FACTORS AFFECTING THE PERFORMANCE OF THE AGRIBUSINESS SECTOR: CASE OF SELECTED ECONOMIC INFRASTRUCTURE IN MT. ELGON DISTRICT, KENYA

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OCTOBER 2004
DECLARATION
This is my original work and has not been presented for a degree award in any other University

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I dedicate this research project to my dad and mum, brothers and sisters and to Lucy and Natasha from whom I drew the inspiration and determination to conclude it.
ACKNOWLEDGEMENT

There are a number of people whose moral and material support led to the timely and successful completion of this project report and to whom I wish to express my sincere gratitude to. First and foremost I would like to convey my appreciation to my supervisors; Dr. G. Gongera and Mrs. Lucy Kavinda for their incessant guidance, which saw the development and eventual conclusion of the report.

I also wish to record my heartfelt gratitude with the immediate members of my family, namely; my parents, Lucy and Natasha, Tom and family, James and family, Christine, Clara, Sammy and Carol & Noel for their prayers and material support during the entire study period and towards the completion of this project.

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The timely and voluntary co-operation of farmers and retailers in the various divisions of Mt. Elgon District provided the basis for the generation of required data, which assisted in establishing the status of the agribusiness environment in the district. I wish to direct my gratitude to them and to the District Agricultural Officer and the District Trade Officer for their willingness to provide information on the role of their offices in development of agribusiness in the region.

May God bless you all!!
ABSTRACT
The purpose of this project was to investigate the performance of the agribusiness sector in view of the existing economic infrastructure in Mt. Elgon district. In the ensuing research work that preceded the development of the report several findings were identified which provided the basis for understanding the operational environment that agribusiness enterprises in the region find themselves in. The results indicate that most of the businesses register dissatisfaction with the state of infrastructure that is directly related to production and distribution domains of agribusiness.

Despite 52% of the study population contending that they have ready access to the main road servicing the area, they still find difficulties in taking their goods to the market owing to the bad state of the road especially in the rainy seasons when they become impassable. There also exist serious gaps in the marketing of products due to lack of proper marketing channels and structures—a situation that has rendered pricing of goods quite unstable leading to exploitation of farmers by unscrupulous middlemen. Businessmen lacking access to affordable credit services have not made the situation easier with barely 30% of the respondents having knowledge of sources of credit but not necessarily having access to the facilities. Actually such services are not available in the entire district. Research and extension services, which apparently are offered by agricultural officers are visibly lacking. Only 25% of the target population has had appropriate training but follow-up services are scanty and unreliable if any. All these inadequacies the sector have led to poor performance, which has necessitated policy interventions that will invigorate a more proactive approach by all the stakeholders involved in the sector.
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1.0 INTRODUCTION

In the Twenty First century, we are seeing dramatic global developments that are changing the nature of business. Political and economic changes in some regions are opening the doors for a wide variety of business activity and most business entities are hurrying to take advantage of new opportunities across the market. (Rugman and Hodgetts, 2000).

In the quest to conquer markets, small enterprises are competing to avail the resources required to succeed in the turbulent market today and therefore should have the drive to face the challenges of the market and take advantage of the existing opportunities. These enterprises play a pivotal role in changing the shape of the economy of a country when considered in totality. John Major subsequent to become the Prime Minister of Britain was reported as saying in May 1989 that:

“There is a great deal of evidence to show that the jobs of tomorrow are highly likely to come from the activities of the small business sector ---- in our judgment the future belongs to them”\(^1\)

Opinions about the increasing pivotal role of small businesses in the agribusiness sector were common during the 1980’s from government and politicians and non-governmental agencies. From a number of directions, donor agencies and development analysts are converging in small and medium size agro-enterprise development as a (potential) priority area in
development policy in general and in developing countries in particular. (Rugman & Hodgetts, 2000).

In the words of Theodore Shultz (1980) in 'Building institutions for markets' most of the world’s poor people earn their living from agriculture so if we knew the economics of agriculture we would know much of the economics of being poor. (World Bank, 2002)

The agribusiness sector today depends largely on the provision of appropriate infrastructure and policy framework that will entirely support the business environment for them to grow their competitive advantage in the market. However the failure by the policy environment advanced by the government has only acted to remove the necessary conditions to cultivate harmony in business undertakings across the country especially in the disadvantaged rural areas (Kenya Times, 2004 may).

Agribusiness is an integral component of rural development, and forms part of a strategy to improve regional economic development and ensure a safe food supply. However a horde of problems still dog the agribusiness micro enterprise sector, many of which point towards unsupportive policy framework (Sisile, Daily Nation 20th October 2003) and this study purposely endeavors to outline the specificity of these problems to different agribusiness typologies. It will further seek to establish interventions aimed at alleviating problems that cause businesses to collapse hence the incapacitation of the source of livelihood to the society - the reason for increasing poverty levels in Kenya today.
The interventions aim to provide a mechanism to fill the gaps between non-optimal conditions of resource utilization under adverse infrastructural conditions and work towards profit maximization, which is the ultimate objective of every firm in the market today. The redistribution of the created resources is a recipe for wealth creation hence alleviation of poverty. It will lie in the provision of the appropriate socio-economic infrastructure to create efficacy in production and distribution.

1.1 STATEMENT OF THE PROBLEM

Lack of good and appropriate economic infrastructure portends crises for small businesses, more so the much vulnerable agribusinesses in the rural areas. Their operating environment is characterized by obvious lack of good roads, poor communication facilities, lacking market infrastructure such as marketing boards and research and education (training) facilities.

Agribusiness enterprises in developing countries today are fragmented and weak with no capacity to respond more effectively and efficiently to the needs of their markets. This makes them less dynamic and unable to support their members with the requisite services to enable them contribute to the national goals of employment creation and poverty reduction. *(Sturrock & Fortt, 1993)*

In the assessment of the sector in 1994 by the Government of Kenya, it emerged that there were existing weaknesses in the mechanisms for coordination of SMEs and agribusiness activities at policy level. At the operational level, poor coordination led to
duplication of effort and sub-optimal utilization of resources. The situation was further complicated by lack of economic infrastructure. Information concerning government policy and strategies for SMEs despite being available was scattered and not readily accessible to potential users and would be beneficiaries such as small-scale farmers and rural entrepreneurs.

According to G. Opiyo (2004), the major constraints towards small and medium size businesses are listed as inter-alia; lack of clear vision for the new business by starting business as a last resort, lack of growth plan for business and failure to see market changes among others. These factors are considered to be some of the difficulties that face SMEs across the board with about eighty percent (80%) of new businesses closing up in the first one (1) year of operation.

Mt. Elgon District has a rich potential in climate and soils that could spur growth in the SMEs in the agricultural sector as well as have a spiral effect on other sectors in the region. Despite this appealing scenario, 56% of a population of 146,000 people lives below the poverty line (Action Aid 2002 Poverty Report) and being a marginal area it could have some distinct features that portend distinct problems in the entrepreneurial environment. This report highlights the capacity of the existing economic infrastructure that could have led to the state of affairs in the region in the production and distribution of agricultural commodities.
1.2 Objectives of the study

The main objective of this study is to assess economic infrastructure-related agribusiness problems in Mt. Elgon District, Kenya.

