more so on financial matters. Much of the financial data was verified using secondary company data.

The area was too wide and expansive hence the researcher was not able to cover the whole area due to limited resources especially finance and time availed and the tight University calendar This was overcome by sampling from the population by use of factory registers where respondents were randomly chosen and at some points some research assistants were engaged to fasten the process.

There was a negative attitude towards research exhibited by the population in general and the target respondents in particular, especially the elected leaders. This was overcome by explaining to them the intentions of the researcher.

Most respondents expected some monetary handouts, as earlier researches conducted in the area a token fee was paid for filling the questionnaire. The other major limitation was the unwillingness by some respondents to divulge some important information especially on financial matters.

5.7 Suggested future research.

The study could be done in different tea factories and districts to corroborate these findings and probably bring the researcher close to conclusion about the subject. The researcher also recommends that a further study be done with large scale farmers to assess whether the result realized from this study agrees with the general results of liberalization in tea marketing globally.

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Appendices

Appendix 1

MATHEW W. NG.ENDA
L50/71171/2007
UNIVERSITY OF NAIROBI.
30th May 2009

THE CHAIRMAN.

IRIAINI,
CHINGA,
GITUGI TEA FACTORY CO.LTD.

RE: PERMISSION-EDUCATION RESEARCH:

Am the above named masters student conducting research for academic purpose only. It's for this reason I'm writing requesting permission to conduct the said research in your catchments through questionnaires, focus group discussions as well as company visits for on the spot observation and desk review. The availed information shall be used for the purpose of educational research and shall be treated with utmost confidentiality.

Thank you.

Yours faithfully

Mathew w. Ng'enda

APPENDIX 2

QUESTIONNAIRE 1 (FARMERS)

Instructions

Kindly fill in the Questionnaire.

A) General information

- 1) Age _____ years
- 2) Gender _____ Male/Female
- 3) Marital status. _____ Married/Single

Family Size dependent pse (specify)

Adult above 18years _____

Teenager 12 – 18 yrs _____

Minor 12years and below _____

B) Agricultural activity.

- 1) What is the size of your farm? _____ acres
- 2) What area of your farm is under tea? _____ acres
- 3) Is your tea farm holding a family business or self others specify
i) Family..... ii) Self.....iii others. Specify.....
- 4) Who is the registered licensee of the tea specify; husband,wife,joint etc
- 5) Do you have any other agricultural activity in your farm for income generation?
specify _____
- 6) How much fertilizer did you apply to your tea farm?
Year 2005/06 _____ } Answer in 50kgs bag unit.
Year 2006/07 _____ }
- 7) How much green leaf in kgs did you pluck?
Year 2004/05 _____ Kgs Gross income in Ksh.....
Year 2005/06 _____ Kgs Gross income in Ksh.....
Year 2006/07 _____ Kgs Gross income in Ksh.....
Year 2007/2008-----kgs Gross income in Ksh.....
- 8) For one to regist rate a tea license what is the least number of tea bushes.

In your own opinion what is the least economic holding of tea you would recommend for legist ration.

9) Do you pluck all your tea farm using:-

- a) Family Lab our
- b) Hired lab our
- c) Both hired and Family

Please specify.....

10) What are the plucking rates?

- d) Daily
- e) Task per Kg.
- f) Monthly

Specify amount paid in each case.

11) What portion of your farm is pruned per year? I.e. whole ...half.....third.....quarter.....what's the unit cost?

12) How often do you weed your tea farm? I.e annual.....half year.....quarter.....cost per man day?

..... Total man days.....

13) Any other cost that is related to the farm? Please specify.....

14) As a tea farmer are you aware of tea liberalization?.....

What is your feel about its intended targets.....success or failure.....justify your answer.

What challenges continue to affect you as a farmer even after liberalization?

Suggest issue you think were not addressed by liberalization.....

Suggest way forward.....

Tea Consumption

1) Are you a constant tea drinker? Yes.....No.....

2) As a family how much made tea do you use per month.

½ kg..... ¾ kg 1kg 1 ½kg 2kg(Others) state kgs.....

3) Depending on your answer in 1) above state how many tea cups you take per day..... State what limits your tea taking as a beverage? If no state your preferenceagainst tea?.....

4) In the last two social occasions attended lately state beverage served..... If not tea state competing beverage.

5) Is tea a preferred drink in social gatherings Yes.....No.....

