



Kingdom of the Netherlands

HORTICULTURE STUDY



***BUSINESS CASES
EMANATING FROM
THE STUDY ON THE
SOURCING OF
FRUITS AND
VEGETABLES FROM
TANZANIA AND
KENYA***



Study commissioned by the
Embassy of the Kingdom of the Netherlands and undertaken by



MARCH 2017

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INTRODUCTORY SUMMARY

Embassy of the Netherlands (EKN) in Nairobi and Dar es Salaam, commissioned Match Maker Associates (MMA) to carry out a study of the demand and supply of fruits and vegetables for the export markets of EU and UK. The aim was to find a match between demand and supply and based on the outcome, define key investment opportunities and develop business cases. The study was conducted in four phases (i) Literature Review to understand the context and current status of the horticultural sub sector (supply side) of the two countries; (ii) Scoping the market base (Demand analysis) (iii) synthesis of demand and supply and agreement on areas to focus on for detailed analysis; (iv) Competitiveness / Business case analysis; (v) Final report presenting the business cases.

This report covers the last phase i.e. presentation of business cases. A total of eight business cases have been identified and elaborated. These cases are among the many business opportunities that were identified and presented in previous phases of this study and whose reports are available separately. The identified business cases have been developed in consultation with private sector companies who were eager to venture into new business lines or consolidate and expand current lines of their businesses. MMA consultants facilitated the private sector companies to vet their business cases based on the following issues:

- ✓ The emerging business opportunity and value proposition
- ✓ The background and competencies of the lead firm or champion
- ✓ Important elements for the success of the identified business case
- ✓ The geographical area of coverage
- ✓ The investment Requirement

- ✓ Synergies with ongoing horticultural development initiatives and potential partners
- ✓ Description of foreseen Dutch partner interest in the business case
- ✓ Start up time and growth projections
- ✓ Indication of business viability and foreseeable initial investments
- ✓ Risk assessment and proposed way forward

Not all cases have reached same maturity level. Some of the cases in Kenya would still require further feasibility study and business planning together with the interested Dutch partners.

Below is a summary of the identified business cases, soliciting for different modalities of Dutch partners' interest including co-investments, marketing partner arrangement, technical assistance partner or joint venture partner.

Table 1: Emerging business cases from Tanzania

SNO	Product	Case	Justification
1	Avocados for EU and UK markets	Upscaling Avocado Export - Tanzania through new investments in production, productivity by Kuza Africa Ltd as Lead firm. Over 1,700 Ha of new farms, in 3 different altitude regions in Tanzania. Planning to work with 50,000 Out growers in 5 years	Promoters of the business case have 7 Years track record in setting commercial avocado farming in Tanzania (Rungwe Avocados) and 4,000 SHF in Njombe already part of supply chain. Equity partners are in place for expansion. Kuza Africa Ltd , is looking for Technical Assistance (TA) partners in design, procurement & installation of grading, packing, cold rooms and pack shed equipments and knowhow. Also looking for a partner in R&D (pests and disease management)
2	Orange Fleshed Sweet Potatoes (OFSP) for EU and UK markets	TAHA Trading Co is developing an OFSP satellite commercial production business model in Tanzania linked to an Israeli based off-taker namely Mehadrin Group. Over 400 acres of suitable land acquired in Northern Tanzania and trial production is ongoing. Plan to work with outgrowers.	TAHA Trading Company is looking for partners to provide technical assistance in design, procurement, set up/ training and management of a comprehensive farm infrastructure and basic equipment including irrigation infrastructure; Cooling and curing technology; Pack House and Packaging line (BRC and ISO Certified). Indicative investment is estimated to be about 1.5 million EURO.

3	Fresh Vegetables and sweet fruits for local and regional markets	Establishing a robust fresh vegetables and fruits supply chain in Tanzania (Dar es Salaam based) of portfolio of high quality fresh fruits and vegetables to local middle and up markets and regional exports. Expanding its outgrowers from 300 to 1,000 and its own farm of 170 acres.	Since 2011, East Africa Fresh Fruits Company has been rendering diverse fruit and vegetable-related marketing services across Tanzania. The company has storage and cold room facility of more than 15,000 square feet. Company wants to consolidate its business and is looking for partners, to provide a technical assistance and finance in areas of setting up state of art fresh market outlet in Dsm, online marketing, export to UEA in 2017, expansion of farm infrastructure and outgrowers.
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Table 2: Emerging business cases from Kenya

SNO	Product	Case	Justification
1	Vegetable soups	Fresh soup processing industry in Nairobi and intends to use Fresh 'n Easy and Myobu to distribute and reach the soups to consumers in Nairobi city.	Mara Farming Group through Meal Pack company is pioneering fresh soup processing so as to contribute in the reduction of post harvest losses and at the same time provide local consumers with fresh and nutritious product.
2	Canning of fruits and vegetables	Processing facility for guacomole, tomato and mango chutneys for EU market.	Mara Processing (EPZ) Limited is looking for partners to set up a processing facility for guacomole, tomato and mango chutneys for EU market and contribute in the reduction of post harvest losses and at the same time provide local affluent consumers and EU market with range of dips, chutneys and guacamole flavours.
3	Fresh Herbs	Establishing a robust supply chain of portfolio of high quality fresh herbs from Kenya to EU market.	Premier Seed Kenya Limited core business is seed production and distribution but the company has been producing and supplying fresh herbs to EU market through traders based in the Netherlands since 2012
4	Fresh Herbs	Establishing a robust supply chain of portfolio of high quality fresh herbs from Kenya to EU market.	WAMU Investments Limited is an indigenous local company founded in 1989 that produces and exports fresh fruits and vegetables to European Union, United Kingdom, Middle East and Africa. WAMU wishes to diversify by developing a new product line of Herbs (Chives, Basil, Parsley, Thyme, Rosemary & Mint) through own farms and outgrowers and essentially establish strong market linkage for export of Herbs
5	Fresh Herbs	Establishing a robust supply chain of portfolio of high quality fresh herbs from Kenya to EU market.	Interveg Exports Limited is a horticultural exports company, based in Nairobi, Kenya. Formed from a simple idea that was spurred by the desire to open up Africa's purest horticultural produce to the world, the company started in 2003. The company has in the past concentrated in the growing and packaging of French beans, sugar snaps and snow peas over the years. The company, in its current strategic plan has seen the opportunity in diversifying the products they export to further grow the company.

The rest of this report presents the details of the different cases.

