



COMMODITY CHAIN FINANCING THE CASE OF HONEY IN KITUI DISTRICT

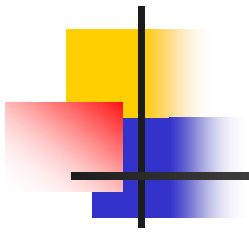
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INTRODUCTION

- THE CONSTRAINTS THAT HINDER THE SMOOTH FUNCTIONING OF THE VALUE CHAIN ARE OF VARIED NATURE.
 - THEY THEREFORE REQUIRE DIFFERENT SOLUTIONS
 - THE SOLUTIONS CAN BE GROUPED INTO AT LEAST 3 BROAD CATEGORIES:

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- THOSE THAT REQUIRE POLICY OF STRATEGIC INTERVENTIONS;
 - THOSE WHICH CAN BE SOLVED BY BDS; AND,
 - THOSE THAT REQUIRE FINANCIAL SERVICES
 - THIS PRESENTATION WILL FOCUS ON FINANCIAL CONSTRAINTS ALONG THE HONEY VALUE CHAIN IN KITUI DISTRICT.
 - MARKET CHAIN ANALYSES, TENDS TO IGNORE CONSTRAINTS CAUSED BY LACK OF FINANCIAL SERVICES OR POORLY FUNCTIONING FINANCIAL MARKETS.
 - SOME VALUE CHAIN ANALYSES ALSO WRONGLY ASSUME THAT THE FINANCIAL CONSTRAINTS WILL AUTOMATICALLY BE TAKEN CARE OFF BY EXISTING FORMAL AND INFORMAL FINANCIAL SERVICE PROVIDERS.
 - HOWEVER, THIS IS RARELY THE CASE.



THE FINANCIAL SECTOR IN KENYA

- KENYA'S FINANCIAL SECTOR IS RELATIVELY WELL DEVELOPED (RELATIVE TO OTHER SUB-SAHARAN AFRICAN COUNTRIES).
 - WELL DEVELOPED FORMAL BANKING SECTOR, AND
 - FORMAL SECTOR CATERS FOR THE NON- POOR
- THE MICROFINANCE SECTOR HAS GROWN SIGNIFICANTLY IN THE LAST 20 YEARS IN RESPONSE TO LACK OF FINANCIAL SERVICES BY LOW-INCOME PEOPLE.



- THE SECTOR, HOWEVER DISPLAYS 3 MAJOR BIASES.

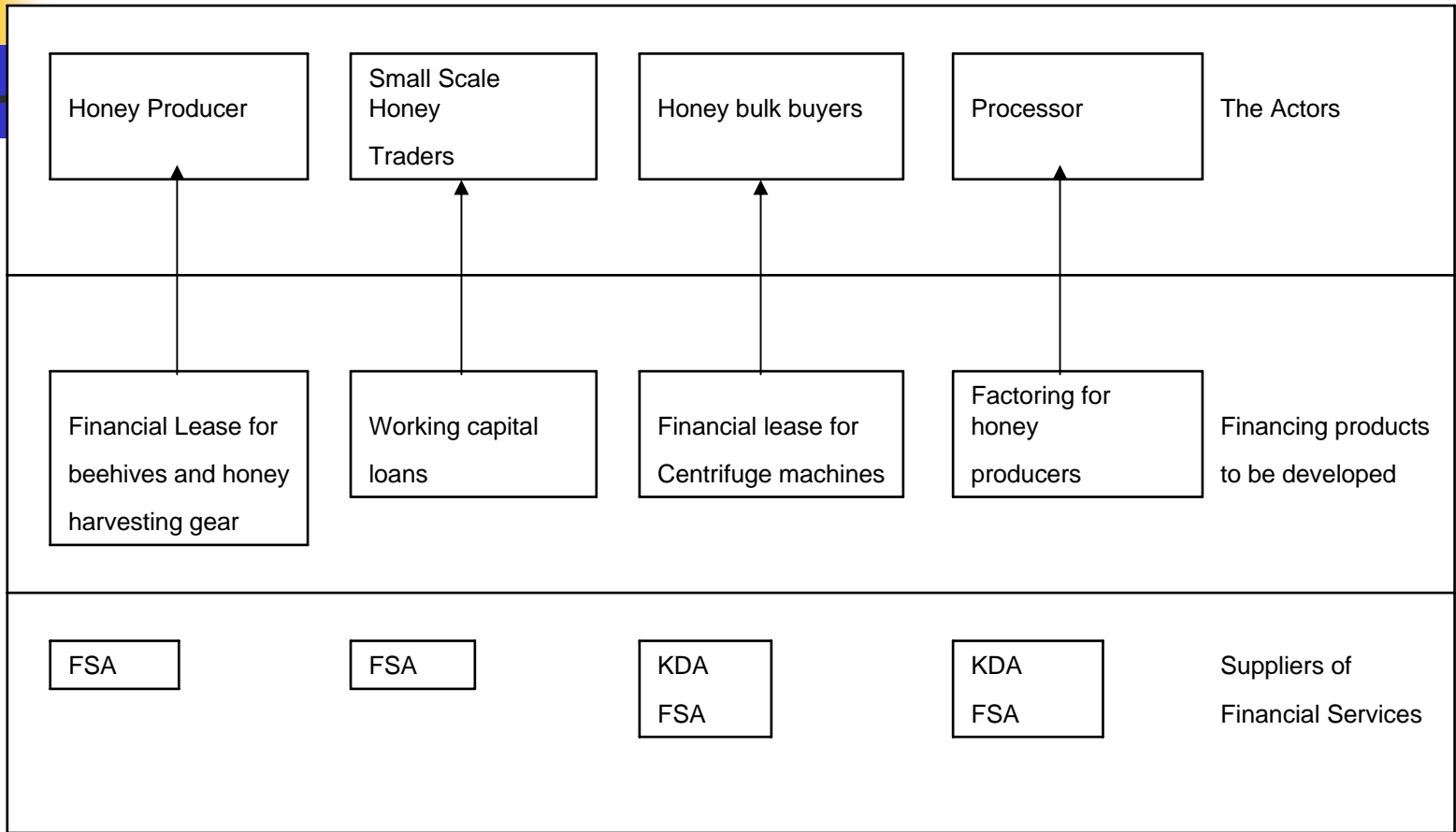
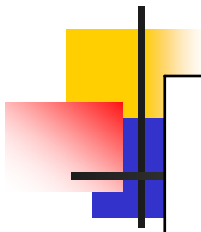
- URBAN BIAS
- CREDIT BIAS
- MSE BIAS (MOSTLY TRADING AND COMMERCIAL ACTIVITIES)
- EXISTING PRODUCTS AND METHODOLOGIES LIMIT THE REACH OF THE SECTOR

