Business case Pineapple West-Kenya

FGL Holding & farmer groups

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**Foreword**

This report contains a business case description of pineapple farming in Kenya – in particular between FGL holding and different farmer groups in Kisumu County, West Kenya. The business case is part of an action research process in which a series of business cases are analysed on the topic of firm-farmer relations. Hence, this report forms one of the business cases that are looked at.

Analysing, facilitating and learning from firm-farmer relations is part of one of the five Agri-ProFocus tracks ‘Organized farmers as partners in agri-business’. For 2012, efforts in this theme focus on ‘the provision of economic services to members of producer organizations’ and the topic that this manual is part of: firm-farmer relations. Wageningen UR Centre for Development Innovation (WUR-CDI) and the Royal Tropical Institute (KIT) facilitate the work on these topics, in close collaboration with Agri-ProFocus’ head office and its Agri-Hubs.

The field research for this Kenyan pineapple case was conducted in Kisumu County, West Kenya between May and August 2012. We want to thank all the persons that have invested their time and energy to talk to us, gave interviews and help us thinking through the business case. In particular, we want to mention Freek Spits, Berend Lolkema, George Owuor, Dickens Ochieng, Philemon Otondi Onyango, George Aertssen, Bert van Ommen, Mike Muchilwa, and all the farmers of the farmer groups in Kochia and Opasi. Freek and Berend, a special thanks to you for the warm welcome and the hospitality that we enjoyed during our stay.

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1 Agri-ProFocus is a partnership organization with Dutch roots that promotes farmer entrepreneurship in developing countries.
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1. Introduction

This business case report describes a potential firm-farmer relation between groups of pineapple farmers and FGL Holding, a new business orientating on pineapple and other fruit production activities.

The business case focusses on the topic of contract farming between firms and farmers, and is part of an action research programme of Agri-ProFocus: “Firm-Farm Partnerships and Contracting: Taking Market Linkages to the Next Level”. With looking at firm-farmer relations we aim to look beyond general discussions, focussing on learning from challenges in existing contract farming relations between firms and farmers, and – where possible – kick-starting a facilitative relation between firms and farmers.

When looking at firm-farmer relations, there are many aspects that can be thought of. As a starting point, firms and farmers are considered to have opposed interests: Farmer suppliers want to have the highest price for their product, whereas sourcing firms look for the lowest possible price. Such opposed interests are normal, given the different mandate in which both actors operate. Yet firms and farmers depend on final consumers to buy their end product, and hence it requires a form of cooperation and coordination between firms and farmers. Except for the different starting point or rationale, issues of trust, mutual understanding, and dealing with risks, contracts and prices can be thought of.

In March 2012, a workshop was organized in Kenya to kick-off the topic of firm-farmer relations. Next to Kenyan Agri-Hub representatives of Agri-ProFocus, an interesting group of business, farmer and NGO representatives were present. In that workshop, first contacts were established with Freek Spits, owner of the recently established company FGL Holding. FGL Holding is exploring business opportunities to start contract farming with the product pineapple, pomegranate and/or moringa. At the moment, pineapple farming is the most extensively explored option of the three. For this reason we chose to focus on opportunities for starting a contract farming relation between FGL Holding and farmer groups on pineapple farming.

Whereas this action research trajectory usually focusses on existing contract farming relations, this case explores opportunities for starting a contract farming relationship. This is a very interesting and also highly relevant angle. The information in this report is based on interviews and group discussions with company (FGL) and NGO members (FreeKenya) on one hand, and farmer groups at the other hand. They will be supplemented with results from the challenge list ‘it takes two to tango’, which contains statements – divided among a number of challenge areas – that both farmers and firm employees have to answer. Given the explorative character of this business case, the challenges are formulated in a way that aims to grasp underlying assumptions and expectations about a possible relationship – identifying ways forward for FGL holding and the farmer groups.

This business case report is structured as follows. Chapter two describes the current agriculture situation in Kenya in general. Chapter three focusses on the different aspects of pineapple farming, followed by information on Kenyan pineapple farming in chapter four. Chapter five shortly elaborates on the methods used in this business case study, followed by an elaboration of the business case in chapter six and the formulated statement list in chapter seven.
2 Agriculture in Kenya

2.1 Background
Agriculture is the mainstay of the Kenyan economy directly contributing 26 per cent of the GDP annually, and another 25 per cent indirectly. The sector accounts for 65 per cent of Kenya’s total exports and provides more than 70 per cent of informal employment in the rural areas. Therefore, the agricultural sector is not only the driver of Kenya’s economy but also the means of livelihood for the majority of Kenyan people.