1. TANZANIA BUSINESS CASES

Case 1: TAHA Trading Company Limited

Table 3: Business Case 1: TAHA Trading Company Limited

Business Case 1: OFSP Export based Satellite Commercial Farm, Tanzania	
1. Introduction	Embassy of the Netherlands (EKN) in Nairobi and Dar es Salaam, commissioned Match Maker Associates Limited (MMA) to carry out a study of the demand and supply of fruits and vegetables for the export markets of EU and UK. The aim was to find a match between demand and supply and based on the outcome, define key investment opportunities and develop business cases. These cases were validated with key private sector actors. One of the validated business cases, is a case of developing orange fleshed sweet potatoes (OFSP) in Tanzania for the EU/UK market.
2. Emerging opportunity/ Value proposition	<p>Total imports of sweet potatoes in the European market amounted to 175 thousand tonnes in 2015, which is an increase of 41% compared to 2014. This growth is mainly driven by recent migration of people with preference for consuming sweet potatoes from North Africa and Arab World to the EU / UK. Around 39 thousand tonnes originated in developing countries and their supply has increased at a slower rate than the supply from developed countries (mainly USA). With respectively 135 and 59 thousand tonnes, the United Kingdom and the Netherlands are the largest importers of sweet potatoes. Both countries show significant import growth. The United Kingdom mainly imports for the home market. The Netherlands is also a trade hub for other European countries. The European market is dominated by the suppliers from the USA with a steady market share of around 70%. The USA have a year round supply of orange-flesh sweet potatoes and logistical processes are well developed.</p> <p>In 2015, Europe also imported sweet potatoes from countries such as Egypt, Honduras and Israel, and from Senegal, South Africa and Brazil. Importers in the European market favour larger producers, such as in the USA, because of supply certainty. However, increased imports from other parts of the world prove that there is room for other suppliers. The supply from Israel is in an upward trend again since 2012 and apart from their own internal production, Israel is also increasingly sourcing from other developing countries, where they see more comparative and competitive advantages. Tanzania is one of those potential countries where production costs are low and there is possibility for all year round production especially in the months of August – October when there is scarcity in the global market.</p> <p>This business case hinges on the Orange Fleshed Sweet Potatoes (OFSP) and intends to develop a commercial production business model in Tanzania linked to an Israeli based offtaker namely Mehadrin Group (www.mehadrin.co.il). Mehadrin Group is one of the leading fruit and vegetable exporters in Israel and has entered into a 10 years supply contract (marketing and technical assistance partner) with TAHA Trading Company for this business case. Mehadrin is Israel's largest grower and exporter of citrus, fruits and vegetables, and is a leading global supplier of the world renowned JAFFA brand. With over 8,500 hectares of agricultural holdings, Mehadrin is trusted by many of Europe's best retail chains. Mehadrin Group has branches in Sweden, France, Holland, USA and England to make sure that they are always ahead of the global market trends and offer local marketing and distribution solutions in the various regions.</p>
3. The lead firm/champion	<p>TAHA Trading Company is the leading firm in this business case. TAHA Trading Company has been registered to succeed Fresh to Sokoni Company that was registered with No. 121924 dated 27th November 2015 and with Business Licence No: 2163793. It is one of the commercial enterprises of Tanzania Horticultural Association - TAHA (www.taha.or.tz). TAHA is the main shareholder together with TAHA Fresh Handling Co Ltd as a minority shareholder. The company has been linking horticultural producers with markets and is committed to provide best quality and diverse horticultural products to consumers in Tanzania. The company also targets regional as well as international markets as its supply niche.</p> <p>Tanzania Horticultural Association (TAHA) is an apex private sector member based organization, that advocates for the growth and competitiveness of the horticultural industry in Tanzania. Since its inception in 2004, TAHA has been an effective voicing platform for producers, traders, exporters and processors of the horticultural products mainly; flowers, fruits, vegetables, horticultural seeds, and spices. The Association safeguards the interest of the private sector and ensures that the industry</p>

	<p>issues are well mainstreamed at the national and international agenda. TAHA has over 450 members in three categories including comprehensive, allied and associates.</p> <p>The other commercial operations of TAHA are carried out by TahaFresh Handling Ltd (www.tahafresh.com). TAHA Fresh is also a strategic partner in this business case, in that it will deal with all supply chain and logistics issues. TahaFresh Handling Ltd (TFHL) is a limited liability company owned jointly by the Tanzania Horticultural Association (TAHA) and horticultural investors in Tanzania. TFHL was established in year 2008 and since then, the company has been providing demand driven logistic services (air and sea freight forwarding, refrigerated trucking, cargo clearing and forwarding) to the horticultural industry investors. The company is handling exports/imports out of the regional international airports i.e Kilimanjaro, Julius Nyerere and Jomo Kenyatta respectively. Seafreight services at the regional ports i.e Mombasa and Dar es Salaam is also part of the company's strategic day to day interventions.</p>
<p>4. Important elements for the success of this business case</p>	<p>a) <u>Product-Market Match</u></p> <p>TAHA Trading Company has acquired 285 acres of land in Northern Tanzania where suitable soil conditions have been tested and which is easily accessible to the northern Tanzania highway. Plans are underway to acquire additional 115 acres to make it a 400 acre satellite farm. The farm has two sources of water for irrigation namely underground water source and a permanent river. Water rights have been secured with relevant authorities. Based on market preferences, one variety that was tested (Jewel) has conformed. Trials for additional varieties are ongoing and expected to be finalised by July 2017. Based on selected varieties a rolling production plan on a 50 acres farm will be drawn as phase one strategy. It has been established that developing a 400 acre farm is commercially viable and it is anticipated that outgrowers could later be supported and linked to this supply chain.</p> <p>b) <u>Comprehensive Farm Infrastructure</u></p> <p>Key infrastructural requirements on the envisaged farm include, state of the art irrigation set up, cooling and curing facility, packaging line, and various farm implements. These technologies have both software and hardware components and will be included in the investment package.</p> <p>c) <u>Human Resource Management</u></p> <p>Comprehensive human resources management will be put in place for the whole value chain including production, supply chain/ logistics and marketing. TAHA Trading will be responsible for the sourcing and managing staff who will be linked to production and farm operations. Marketing will be pulled by Mehadrin Group, who will set up a marketing strategy and manage it. Mehadrin has a track record in marketing in the EU, UK and beyond and this is the most critical success factor in this case.</p> <p>TahaFresh Handling Co has over 8 years track record in managing successfully a logistics company in Tanzania and will be responsible for managing the supply chain /logistics in this business case. TahaFresh Handling is prepared to offer concessional terms to this business case during the initial stages.</p> <p>d) <u>Appropriate financing strategy</u></p> <p>TAHA is invest part of the seed capital that is required Additional funds will be lined with relevant agricultural financing windows, Some of those that have been contacted and indicated interest include: Agricultural Development Bank and Tanzania Investment Bank (TIB). Other financing arms will be attracted as need arise.</p>
<p>5. Area of coverage (Scope)</p>	<p>The satellite farm is being established in Mwangi District, Kilimanjaro region in Tanzania. Outgrowers may extend beyond Mwangi districts where soils are suitable.</p>
<p>6. Investments requirements</p>	<p><u>Farm infrastructure and equipment:</u></p> <ul style="list-style-type: none"> (i) Irrigation infrastructure in terms of design, procurement, set up/ training and management. (ii) Cooling and curing in terms of technology, procurement, set up/ training and management. (iii) Pack House and Packaging line (BRC and ISO Certified) <p>Indicative investment level for the farm infrastructure and basic equipment is estimated to be about 1.5 million EURO.</p> <p><u>Research & Development :</u></p>

	<p>Research and Development in terms of further variety testing, diseases and paste management, extension to outgrowers.</p> <p>Human resource: A robust Farm Management team is critical. Promoters of this business case have identified a candidate from Honduras (with proven experience in similar business line). Comprehensive HRD Plan will be part and parcel of the business plan that will be developed jointly with all partners.</p> <p>Logistics: Transportation through refrigerated containers, trucking to the port, and logistics and documentations will be provided by TahaFresh Handling.</p> <p>Farm Office and Houses: Farm housing for key personnel (5 staff) and basic facilities will be required. Farm workers will be solicited from nearby villages.</p>
7. Synergy from other TAHA Initiatives	TAHA is one of the leading sectoral associations in Tanzania. TAHA provides support to all horticultural development initiatives in Tanzania. This business case will benefit greatly from the lobbying and advocacy work of TAHA for its success. TAHA will also be providing technical support to outgrowers as part of its mandate.
8. Other potential partners	<p>a) Crop Bioscience Solutions Ltd Crop Bioscience Solutions has been providing tissue culture services to the project and will continue to do so on demand.</p> <p>b) International Potato Centre IPC has shown interest on research on processing of OFSP into puree and research into increasing shelf life of puree but also in testing new varieties and analysis of pests and disease.</p> <p>These partners are already taking keen interest and are part of the preparatory phase of this project.</p>
9. Describe Dutch interest/ linkage foreseen	<ol style="list-style-type: none"> 1. Technical Assistance package (design, procurement, installation & management) in irrigation, cooling & curing as well as in packaging line. 2. Research & Development Partner (in varieties, pests and diseases, extension) 3. Environmental Assessment and Management partner 4. Medium to Long term financing avenue: Feasibility Study, Business Planning, Fund acquisition.
10. Start-up time and growth projections	<p>TAHA Trading in collaboration with Mehadrin Group have already started since 2015. TAHA Trading is eager to get on-board interested technical assistance and financing partners soonest to move from start-up phase to full commercialisation. Milestones include:</p> <ul style="list-style-type: none"> • Final choice made on varieties to be promoted by July 2017 • Five Years Business Plan launched for 50 acres' commercial farm from December 2017 • Expansion to cover the rest of the farm by 2020. • Start-up of the Outgrower scheme from 2021.
11. Indication of business viability	<p>Indicative quick financial analysis has conservatively established the following:</p> <ul style="list-style-type: none"> • With minimum selling price in EU, based on a price of 1 € per 1 kg, and given shipments of a container of 18,500 Kgs with associated total costs of approximately € 14,500, will bring a minimum net profit of Euro 4,000 per container (22% margin) as follows: • However, in essence prices for OFSP vary from € 1 to €2 depending on the season. In this respect, an average price of € 1,5 is quite feasible. • TAHA Trading has signed a standing market order with Mehadrin of 10 containers per week or about 500 containers a year. This will yield an approximate profit of between 2 to 3 million € / year. <p>Further detailed feasibility study and business plan will be conducted once partners are on board towards end of 2017.</p>