1) If no above what is the preferred beverage..... And what your opinion is as pertains choice. Qualify your answer.....

2) Suggest a way forward to improve tea consumption locally.

Suggest way forward in checking other beverages from competing with tea and have an edge.

Thanks a lot for taking time to respond to this questionnaire. Any information given shall only be used for academic purposes and will not be diverged to any other uninterested party.

Appendix3

QUESTIONARE II.

Tea elected leaders/Directors

Instructions

Kindly fill in the questionnaire

Family Size dependent pse (specify) A) General information

- 4) Age _____ years
- 5) Gender _____ Male/Female
- 6) Marital status. _____ Married/Single
 - Adult above 18years _____
 - Teenager 12 – 18 yrs _____
 - Minor 12years and below _____

B) Agricultural activity.

- 8) What is the size of your farm? _____ acres
- 9) What area of your farm is under tea? _____ acres
- 10) Is your tea farm holding a family business or self(specify) _____
.....
- 11) Who is the registered licensee of the tea specify; husband....wife.....jointetc
.....
- 12) Do you have any other agricultural activity in your farm for income
Generation? specify _____
.....
- 13) How much fertilizer did you apply to your tea farm?
 - Year 2004/05 _____ }
 - Year 2005/06 _____ } Answer in 50kgs bag unit.
 - Year 2006/07 _____
- 14) How much green leaf in kgs did you pluck?
 - Year 2004/05 _____ Kgs Gross income in Ksh.....
 - Year 2005/06 _____ Kgs Gross income in Ksh.....

Year 2006/07 _____ Kgs Gross income in Ksh.....

Year 2007/2008-----kgs Gross income in Ksh.....

8) For one to legit rate a tea license what is the least number of tea bushes.

.....

In your own opinion what is the least economic holding of tea you would recommend for legit ration.....

9) Do you pluck all your tea farm using:-

- g) Family Lab our
- h) Hired lab our
- i) Both hired and Family

Please specify.

.....

10) What are the plucking rates?

- j) DailyAmount.....
- k) Task per Kg.....Amount.....
- l) MonthlyAmount.....

11) What is your cost of pruning and farm size pruned per year _____?

Pruning cost.....Farm size pruned annually.....Pruning cycle.....

.....

What is the cost of pruning one bush? _Ksh. _____

12) How often do you weed your tea farm?

Annually.....half year.....quarterly.....

13) Any other cost that is related to the farm? Please specify _____

a) Tea Management/policies

1) As a farmer in tea are you aware of tea liberalization policy framework and when it took place.

Tea liberalization policy fully aware.....Partly aware.....not aware at all.....When enacted....

2) What changes effected during liberalization affected your tea trade and how.
...what changes?.....how?.....

Kindly qualify your
answer(s).....

3) Have you taken part in tea management in the last ten years yes.....no.....

Please specify? Number of years.....

i) As an elected committee member. Please state office held eg member, chairman
etc.....

ii) As an elected Director state office responsibility as (i) above.
.....

Specify 1st term ... 2nd termothers.....

4) State other agricultural offices that you hold and compare its principle management
to that of tea farming eg coffee ,dairy farming etc
.....

5) For the last five years in your own opinion after tea liberalization has its
management improved or deteriorated. State challenges if any?
If yes specify how.
.....

ii) If no specify. State challenges if any?
.....

6) Is the current tea management adequate as per your expectations as a tea
farmer/leader. yes.....no..... If not suggest way forward.
.....

7) What is the mandatory age limit for one to be eligible as a committee member/
director?

i) Director.....ii) committee member.....

1) Do one require to have attained a specific academic level / Kilograms to qualify as
committee member/Director. Kindly specify. 1. Education 2. kgs
Greenleaf.....

8) In your own opinion did tea liberalization address the intended need? Yes...No.... .If
no kindly qualify your statement...

9) In your own opinion as a leader do you see an area that though liberalized require to be addressed further? Is there an existing conflict of operation as far as various stakeholder management and policy execution are concerned. If yes qualify your answer.....

If no qualify your answer.....

b) Tea Consumption

1) Are you a constant tea drinker? Yes/No

2) As a family how much made tea do you use per month.

½kgs.... ¾ 1kg..... 1 ½kgs..... 2kg Others state..... kgs

3) Depending on your answer in 1) above state how many tea cups you take per day..... State what limits your tea taking as a beverage? If no state your preference and why the choice against tea

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

4) In the last two social occasions attended lately state beverage served.