Sustained agricultural growth is critical to uplifting the living standards of the Kenyan people as well as generating rapid economic growth. However, in spite of the importance of the agricultural sector, farming in Kenya has for many years been predominantly small scale, rain fed and poorly mechanized. In addition, institutional support and infrastructure have been inadequate.

2.2 Characteristics Kenyan agriculture
Kenya’s agriculture is predominantly small-scale farming mainly in the high-potential areas. Production is carried out on farms averaging 0.2–3 ha, mostly on a commercial basis. This small-scale production accounts for 75 per cent of the total agricultural output and 70 per cent of marketed agricultural produce. Small-scale farmers produce over 70 per 12 cent of maize, 65 per cent of coffee, 50 per cent of tea, 80 per cent of milk, 85 per cent of fish, and 70 per cent of beef and related products. However, adoption of improved inputs such as hybrid seed, concentrate feeds, fertilizer, safe use of pesticides and machinery by small-scale farmers is relatively low. There is huge potential for increasing productivity for these farmers with adoption of modern farming practices.

The cooperative movement has played an important role in agricultural development and in the Kenyan economy. Agricultural cooperatives have helped in procurement of inputs, production, value addition and marketing. Agricultural cooperatives form 46 per cent of all cooperative societies in the country. They have 3 million members out of a total membership of 7 million in the entire cooperative movement. The Government has emphasized the need to revitalize the cooperatives sector to play a more significant role in reviving the economy through improved governance and management capacity.

2.3 Kenya’s agriculture strategy
In 2010, the government of Kenya has developed a new 10-year Agricultural Sector Development Strategy (ASDS). Besides ensuring food and nutritional security for all Kenyans, the strategy aims at generating higher incomes as well as employment, especially in the rural areas. Moreover, it is expected to position the agricultural sector as a key driver in achieving the 10 per cent annual economic growth rate envisaged under the economic pillar of Vision 2030.

The overall development and growth of the Kenyan agriculture sector is anchored in two strategic thrusts: (1) increasing productivity, commercialization and competitiveness of agricultural commodities and enterprises; and (2) developing and managing key factors of production.

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2 In addition, in the financial sector the cooperative movement through savings and credit cooperatives (SACCOs) has helped mobilize savings and provide credit to producers.
3. Pineapple farming

3.1 Introducing the pineapple
Pineapples (Ananas comosus L.) originate from tropical South America. Pineapple is the second harvest of importance after bananas, contributing to over 20 % of the world production of tropical fruits. Pineapples are eaten fresh or processed into dried fruits, juice and as canned fruits. Thereby is nearly 70% of the pineapple consumed as fresh fruit in producing countries. Differentiation characteristics of pineapples are size, shape, flesh colour, taste and transportability.

3.2 Seeds and planting
Pineapples are vegetative propagated by lateral shoots. The best ones to use are the suckers at the base of the trunk. The slips that form underneath the fruits are more numerous and can be used (yet only begin to shoot during second year). The lateral shoots can be stored in the shade for up to 3 months, and then planted in utterly dry soil. Only totally healthy and if possible large shoots should be chosen (ca 400-500 g in weight are best), in order to ensure a uniform crop. The fruits can also be used for planting.

In principle, it is recommended to use shoots from the plantation itself and to work very carefully. Small-holdings farmers are generally forced to use shoots from their own crops for economic reasons (small amounts, high costs). By utilising slips, a relatively large number of plants can be produced in a short time.

3.3 Pineapple production
Pineapples prefer semi-shadowed conditions. Under the full strength of the solar radiation, the fruits can develop sun-burn. For good harvests, 1000-1500 mm of rainfall are necessary (600 mm and 2500 mm being the outer limits). Pineapples prefer stable temperatures, not falling under 20°C. For this reason, pineapples are generally only planted up to height below 700m, although Kenya reports production fields located between 1400 and 1800m. In warmer, wetter regions (near the equator), the growth period up to harvesting is 14-16 months, in cooler regions 18-20 months.