12. Foreseeable initial investments	<p>Indicative Initial Investment of approximately € 1,750,000 is needed as listed here under:</p> <table border="1" data-bbox="459 219 1417 779"> <thead> <tr> <th data-bbox="459 219 778 286">Item</th> <th data-bbox="778 219 1098 286">Indicative Investment</th> <th data-bbox="1098 219 1417 286">Sources</th> </tr> </thead> <tbody> <tr> <td data-bbox="459 286 778 488"> ➤ Farm Infrastructure (Irrigation, Cooling & curing, packhouse & packing line) </td> <td data-bbox="778 286 1098 488">1,200,000 €</td> <td data-bbox="1098 286 1417 488"> ➤ Long Term Loan from Agricultural & Investment banks ➤ In kind investment by partners e.g. Mehadrin </td> </tr> <tr> <td data-bbox="459 488 778 555"> ➤ Farm Offices & Housing </td> <td data-bbox="778 488 1098 555">120,000 €</td> <td data-bbox="1098 488 1417 555"> ➤ TAHA Trading Company </td> </tr> <tr> <td data-bbox="459 555 778 656"> ➤ Initial working capital (staff costs and pre-operational costs) </td> <td data-bbox="778 555 1098 656">220,000 €</td> <td data-bbox="1098 555 1417 656"> ➤ TAHA Trading Company ➤ Short Term Loan </td> </tr> <tr> <td data-bbox="459 656 778 779"> ➤ Technical Assistance </td> <td data-bbox="778 656 1098 779">210,000 €</td> <td data-bbox="1098 656 1417 779"> ➤ In kind investments, subject to negotiation on terms with Dutch Investors </td> </tr> </tbody> </table>	Item	Indicative Investment	Sources	➤ Farm Infrastructure (Irrigation, Cooling & curing, packhouse & packing line)	1,200,000 €	➤ Long Term Loan from Agricultural & Investment banks ➤ In kind investment by partners e.g. Mehadrin	➤ Farm Offices & Housing	120,000 €	➤ TAHA Trading Company	➤ Initial working capital (staff costs and pre-operational costs)	220,000 €	➤ TAHA Trading Company ➤ Short Term Loan	➤ Technical Assistance	210,000 €	➤ In kind investments, subject to negotiation on terms with Dutch Investors
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13. Risk Assessment	<p>Inadequate availability of skilled and experienced labour force</p> <ul style="list-style-type: none"> ✓ TAHA Trading management team will be put in place a robust human resource development strategy ✓ Among others, the company will make major investment in in-house training by outsourced short terms experts. <p>Inefficient technical infrastructure</p> <ul style="list-style-type: none"> ✓ Collaborating with TAHA Fresh in the area of logistics mitigates against this risk ✓ Advocacy for government buy in to develop appropriate incentives <p>Difficult business environment</p> <ul style="list-style-type: none"> ✓ TAHA has successfully advocated for improvements in the business environment in the horticulture sector, though still a number of areas needs to be further improved e.g. taxation, work permits, business incentives etc. 															
14. Next steps/Way forward:	<p>In order to move forward, the following steps are envisaged:</p> <ol style="list-style-type: none"> 1. Make presentation to potential investors in the Netherlands in early 2017 2. Matching interested Dutch partners with Local investors to work out together the way forward. 															

Case 2: KUZA AFRICA Company Limited

Table 4: Business case 2: KUZA Africa Company Limited

Business Case 2: Up scaling Avocado Export - Tanzania	
<p>1. Introduction</p>	<p>Embassy of the Netherlands (EKN) in Nairobi and Dar es Salaam, commissioned Match Maker Associates (MMA) to carry out a study of the demand and supply of fruits and vegetables for the export markets of EU and UK. The aim was to find a match between demand and supply and based on the outcome, define key investment opportunities and develop business cases. These cases were validated with key private sector actors.</p> <p>One of the validated business case, is a case of scaling up avocado market share from Tanzania for the EU/UK market. Avacado is on top of the list of fruits grown in Tanzania for the export market and availability matches the market requirement.</p>
<p>2. Emerging opportunity/ Value proposition</p>	<p>Global avocado consumption is growing by about 3% every year; however, production growth remains a little behind, a trend that is projected to continue for few years to come. During 2015, 5.5 million tons of avocados were consumed of which 1,000,000 tons of avocados were exported globally (approximately 13% of global consumption).</p> <p>Avocado is a growing market – United States avocado consumption increased by 45% between 2005 and 2016 and by 97% from 1999. Between 2005 and 2016, European Union (EU) increased their avocado imports by 33%. An important point to note is that the US avocado price was not negatively affected by the increase in consumption or supply, and in Europe the 2015 and 2016 price actually increased when compared with 2014. This is a positive indication that the demand in the market is strong and capable of supporting an increased supply. The consumption is supply driven. China has started to consume avocados and as with all new regions the population has taken this fruit and it is expected to create an undersupply of fruit for the foreseeable future. New markets such as China (recently consuming about 30 containers a week), India and the middle east are relatively untouched. Marketing initiatives coupled with new technology such as “Ripe & Ready” have increased consumption in Britain. Once introduced to the rest of the European market, such initiatives are increasing the demand dramatically. The consumption into the EU market is supply driven with demand exceeding the supply for 99% of the year.</p> <p>The above information combined with the Hass price track record provides a strong business case for growing, harvesting, packaging and supplying Hass avocados to the European Market. Although increased production in South Africa (SA) and Peru which are in similar zone as Tanzania, may lead to oversupply, the likelihood of this risk materialising is reduced by the following factors:</p> <ul style="list-style-type: none"> • EU consumption trends indicate that any increased supply can be absorbed without causing a down turn in price • A large portion of the Peruvian and SA crops will divert to the higher priced US market once phytosanitary laws for export into the US are lifted • South Africa are unlikely to extend their planted area significantly and increase supply due to high costs of production, unavailability of suitable land and water, together with the threats presented by land claims. <p>This business case seeks to increase production and productivity of avocados from Tanzania so as to tap into the identified opportunity. The business case intends to supply fruit out of the peak supply windows of Peru/South Africa thereby minimising the effects of competition.</p> <p>Kuza Africa Ltd, is the promoter of this business case. Project attributes includes that the fact Tanzania has ideal growing conditions; highest yield and price cultivar (Hass) grafted onto tested rootstock has been established and with tested irrigation schemes, it guarantees water when the tree most needs it. Tanzania has barely utilised its comparative advantages of having vast arable land with suitable soils, spread across varying altitudes that could guarantee all-year round production.</p>
<p>3. The lead firm/champion</p>	<p>Kuza Africa Ltd, is the lead firm in this case. It was incorporated in Tanzania in 2016, with Certificate No. 132907. The main shareholders include: Mr Robert Clowes; Mr Markus Schrieber (TWS) and Professor Michael Hoelscher (Munich University).</p> <p>Kuza Africa Ltd, is looking into farms for acquisition in Mbeya, Njombe and Kilimajaro regions with a total size of 4,480 acres (1,792 hectares. This land will all be dedicated to developing avocado</p>