.....
If not tea state beverage.....

.....

5) Is tea a preferred drink in social gatherings Yes/No

Yes.....No.....

.....

3) If no above what is the preferred beverage..... And what your opinion is as pertains choice.

Qualify your answer.....

4) Suggest a way forward to improve tea consumption locally.

.....
.....

Thanks a lot for taking time to respond to this questionnaire. Any information given shall only be used for academic purposes and will not be diverged to any other uninterested party.

Appendix 4

**QUESTIONARE III
FACTORY MANAGEMENT**

INSTRUCTIONS

Kindly fill in the questionnaire

a) General information.

- 1) Age _____ years
- 2) Gender _____ Male/Female
- 3) Marital status _____ Married/Single
- 4) Position held

Family Size dependent pse (specify

- Adult above 18years _____
- Teenager 12 – 18 yrs _____
- Minor 12years and below _____

b) Market

- 1) Was tea sales affected positively or negatively by the industry liberalization?
_____ Yes/No. pse qualify your answer why.
.....
- 2) Is there restriction on tea sale and managements? _____ Yes/No
- 3) Suggest possible improvement of management, if you feel restricted in two above
.....
- 4) Is tea sold from the factory through Mombassa auction favorable as a major tea outlet?
Yes.....No.....
- 5) If no in four above please specify why you think so and give your own recommendations
.....

6) As a manager in tea how were you affected by liberalization as an employee?

... Yes.....how.....

... No.....

Do you feel that you have more authority now or before. Yes....No.... Kindly qualify your answer

.....

7) In your own opinion was the liberalization outcome the best result for the tea trade.... If not suggest remedial line to improve the current state.....

.....

b) Tea Consumption

1) Are you a constant tea drinker? Yes/No

2) As a family how much made tea do you use per month.

½kg ¾kg 1kg 1 ½ kg 2kg others state kgs

3) Depending on your answer in 1) above state how many tea cups you take per day.....

State what limits your tea taking as a beverage.....

If no state your preference..... and why the choice against

tea.....

4) In the last two social occasions attended lately state beverage

served..... If not tea state beverage.....

5) Is tea a preferred drink in social gatherings

Yes....No.....If no above what is the preferred

beverage.....

And what your opinion is as pertains choice..... Qualify

your answer.....

6) Suggest way forward to improve tea consumption locally.....

Thanks a lot for taking time to respond to this questionnaire. Any information given shall only be used for academic purposes and will not be diverged to any other uninterested party.

APPENDIX 5

QUESTIONNAIRE IV

(Technical Tea Extension Services)

Instructions

Kindly fill in the Questionnaire.

A) General information

7) Age _____ .._ years

8) Sex _____ Male/Female

9) Marital status. _____ Married/Single

Position held (specify) _____

B) Working experience.

15) Before Liberalization - Years worked _____ yrs

16) After Liberalization – Years worked _____ yrs

C) Agricultural activity

i) Are you a tea farmer? Yes _____ No _____

If yes, how did liberalization affect your returns from tea farming (specify)

ii) How was tea husbandry affected by liberalization?

iii) What are the key liberalization achievement since 2001 (explain).

iv) Is the tea production increase in the last 10 years attribute to liberalization (explain)

v) In your own opinion is the new management structure favorable to tea farming after liberalization? (Explain your answer).

vi) What are the major challenges after liberalization that you feel are yet to be addressed in tea farming?

vii) In your own experience and expertise is the current registration procedure adequate? Yes___ No___ if not qualify your answer._____

ix) As a buying centre committee member by default do you think you re effective in line that you are a management staff and a technocrat against all others who are elected leaders (qualify your answer)

x) Recommend way forward in line with the current tea liberalized management.

Thank so much for taking part in answering this questionnaire. All information collected shall only be used for academic purposes only.