Pineapples react very sensitively to stagnant water, and sites must therefore be well drained. Irrigation is only necessary when long dry periods occur, although basin irrigation should be avoided. Due to their relatively low requirements, pineapples can be planted in degraded soil when the appropriate measures are taken, and can help to gradually improve the soil to a normal state.

Pineapples are an excellent choice to plant for a limited time on young agroforestry systems. In its early stages, a pineapple plant requires a lot of light, yet later on, it will be capable of growing even under a relatively thick roof of trees. They are less demanding regarding the soil fertility. Pineapples can only be added under limited conditions to systems which are already quite developed, or to older plantations.

The pineapple farming plan will depend upon which cultivation form is adopted (agroforestry system, mixed crops as a bottom culture, crop-rotation etc.). There exist a variety of planting methods (one, two or three rows), where double row systems are in the majority. The distances between the plants or rows depends upon the variety used (tall or short plants) as well as the type of product desired (more plants per hectare for fresh fruits than for fruits being made into jams).
3.4 Pineapple monitoring

The following points need to be heeded when cultivating pineapples:

- Choice of planting stock;
- Checking the site for water-logging;
- The plantation must be regularly checked to make sure that the pineapples are allowed uninhibited growth.
- In agroforestry systems, any shading should be thinned out 6 months ahead of a planned harvest in order to induce flower formation.
- During harvesting, ripe fruits should be chosen according to their coloration.

The nutrient requirements for 1 ton of fruits are ca. 1 kg N; 0.2 kg P; 2.5 kg K; 0.3 kg Ca and 0.1 kg Mg. The nutrient requirements of a crop rotation system is mainly provided by green manure. Pineapples planted in diverse agroforestry systems will usually have no need to be supplied with external, organic fertiliser. The fewer varieties an agroforestry system contains, the more the soil will need to be fertilised with compost (or an undergrowth of soil-covering legumes).

When good growth conditions are prevalent, pineapples suffer seldom from pests and diseases. This necessitates, if possible, using plants from the plantation itself. The following pests and diseases occur especially in systems which lack diversification: (1) Rot root; (2) Thrips, (3) Mealy bugs, (4) Nematodes.

Regarding weeds management, tilling weeds is difficult to mechanise on pineapple plantations, and in its usual form, is neither possible nor desirable in agroforestry systems. When all possible niches are already occupied with plants, weeds will have little chance of gaining a foothold, and can also easily be uprooted by hand. One preventative measure is to sow non-climbing legumes before the pineapples are planted.

3.5 Harvesting and post-harvest treatments

The average harvest for pineapples on conventional plantations is around 35-40 tons/ha. The fruits must be chopped down with a clean cut of a knife, and should be harvested at the ideal time. This time is dependent upon the form the pineapples are marketed as. The colour of the skin is an important criterion in determining the ripeness of the fruit. Post-harvest handling is usually limited to determining the classification of the fruits according to their size.

Depending on the variety, pineapples weigh between 0.9-4 kg. Ripe fruits can be eaten fresh, or processed into juice, jams, candied fruits, stored in cans or dried. After harvesting, the fruits are then cleaned, the stalks cut to 2 cm, sorted, classified and packed. There are EU Quality Standards for pineapple export, as well as there are regulations for packaging and storage.

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3 The amounts given refer to research carried out on conventional plantations, and are therefore only intended as orienting values.
4 Green fallow land as a first pre-crop, or sowing of non-climbing legumes.
5 The first year will usually yield ca. 38 tons, and the following seasons ca. 25 tons/ha (measured for the type 'Cayenne').
4. Pineapple farming in Kenya

The two previous chapters described characteristics of pineapple farming (in general) and of the agriculture situation in Kenya. In this section we elaborate on pineapple farming in Kenya. It will be followed in section 4.2 and 4.3 by background information about the two main stakeholders in this business case: FGL Holding and (pineapple) farmer groups.

Thailand, Philippines, Brazil and China are the main pineapple producers in the world, supplying nearly 50% of the total output. Kenya appears in the list of other important producers. Together with India, Nigeria, Indonesia, México and Costa Rica, Kenya forms the remaining 50% of pineapple producers.