	<p>production. This farmland will be utilised to set up mother farms (with ample provision for nurseries) and will be linked with outgrowers from the neighbourhood. The company targets to work with up to 50,000 outgrowers in five years time.</p> <p>One of the founders of this company – Mr Robert Clowes, has a long track record of setting up and managing commercial avocado farms in Tanzania and elsewhere. He has been the Founder (see impression video on U-tube) which has currently set up over 800 ha since 2009 and is Global Gap certified supplier of over 1,500 MT yearly to EU markets. These farms have been carefully selected in different altitudes in order to guarantee all year round production and supply. In addition to main emphasis in Hass variety, the company intends to introduce 2-3 other varieties such as Pinkerton and Fuerte.</p> <p>The main expertise that the company shareholders have gained over years is the successful growing, packing and exporting of avocados to EU markets. The marketing has been done through marketing agents based in Europe.</p>
<p>4. Important elements for the success of this business case</p>	<p><u>Land</u> Kuza Africa Company has identified over 1,700 hectares in three different areas in the country on different altitudes and acquisition discussions are ongoing and planned to be concluded in March 2017. This size of land offers critical mass for commercial production and for investing in state of the art technologies (irrigation, pack sheds and pack houses, packaging machineries, cold rooms etc) as well as investing in an efficient supply chain. All the areas are currently growing avocados albeit in small volumes. The areas have been surveyed and have good access to suitable underground water. Land is suitable for developing planting materials for both the outgrowers and own orchards as this is important for consistency and progress towards scaling up. The areas are well connected to the main highways leading to the main ports in East Africa (Dar es Salaam and Mombasa).</p> <p><u>Management</u> One of the key requirements for success is having a good management team with requisite expertise, experience and other capacities to oversee all the operations. Robert who is one of the founders, brings in years of experience in setting up and successfully managing similar farm operations. He is also quite versatile with market requirements.</p> <p><u>Human Resource Management</u> Comprehensive human resources management will be put in place for the whole value chain including production, supply chain/ logistics and marketing. Kuza Africa Ltd will be responsible for the sourcing and managing staff who will be linked to production and farm operations and handling logistics.</p> <p><u>Finance</u> Appropriate financing is critical for the success of this case. The founders have already mobilised the initial long term financing required for the take off of this venture. It has been estimated that about 10,000 dollars are required to develop 1 hectare to its optimal condition.</p> <p><u>Market</u> Availability and access to the market is also one of the important elements of success of this case. It is indeed the driving force. Promoters of the case are already connected to key markets in EU/UK and are already connected with off takers namely Westfalia Inc. from EU side, whom they would continue working with.</p>
<p>5. Area of coverage (Scope)</p>	<p>The mother farms are going to be established in Rungwe in Mbeya Region (1,000 acres), Njombe Region (980 acres) and West Kilimanjaro area in Kilimanjaro region (2,500 acres). Out growers will be mobilised in the neighbouring areas to the mother farms. The target is to work with 50,000 out growers in 5 years' time.</p>
<p>6. Investments requirements</p>	<p><u>Farm infrastructure and equipment:</u></p> <ul style="list-style-type: none"> • Irrigation infrastructure in terms of design, procurement, set up/ training and management. • Access to power (e.g. investments in appropriate renewable power sources such as solar and wind based) • Pack houses and pack sheds (HACCP and ISO certified) <p>Indicative investment level for the farm infrastructure in all the three farms and basic equipment is estimated to be 2 million Dollars.</p>

	<p>Cold Rooms at Ports</p> <p>As part of cold chain facility for this supply chain, appropriate cold rooms are required to be available at different ports. It is quite likely that this supply chain will utilise Mombasa port for supplies from Kilimanjaro Region and Dar es Salaam port for supplies from Southern Tanzania. NB: Investments in cold storage facilities at ports could be hired from government facilities or other private investors including Tahafresh Handling Company.</p> <p>Human resource: A robust Farm Management team is critical. Comprehensive HRD Plan will be part and parcel of the business plan that will be developed jointly with all partners.</p>																																						
<p>7. Other potential partners</p>	<p>Tahafresh Handling Co Ltd</p> <p>TahaFresh Handling Ltd (TFHL) is a limited liability company owned jointly by the Tanzania Horticultural Association (TAHA) and horticultural investors in Tanzania. TFHL was established in year 2008 and since then, the company has been providing demand driven logistic services (air and sea freight forwarding, refrigerated trucking, cargo clearing and forwarding) to the horticultural industry investors. The company is handling exports/imports out of the regional international airports i.e Kilimanjaro, Julius Nyerere and Jomo Kenyata respectively. Seafreight services at the regional ports i.e Mombasa and Dar es Salaam is also part of the company's strategic day to day interventions.</p> <p>Banks: Banks in Tanzania that have opened up agri-business window e.g. Rabo Bank.</p> <p>Projects that promote out growers' schemes connected to an export market e.g. various TAHA managed projects.</p>																																						
<p>8. Describe Dutch interest/ linkage foreseen</p>	<ul style="list-style-type: none"> • Technical Assistance (TA) services in Grading and Packing Machineries (design, procurement, installation & management) e.g. from Greefa or Aweta companies • Technical Assistance services in Cold Rooms and Pack sheds, Prefab containers (design, procurement, installation & management) e.g. from Greefa and Aweta Companies • Research & Development Partner (in soil nutrient analysis, sap analysis, integrated pest management etc. for maximum yield) • Technical Assistance services in water harvesting and storage technologies <p>NB: Promoters of this business case are looking forward to discuss further modalities of collaboration with interested Dutch investors e.g. TA partnership, service contract for hardware and software components etc.</p>																																						
<p>9. Start-up time and growth projections</p>	<p>Kuza Africa Ltd have already started mobilisation in 2016. They are eager to get on-board interested technical assistance partners soonest to start-up a pilot phase. Some key Milestones include:</p> <ul style="list-style-type: none"> • To finalise 2 to 3 years' pilot phase plan by July 2017 • To conclude on technical assistance areas and modalities of collaboration by December 2017 • Start-up of the Outgrower scheme from January 2018. 																																						
<p>10. Indication of business viability</p>	<p>Indicative financial analysis for this kind of investment has conservatively established that with an investment of about \$ 8,000 to 10,000 per Hectare, you will start getting yearly revenues of \$ over 4,000\$ per Hectare from year 5 onwards stabilising at over 8,500 \$ ha yearly from year 7 onwards for more than 20 years. Initial investment, gross margin analysis and cumulative income on 100 ha farm are summarised below.</p> <table border="1" data-bbox="448 1491 1145 1995"> <tbody> <tr><td>Farm size ha</td><td>100</td></tr> <tr><td>Average Exports %</td><td>80%</td></tr> <tr><td>Average Local sales %</td><td>0</td></tr> <tr><td>Average Yields T/Ha</td><td>11.1</td></tr> <tr><td>Average Trees/Ha</td><td>312.5</td></tr> <tr><td>Seedling Tree cost (14 Months) U\$</td><td>2.5</td></tr> <tr><td>Transport Pack shed to POD</td><td>0.54</td></tr> <tr><td>Sales FOT U\$/Kg</td><td>0.60</td></tr> <tr><td>Sales CIF U\$/Carton</td><td>7</td></tr> <tr><td>Packing costs \$/Kg</td><td>0.23</td></tr> <tr><td>Average Growing Costs over 10 years \$/year</td><td>1075.65</td></tr> <tr><td>Yields (T/Ha)</td><td>15</td></tr> <tr><td>Irrigation USD/Ha</td><td>4000</td></tr> <tr><td>Trees USD/Ha</td><td>781</td></tr> <tr><td>Land prep USD/Ha</td><td>2500</td></tr> <tr><td>Field Establishment Costs U\$</td><td>7281</td></tr> <tr><td>Field Establishment Costs U\$/100 Ha</td><td>728,125</td></tr> <tr><td>One off Investments (Streets, Trucks, Equipment, Sheds...)</td><td>150,000</td></tr> <tr><td>Total Capital Expenditure for 100 Ha\$</td><td>878,125</td></tr> </tbody> </table>	Farm size ha	100	Average Exports %	80%	Average Local sales %	0	Average Yields T/Ha	11.1	Average Trees/Ha	312.5	Seedling Tree cost (14 Months) U\$	2.5	Transport Pack shed to POD	0.54	Sales FOT U\$/Kg	0.60	Sales CIF U\$/Carton	7	Packing costs \$/Kg	0.23	Average Growing Costs over 10 years \$/year	1075.65	Yields (T/Ha)	15	Irrigation USD/Ha	4000	Trees USD/Ha	781	Land prep USD/Ha	2500	Field Establishment Costs U\$	7281	Field Establishment Costs U\$/100 Ha	728,125	One off Investments (Streets, Trucks, Equipment, Sheds...)	150,000	Total Capital Expenditure for 100 Ha\$	878,125
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	<div style="text-align: center;"> <h3>Gross Margin Analysis - 1 ha Avocado Farm</h3> </div> <div style="text-align: center;"> <h3>Cummulative Gross Income for 100 Ha - Avocado Farm</h3> </div>	
11. Foreseeable initial investments	<p>Indicative Investment: Investments by Kuza Africa Ltd: About 9 million \$ for farm investments Technical Assistance: To be determined.</p>	
12. Risk Assessment	<p>Inadequate availability of skilled and experienced labour force ✓ Robust human resource development strategy for Kuza Africa management team will be put in place.</p> <p>Inefficient technical infrastructure ✓ Collaborating with TAHA Fresh in the area of logistics could partly mitigate against this risk</p> <p>Difficult business environment ✓ Continue being a member of TAHA who advocates for improvements in the business environment in the horticulture sector Areas that may need to be further improved for the success of this business case include (taxation, work permits, business incentives etc.)</p>	
13. Next steps/Way forward:	<p>In order to move forward, the following steps are envisaged:</p> <ul style="list-style-type: none"> ✓ Make presentation to potential investors in the Netherlands in early 2017 ✓ Match interested Dutch technical assistance partners with Kuza Africa Ltd thereafter to work out together the way forward. 	