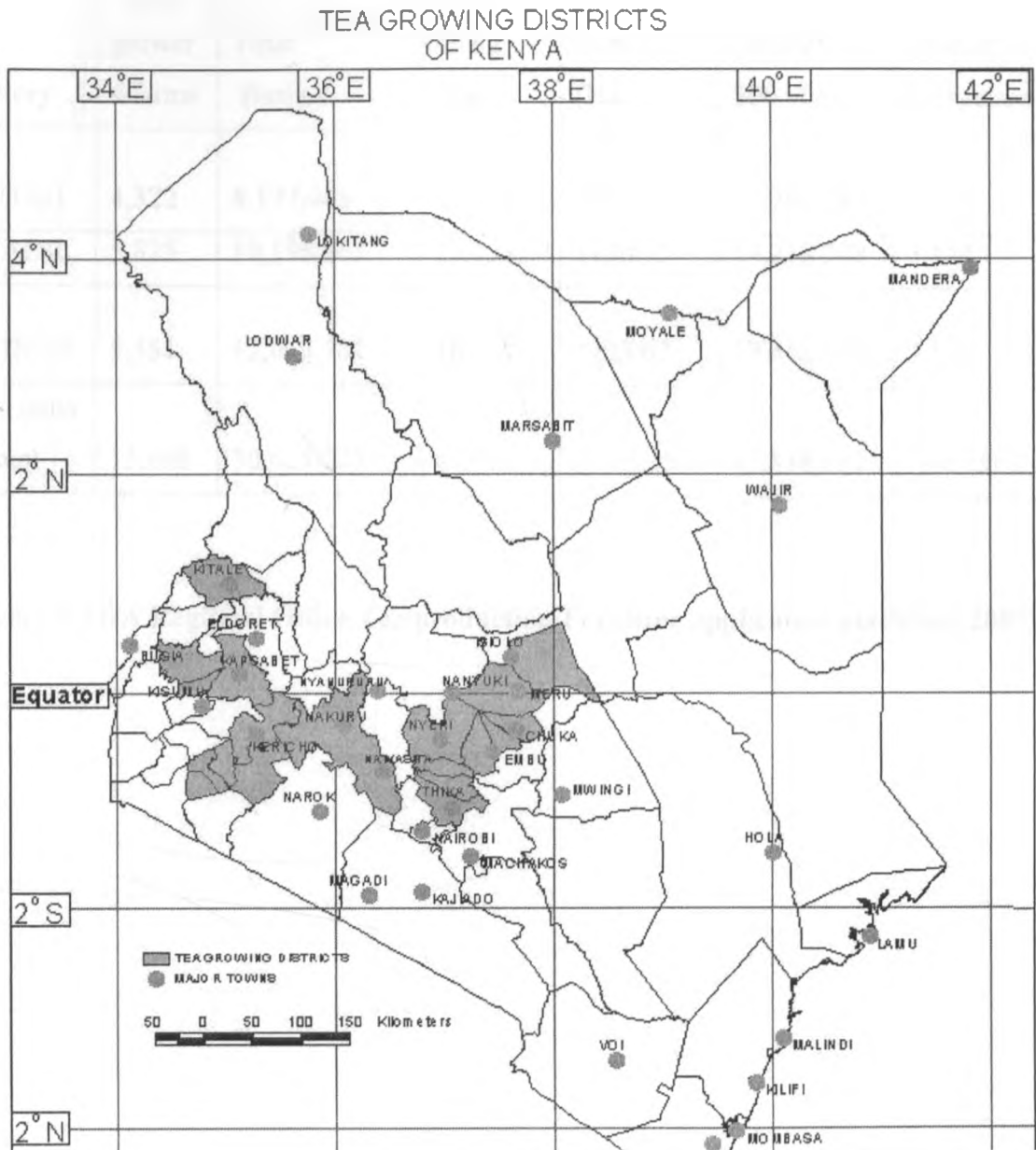
Map of Othaya Division



Source KTDA Iriaini Tea Factory Library. Archive 2005

Appendix 7

Tea growing districts in Kenya



Source Tea Board of Kenya Annual Tea Bulletin (2)

Appendix 8

OTHAYA DIVISION TEA BUSHES/FERTILIZER/PRODUCTION

2007-2008

Factory	Total grower s/farms	Total Bushes	Fertilizer /50kg Bag	Total Acreage (Ha)	Green Leaf production 2007/08	Made Production kg/hectare
GITUGI	4,322	8,177,005	11,681	731.22	11,201,383	3,830
IRIAINI	5,825	10,198,467	13,158	1130.75	14,218,268	3,144
CHINGA	5,551	12,047,731	16,174	1233.62	17,418,970	3,530
Divisional Total	15,698	30,423,203	41,013	3,095.59	42,838,621	Ave.3501

Source KTDA Regional Office Tea production/Fertilizer application statistics (2007)

Appendix 9

Othaya Division tea growers as a percentage of tea bush holding.