Data of 2004\(^6\) reveals that production of pineapples in Kenya – together with mangoes, avocados and passion fruit – is characterized by an upward trend. With the data of 2004, pineapples take a sixth place in the top seven fruits in Kenya in terms of area and total production.\(^7\) Total pineapple growth in Kenya over the 1992-2001 year period was 60%. Growth figures mainly relate on different technology and production systems. In Kenya, pineapple production is entirely on plantations and is both capital- and input intensive.

Interviews done for this business case reveal that a pineapple sucker costs about 2 Kenyan Shilling (KSh) (0.020€), though actual planting costs are higher. A large pineapple on a local village market can be sold for 50 KSh (0.49€) per piece, in the regional West-Kenyan city Kisumu for 80KSh (0.76€), and in Nairobi around 100KSh (0.97€).\(^8\) The further from the local production sites, the higher the prices – which is logic given transport costs.

Onyuma (2006) mapped the Kenyan pineapple marketing chain, shown in the following figure.

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\(^6\) MoALRD in Muendo and Tschirley (2004).
\(^7\) Pineapples succeed bananas, citrus fruits, mangoes, avocados, and passion fruits, and are followed by papaws.
\(^8\) Money conversions retrieved at [www.xe.com](http://www.xe.com) at 15/08/12.
This pineapple marketing chain shows that the Kenyan pineapple marketing structure is characterized by interlinkages among farmers, village collectors, retailers and wholesalers. A terminal wholesaler establishes a link with about 3-5 local brokers or village collectors. Likewise, village collectors keep a permanent relationship with about 10 farmers. As a result of such relationships, some farmers are at times willing to give pineapple to brokers or collectors on credit, which is paid back immediately the commodity is sold.

The local fresh pineapples are sold to consumers in rural areas and urban centres. In rural producing areas here, there are two levels; one level is where the farmer sells to local retailers or consumers, the second level is where the farmer sells to wholesalers. Wholesalers sell mostly to urban markets. Retailing to consumers is also done by some farmer-traders selling pineapple on trucks along busy highway junctions for reasons of making higher margins and as an alternative way of disposing of excess supply.

Onyuma (2006) concludes that market integration for fresh pineapple market varies from high integration among the consumption markets, low integration between producing and consuming markets to weak or no integration between the rural producing markets. The major determinant of pineapple market integration is information flow between producing and consuming locations. Since distance was found not to influence integration, the greatest influence on fresh pineapple prices may be the condition of rural roads rather than the distance between markets.

In order to increase more competition among traders, Onyuma advises policy interventions to enable potential entrants should be encouraged as a means of promoting increased private sector participation in the markets, with information to boost their bargaining power. Farmer associations should also be encouraged to enable strong linkages and in reducing market information asymmetry.
5. Methods

This chapter describes the methodological steps that are undertaken for this business case analysis. The first step in analysing this pineapple business case was to understand the issues prevalent in the explorative relation between FGL holding and farmer groups.

First, different (small) group interviews and discussions were held with employees, members and volunteers of FGL Holding and FreeKenya. Subsequently, interviews and (focus) group discussions were held with two farmer groups, respectively the Kochia farmer group and the Opasi farmer group.

These interviews and discussions were semi-structured; meaning that it were informal, yet guided conversations with broad questions around a predetermined topic. A checklist with topics and possible challenge areas thereby formed the basis of the conversations. This casual form of gathering information allowed flexibility resulting from the discussions. These interviews and discussions were completed by field visits to (amongst others) farmers’ fields, a pineapple cooperative, and pineapple production land/gardens. The interviews and field visit took place end May 2012 covering three full days.

Second, during the field visit documents of FGL Holding and FreeKenya were collected, including a business plan, SWOT analysis, and survey results. These documents were studied during the field visit and used as input and for triangulation during the interviews and group discussions. Upon analysing the business case in the Netherlands, information from the field visit was supplemented with secondary data and literature that was found on the internet. The latter documents are used as input for chapter two, three, and four.

Based on the collection of this information, this first draft business case report is constructed. The information gathered led to the formulation of challenge areas and the statement list ‘two to tango’ – which can be found in chapter seven.

Formulating challenge areas and the statement list is core of this action research on firm-farmer relations. The idea of looking at firm-farmer relations through a statement list that both firms and farmers have to score is developed by pilot cases undertaken in the beginning of 2012. In each business case, challenge areas and statements are formulated that can be answered by both firms and farmers.