Case 3: EAST Africa Fruits Farm and Company Limited

Table 5: Business case 3: East Africa Fruits Farm & Company Limited

Business Case 3: Consolidation of Commercial Operation in Tanzania	
1. Introduction	<p>Embassy of the Netherlands (EKN) in Nairobi and Dar es Salaam, commissioned Match Maker Associates (MMA) to carry out a study of the demand and supply of fruits and vegetables for the export markets of EU and UK. The aim was to find a match between demand and supply and based on the outcome, define key investment opportunities and develop business cases. These cases were validated with key relevant private sector actors.</p> <p>One of the validated business cases, is a case of consolidation of commercial operations of East Africa Fruits Farm Company (EAFFC) in Tanzania.</p>
2. Emerging opportunity/ Value proposition	<p>Since 2011, EAFFC has been rendering diverse fruit and vegetable-related marketing services across Tanzania. The company buys produce from the farmers and process them through grading, sorting, cleaning and packaging. To date, the company is buying from over 300 smallholder farmers. The produce is kept in ship-shape condition by professionally handling; cold storage and distribution supply chain arrangement.</p> <p>The company doesn't merely buy and sell – it also farms own produce using high quality methods. The company owns a 170-acre land in Fukayosi Village in Bagamoyo where it employs modern farming methods using green housing, irrigation and cooling and transportation fleet and grows a variety of fruits and vegetables including pineapples and watermelons. The company supplies to its customers a variety of produce such as pineapples, watermelons, oranges, mangoes, tomatoes, carrots and grapes to customers all over Tanzania especially in Dar es Salaam.</p> <p>The company is now in the finishing stages of buiding and installing pack house+ a cold room with a capacity of more than 15,000 square feet in Bunju area, Dar es Salaam, to ensure that the produce has long shelf-lives and still succulent and in excellent quality.</p> <p>Yearly demand for fruits in the country has been estimated to be is at least 4.5m tonnes. Of this, only 40% supply has been achieved by the existing capacity.</p> <p>Opportunities that are emerging for EAFFC include the following:</p> <ul style="list-style-type: none"> • Consolidate EAFFC buisness model to increase its supply of produce to seize the existing demand gap • Use of cold chain logistics which increases produce shelf life hence increasing company supply capacity • Track record to work with smallholder farmers to ensure maximum supply • Presence of support and encouragement by the Tanzania government to invest in the agriculture industry.
3. The lead firm/champion	<p>East Africa Fruits Farm Company Ltd is the leading firm in this business case. EAFFC is registerted with Registrar of Companies No. 103228 dated 22nd October 2013 and with Business Licence No: B2350567. The company's shareholding team is made up of members from Africa, Europe and America. The company was founded and is led by Elia Timotheo, a young experienced leader and enterpreneur. He began working in agriculture at a young age which gave him a real picture of the Tanzania agriculture conditions. Adelina is a director to EAFFC with over 30 years' business management experience. Other shareholders (also Advisors) include Mr Hugo, a Belgian investor experienced in horticulture, Mr Michael Luni from Fledge LLC USA.</p>
4. Important elements for the success of this business case	<p>a) <u>Quality produce all along the chain to consumers</u> EAFFC believes that quality upkeep starts on the farm. Post harvest handling and loss reduction is key to success. In this case outgrowers linked to this chain are trained by qualified extension workers and post harvest operations are done with close supervision of the company. The company has cold storage trucks for up country collection and for distributions to retail outlets.</p> <p>b) <u>Comprehensive Farm Infrastructure</u></p>

	<p>Key infrastructural facilities installed on the farm include, state of the art irrigation set up, storage facility, and various farm implements. These technologies still require further software and hardware upgrading but also expansion to cover more land under production.</p> <p>c) Comprehensive Cold Chain infrastructure The company is about to launch a comprehensive pack house/ cold room in Dsm (15,000 sq ft) and in anticipation of also launching on line business that will increase number of delivery facilities from the cold room in Bunju.</p> <p>d) Human Resource Management Comprehensive human resources management will be put in place for the whole value chain including production, supply chain/ logistics and marketing. EAFFC will manage the entire supply chain /logistics in this business case and would have to upgrade and increase its capacity in this area.</p> <p>e) Appropriate financing strategy EAFFC with support from many actors including AgDevCo, AEA, AECF, TEEP and SEED Awards has invested a significant part of the seed capital that is required to kick start commercial operations by targetting local and export markets from 2017 onwards. Additional funds to the tune of \$ 150,000 is needed to consolidate the working capital and to be solicited from potential partners or relevant agricultural development banks.</p>
5. Area of coverage (Scope)	The satellite farm has been established and its now fully operational in Fukayosi, Bagamoyo. 2 Green Houses of 800 sq meter, irrigation infrastructure (with 10,000 Ltr/hour capacity) and 70 acres of pineapples (MD2) and 2 acres of water melon were fully operational in 2016.
6. Investments requirements	<p><u>On line delivery system</u> The company needs to setup an online delivery system to ease sales of produce and ensure niche customers are well served.</p> <p><u>Increased fleet :</u> There is a need for more refrigerated trucks for use in transporting from farmer locations to storage facilities and then to customers.</p> <p><u>Human resource:</u> More resources are needed to successfully run the company operations especially, in the operations department as well as in the marketing department. These include the COO, CMO, extension officers and agronomists.</p> <p><u>Collection Centres upcountry:</u> To support the collection of produce from smallholder farmers, the company needs to setup collection centers at different strategic locations which will be closer to farmers.</p>
7. Synergy from other TAHA and other on-going development Initiatives	EAFFC is a member of Tanzania Horticultural Association (TAHA). TAHA is one of the leading sectoral associations in Tanzania. TAHA provides advocacy and lobbying support to all horticultural development initiatives in Tanzania. TAHA has also invested in strategic logistics services to support its members.
8. Other potential partners	Not yet identified for this business case.
9. Describe Dutch interest/ linkage foreseen	<ul style="list-style-type: none"> ✓ Technical Assistance on development and management of online marketing systems, fleet logistics and cold chain operations. ✓ Joint solicitation of Medium to Long term financing avenues.
10. Start-up time and growth projections	EAFFC is an operation. This business case is expected to consolidate and strengthen its capacity towards successful commercially viable operations. Some milestones include: <ul style="list-style-type: none"> • Enter UAE export market by 2018 • Expansion of the farm operations by 2018. • Increase Outgrower farmers to 1,000 by 2021 operating within EAFFC Collection Centres • Achieve yearly revenues of USD 1m by 2019
11. Indication of business viability	Indicative quick financial analysis has conservatively established the following:

	<p>The company has had a good growth in revenues since its commencement. In 2013, revenues were less than USD 250,000 but the company achieved revenues of more than USD 790,000 in 2016. Though the company still suffers net losses, there are prospects of revamping from this especially with the completion of the cold chain logistics which will reduce costs and post-harvest losses and have at least 12% EBT. A fully-fledged business plan in this respect is in place.</p>																					
<p>12. Foreseeable initial investments</p>	<p>Indicative Initial Investment of 500,000 US\$ is needed as listed here under:</p> <table border="1" data-bbox="555 414 1513 976"> <thead> <tr> <th data-bbox="555 414 876 481">Item</th> <th data-bbox="876 414 1193 481">Indicative Investment (USD)</th> <th data-bbox="1193 414 1513 481">Sources</th> </tr> </thead> <tbody> <tr> <td data-bbox="555 481 876 577">➤ Farm Infrastructure upgrading</td> <td data-bbox="876 481 1193 577">100,000 \$</td> <td data-bbox="1193 481 1513 577">➤ Company</td> </tr> <tr> <td data-bbox="555 577 876 645">➤ Working capital</td> <td data-bbox="876 577 1193 645">100,000 \$</td> <td data-bbox="1193 577 1513 645">➤ Investor capital, grants and equity.</td> </tr> <tr> <td data-bbox="555 645 876 779">➤ Technical Assistance</td> <td data-bbox="876 645 1193 779">75,000 \$</td> <td data-bbox="1193 645 1513 779">➤ In kind investments, subject to negotiation on terms with Dutch Investors</td> </tr> <tr> <td data-bbox="555 779 876 846">➤ Fleet</td> <td data-bbox="876 779 1193 846">100,000 \$</td> <td data-bbox="1193 779 1513 846">➤ Company, Investor capital and equity.</td> </tr> <tr> <td data-bbox="555 846 876 913">➤ Online delivery system</td> <td data-bbox="876 846 1193 913">75,000 \$</td> <td data-bbox="1193 846 1513 913">➤ Investor capital, grants and equity.</td> </tr> <tr> <td data-bbox="555 913 876 976">➤ Human resources</td> <td data-bbox="876 913 1193 976">50,000 \$</td> <td data-bbox="1193 913 1513 976">➤ Investor capital, grants and equity.</td> </tr> </tbody> </table>	Item	Indicative Investment (USD)	Sources	➤ Farm Infrastructure upgrading	100,000 \$	➤ Company	➤ Working capital	100,000 \$	➤ Investor capital, grants and equity.	➤ Technical Assistance	75,000 \$	➤ In kind investments, subject to negotiation on terms with Dutch Investors	➤ Fleet	100,000 \$	➤ Company, Investor capital and equity.	➤ Online delivery system	75,000 \$	➤ Investor capital, grants and equity.	➤ Human resources	50,000 \$	➤ Investor capital, grants and equity.
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<p>13. Risk Assessment</p>	<p>Inefficient technical infrastructure</p> <ul style="list-style-type: none"> ✓ Advocacy for government buy in to develop appropriate incentives for investors <p>Difficult business environment</p> <ul style="list-style-type: none"> ✓ Taxation regimes, work permits, business incentives etc. ✓ Technical Expertise and experience ✓ Timely access to Export Certificates 																					
<p>14. Next steps/Way forward:</p>	<p>In order to move forward, the following steps are envisaged:</p> <ol style="list-style-type: none"> 1. Make presentation to potential investors in the Netherlands in early 2017 2. Matching interested Dutch partners with Local investors to craft together a way forward. 																					

2. KENYA BUSINESS CASES

Case 1: MARA Group of Companies

Table 6: Business case 1: Mara Group of Companies - MYOBU

Business Case 1: MYOBU – Network of vendors	
1. Introduction	Embassy of the Netherlands (EKN) in Nairobi and Dar es Salaam, commissioned Match Maker Associates Limited (MMA) to carry out a study of the demand and supply of fruits and vegetables for the export markets of EU and UK. The aim was to find a match between demand and supply and based on the outcome, define key investment opportunities and develop business cases. These cases were validated with key private sector actors. One of the validated business cases, is a case of developing network of vendors of vegetable soups in Nairobi and its environ Kenya for low income market.
2. Emerging opportunity/ Value proposition	<p>The horticultural industry in Kenya has been very successful in the last three decades. Among the existing agricultural enterprises, horticulture offers the best alternative for increased food self-sufficiency, food security, improved nutrition, foreign exchange earnings and ensuring the generation of increased incomes and employment. Kenya has a long history of growing horticultural crops for both domestic and export markets. Kenya's ideal tropical and temperate climatic condition makes it favourable for horticulture production and development. Despite these achievements, post harvest losses of fruits and vegetables has increased while the demand for the fruit and vegetables has continue to increase especially in urban areas.</p> <p>Post harvest losses of horticultural products in Kenya is estimated to be approximately 40% of the total production. Poor harvesting techniques and poor on-farm handling (bruises, exposure to sun) damage the produce before they are sold to consumer. Even along Mara EPZ supply chain to EU, most of fruit and vegetables that do not comply to EU standard is wasted although it is still nutritious and palatable if could be processed and reach consumer timely. Mara Farming Group through Meal Pack company is pioneering fresh soup processing industry in Nairobi and intends to use Fresh 'n Easy and Myobu to distribute and reach the soups to consumers in Nairobi city.</p> <p>Mara Farming feels by doing so it will contribute in the reduction of post harvest losses and at the same time provide local consumers with fresh and nutritious product.</p>
3. Important elements for the success of this business case	<p>a) <u>Network (food service retail outlets) operated as a franchise model</u> Myobu is currently managing a network of few food service vendors mainly selling to street retailers drinks/beverages and fresh nutritious soups. Myobu intends to increase number and outreach of these network of vendors across Nairobi and beyond. Some of these outlets were bought by Myobu as an instant coffee on going concern. Myobu has ever since consolidated and expanded the outlets to also include retail fresh soups, fruit and vegetables originating from the Group farms.</p> <p>b) <u>Building a brand</u> Myobu intends to establish a strong brand in the fresh and processed fruits and vegetables, drinks/beverages and all food service retail outlets in the company network will buy and market particular Myobu product. The franchisers will benefit from having that recognisable brand name that consumers are aware of and they know what they are going to get.</p> <p>c) <u>ICT infrastructure for inventory and financial management</u> Myobu intends to use inventory management software that will support controlling stock on hand along the entire network to meet client demand, reduce inventory costs and ensure adequate stock turn and minimum wastage. At the same time Myobu will set up a digital base financial management system to ensure all payment are made through online platform like Mpesa, Airtel Money, etc. This ICT infrastructure will make movements of stocks and money smooth and efficient across the network and thus minimum delays in operations.</p> <p>d) <u>Workforce</u></p>

	<p>Myobu will support the Franchisees to ensure that their employees have sufficient knowledge to provide sound advice and quality customer service in order to retain the loyal customer base, provide good quality product and operation. Myobu will take on responsibility for product and service development, for promotion, ,marketing and PR, for managing financial, logistics and administrative systems, for quality control and for network communications and discipline. Myobu will therefore invest in high calibre management team to ensure necessary and timely support services can be delivered to all its franchisees.</p>
<p>4. Investments requirements</p>	<p><u>Human resource</u>: based on Mara Group experience, the biggest investment that Myobu has to make to be successful is a robust Management team.</p> <p><u>Franchisees infrastructure and equipment</u>: Containers with cooling storage unit, mini kitchen and dispensing equipment such as gas stoves, flasks and other utensils, etc. These infrastructure and equipment will be paid by franchisees and stipulated in the licence agreement.</p> <p><u>Logistics</u>: Warehouse (HACCP and ISO certified) and distribution vans and food grade storage containers, etc.</p> <p><u>Inventory management system software</u>: Myobu intends to invest in a modern inventory management systems that must have the ability to track sales and available inventory, communicate with franchisees in near real-time and receive and incorporate other data, such as seasonal demand. The software must be flexible, allowing for a merchant's intuition and it must tell a franchisee when it's time to reorder and how much to purchase. To achieve this, inventory management systems should pull together several technologies into one cohesive approach.</p>
<p>5. The lead firm/champion</p>	<p>Mara EPZ is one of ten companies managed under Mara Group of companies. Mara EPZ Limited is a vegetable and fruit producer and exporter from the African continent that was founded in 2013 by a group of people who had many years of experience in horticulture trade with the main aim of eliminating the traders in between farmers and the final markets. Through partnerships in Tanzania, Zimbabwe and Ethiopia and with its main operations in Kenya, Mara EPZ is able to supply its international clients year round with fresh farm fruits and vegetables.</p> <p>Mara EPZ grows vegetables and fruits predominantly for export to the European Union (EU) countries mainly Netherlands, United Kingdom, Germany, Denmark, Belgium and Switzerland. Currently Mara EPZ is also venturing in to the local market; the rationale being to provide the same high quality fresh vegetables and fruits (minimum to no use of chemicals and fertilizers) to a growing local clientele that places great importance in how the vegetables and fruits they consume are produced, handled, packaged and delivered. Mara EPZ own farms and contracted farms that produce fruits and range of vegetables in strict accordance with stringent and audited European market standards, and adheres to international certification requirements and social corporate responsibility standards.</p> <p>Myobu is a new company under the Group that manages a network of distribution outlets in Nairobi. This business case is about Myobu business that focuses on establishing and managing food service distribution network of fresh and health (nutritional) food products including drinks/beverages, fresh fruits, vegetables and their products.</p> <p>Myobu operates a distribution network that delivers fresh soup and drinks/beverages to small scale vendors who further sell to street retailers every week in Nairobi. A typical vendor have a fixed operating facility that sell soups and drinks/beverages to between 20 – 30 street retailers who use food flasks to reach low income consumers in vendor’s vicinity. Myobu continuously strive to introduce its fresh fresh soups to Nairobi clientele and areas where it is currently not available through sister company Fresh ‘n Easy so that more consumers around Nairobi can access its tasty and healthy fresh soups.</p>