Specific objectives include:

1. To assess the market difficulties facing small agribusiness enterprises.
2. To establish the enterprise financing factors affecting performance.
3. To establish the influence of existing agribusiness policy (e.g. research and extension) on agribusiness in the region.

1.3 Assumptions of the study

The assumptions of the study are as follows:

1. Lack of market information is the main recipe for poor business performance.
2. Lack of credit facilities has hindered the expansion of strategic business structure.
3. Poor research and extension service provision have led to poor productivity.

1.4 Research questions

1) What are the existing economic/physical infrastructure deficiencies facing small enterprises in the agribusiness sector?
2) What are the financing factors affecting business performance?
3) How have research and extension services influenced productivity of agribusiness?
1.5 Significance of the study

It is important to note that marginal areas like Mt. Elgon District tend to be overlooked where policy regarding public infrastructure is concerned. As a result therefore, there is need to develop the capacity of individuals to deal with the intricacies of undertaking trading activities in the face of gaping difficulties such as poor road infrastructure, marketing difficulties and low levels of technology in production. If this is anything to go by then it will be in order to develop plans and structures that will promote business enterprises at all levels of interaction and facilitate progressive and not non-beneficial production and marketing practices among the small players in the production and distribution of agro-based products.

It is in the interest of the local and specifically rural economy and that of the entire country that agribusiness enterprises are developed for the sake of prosperity. It is these businesses that provide the stepping-stones for the growth of industries. They in turn act as conduits for the redistribution of such finished goods as farm inputs and household consumables in manufactured products. Through distribution and consumption they play a pivotal role in optimal utilization of locally available resources.

Marketing and pricing of products is a major problem in the face of unstable market conditions occasioned by seasonal supply of agricultural produce such as maize, potatoes and horticultural products in the area like other productive regions in Kenya. The scenario has forced producers to dispose off produce at a meager profits or even losses. Strategic pricing and marketing (the central goal of this study) contributes much to business growth and capacity to sustain market stability in production and distribution.
The study was invaluable because agribusiness development is key to building the base for industrialization, and building reciprocal relationship with resource availability and utilization. With its resource base Mt. Elgon District stands to benefit if the necessary economic structures are put in place.

In order to encourage growth of the sector it was crucial to establish the underlying difficulties that negatively impinge on business performance in the region with a view to developing possible remedies. Data collected in the study was used to provide baseline information towards development of options and guidelines that are consistent with the objectives and therefore tackling the current and near future micro- and macro-environmental difficulties.

The study was worthwhile considering the current lack of comprehensive operational plans for most businesses. ‘A stitch in time saves nine’ was the propelling goal of the study. Data received was used to develop guidelines to govern business strategy for small agro-based enterprises in the region. Various recommendations are given, which will assist businesses, in the long run to fully sustain themselves and command competitive advantage in their operations. The information will therefore provide an opportunity for businesses to be strategically placed in the market through cost reduction, effective utilization of resources and profit maximization in a liberalized market.
1.6: Scope of study

This study is limited to the farmers cultivating up to five (5) acres of land and small agribusiness traders involved in distribution of agricultural products. A study area covering selected administrative divisions (and locations) is considered because it is representative of the entire Mt. Elgon District in terms of geophysical conditions and distribution of the farming and trading activities outlined.

1.6.1 Study Variables

The study variables are summarized in table 1.1 below:

<table>
<thead>
<tr>
<th>Business Characteristics</th>
<th>Environmental Indicators</th>
<th>Guidelines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business/Farm Size</td>
<td>Resource Capacity</td>
<td>Resource Utilization</td>
</tr>
<tr>
<td>Business type e.g. Horticultural, retail</td>
<td>Land use</td>
<td>Capital requirement/Access to credit</td>
</tr>
<tr>
<td>Market facilities/resources</td>
<td>Location</td>
<td>Availability and Pricing</td>
</tr>
</tbody>
</table>

The above variables were essential so as to establish the relationship that existed between them and the problems facing the various business categories.

1.7 Definition of terms
1.7 Definition of terms

Economic Infrastructure - Refer to economic activities such as transport and public financed research and technical services to farmers and traders including credit availability.

Smallholder Farming - Farming involving small parcels of land between 0.5 and 5 acres and livestock serving as store of wealth rather than source of income. (Obutho & Ojwang, 1990)

Rural Poor - Part of the rural population whose incomes are generally below the poverty line i.e. below one dollar a day.

Enterprise - A firm or business unit engaged in productive, income generating activity through trade (buying and selling transactions).

Resource - Means by which goods and services are produced for sale or consumption, including factors of production like land, labour and capital equipment (machines).

Variable Costs - Costs that vary per unit of input employed in production e.g. increase in fertilizer, labour with increase in acreage under cultivation.

Fixed Costs - Costs that remain constant over along period of time e.g. cost of land, machinery.
**Agribusiness**—The sum total of all those operations involved in the manufacture of farm supplies; production operations on the farm; and the storage processing and distribution of farm commodities and the items made from them. (Davis & Goldberg, 1957)

### 1.8 Limitations

**Illiteracy** - This constituted the most prevalent and critical problem as most respondents were not aware of the role of various government offices and responses may not have been as accurate as expected.
CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction

The issue of micro enterprise development is as important as any known models in the fight against poverty. International micro enterprise models have achieved remarkable success in alleviating poverty in the developing world by giving poor entrepreneurs fair access to economic infrastructure. Building on international success, the movement to enable the formation and development of micro enterprises has gained significant ground in the United States especially with the growth of Silicon Valley (Childress and Smith, Mello 1998).

2.1 Infrastructure: the concept

LaRouche (2004) defines ‘basic economic infrastructure’ as a group of improvements in land areas, which are typified by physical forms of capital investments in the usefulness of land for production and habitation. They are traditionally the economic responsibility of government.

One dictionary definition of infrastructure is the ‘basic facilities, equipment and installations needed for the functioning of a system (Webster, 1984)…infrastructure is physical assets arrayed in systems that provide essential public services. This definition has 3 conceptual ideas about infrastructure –what it is, how it is organized, and what it does.
David Schulz, (2004) defines economic infrastructure as 'the physical facilities which move goods, commodities, water, waste, energy, and information. This definition however does not include buildings with the exception of transportation terminals nor does it include vehicles.

The American Marketing Association (AMA) provides a more inclusive definition of economic infrastructure. It contends that infrastructure regards the internal facilities of a country available for conducting business activities, especially the communication, transportation, distribution, and financial systems. This definition encompasses all the economic activities that drive production and distribution of commodities.