In each business case these challenge areas and statements are tailored to the specific business case characteristics. At this way, the collected data is very relevant to the particular business case, and measures prevalent challenges in the firm-farmer relation. It is thereby important to notice that we don’t aim for a scientifically sound statement list or survey. Rather, it aims to be a practical and case-specific tool for concrete firm-farmer relation.

At this moment, the challenges and statements in this business case are formulated. Subsequently, they can be applied at FGL staff and the identified farmer groups. An excel sheet is prepared in which statements results can be entered. Automatically, basic statistics and graphs are generated in this excel sheet. These results will lead to the results section of this business case and indicate expectations, opportunities and challenges for starting a contract farming relation between FGL Holding and pineapple farmers in West-Kenya. The results will lead to finalizing this business case, and forms input for (kick) starting a business relation between FGL Holding and pineapple farmers.

All the steps undertaken in a business case analysis on firm-farmer relations are also described in the manual ‘Analysing farm-firm business cases with the tool ‘two to tango’ – Manual’, which we developed for this Agri-ProFocus theme track (see the references).
6. Exploring the business case

6.1 FGL Holding
For describing FGL Holding, the recently established company that is central in this business case, we first need to elaborate on FreeKenya. FreeKenya, a Dutch-Kenyan NGO is established by Freek Spits, who started his work in Kenya in 2007 as a volunteer. Falling in love with working in Kenya, Freek started the foundation FreeKenya three years ago, in Kisumu County, West-Kenya. From its initiation, the foundation FreeKenya has been linked to the local CBO ‘Nyikwa Ramogi’. In a later stage, FreeKenya got registered as NGO.

FreeKenya and Nyikwa Ramogi conduct a wide range of activities, covering areas as ICT & Business Education; Basic Health & Social Empowerment; Recycle &Solid waste management; Water, Sanitation & Hygiene (WASH); and Agri-business. The main focus at the moment for FreeKenya and Nyikwa Ramogi is pineapple and – to a lesser extent – moringa production.

Certain circumstances in the evolution of FreeKenya – with declining funds for FreeKenya from the Netherlands as main reason – led to the establishment of FGL Holding in January 2011. Through FreeKenya, Freek had experiences the economic benefits of producing and selling fruits, leading to the idea of FGL Holding. FGL Holding started with a piece of land that was used to experiment with pineapple production, starting from the Farmer Field School that was developed under FreeKenya. At the moment, FGL Holding staff consists of Freek Spits (the owner), George Owuor (specialist) and Bert van Ommen (voluntary advisory consultant).

6.2 Pineapple farmers
This business case looks at a potential firm-farmer relation, and hence no contract farming yet exists between FGL Holding and (a) farmer group(s). During the field visit we have spoken to two different farmer groups. This took place in the form of group discussions, creating an open brainstorm for looking at the current status of pineapple farming and possible opportunities for cooperating with FGL Holding. The focus of the discussions was on identifying opportunities, challenges, expectations and assumptions for a possible future firm-farmer contract relation.

The first farmers group is based in Kochia, where a group discussion was held with the chief of central Kochia, the Kamuga farmers’ organization/women’s group and a number of Jubilee farmers. The second group was a farmers group based in Opasi, where a group discussion was organized with about 20 farmers. These Opasi farmers are member of a pineapple cooperative. The cooperative originally had a membership of 80 farmers, nevertheless this recently dropped to 20 to 25 farmers.

These farmers have faced a number of difficulties. For example, they have had a few negative experiences with a number of NGOs and institutes trying to set up pineapple collections for the market, or installing processing units, and other things. These experiences reduced their trust and belief in a stable pineapple market. In addition, there was a plan to create savings, and farmers started to grow other crops because of problems in pineapple production.

Most of these farmers have medium sized farms and have started pineapple production on a small scale. The reasons that these farmer mention for (starting) pineapple farming are the favourable weather and soil conditions. Most of them sell their pineapples locally, for 15KSh for a small pineapple to 30KSh for a large piece. This goes up to 70 and 60 KSh respectively in Migori. It was
thereby noted that farmers use size and quality interchangeably: ‘the bigger and heavier the pineapple, the better.’

6.3 Identified business opportunities

During the field work we also explored business opportunities for this potential firm-farmer relation. These opportunities are formulated in this section, and are mainly portrayed from FGL perspective – given that they are the company looking for such opportunities. Ideas from the farmer groups on such opportunities are, of course, taken into account in the statement list in chapter six.