<i>No of Bushes</i>	<i>No of Growers</i>	<i>Percentage holding</i>	
Below 500	379	2.41	
501 to 1000	6074	38.69	
1001 to 2000	5410	34.46	
2001 to 3000	1748	11.14	
3001 to 4000	596	3.80	
4001 to 5000	483	3.08	
5001 to 6000	355	2.26	
6001 to 7000	189	1.20	
7001 to 8000	323	2.06	
8001 and over	141	0.90	
Total	15698	100%	

Registered farmers by sex:- Men = 10942 - 69.70
 Women = 4756 - 30.30
 Total = 15698 - 100%

Source:- Department of
 Agriculture KTDA Ltd

(Nairobi Kenya)Tea Census
 2008

NB:- 1 ACRE
 (2X4 FT SPACING) =

4000
 BUSHES

AGRICULTURAL STATISTICS 1961/62 TO 2006/2007

YEAR	CENSUS	HECTARES PLANTED (AS PER REGISTER)	GREEN LEAF PRODUCTION (KGS)	NO. OF GROWERS	FERTILIZER 50 KG. BAGS	PRICE PER BAG	PRODUCTION PER HA.	FERTILIZER PER HECTARE	AVERAGE HOLDINGS (HA.)	PRODUCTION PER BUSH
62		2622	1337360	14397	202		530	0	0.18	0.06
63		3142	2007364	18278			639	0	0.17	0.07
64		4314	2851712	19775			661	0	0.22	0.08
65		5131	5441161	22343			1060	0	0.23	0.12
66		6479	8221828	26693			1269	0	0.24	0.15
67		8424	7707748	32599			915	0	0.26	0.11
68		10772	18180350	37953	424		1688	0	0.28	0.20
69		13409	22823171	42596	1006		1702	0	0.31	0.20
70		16141	33031144	48443	1288		2046	0	0.33	0.24
71		19213	31752787	53426	1702		1653	0	0.36	0.19
72		26228	51010513	66893	266		1945	0	0.39	0.23
73		30895	65775677	79314	2970		2129	0	0.39	0.25
74		34384	65940460	90135			1918	0	0.38	0.22
75		37205	73673885	97337			1980	0	0.38	0.23
76		39740	88759897	105949	120000		2234	3	0.38	0.26
77		43638	129201280	115648			2961	0	0.38	0.34
78		46825	159779147	122292	141166		3412	3	0.38	0.40
79		48954	140172094	126169	142961		2863	3	0.39	0.33
80		51420	137987883	129612	109551		2684	2	0.40	0.31
81		52775	145923951	137832			2765	0	0.38	0.32
82		54693	159958466	143617	150278		2925	3	0.38	0.34
83		54965	206182520	144744	176367		3751	3	0.38	0.44
84		56173	211760603	149253	187950		3770	3	0.38	0.44
85		56497	283203338	150088	200000		5013	4	0.38	0.58
86		56452	291267951	150414	400000		5160	7	0.38	0.60
87		56889	333194815	150557	500000	171.00	5857	9	0.38	0.68
88		63234	338208758	203905	580000	215.00	5349	9	0.31	0.62
89		65332	428357313	213581	740000	300.00	6557	11	0.31	0.76
90		66824	488900773	219824	760000	315.00	7316	11	0.30	0.85
91		69449	466372013	231993	572732	334.00	6715	8	0.30	0.78
92		70839	440297726	244818	740000	394.00	6215	10	0.29	0.72
93		71735	482859234	259903	861824	475.00	6731	12	0.28	0.78
94		73992	429339676	274275	824800	823.75	5803	11	0.27	0.67
95		76968	604461076	289270	960000	805.65	7853	12	0.27	0.91
96		78536	613641918	292881	1040000	912.55	7814	13	0.27	0.91
97		80383	524255805	302378	1040000	1012.00	6522	13	0.27	0.76
98		82230	750784584	311875	1000000	1066.00	9130	12	0.26	1.06
99		83875	641423617	355575	1000000	1100.00	7647	12	0.27	0.89
2000		84356	598304599	378495	1050416	1117.66	7093	12	0.27	0.82
2001		86234	717867307	387942	1076134	1090.6	8325	12	0.22	0.97
2002	86447.7	87982	721924880	389699	1243997	940.10	8205	14	0.23	0.95
2003	86447.7	90184	695562035	411970	1366823	1020.00	7713	15	0.22	0.90
2004	87639.00	91651	822986773	422772	1286426	1152.60	8980	14	0.22	1.04
2005	87639.00	91651	755843039	422772	1337000	1402.70	8247	15	0.22	0.96
2006	87639.00	91651	731585973	422772	1290000	1314.20	7982	14	0.22	0.93
2007	91651.00	100196	915860151	524327	1245700	0.00	9141	12	0.19	1.06