The Longman dictionary of contemporary English defines infrastructure as 'the systems or structures which are necessary for the operation of a country or organization.' The usual systems included in the definition are those that provide transportation, communication, water, energy, and the built environment. Thus, since they perform different functions, it makes infrastructure a highly general concept.

For the purpose of this study, economic infrastructure will be described as all the necessary economic structures provided by the policy environment for easy movement of goods and services, proper marketing strategies, access to credit facilities, and the provision of vital information and technological trends through research and training, sufficient for the development of the agribusiness sector in the rural and urban areas.
2.2 Economic infrastructure and agribusiness development

Agribusiness is an integral component of rural development, and forms part of a strategy to improve regional economic development and ensure a safe food supply. Its definition as all market and private business-oriented entities involved in the production, storage, processing, and distribution of agro-based products, in the supply of production inputs, and in the provision of services, such as extension, research, finance, and agricultural policies (Davis & Goldberg, 1957) provides the link between agribusiness productivity and appropriate infrastructure.

The Global Coalition for Africa conference held in Nairobi in 1999 cited that "while transition processes from subsistence-oriented to market-oriented agriculture are extending, economic success of those agricultural enterprises is increasingly determined by the performance and capacity of upstream and downstream sectors, after all, profound changes in the economies of almost all developing countries such as market liberalization have led to increasing levels of international competition in the local markets in recent years. Strong market protection measures and parastatal produce-purchasing programs have been abandoned...what is lacking is access to international expertise, the availability of market information, and sufficient management skills" (Daniel Arap Moi, 1999).
2.3 Policy issues in the agricultural development

A wide range of government policies and regulations condition the environment for agribusiness investment and growth and policy reform can foster growth of agribusiness and a good understanding of policies that promote or hinder agribusiness investment and growth is important before undertaking an agribusiness project or policy reform (World Bank Group, 2001).

According to the International Institute for Environment and Development, the current policy framework of national governments all over the world and specifically the developing countries strongly favor High External Input (HEI) system of agriculture to agricultural development. Many countries are however under increasing stress from rising debt servicing requirements, long-term decline in world commodity prices, increasing population and growing demand for food.

To overcome these pressing problems, policy makers tend to favor approaches for stimulating agricultural production that promise immediate returns even if the long term prospects are threatened. This means supporting large enterprises such as plantations through the subsidies, generous tax incentives, selective extension of low interest credit and provision of physical infrastructure in roads and communication (Barbier, 1989). He contends that the long-term benefits of this strategy are not so clear and envisages that the costs incurred include resource degradation and increased inequity if agriculture expands into common property resource if for instance fertilizer and pesticides are used inefficiently because of their low price, if food
imports are favored at the expense of appropriate local foods and if particular commodities are supported at the expense of diverse and mixed farming in the rural areas.

2.3.1 Institutional Frameworks

Research and Extension

IIED (1994) reports that institutional flexibility is a difficult criterion to meet. It is not simply the greater devolving of power to the farmer, it involves the development of partnerships between sectoral ministries and between government and NGO's, the reform of agricultural research and extension services and the provision of infrastructure complementary to the support of small-holder agriculture.

Morris (1990), Thompson (1991) advise that reform must also occur in agricultural research and extension institutions. They envisage that extension services work best when they are less concerned with transferring a technology from a research station to a farmer and more involved in creating a constructive dialogue with farmers such that agro-ecological technologies fit each farmer’s livelihood system. Pretty (1991) agrees further by stating that extension advisers must increasingly seek rural people’s knowledge to ensure better partnerships and greater success, thereby rising from the current state of lack of such mechanisms.

Education and Training

Education and training play a role in building capacities for the establishment of a literate society that can embrace changes in technology and production. Training imparts the
technical skills necessary for effective management of enterprises such as in record keeping, proper production plans and application of technology in entrepreneurship projects. (Snyder & Tadesse, 1995).

2.3.2 Economic Frameworks

Holmberg (1994) envisages that a key economic policy issue is the extent to which agricultural prices can provide appropriate incentives to promote smallholder agriculture and incentive in sustainable land management. The balance between aggregate crop prices in the market and input costs affects a range of short and long-term decisions farmers make.

Pricing remains one of the most important problems especially with agricultural produce. Most farmers are unable to keep count of inputs due to lack of accounting structures or simple record keeping. Setting of optimal prices remains elusive and exploitative middlemanship is left to decide the prices on behalf of producers. In the case of retailing, profits act to absorb variable and fixed costs leaving the trader with minimal returns (World Bank Country Study: Uganda, 1996). The World Bank report of 2002 reports that in farming in many African countries has historically suffered from urban bias in public policy. For example, state marketing boards in several countries resembled the systems used by colonists to gather food during the Second World War. Both these systems subsidized urban consumers of food by requiring farmers to sell their output at less than the market price.
2.3.2.1 Access to credit facilities

While the experience of assisting very poor agribusiness entrepreneurs in developing countries may seem remote, poor people face similar disadvantages in developed countries such as the United States. Many have no credit histories or poor ones and little or no experience with banks. Because banks often require a minimum balance in checking accounts, a cushion that families living on fixed or very low incomes usually cannot afford, the customary foundation for a relationship with a bank is rarely formed. Predictably, traditional lending institutions tend to view the poor as credit risks and find little potential for return on small loans given the cost of processing. (Mastey and Mckee, 1996).

Mastey and Mckee (1996) observe:

'Would be entrepreneurs who lack the skills to draft convincing business and financing plans often remain invisible to conventional lenders... Conversely, few loan officers are trained well enough to spot the winners among a crop of nontraditional borrowers' (Mastey & Mckee, 1998).

The World Bank Development report (2002) highlights the challenges faced by policy makers. First agricultural activity is usually geographically dispersed and distant from major towns. It highlights the problem of providing rural credit such as banks may find it costly to obtain information on geographically scattered small farms, so interest rates on formal loans, if any, and tend to be prohibitively high.
Credit is an essential element in the development of small enterprises and entrepreneurs themselves blame many of their problems on their limited access to credit (Harper & DeJong, 1986). There are enormous differences in every aspect between well-established banks and local small-scale entrepreneurs.

2.3.2.2 Enterprise resource capacity utilization

The bulk of the rural population in Africa depends on smallholder farming and small-scale pastoral activities for their livelihood. Although their productivity is often very low due to the constraints they face and many of them live below the poverty line (Duncan and Howell, 1996).

According to Duncan and Howell (1996) the most important links are markets on one hand and economic and social infrastructure on the other. Under the term markets' are included such markets as product markets, where there have been changes in the relative prices of farm commodities and factor markets, particularly in labour and capital (but in some cases, in land also).

As agricultural production methods in sub-Saharan Africa are characterized by little use of either labour augmenting capital equipment or agricultural chemicals, the quantity of labour available to household is thus a primary determinant of farm income. The informal sector relies heavily in the owner and help from family members.
Duncan and Howell envisage that the possibility and necessity of hiring labour is an important component of rural economies on one hand as it provides an opportunity to selling labour, but on the other hand reduces profit margins through payment of wages in cash or in kind in advance of the harvest. The smallholder is disadvantaged and they state thus,

"They will have neither the reserves from which to pay wages on a substantial scale, nor access to credit facilities at rates of interest, which make such investment worthwhile... poorer households do not necessarily attempt to maximize profits from production, their concern is normally security of household food supply... risk avoidance dominates decision-making."