FGL Holding wants to start up an economically viable business in the cultivation and trade of pineapple and moringa, working on an environmentally friendly way.\textsuperscript{10} FGL Holding wants to involve the community in this pineapple production, and (possibly) start with outgrower schemes. Their plans concentrate on buying pineapples from farmers, guarantee them a market, and conduct processing, marketing and distribution. Thereby, they might use FreeKenya as CBO to the farmers. FGL sees it as important that farmers will be made aware of the benefits of getting into pineapple production.

At the moment, FGL Holding is working on their business plan, whilst looking at finances and available funds. They have developed a market plan – focusing on pineapple and moringa – and they have carried out a SWOT analysis on pineapple business. FGL Holding sees it as important to have a good business plan, to create volume, and make a linkage for farmers. At the moment, also opportunities for pineapple processing (f.e. a pineapple processing factory in Homabay) are explored.

FGL Holding has its own piece of farming land, of which 30% is currently cultivated. FGL works on its own land with a double row system. Although it is more labour-intensive, it yields more pineapples. FGL still experiment for the best way of pineapple production, using their own knowledge and working through ‘trial and errors’.

Concerning market opportunities, there is 22.000 hectare land in Homabay district, of which 10.000 hectare is suitable for pineapple farming. Only 800-1000 hectare at the moment is cultivated, so FGL sees this as a huge potential. In Homabay there is also a pineapple processing plant with the capacity of 10.000 hectare for pineapple, of which only 800 hectare is currently used.

FGL staff have sold the first pineapples in Kisumu (2000 pieces) through direct sales to catering parties. FGL Holding is also experimenting with their own pineapple production, for example by intercropping and using nitrogen soil coverage to combat weeds. The expected sales are 2000 pineapples in Kisumu per week. The pineapples are organic, although certification is not (yet) an option, given the start-up phase of FGL Holding.

At the moment, FGL Holding is searching for the best business models on pineapple farming, on involving the community, and on the most optimal relation between FGL Holding and FreeKenya. FGL staff indicates they want to get a clear vision, with good marketing and record keeping. A way forward they suggested is to try to focus on farmers that are equipped with useful knowledge and know-how with a ‘farming as a business’ mentality. It is thereby seen as a challenge to keep expectations to farmers low, focussing on ‘What are benefits for all of us if we are working together?’ FGL state they should start with a list of people to approach, with group representatives, and an own small committee that can come up with challenge and make progress.

\textsuperscript{10} As described earlier in this business case, we chose in this case to focus on pineapple production. The pineapple plans have been more developed so far compared to the moringa plans, and helps us to focus in this business case.
7. Statement list

The interviews and group discussion results have led to an identification of eight challenge areas. Per challenge area, between seven and nine statements have been formulated. In the coming weeks, this statement list will be filled in by both FGL Holding staff, as well as farmer groups. Results of this statement list will be incorporated in the final version of this business case.

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1. **Production**
   1.1 Pineapple farming is profitable compared to growing other crops
   1.2 Pineapple farming is not favourable, because it is a seasonal crop and takes a long time to ripe.
   1.3 Farmers have sufficient know-how on pineapple production
   1.4 Farmers have sufficient clean planting material available for pineapple production
   1.5 Farmers have sufficient materials/equipment (gloves, gumboots, fences) for pineapple farming
   1.6 Farmers have sufficient financial funds for pineapple production and maintenance (for planting, weeding, treating diseases, etc)
   1.7 Farmers will be able to produce enough volume (number of pineapples) for the market
   1.8 Farmers will need assistance of an agronomist who can provide supervision and knowledge on pineapple farming
   1.9 Given the duration of pineapple production (20 months), it will take too long before farmers will receive a return on their investment

2. **Infrastructure (transport, financial, knowledge)**
   2.1 Farmers can now only sell their pineapples to a local market, because larger markets are too far away
   2.2 It is too expensive for farmers to arrange their own transport to larger markets
   2.3 Good and efficient transport is an important aspect of pineapple marketing, given that pineapples are perishable
   2.4 Farmers have sufficient access to capital and credit from banks to use for pineapple production
   2.5 The company has sufficient access to capital and credit from banks to start up the pineapple business
   2.6 Farmers will need additional training on the different aspects of pineapple farming
   2.7 The company needs to do awareness raising with farmers to convince them about pineapple farming
   2.8 Farmers need to have an entrepreneurial mind-set before they can start working with the company
   2.9 Creating trust between farmers and company is the most important thing