Source Ministry of Agriculture Annual Statistical bulletin 2007. NES(K)

GREEN LEAF PRODUCTIVITY ANALYSIS *IKTDA FACTORIES*

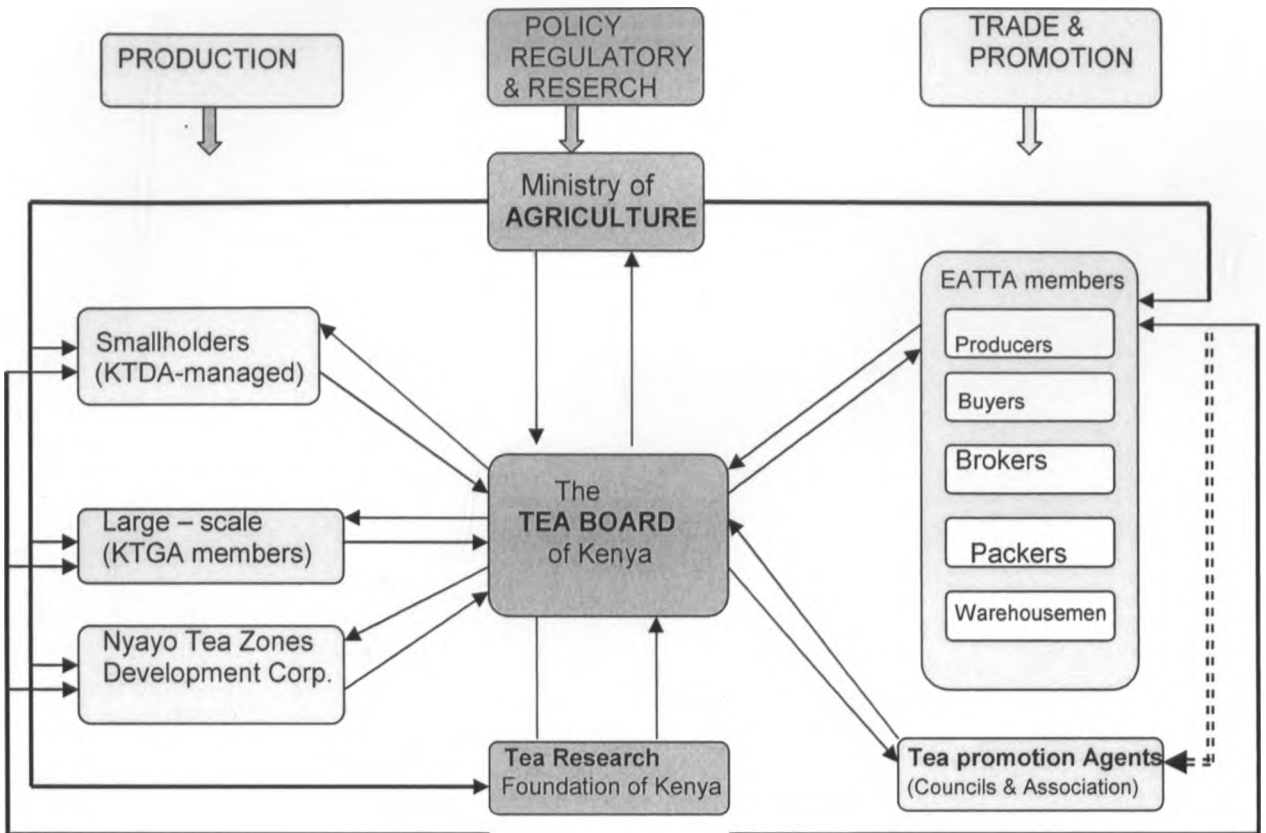
STATION	2006/07			2007/08		
	KGS. GL	PROD/BUSH	NATIONAL TARGET	KGS.GL	EXPECTED	NATIONAL TARGET
KIMUNYE	19,607,465.00	1.5296	1.0433	18,159,000	1.5823	1.096
KANGAITA	15,104,755.00	1.8283	1.0433	13,843,000	1.8810	1.096
MICHIMIKURU	19,258,551.00	1.3923	1.0433	17,331,000	1.4450	1.096
IRIAINI	14,218,268.00	1.3999	1.0433	13,684,000	1.4526	1.096
CHINGA	17,418,970.00	1.4465	1.0433	16,712,000	1.4992	1.096
KIRU	17,355,140.00	1.3506	1.0433	15,991,000	1.4033	1.096
MOMUL	20,034,077.50	1.0466	1.0433	20,181,000	1.0993	1.096
MUNUNGA	17,968,781.50	1.3189	1.0433	16,877,000	1.3716	1.096
RAGATI	16,220,149.00	1.2573	1.0433	14,599,000	1.3100	1.096
MAKOMBOKI	17,252,074.50	1.2128	1.0433	16,330,000	1.2655	1.096
NDIMA	14,802,229.00	1.3475	1.0433	13,769,000	1.4002	1.096
KAPSARA	4,964,675.00	1.3133	1.0433	4,285,000	1.3660	1.096
GITUGI	11,201,383.50	1.3348	1.0433	10,901,000	1.3875	1.096
THUMAITA	18,393,435.00	1.4839	1.0433	16,994,000	1.5366	1.096
IKUMBI	13,502,309.00	1.3619	1.0433	13,238,000	1.4146	1.096
GACHARAGE	11,074,607.50	1.2514	1.0433	10,897,000	1.3041	1.096
KAPKATET	19,165,192.50	0.8688	1.0433	17,598,000	0.9215	1.096
GATUNGURU	16,029,333.00	1.2378	1.0433	15,286,000	1.2905	1.096
IMENTI	13,627,062.00	1.2567	1.0433	13,415,000	1.3094	1.096
GATHUTHI	13,649,652.50	1.2649	1.0433	12,487,000	1.3176	1.096
LITEIN	20,786,435.50	1.0952	1.0433	19,910,000	1.1479	1.096
KAPKOROS	34,679,004.50	1.1383	1.0433	30,129,000	1.1910	1.096
KAPSET	20,480,757.50	1.2555	1.0433	18,161,000	1.3082	1.096
KANYENYAINI	16,045,440.50	1.0897	1.0433	15,529,000	1.1424	1.096
GACHEGE	12,812,571.50	1.4169	1.0433	12,041,000	1.4696	1.096
KIONYO	17,793,574.50	0.9309	1.0433	17,614,000	0.9836	1.096