An increase in output prices acts to engender a concomitant change in supply and facilitates the satisfaction of minimum cash needs through reduced level of sales, and the possibility of an enhanced application of household labour towards the provision of food requirement.

2.3.2.3 Market infrastructure

Duncan and Howell (1996) state that response is possible whether cash sales take the form of food or non-food crops and will be most likely where current marketing institutions a part of market performance, lead to household decision maker to regard involvement in the cash economy as entertaining greater risk than associated with subsistence production. Further, they contend that,

"Apart from the likelihood of a united short term price response, a further outcome of farmers and businessmen risk averse behavior is a..."
reluctance to adopt productivity raising innovations even though higher prices would justify investments in their working capital'.

**Product markets and marketing institutions**

Product markets in rural areas are widely used as a means of disposing of farm surpluses, or for purchasing food and other goods yet there are great differences in their use. In Ghana for example a 1986 estimate suggested that 20% of products marketed the bulk of their produce, while 54% were marginal sellers marketing only the residual after family needs had been met and 24% produced solely to family needs. In Niger it is estimated that only about 20% of total cereal production reaches the markets, a proportion that varies greatly from year to year, even more markedly than variation in production (Duncan and Howell 1996).

Households also differ in the extent to which they rely on markets to meet their own food needs. Low-income rural groups are often net purchasers of food on which they spend a high proportion of their income. In Western Kenya low income households, earning around half their income from non-farm sources are reliant on the market for food purchases. Pastoralists present a unique case. They are not able to subsist on the direct production from their herds and flocks and their own grain production is inadequate and highly unreliable. They therefore sell stock in order to purchase cereals to provide for family food, needs and extra income, which can barely support them for long.

A World Bank country study (1996) in Uganda indicated that there is a considerable uncertainty regarding the present state of agricultural resource base, production potentials and
the long-term ecological and economic consequences of change in this resource base. It further reported that the official estimates of national and regional production of maize and beans varied widely depending upon institutional source, generating problems for traders to make accurate investment and trading decisions. Great uncertainty also exists regarding food crop demand, complicating the marketing task of primary traders and farmers.

Based upon the experience in Uganda, itself a developing country, Kenya’s scenario is no different and similar problems dog the trade in farm products and other informal sector products.

2.4 Agribusiness in Kenya

In the Kenya government’s financial plan expressed in the budget (2004) for the financial year 2004/2005, the minister for finance Mr. David Mwiraria expressed the government’s intention to build the capacity of agricultural entities by spelling out measures to develop infrastructure in the rural areas among them include the review of policy to enable:

- Easy access to credit
- Market accessibility and improved producer prices
- Provision and distribution of power
- Provision of good road infrastructure and the restoration of rural access roads and
- Availability of farm inputs with ease

The budget further outlined the strategies for the rationalization of agriculture to make the sector more profitable and commercially oriented and to encourage public sector growth.
through research and advisory services, and to restructure the sector to bring about efficiency in the entire sector.

The Kenya Investment Forum in Nairobi, 2004 reiterated the importance of agriculture in the development of the country. In her address Baroness Chalker intimated that the agribusiness sector is the essential economic pillar in Kenya accounting for 25% GDP and 75% merchandise exports. The conference also highlighted that it is the single most employer and the greatest source of individual income for families but improved governance, better market access, new technology and improved water and resource management will make the sector even more productive and add value to the products which include agricultural crops, food crops and livestock and fish farming. European supermarkets are investing in Kenya to create an all year round supply of fresh vegetables for their shelves with 90% of cut flowers in UK supermarkets imported from Kenya’ (Chalker, 2004)

Small agribusiness enterprises across the business divide in Kenya are increasingly playing a strategic role in economic growth and development through their contributions to creation of wealth and income generation. They have taken the role of primary vehicles for the creation of employment and income generation through the development of self-employment and become effective tools for poverty alleviation. However access to finance and critical market infrastructure have remained major constraints to the sector’s development (LAS, June, 2004).
The contention that agribusiness contributes immensely to national development is agreeable to many stakeholders as envisaged in the opinions expressed in various publications and conferences in the country. The problem however has been in the implementation of policy both by the government and private sector players as seen in prevalent lack of the necessary socio-economic infrastructure in most rural areas across the country.

According to *Economic Survey (2000)* conducted by the Central Bureau of Statistics, in 1997, the construction of new roads, for instance remained depressed due to emphasis placed on maintenance and repair of the roads already in place. In the recent times floods attributed to heavy rains have swept away economically useful roads and bridges. This has adversely affected access to the much productive rural areas some of which have never been opened up.

Farming and trading activities in rural areas depend on minor and special purpose road network. The roads provide an important link between the farms, processing plants, and the markets for the farm produce. Both the minor and special purpose roads covered a total of 38,291 km as at July 1997. Significant proportions of these roads are under gravel/earth surface with only 2.5% of the total kilometers being of bitumen standard. (CBS, 2000). Moreover, the gravel/earth surface roads have not been well maintained and are vulnerable to least discernable effects of floods.

2.5 Conceptual Framework

The conceptual framework for this study was based on the ‘Systems approach’, which is futuristic, interactive and comprehensive. The application of this theory is towards the
operationalization system that is in the Integrated Environmental Model. In this, a system of influences and feedback relationship is vivid. This argument is based on the consideration that a business environment is interpreted as a cybernetic system (comprising economic infrastructure), with stimulus-response flows of information, which are regulated by feedback relationships. The systems approach is based on two basic considerations viz,

i. Reality is considered from the behaviour of the whole system, and

ii. a mutual dependence is considered between systems and their environment.

On the premise of systems approach a business operates in an environment supported by efficient infrastructural capacity, which provides the basis for good performance due to reduced costs of operation. The application of this theory in agribusiness is derived from the fact that business related environmental problems couldn't be tied to only one factor. These problems are facilitated by say poor market infrastructure, lack of or poor access to credit, poor road network and other factors. Because of these factors, agribusiness in Mt. Elgon District presently suffers problems of inefficient economic infrastructure. To ameliorate these problems, it is certainly appropriate to involve all the factors, a concept of systems approach deemed necessary in this study so as to achieve the objectives of this study

A study conducted by the Project monitoring unit of Mt. Elgon Integrated Conservation and Development Project indicated that the community is predominantly dependent on farming as a source of livelihood. Their activities are mainly dependent on the inherent high soil fertility of volcanic origin, rainfall resulting from this high rising, inland mass (read Mt. Elgon) and the suitable temperature for growing high value, tropical and temperate crops and
for livestock production. The community is aware and concerned about the continued decline in soil fertility due to poor farming methods and population increase, a situation aggravated by various agricultural constraints such as transportation, land, capital and lack of markets.