<p>6. Synergy from other Mara Group of companies</p>	<p><u>Mara Farming</u> : is the main source of raw materials. (fruits and vegetables) from 15 large own farms and about 17,00 outgrowers</p> <p><u>Mara EPZ</u>: is the processing facility for fresh fruits and vegetables where all fruits and vegetables are sorted and packed for export to EU, the grade that don't meet EU requirement is not wasted/destroyed but rather sent to Meal Pack to be processed in various products including soups</p> <p><u>Meal Park</u>: is another company owned by Mara Farming Group responsible for processing vegetables into soups</p> <p><u>Fresh n Easy</u>: buying in bulk and retails to food services and end consumers in Nairobi using online outlet app that final consumers can order online for various group products including soups</p> <p><u>Other potential partners</u>:</p> <p>a) UK IT partner: Mara Farming Group is at advanced stage in discussions with UK based partner has agreed to providing the inventory management system software...</p> <p>b) Solar companies in Kenya and EU: There are numerous solar companies in Kenya that can provide sustainable cost effective source of energy for cooling facilities of the entire network.</p>
<p>7. Dutch interest</p>	<p>The Dutch partner (s) sought should be experienced and interested in being part of a distribution company that handles highly perishable food. The partners can bring expertise and capital to expand the network.</p>
<p>8. Start-up time</p>	<p>Myobu has already started since 2016 albeit with very few franchisees acquired from the coffee business that Mara Group of companies bought. Myobu is eager to get the joint venture partner soonest to consolidate and expand the business with initial foreseen milestones of reaching 1,000 vendors by December 2018.</p>
<p>9. Area of coverage (Scope)</p>	<p>Myobu is a registered business in Kenya (Registration Number XXX of 2017). Myobu will initially consolidate and extend its outreach within Nairobi City and its vicinity. The company has already received franchise requests from Kiambu, Thika and Mombasa. Before expanding, Myobu and its business partners will undertake feasibility and business plan that will guide the consolidation, branding and expansion trajectories.</p>
<p>10. Risk Assessment</p>	<p>Although the cost of skilled, educated labour in Kenya is high by developing world standards, it is relatively abundant in comparison with neighbouring countries. Nonetheless, a large portion of the young population (35 and under) is relatively unskilled, and subsists in an employment environment that offers few opportunities.</p> <ul style="list-style-type: none"> ✓ One of the major areas of investments of Myobu is on human resources as the Group foresee putting up a team of experienced managers of distribution network of highly perishable goods. The team will be combination of international and national experts. <p>While Kenya's physical infrastructure is also superior in many cases to that of its neighbours, it remains rudimentary and is a key obstacle to economic development.</p> <ul style="list-style-type: none"> ✓ Distribution vans and cold storage facilities at retail outlets will reduce the intensity of this risk <p>Corruption and insecurity also continue to pose significant challenges to business. Transparency International ranked Kenya number 139 of 168 countries surveyed in 2014.</p> <ul style="list-style-type: none"> ✓ Digital payment system and ICT based inventory system will reduce tendencies of Myobu workforce to be involved in corruption practices. ✓ Lucrative remuneration packages will also motivate the team and deliberate efforts will be made for team building and strengthening of Myobu brand
<p>11. Next steps/Way forward:</p>	<p>In order to move forward, the following steps are proposed:</p> <ul style="list-style-type: none"> ✓ Once interested Dutch partner (s) are identified, Mara Farming Group would engage with them to discuss this business case further and figuring out the nature of partnerships and business model. During this stage, a visit to Kenya is foreseen. ✓ Thereafter, further feasibility and business planning will take place to firm up activities, investments and financing mechanisms

Case 2: MARA Processing (EPZ) Limited

Table 7: Business case 2: Mara Processing (EPZ) Limited

Business Case 2: Mara Processing (EPZ) Limited	
<p>1. Introduction</p>	<p>Embassy of the Netherlands (EKN) in Nairobi and Dar es Salaam, commissioned Match Maker Associates Limited (MMA) to carry out a study of the demand and supply of fruits and vegetables for the export markets of EU and UK. The aim was to find a match between demand and supply and based on the outcome, define key investment opportunities and develop business cases. These cases were validated with key private sector actors. One of the validated business cases, is a case of setting up a processing facility for guacomole, tomato and mango chutneys for EU market.</p>
<p>2. Emerging opportunity/ Value proposition</p>	<p>The horticultural industry in Kenya has been very successful in the last three decades. Among the existing agricultural enterprises, horticulture offers the best alternative for increased food self-sufficiency, food security, improved nutrition, foreign exchange earnings and ensuring the generation of increased incomes and employment. Kenya has a long history of growing horticultural crops for both domestic and export markets. Kenya's ideal tropical and temperate climatic condition makes it favourable for horticulture production and development. Despite these achievements, post harvest losses of fruits and vegetables has increased while the demand for the fruit and vegetables has continue to increase especially in urban areas. Post harvest losses of horticultural products in Kenya is estimated to be approximately 40% of the total production. Poor harvesting techniques and poor on-farm handling (bruises, exposure to sun) damage the produce before they are sold to consumer. Even along Mara EPZ supply chain to EU, most of fruit and vegetables that do not comply to EU standard is wasted although it is still nutritious and palatable if could be processed and reach consumer timely.</p> <p>In 2014, total imports of canned fruit and vegetables in the EU market amounted to 6 million tonnes valued at €6.5 billion and the Netherlands as an entry port for imports from outside EU and re-exported to other countries in the EU. Convenience is highly appreciated in the EU, since households have become smaller. Due to heat treatment, canned fruits and vegetables are more convenient to prepare and consume. Canned food is also used by the food processing and food service industries as an ingredient. Both consumers and the industry appreciate canned food, as it is easy to store.</p> <p>Mara Group of companies through Mara Processing (EPZ) Limited is looking for partners to set up a processing facility for guacomole, tomato and mango chutneys for EU market. Mara Farming feels by doing so it will contribute in the reduction of post harvest losses and at the same time provide local affluent consumers and EU market with range of dips, chutneys and guacomole flavours.</p>
<p>3. Important elements for the success of this business case</p>	<p>a) <u>Niche Markets</u> Increased competition in international markets on current products and pressure by EU retailers to keep prices low is impacting on returns. Mara Processing (EPZ) Limited is targeting niche markets in the EU particularly UK, Sweden and Denmark to diversify its product portfolio.</p> <p>b) <u>New product line</u> Mara Processing (EPZ) Limited intends to develop new products lines (guacomole dips and tomato, mango and chillie_chutneys) including range of fresh processed and packed products to diversify its products in the EU market and beyond. There is an increasing demand in the EU for convenient fruit and vegetable canned products due the growing number of health-conscious consumers who are also looking for convenient and easy to prepare/use products. These present opportunities for Mara Processing (EPZ) Limited to supply innovative fresh, high quality safe branded canned guacomole, tomato and mango chutneys flavours. Mara Processing (EPZ) Limited desires to embrace product development and enhance supply chain integration possibilities to meet this demand starting with EU retailers who has already showed interest to buy these products from Mara.</p> <p>c) <u>Building a brand</u> Mara Processing (EPZ) Limited intends to establish a strong brand in the processed and</p>