KAGWE	20,146,875.00	1.3109	1.0433	19,409,000	1.3636	1.096
GITHAMBO	17,984,135.00	1.2267	1.0433	16,352,000	1.2794	1.096
KATHANGARIRI	12,307,087.50	1.2998	1.0433	11,992,000	1.3525	1.096
RUKURIRI	15,115,555.00	1.1840	1.0433	14,874,000	1.2367	1.096
MATAARA	10,507,161.00	1.2019	1.0433	10,264,000	1.2546	1.096
GITHONGO	9,434,281.50	1.0731	1.0433	9,185,000	1.1258	1.096
KIEGOI	17,028,474.00	1.2273	1.0433	15,959,000	1.2800	1.096
NGERE	21,812,770.50	1.0766	1.0433	21,197,000	1.1293	1.096
THETA	22,213,080.50	0.9310	1.0433	21,257,000	0.9837	1.096
NYANSIONGO	17,451,677.00	1.0649	1.0433	15,912,000	1.1176	1.096
NYANKOBA	15,332,707.50	1.0188	1.0433	14,929,000	1.0715	1.096
MOGOGOSIEK	29,986,214.50	0.8822	1.0433	27,516,000	0.9349	1.096
KEBIRIGO	12,728,132.00	1.0752	1.0433	11,885,000	1.1279	1.096
CHEBUT	26,446,414.00	0.5883	1.0433	22,985,000	0.6410	1.096
MUNGANIA	16,103,745.00	1.2224	1.0433	15,298,000	1.2751	1.096
NDUTI	10,431,038.00	1.0503	1.0433	11,187,000	1.1030	1.096
NJUNU	10,576,859.00	1.1847	1.0433	10,229,000	1.2374	1.096
GIANCHORE	12,286,945.00	1.0158	1.0433	11,045,000	1.0685	1.096
KINORO	13,556,439.50	1.2589	1.0433	13,021,000	1.3116	1.096
SANGANYI	18,578,768.50	0.7432	1.0433	17,611,000	0.7959	1.096
NYAMACHE	23,307,393.50	0.8302	1.0433	21,365,000	0.8829	1.096
TEGAT	24,867,695.00	1.1446	1.0433	21,985,000	1.1973	1.096
WERU	11,636,479.00	1.1207	1.0433	11,240,000	1.1734	1.096
MUDETE	15,516,681.50	0.8080	1.0433	15,424,000	0.8607	1.096
KIAMOKAMA	17,669,173.50	0.8878	1.0433	16,699,000	0.9405	1.096
KAMBAA	16,393,106.50	0.9992	1.0433	15,306,000	1.0519	1.096
TOMBE	18,344,950.00	0.7378	1.0433	17,500,000	0.7905	1.096
OGEMBO	20,974,027.00	0.5943	1.0433	20,519,000	0.6470	1.096
OLENGURUONE	3,676,390.50	0.4859	1.0433	3,279,000	0.5386	1.096
NATIONAL AVERAGE	915,860,151.00	1.0615	1.0433	861,385,000	1.1142	1.096