The study succeeded in availing the great agricultural potential of the area. However notably absent is the explicit exploration of the constraints with regard to providing statistical data that would be beneficial in outlining strategies for revamping the sector in the region vis-à-vis the resource base. The purpose of this study is to analyze the current status of the economic infrastructure and their ability to support the core agricultural activities in the area with an intention to put forth likely interventions to alleviate the constraints.
Figure 2.1 Diagrammatic representations of system theory and infrastructure related agribusiness problems

Infrastructural Factors
- Production
- Distribution

Changes on Agribusiness Environment

Agribusiness Costs
- Poor markets
- Poor access/Lack of Credit Facilities
- Poor research services

Infrastructural Quality

Agribusiness Sustainability Management
- Policy Options
- Financial availability
- Training/Research

Agribusiness Planning
- Market Development planning
- Financial access planning
- Extension planning

KEY

Feed back

Effect

Source: Researcher-2004
CHAPTER 3

SUMMARY OF METHODOLOGY

3.0 Introduction

This section summarizes the approach used in the collection of data that provided the information for this report.

3.1 Sampling

Response levels

The survey achieved the targeted 150 interviews. The survey was carried out in four divisions, Kaptama, Kapsokwony, Kopsiro and Cheptais of Mt. Elgon district.

The chart below summarizes the responses by division.

![Figure 1: Response levels]

3.2 Training

The interviewers were trained thoroughly on instrument administration, interview techniques, procedures and skills, importance of the survey and research process. I worked in turn with each interviewer to make sure that they were collecting accurate and useful information.
3.3 Pre-testing the questionnaire

The pre-test was conducted in order to ascertain the effectiveness of the training, which was done for the research assistants. Pre-testing was carried out immediately after training. The data collected during this phase was used to pre-test the data entry screen.

3.4 Data processing

The data entry screen was prepared as early as possible. This was possible since the questionnaire had been finalized and ready for implementation. This saved time and enabled the data entry screen to be pre-tested using data from the dummy survey.

3.5 Data collection

Data collection started immediately after training of research assistants in order to avoid memory lapse. Experienced interviewers administered questionnaires using face-to-face interviews in the business enterprises. The researchers asked questions and completed the questionnaires themselves.

3.6 Data editing and entry

Completed questionnaires were checked thoroughly and those with mistakes were referred back to the respective business enterprises for repeat interviews. The questionnaires were correctly coded and checked using a code sheet. Correctly coded questionnaires were entered into the computer using Statistical Package for Social Sciences (SPSS, data entry module).
3.7 Data analysis

This stage required dummy tables for implementation. The syntax for the analysis was prepared early before the completion of data capture. This enabled production of tables rapidly after the completion of data cleaning and validation. The data analyst then ran the frequencies and cross-tabulations by demographics in SPSS.
CHAPTER FOUR  
4.0 DATA ANALYSIS AND FINDINGS  
4.1 Introduction  
This section provides information on the demographic characteristics of the people interviewed in the survey. The analysis focused on age, level of education, and sex. Table 1 below summarizes the findings of the socio-demographic characteristics of the study followed by a brief discussion of these findings. 

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Proportion (Percent)</th>
<th>Characteristic</th>
<th>Proportion (Percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sex</td>
<td>48.0</td>
<td>Age group</td>
<td>28.3</td>
</tr>
<tr>
<td>Male</td>
<td>24.0</td>
<td>16-19</td>
<td>19.0</td>
</tr>
<tr>
<td>Female</td>
<td>52.0</td>
<td>21-30</td>
<td>43.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>31-40</td>
<td>4.7</td>
</tr>
<tr>
<td>Education level</td>
<td></td>
<td>41-50</td>
<td>14.3</td>
</tr>
<tr>
<td>None</td>
<td></td>
<td>51 and above</td>
<td>9.3</td>
</tr>
<tr>
<td>Primary</td>
<td>38.0</td>
<td>Location</td>
<td></td>
</tr>
<tr>
<td>Secondary</td>
<td>24.0</td>
<td>Urban</td>
<td>24.0</td>
</tr>
<tr>
<td>College/Technical/Tertiary</td>
<td>14.0</td>
<td>Peri-urban</td>
<td>19.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rural</td>
<td>57.0</td>
</tr>
</tbody>
</table>
4.1.1 Sex distribution

More females comprising 52.0 percent of the sample than males at 48.0 percent were interviewed in the survey. This is a true reflection that more females than males are involved in retailing of farm produce in the local markets in the areas.

4.1.2 Age distribution

People aged below 30 years were the largest proportion of those interviewed and comprised 71.6 percent while people aged above 50 years comprised 9.3 percent of the sample as shown in table 1 above.

4.1.3 Level of education

A large proportion comprising 76 percent of the respondents in the surveyed population had formal education compared to 24.0 percent who had no formal education. A large proportion of the respondents (38.0 percent) had completed primary education while 24.0 percent had completed secondary education. It is further observed that college level education was reported by 14.0 percent of the respondents.

4.1.4 Location of interview

The survey extensively covered the rural enterprises (57 percent) as compared to the urban (24.0 percent). About 19 percent were peri-urban enterprises.
4.2 Business Characteristics

4.2.1 Type of business

The types of business covered were either farming (53 percent) or retailing/distribution (47 percent). This is further illustrated in the figure below.

*Figure 2: Type of business*

![Pie chart showing 53% farming and 47% retailing/distribution]

When asked how long they had been in business, 52.7 percent said for over 8 years followed by 23.7 percent who said between 4-8 years while 14.3 percent said between 2-4 years. An identical 4.7 percent had been in business for between 1-2 years and less than one year.

About 53 percent of the respondents had change from one business to another compared to 47 percent who had not. Further analysis by type of business revealed that among those who had changed business, 54.4 percent were retailers compared to 45.6 percent who were farmers. Among those who had not changed business, 61.1 percent were farmers while 38.9 percent were retailers. Further analysis by how long they had been in business revealed that among those who had changed business, identical 36.3 percent had been in business for over 8 years and between 4-8 years while 18.8 percent had been in business
for between 2-4 years. Among those who had not changed business, 70.8 percent had been in business for over 8 years.

When asked why they had changed business, respondents cited the following reasons:

- Open a bigger shop: 23.5%
- High yield: 15.5%
- Market too far: 15.0%
- Increase soil fertility: 15.0%
- Declining business: 15.0%
- Poor market prices: 8.0%
- Insecurity: 7.5%

About 42 percent of the respondents had changed business location as compared to 58 percent. Among those who had changed business location, 36 percent cited to attract more customers while an identical 19 percent cited for more land and favorable weather conditions. An identical 9 percent said family relocation, to move nearer the main market and to cater for increased customers. Of those who had changed location, 55 percent had operated for between 1-2 years, 12 percent for 2-4 years while identical 11 percent for less than a year and more 4 years respectively.