3. **Marketing & prices**
   3.1 The demand for pineapples in Kenya is high enough
   3.2 There are sufficient communication and information systems for farmers to get information about markets and prices
   3.3 The company will have to guarantee the market for the pineapples
before they start contract farming with farmers

| 3.4 | The company should pay higher prices than local market prices, because local market prices are too low |
| 3.5 | The company should pay farmers a fixed price for the pineapples, even when there are price fluctuations in the market |
| 3.6 | The company should pay farmers directly when they buy the pineapples from farmers |
| 3.7 | Farmers should be paid by the company on an individual basis |
| 3.8 | There should be a clause in the contract about minimum – maximum prices of pineapples |

## 4 Contract

| 4.1 | The company needs to be very clear and explicit about their business plans with the farmers before starting the contract |
| 4.2 | The farmers should all get an individual contract from the company, and not through the farmer group |
| 4.3 | There should be information about the quality of pineapples in the contract |
| 4.4 | The contract needs to be clear about the amount of pineapples the company shall buy from the farmers |
| 4.5 | The contract should forbid farmers to side-sell their pineapples to other (local) buyers |
| 4.6 | The roles and responsibilities for both farmers and company should be stated very clear in the contract |
| 4.7 | Farmers should always be able to discuss the contract with the company |
| 4.8 | Both farmers and company should always follow the rules of the contract |
| 4.9 | The contract should say something about breaching the contract by farmers or company |

## 5 Functioning of the farmer group

| 5.1 | The company should only start working with farmers that are part of an established farmer group |
| 5.2 | The company should sell pineapples from the group of farmers, not from individuals |
| 5.3 | The farmer group will need to work through farmer group leaders |
| 5.4 | Contact between company and farmers should go through the head of the farmer group |
| 5.5 | Pineapples will need to be collected at a collection point, where the company can pick them up |
| 5.6 | The farmer group will need to organize meetings for its members about pineapples. |
| 5.7 | The farmer group leaders will always need to represent the common interest of the farmers |
| 5.8 | The farmer group will be responsible for good record keeping of their produce |
| 5.9 | The company needs to be transparent to the farmer group about their sales and profits |

## 6 Mutual expectations farmers – company

| 6.1 | The company should provide a start-up credit to farmers. Farmers can pay back with their first pineapple produce |
| 6.2 | The company should provide materials to farmers for pineapple farming (gumboots, gloves, fences) |
| 6.3 | The company should provide inputs as seeds, suckers and fertilizers to farmers |
| 6.4 | The company has to provide training on pineapple production to farmers |
6.5 The company needs to arrange transport for the pineapples
6.6 The farmers are fully responsible for delivering a good quantity and quality pineapples
6.7 The farmers are responsible for bringing their pineapples to a central collection point
6.8 The farmers should always sell to the company. Side-selling should be forbidden, even when other buyers offer higher prices.
6.9 The farmers should invest the profit from pineapple sales into new pineapple production

7 **Sharing risks**
7.1 It is very risky for farmers to start pineapple farming
7.2 The farmers should pay the company if they cannot deliver the contracted volume of pineapples
7.3 Only farmers are responsible for delivering good pineapples, even if they have to deal with climate problems or diseases
7.4 Farmers should be insured in the contract against bad harvests due to climate risks and weather conditions
7.5 Farmers should be insured in the contract for physical risks that they face due to pineapple farming
7.6 The company has to pay the farmers extra if the local pineapple prices become higher than what the company pays them.
7.7 The company has the full responsibility if there is market instability
7.8 Financial risks in pineapple production should be distributed equally among company and farmers

8 **Expected costs/benefits**
8.1 Pineapple farming will provide farmers with a steady income
8.2 All farmers (large and small, men and women) will benefit from the pineapple sales to the company
8.3 Pineapple farming will become the main source of income for the farmers
8.4 Farmers will be happy to have a guaranteed market for their pineapple produce
8.5 The costs for farmers in pineapple production will be paid back by the income they earn with it
8.6 The company will make profit in doing pineapple business
8.7 The company will earn back the investments that they need to do for starting the business
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