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- IT IS IMPERATIVE TO DEVELOP FINANCIAL PRODUCTS THAT ADDRESS DIVERSE FINANCIAL NEEDS OF LOW-INCOME PEOPLE PARTICULARLY SMALL HOLDER FARMERS.
 - IT IS IMPORTANT THAT KENYA'S FINANCIAL SECTOR DEVELOP APPROPRIATE FINANCIAL PRODUCTS ALONG THE VALUE CHAIN.



THE HONEY MARKET CHAIN IN KITUI DISTRICT

- THE HONEY MARKET CHAIN IN KITUI BEGINS WITH THOUSANDS OF BEEKEEPERS WHO PRODUCE HONEY USING TRADITIONAL LOG HIVES.
- THE HONEY VALUE CHAIN IS SHOWN IN THE DIAGRAM BELOW.
- IN 2004, THE DANIDA FUNDED ABD PROGRAMME HELD WORKSHOPS TO DISCUSS THE HONEY VALUE CHAIN IN KITUI DISTRICT.
- STUDIES COMMISSIONED BY ABD ON THE HONEY SECTOR IN KITUI HAVE REVEALED THAT LACK OF





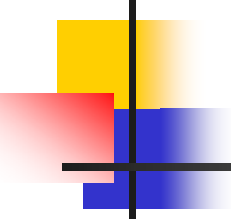
APPROPRIATE FINANCIAL PRODUCTS IS A MAJOR
CONSTRAINING FACTOR TO THE SMOOTH FUNCTIONING OF
THE HONEY MARKET CHAIN IN KITUI



FINANCIAL CONSTRAINTS ALONG THE HONEY VALUE CHAIN IN KITUI

THERE ARE MANY CONSTRAINTS ALONG THE ENTIRE VALUE CHAIN OF HONEY IN KITUI THAT REQUIRE APPROPRIATE FINANCIAL PRODUCT. THE CONSTRAINTS INCLUDE:

- HONEY PRODUCERS OFTEN HAVE PROBLEMS WITH FINANCING BEEHIVES AND TYPICALLY SELL THE HARVEST IMMEDIATELY AT UNFAVORABLE PRICES DUE TO LACK OF STORAGE FACILITIES AND GOOD MARKETING STRATEGIES;
- SMALL SCALE TRADERS OFTEN COMPLAIN OF LACK OF SHORT TERM FINANCE TO BUY BULK;

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- VOLUME SUPPLIERS – BE THEY TRADERS OR ORGANIZED FARMERS – HAVE WORKING CAPITAL CONSTRAINTS TO COVER THE GAPS FROM DELIVERY TO PAYMENT;
 - PROCESSORS HAVE SIMILAR GAPS FROM BUYING THE RAW HONEY TO SELLING THE PROCESSED AND PACKAGED ONE;



PROPOSED K-REP DEVELOPMENT AGENCY (KDA) AGRICULTURE BUSINESS DEVELOPMENT PROJECT

- PROJECT PROPOSED TO DEVELOP AND TEST FOLLOWING PRODUCTS

ACTORS

- PRODUCERS -
- SMALL SCALE TRADERS – WORKING CAPITAL
- BULK BUYERS -
- PROCESSORS -

MICROFINANCE PRODUCTS

- MICROLEASING OF BEEHIVES
- WORKING CAPITAL LOANS
- FACTORING, LEASING
- FACTORING