4.3 PHYSICAL/ROAD INFRASTRUCTURE

Producer distance to good road network: About 52 percent of the respondents had their businesses located on the roadside while identical 19 percent were within 1-2
Kilometers and less than a Kilometer. A significant 10 percent were more than 5 Kilometers from a good road network. The figure below illustrates this further.

When asked how often they use the main road, 52 percent use it daily, 34 percent use it weekly, 5 percent monthly while a significant 10 percent use it annually. Further analysis by distance to the nearest good road network revealed that among those who use the road daily, 72.2 percent were on the roadside, 10.1 percent were within less than 1 kilometer while 18 percent were within 1-2 kilometers. Among those who use the road weekly, 41.2 percent are within less than a kilometer while identical 29.4 percent are within 1-2 and more than 5 kilometers.

**Retailer distance to source of main stock:** About a third of the respondents buy their products e.g. vegetables form Kimilili while identical quarter buy from Kitale and Kamukuywa. Other traders buy form Kapsokwony (9.7 percent), Kabarom (9.3 percent) and Kaptama (5 percent).

**Producer distance to the main stockists:** The minimum distance to the nearest stockists of farm inputs e.g. fertilizer is a kilometer while the longest is 50 kilometers. The average
distance is 10.35 kilometers with a standards deviation of 12.2. The table below summarizes this information.

**Table 2: Range of distance between producers and stockists**

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Range</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distance</td>
<td>150</td>
<td>49</td>
<td>1</td>
<td>50</td>
<td>10.35</td>
<td>12.172</td>
<td>148.169</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>150</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Transportation of goods:** Nearly three quarters of the respondents surveyed hire transporters of their products while a fifth use private means. Only a tenth are supplied by distributors.

**Figure 4: Transportation of goods**

Problems in acquiring and distributing good: About 35 percent of the respondents cited poor road network as the main difficulty in acquiring and distributing goods. Other problems are illustrated in the table below.
### Table 3  Problems in acquiring and distributing goods

<table>
<thead>
<tr>
<th>Category Level</th>
<th>Code</th>
<th>Count</th>
<th>% Responses</th>
<th>% of cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>High cost of transport</td>
<td>1</td>
<td>94</td>
<td>26.8</td>
<td>62.3</td>
</tr>
<tr>
<td>Poor road network</td>
<td>2</td>
<td>122</td>
<td>34.8</td>
<td>81.0</td>
</tr>
<tr>
<td>Lack of business skills</td>
<td>3</td>
<td>7</td>
<td>2.0</td>
<td>4.7</td>
</tr>
<tr>
<td>Lack of capital/high cost of products</td>
<td>4</td>
<td>64</td>
<td>18.2</td>
<td>42.3</td>
</tr>
<tr>
<td>Lack of customers</td>
<td>5</td>
<td>14</td>
<td>4.0</td>
<td>9.3</td>
</tr>
<tr>
<td>Far distance to stockists</td>
<td>6</td>
<td>26</td>
<td>8.0</td>
<td>18.7</td>
</tr>
<tr>
<td>Perishables</td>
<td>7</td>
<td>15</td>
<td>4.1</td>
<td>9.7</td>
</tr>
<tr>
<td>Bad weather</td>
<td>8</td>
<td>8</td>
<td>2.1</td>
<td>5.0</td>
</tr>
<tr>
<td>Total responses</td>
<td></td>
<td>350</td>
<td>100.0</td>
<td>233.0</td>
</tr>
</tbody>
</table>

0 missing cases: 150 valid cases.
4.4 CREDIT FACILITIES

Under the above theme, knowledge of business loans, providers of the loans and conditions attached to the acquisition of loans were established. It sufficed that two thirds of the respondents were not aware of opportunities for loans as illustrated in the figure below.

*Fig. 5: Access to credit facilities*

![Pie chart showing access to credit facilities with 66.3% Yes and 33.7% No]

**Providers of loans:** Agricultural Finance Corporation (Kitale), and ActionAid are the main providers of loans and grants respectively to business people in Mt. Elgon district. Among the requirements needed for qualification for a loan are Land title deed, household assets, a guarantor, registration fee and a bank account. Grants by ActionAid, Kenya are given to strategic groups that are monitored closely to establish their sustainability.

Further probing revealed that business people also get loans from friends or sell cattle and poultry to finance their businesses.
4.5 RESEARCH AND TRAINING SERVICES

Under the above theme, issues of formal education, trainers, preference for training, assistance from district trade office and the nature of assistance were addressed.

**Formal training:** when asked if they had any formal training in business and enterprise, only a quarter had this training compared to three quarters as illustrated in the figure below. Among those who had this training about three-quarter said it is very helpful as shown in the figure that follows below. (Fig. 6)

*Fig 6: Access to research and training services*

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>25.3</td>
<td>74.7</td>
</tr>
</tbody>
</table>

**Trainers:** Two thirds of the respondents who had had training cited the district trade office/district agricultural office as their trainers while a third cited Non Governmental Organizations specifically ActionAid and Kenya Women Finance Trust.

**Preferred training:** Marketing (80 Percent) and record keeping (20 percent) are the key areas identified for further training.

**Assistance from District trade office:** Only a quarter of the respondents surveyed have had assistance from the main district trade office mainly on investments. It is significant to note that none cited assistance on business loans and licensing.
4.6 MARKET INFRASTRUCTURE

The question of ready market for the produce, where they sell and the reasons for the choice of the market are highlighted.

**Ready market**: Nearly two thirds of the respondents indicated that they have ready market for their products compared to 38 percent who do not. This is illustrated in the figure below.

*Fig. 7: Access to market infrastructure*

Respondents cited the local market (84 percent), market society (8 percent) and cooperative society as the main absorbers of their products. Among the reasons cited for the choice of the market above were readily available customers (79 percent), dormant marketing society (10 percent) and delay in payments (9.7 percent).

4.7 GENERAL COMMENTS

Perception of the performance of the business, pressing difficulties affecting business, causes attributed to the difficulties, perception of business environment and recommendations to address these issues provide the data discussed below.
Performance of business: Over four fifth of the respondents perceive that their performance is moderate followed by a tenth who perceive it is pleasant while 5 percent perceive it is poor as shown in the figure below.