KTDA FERTILIZER IMPORT. SUPPLIERS. COST PER TONNE & AVG. PRICE PER BAG

YEAR	QUANTITY (M. TONNES)	SUPPLIER	ORIGIN	COST PER TONNE (USD)	PRICE PER BAG (KSHS)
1984/85	10,000	UKF	HOLLAND	177.20	180.00
1985/86	20,000	SUPERFORS	DENMARK	179.90	205.00
1986/87	20,000	KEMIRA	FINLAND	136.60	171.00
1987/88	10,000	KEMIRA	FINLAND	178.80	215.00
	10,000	DSM	HOLLAND	179.25	
	9,000	G.K (Treasury)			
1988/89	15,000	KEMIRA	FINLAND	224.50	300.00
	15,000	DSM	HOLLAND	225.20	
	7,000	EAHC		225.20	
1989/90	12,000	DSM	HOLLAND	202.50	315.00
	12,000	NORSK HYDRO	NORWAY	202.50	
	14,000	KEMIRA - OY	FINLAND	202.50	
1990/91	28,750	NORSK HYDRO	NORWAY	198.00	334.00
1991/92	37,150	TRANSAMMONIA AG	GREECE	181.49	394.00
1992/93	22,000	NORSK HYDRO	NORWAY	N/A	475.00
	22,000	KEMIRA	FINLAND	177.00	
1993/94	20,620	KEMIRA	FINLAND	176.50	823.75
	20,494	KEMIRA	FINLAND	"	
1994/95	48,000	KEMIRA	FINLAND	N/A	805.65
1995/96	52,000	KEMIRA	FINLAND	235.00	912.55
1996/97	26,000	KEMIRA	FINLAND	253.00	1,012.00
	26,000	NORSK HYDRO	NORWAY	265.00	
1997/98	49,650	KEMIRA	FINLAND	258.00	1,066.00
1998/99	50,000	KEMIRA	FINLAND	258.00	1,100.00
1999/00	52,500	KEMIRA	FINLAND	209.90	1,117.66
2000/2001	53,850	KEMIRA	FINLAND	189.90	1,090.57
2001/2002	60,000	HYDRO AGRI. INT.	NORWAY	201.00	1,058.75
	2,000	MEA LTD	Locally Sourced	Kshs1,200/Bag	
2002/2003	35,000	KEMIRA	FINLAND	171.00	940.10
	27,200	KEMIRA	NORWAY		
2003/2004	65,200	AZOMORES	ROMANIA	192.00	1,020.00
2004/2005	65,000	AZOMORES	ROMANIA	211.00	1,152.60
2005/2006	66,850	YARA FRANCE	NORWAY	284.00	1,402.70
2006/2007	64,500	AZOMORES	ROMANIA	253.80	1,314.20

Source Tea board of Kenya. Annual bulletin 2007 (KENYA)

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