Fig 8: Perception of business performance

Problems affecting business: Poor record keeping (4.05) and too much competition (3.74) are the main problems cited affecting business. Other reasons cited are in the table below.
<table>
<thead>
<tr>
<th>Description</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pressing difficulties affecting business_Poor record keeping</td>
<td>143</td>
<td>1</td>
<td>5</td>
<td>4.05</td>
<td>1.166</td>
</tr>
<tr>
<td>Pressing difficulties affecting business_Lack of market information</td>
<td>143</td>
<td>1</td>
<td>4</td>
<td>2.76</td>
<td>.889</td>
</tr>
<tr>
<td>Pressing difficulties affecting business_Lack of capital resources</td>
<td>143</td>
<td>1</td>
<td>2</td>
<td>1.15</td>
<td>.355</td>
</tr>
<tr>
<td>Pressing difficulties affecting business_Too much competition</td>
<td>143</td>
<td>2</td>
<td>6</td>
<td>3.49</td>
<td>1.433</td>
</tr>
<tr>
<td>Pressing difficulties affecting business_Poor management</td>
<td>143</td>
<td>2</td>
<td>5</td>
<td>3.74</td>
<td>.893</td>
</tr>
<tr>
<td>Pressing difficulties affecting business_Others</td>
<td>15</td>
<td>1</td>
<td>3</td>
<td>1.97</td>
<td>1.036</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>15</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Causes attributed to difficulties affecting farmers/businessmen:** Poor access to credit (37.9 percent) and poor road network are the main causes of difficulty to farmers and businessmen as shown in the table below.
### Problems affecting agribusiness

<table>
<thead>
<tr>
<th>Category</th>
<th>Code</th>
<th>Count</th>
<th>% of respondent</th>
<th>% Of cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor access to credit</td>
<td>1</td>
<td>121</td>
<td>37.9</td>
<td>84.9</td>
</tr>
<tr>
<td>Poor business planning</td>
<td>2</td>
<td>57</td>
<td>17.7</td>
<td>39.6</td>
</tr>
<tr>
<td>Poor road network</td>
<td>3</td>
<td>71</td>
<td>22.3</td>
<td>49.8</td>
</tr>
<tr>
<td>Lack of power/electricity</td>
<td>4</td>
<td>7</td>
<td>2.2</td>
<td>4.9</td>
</tr>
<tr>
<td>Poor training</td>
<td>5</td>
<td>64</td>
<td>19.9</td>
<td>44.6</td>
</tr>
<tr>
<td><strong>Total response</strong></td>
<td></td>
<td>319</td>
<td>100</td>
<td>223.9</td>
</tr>
</tbody>
</table>

8 missing cases: 142 valid cases

**Business environment**: Nearly half the respondents surveyed indicate that the business environment is improving while about 38 percent said it is declining as shown in the figure below.

Fig 9: Perception of business environment

![Business Environment Perception](image-url)
CHAPTER FIVE

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter summarizes the research findings and gives conclusion of the study. Further recommendations are given in the way the infrastructure environment can be enhanced to improve considerably the agribusiness industry in the region. Suggestions for further research are also put forward.

5.1 SUMMARY DISCUSSION OF FINDINGS

The study revealed that most of the producers experienced difficulty in accessing credit and using poor road networks which were considered as the main setbacks to farmers. Retailers of the products cited market difficulties as priority problems, with about 84% relying on the local market while the remaining 16% of the respondents citing marketing societies as their outlets.

Majority of producers who had had training responded that the training was not appropriate to their needs.

5.1.1 Access to road infrastructure.

Results of the study in access to good road network show that 52% of the target population enjoy roadside proximity and therefore report minimal difficulty in availing their produce in the market. The remaining 48% reported that they carry out
their production within a distance of 1 to 5 or more than 5 km from the road in delivering their goods to the market.

Figure 3 presents a frequency percentage of 9.7 % for producers facing difficulties projected by distance from a good road network in Mt. Elgon District. This scenario has compounded the problems faced by farmers and distributors alike in availing their goods in the market thereby occasioning wastages and unwarranted loses.

5.1.2 Credit Facilities

Of the 150 respondents 30% report having any knowledge regarding sources of loans and 66% say they have no knowledge of availability of loans. The estimates (figure 5) record that two thirds of the population has not benefited from knowledge of credit facilities available to them or not available at all. However those with knowledge of business loans reported that they cannot access the loans due to the conditionalities attached to their issuance and they cite lack of collateral and poor credit history. Some however have benefited from grants provided by Non-governmental organizations especially Action Aid Kenya which operates in the area. This group reports considerable improvement in their business although suggest that more adequate financing could take them to another level of performance.

5.1.3 Research extension and training services.

The study highlighted that only 25% of the sampled population had had appropriate training in record keeping and management compared to 75% as illustrated in figure 6. 75% of those who received training report that the training was helpful and appropriate to their production and distribution businesses. The training was
provided mainly by consultancy firms (namely Pert consultants) and Action Aid Kenya, a Non-Governmental organization operating in the area.

Notably though, extension services which are provided by agricultural extension officer provided by agricultural extension officers were not mentioned as having been available or effective if any. However two thirds of those who had access to training reported that the district trade office and district agricultural office offered the training. A counter interview with the respective officials revealed that much as they tried to reach out to the producers and distributors they were facing constraints arising from lack of funds and equipments to effectively disseminate information. This was further compounded by low literacy levels and poor physical infrastructure in roads and communication facilities.

5.1.4 Market access

The study revealed that two thirds of the respondents have ready market which however does not guarantee good returns. This applies mainly to small distributors in market centers. A number of producers rely on the small retailers who buy small quantities for resale in the local markets.

The survey further revealed that the local market accounts for 84% with marketing societies and cooperative channeling the remaining 16%. The reasons advanced for this scenario include inter-alia; readily available customers dormant marketing societies and delay in payments by a few functioning cooperatives.
5.2 General comments.

There was a three-dimensional perception on the basis of performance that the agribusiness environment was either pleasant moderate or poor. With respondents feeling that there businesses were pleasant (9.7%) moderate (86%) are poor (4.7%).

5.3 Conclusions.

From the foregoing results of the study it evidently emerges that agribusiness people in Mt Elgon face a number of infrastructural constraints which hamper growth of the industry despite the high potential of the area.

Table 3 envisages a scenario where the respondents were asked to rank in order of magnitude the respective problems afflicting their businesses.

Poor record keeping reported a mean of 4.05 and therefore registered as the most pressing problem by 143 of the 150 respondents who lack basic training in what may be considered the lifeline of most businesses. Other problems in order of magnitude in a 5-point scale are poor management arising from traditional farming and retailing methods which lack efficiency to lack of marketing information and too much competition arising from duplication of production and distribution channels.

The least perceived problem is that of lack of capital which many supported can be offset through the sale of other farm products and ploughing the returns back to the farms. Most distributors rely on their daily sales to restock their stock.
The main causes attributed to difficulties affecting farmers and retailers of agro based products were cited as poor road network and lack of funds for expansion as indicated in table 4. in Mt. Elgon District.

RECOMMENDATIONS

1. In areas of poor road network, alternative means of transport could be harnessed to provide transportation of produce between producers and good road or terminal points (markets). A case in point would be to identify donkey power in facilitating this function. This is in the context of smallholder mechanization and agribusiness in the area. Animal traction particularly donkey power utilization has enormous but largely unexploited potential in the area.

2. The involvement of stakeholders in Non-governmental organizations is a welcome idea as seen lately in an initiative undertaken by Actionaid, Kenya though at small scale levels, but has helped to open up dilapidated rural access roads in Kaptama Division of Mt. Elgon District. Other Organizations and individuals could be encouraged to participate in rebuilding of infrastructure through concerted effort.

3. Owing to lack of proper marketing channels and low prices of good there is need to mobilize producers into strategic groups such as more effective and efficient cooperative societies to market produce and attract better prices in a liberalized Market.

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4. The majority of the players experience difficulties in accessing credit since there is no single financial institution in the district. The nearest agricultural finance institution is more than 50 km away. The study wishes to recommend that credit facilities be brought within easy reach to support business in the area. Such initiatives would involve the participation of community-based organizations in setting up kitties that members could borrow from on friendly loan rate basis.

5. Research and extension services should be improved with agricultural extension officers and their counterparts in the ministry of trade (District trade office) being more proactive in dispensing their services and articulating government policy. The Intervention of Agribusiness Development Support Project (A.D.S.P) funded by United States Agency for international Development (USAID), Kenya for instance could help to make seeds of improved crop varieties available to small-holder farmers and encouraging the use of yield enhancing technologies could also help to reduce the workload for farmers especially women by introducing and testing labour saving technologies for small-holder farmers. These initiatives have been tried successfully in other parts of Kenya, such as Nyanza and Eastern Kenya with the objectives of enhancing income and technology transfer.

6. The training offered to the producers and distributors alike should be appropriate to their needs so as to enhance their productivity in areas that they enjoy comparative advantage, whether in production or distribution of agricultural products.
5.5 Further research

This study recommends that:

Similar studies should be extended to other crops such as coffee and tea, which do very well in the area but have not been fully accepted by a majority of farmers.

Feasibility study of having processing plants for perishable products be carried out in the district.

The role of gender (male/female) in agricultural production and distribution be established.
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50


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Appendix I

INTERVIEW SCHEDULE FOR THE DISTRICT AGRICULTURAL/TRADE OFFICER

Policy framework

➢ What is the role of your office in agribusiness development in Mt. Elgon District?
➢ Under what legislation do you operate?
➢ What would you say are the strengths and weaknesses of the existing policy?

Agribusiness Environment

➢ What is your opinion of the state of agribusiness in Mt. Elgon District?
➢ What are the major challenges facing agribusiness production and distribution domains in the region?
➢ What would you say has been the impact of your interventions?

Availability of appropriate infrastructure

➢ What is your opinion on the state of the relevant infrastructure to the growth of the sector in the district?
➢ Comment on the state of the sector with regard to the role of the relevant government agencies and other stakeholders e.g. Non-governmental Organisations.
Appendix II

QUESTIONNAIRE FOR THE BUSINESS ENTERPRISE

This questionnaire is intended for the purpose of writing a report on agribusiness enterprises (business) in Mt. Elgon so as to facilitate appropriate policy and infrastructure intervention. The report will be handed over to Kenyatta University for the partial fulfillment of a Masters Degree in Business Administration (Entrepreneurship)

- I kindly request that you answer the questions to the best of your ability
- Information gathered will be treated with utmost confidence

PART A

IDENTIFICATION INFORMATION

Name of interviewer .................................................

Area.............................................................................

Respondent's name (optional) ........................................ Date ..............................................

Age in Years .................................................................

Educational level ...........................................................

Sex ................................................................................

Location of Enterprise ...................................................

(a) Urban (b) Peri-urban (c) Rural

PART A: BUSINESS CHARACTERISTICS

(Check as appropriate)

Q1. What type is your business?
   a) Farming  b) Retailing / Distribution

Q2. How long have you been in the business?
   a) Less than one year.
   b) Between 1 – 2 years.
   c) " 2 – 4 years.
   d) " 4 – 8 years.
   e) " 8 or more
Q3. Have you ever changed from one business to another?
   a) Yes ..................  b) No ..................

Q4. State reason for your answer above.

Q5. Have you ever changed the business location?
   a) Yes ..................  b) No ..................

Q6. State reason for your answer above.

Q7. For how long have you been operating business in the new location?

PART B: ECONOMIC/PHYSICAL INFRASTRUCTURE

Q8. How far is the business from a good road network?
   a) Roadside
   b) Less than 1 km.
   c) Between 1 - 2 km
   d) Between 2 - 4 km
   e) More than 4 km

Q9. How often do you use the main road?
   a) Daily  b) Weekly  c) Monthly  d) Annually

Q10. a) Where do you get your stock/farm inputs to run business transactions?

   b) How far is it from your business location (State in km)

Q11. How do you get the goods to your premises?
   a) Private means  b) Hire  c) Distributor  d) Other (specify)

Q12. What difficulties do you encounter in acquiring and distributing your goods/services (List them).
PART C: CREDIT FACILITIES

Q13. Have you any information about business loans?
Yes.............. No.............. Q19. If yes where did you get it? (Provide the source(s)

Q14. Are there any conditions attached to the issuance of business loans by the
Loaner?

Q15. Which are the other informal sources of financial assistance to your business?

PART D: RESEARCH AND TRAINING SERVICES

Q16. Do you have any formal training in business and enterprise?
   a) Yes (Name facilitators).............. b) No

Q17. If yes, rate the importance of the training to the management of your business
   i) Very helpful
   ii) Not helpful

Q18. Who provided the Training?
   a) Government (DTO/DAO) b) NGO (state which) c) Don’t know

Q19. In which needs would you prefer to be trained further?
   a) Record-keeping
   b) Marketing

Q20. Do you get any assistance from the District Trade Office/District Agricultural
   Officer?
   a) Yes b) No

Q21. If Yes above what services do you receive from the District Trade Office (Check as
   applicable)
   a) Business Loans
   b) Investment advice/extension service
   c) Licensing
   d) Other (specify)
PART E: MARKET INFRASTRUCTURE

Q22.  a) Do you have ready market for your produce and stock?
      a) Yes  b) No

      b) If yes, where do you sell the produce?
         a) In the local market/shopping
         b) Marketing society
         c) Cooperative society
         d) Other (specify) .............................................

      c) What is the reason for your choice in 28(b) (State)
         ........................................................................
         ........................................................................

GENERAL COMMENTS

Q23. How do you perceive your business performance in general?
      a) Pleasant
      b) Moderate
      c) Poor

Q24. What are the most pressing difficulties affecting you and your business?
      (Please rank them in order of magnitude).
      - Poor record keeping
      - Lack of market information
      - Lack of resources e.g. Capital
      - Too much competition
      - Poor management
      - Other (Specify)

Q25. What is your perception of the business environment?
      0 Improving
      0 Same
      0 Declining
Q26 In your view what causes would you attribute to the difficulties facing you as a farmer/businessman.

- Poor access to credit
- Poor business planning/Lack of vision
- Poor road network
- Lack of Power/Electricity
- Poor training
- Other (Specify)

Q27. What do you think are the remedial measures towards solving the problems?

i) .................................................................

ii) ............................................................... 

iii) .................................................................

iv) .................................................................