	<p>canned fruits and vegetables for the EU market. Using its currently established networks in the EU, buyers (mainly retail outlets) will benefit from having that recognisable brand name that consumers are aware of and they know what they are going to get.</p> <p>d) <u>Establish a modern fruit and vegetable processing facility at Athi River EPZ</u> Mara Processing (EPZ) Limited intends construct a modern food processing establishment built to international standards. Mara Processing (EPZ) Limited will ensure the products developed meet EU food safety standards and meet the clients demand and expectations. The processing facility will be certified to ensure high quality production processes. XXXX will set up an operating system that will be efficiently managed to reduce inventory costs and ensure adequate stock turn and minimum wastage.</p> <p>e) <u>Workforce</u> Mara Processing (EPZ) Limited will engage a manager with sufficient experience and knowledge to manage and provide startegic direction to the Company. A technical experts (food technology) will be recruited to guide product development and quality management that will reinforce brand recognition and loyalty, to retain the loyal customer base that currently exists. Mara Processing (EPZ) Limited will take on responsibility for product and service development, for promotion, marketing and PR, for managing financial, logistics and administrative systems and for quality control. Mara Processing (EPZ) Limited will therefore invest in high calibre management team to ensure production of high quality products that meet the market and clients specification.</p>
<p>4. Investments requirements</p>	<p><u>Infrastructure and equipment:</u> Construction of a modern food processing facility, food processing and packing equipments and cold storage facilities.</p> <p><u>Human resource:</u> based on Mara Farming Group experience, the biggest investmment that Mara Processing (EPZ) Limited has to make to be successful is a robust Management team include technical expertise in food technology and product development. Given that this will be a new start up, capacity building staff on best practices in food handling and HACCP will be essential</p> <p><u>Logistics:</u> Warehouse (HACCP and ISO certified) and food grade storage containers, etc.</p>
<p>5. The lead firm/champion</p>	<p>Mara EPZ Limited (formally Mara Farming Limited) is a vegetable and fruit producer and exporter from the African continent that was founded in 2013 by a group of people who had many years of experience in horticulture trade with the main aim of eliminating the traders in between farmers and the final markets. Through partnerships in Tanzania, Zimbabwe and Ethiopia and with its main operations in Kenya, Mara EPZ is able to supply its international clients year round with fresh farm fruits and vegetables. Mara EPZ grows vegetables and fruits predominantly for export to the European Union (EU) countries mainly Netherlands, United Kingdome, Germany, Denmark, Belgium and Switzerland.</p> <p>Currently Mara EPZ is also venturing in to the local market; the rationale being to provide the same high quality fresh vegetables and fruits (minimum to no use of chemicals and fertilizers) to a growing local clientele that places great importance in how the vegetables and fruits they consume are produced, handled, packaged and delivered. Mara EPZ own farms and contracted farms that produce fruits and range of vegetables in strict accordance with stringent and audited European market standards, and adheres to international certification requirements and social corporate responsibility standards.</p> <p>Mara Processing (EPZ) Limited will be one of companies managed under Mara Farming Group. Mara Processing (EPZ) Limited is a new company under the Group that is willing to undertake production of a new line of products for export to the EU. This business case is about XXXX processing fresh and healthy (nutritional) food products mainly fresh guacamole dip, and tomato, mango and chillie chutneys of various flavours and related products. These products will be produced in accordance with international standards on handling of food products.</p> <p>Synergy from other companies of the Group: <u>Mara Farming</u> : is the main source of raw materials. (fruits and vegetables) from 15 large own farms and about 17,00 outgrowers</p>

	<p><u>Mara EPZ</u>: is the processing facility for fresh fruits and vegetables where all fruits and vegetables are sorted and packed for export to EU</p> <p><u>Mara Fresh</u>: is the company under the Group based in the EU responsible for sales, marketing and logistics.</p> <p><u>Meal Park</u>: is responsible for processing vegetables into soups...</p> <p><u>Fresh n Easy</u>: buying in bulk and retails to food services and end consumers in Nairobi using online outlet app that final consumers can order online for various group products including soups</p>
6. Other potential partners	<p>a) QPV: QPV Quality Systems is a company that advise, guide, support and maintain various food safety and quality management systems within Mara Farming Group of companies (specifically BRC and HACCP certification)</p> <p>b) Mara Farming Group is in advanced stage in engaging a branding company for branding of Mara packaging materials</p>
7. Dutch interest	The Dutch partner (s) sought should be experienced and interested in being part of a processing facility for guacomole, tomato and mango chutneys for EU market. The partners can bring expertise and capital to set up the facility and its distribution system in the EU.
8. Start-up time	As soon as possible
9. Area of coverage (Scope)	Mara Processing (EPZ) Limited is a registered business in Kenya. Mara Processing (EPZ) Limited will initially develop products targeting the EU niche market. To advise the diversification strategy, business partners will undertake feasibility and develop a business plan that will guide the consolidation, branding and expansion trajectories.
10. Risk Assessment	<p>Capacity to manage a successful fresh fruit and vegetable processing and export facility</p> <ul style="list-style-type: none"> • Mara Processing (EPZ) Limited will engage a manager with relevant experience and knowledge to manage and provide strategic direction to the Company. • A technical expert (food technology) will be recruited to guide product development and quality management. <p>While Kenya's physical infrastructure is also superior in many cases to that of its neighbours, it remains rudimentary and is a key obstacle to economic development.</p> <ul style="list-style-type: none"> • Mara Processing (EPZ) Limited will be located at the Athi River EPZ, which already has access to most infrastructures including water, electricity, ICT and warehousing facilities. • Athi River EPZ is located in close proximity to main airport and therefore lead times to export destinations will not be a challenge. Use of cold stores and refrigerated tracks to maintain the cold chain will reduce the intensity of this risk. <p>Corruption and insecurity also continue to pose significant challenges to business. Transparency International ranked Kenya number 139 of 168 countries surveyed in 2014. Challenges exist in acquisition of the relevant licenses and permits; and inspections by relevant public agencies.</p> <ul style="list-style-type: none"> • Mara Group of companies has long experience in doing business in Kenya and is conversant with the bureaucratic and regulatory procedures (export and import) of establishing new companies. • FPEAK in collaboration with other public and private industry player are reviewing inspection protocols in order to make them more facilitative. Consultations are also ongoing with the relevant public agencies on the need to facilitate trade.
11. Next steps/Way forward:	<p>In order to move forward, the following steps are proposed:</p> <ol style="list-style-type: none"> 1. Once interested Dutch partner (s) are identified, Mara EPZ would engage with them to discuss this business case further and figuring out the nature of partnerships and business model. During this stage, a visit to Kenya is foreseen. 2. Thereafter, further feasibility and business planning will take place to firm up activities, investments and financing mechanisms

Case 3: Premier Seed (Kenya) Limited

Table 8: Business case 3: Premier Seed Kenya Limited

Business Case: Premier Seed K Ltd quality fresh herbs supply chain	
1. Introduction	Embassy of the Netherlands (EKN) in Nairobi and Dar es Salaam, commissioned Match Maker Associates Limited (MMA) to carry out a study of the demand and supply of fruits and vegetables for the export markets of EU and UK. The aim was to find a match between demand and supply and based on the outcome, define key investment opportunities and develop business cases. These cases were validated with key private sector actors. One of the validated business cases, is a case of developing quality fresh herbs supply chain in Kenya for the EU/UK market.
2. Emerging opportunity/ Value proposition	<p>According to CBI, the European demand for fresh herbs is increasing. Fresh herbs such as basil, chives and mint thrive with the consumer trend of buying natural and the appreciation of culinary experiences. Opportunities for producers and exporters in developing countries are most prominent during the EU off season (November – April). However, suppliers are expected to maintain excellent product quality and high standard packaging.</p> <p>The power of buyers in the EU has traditionally been strong, but with increasing scarcity and high prices, the power balance is shifting to suppliers in origin. The high prices and the growing sense of scarcity will attract new suppliers over time. The expectation is that the EU market for most spices and herbs will continue to grow. Therefore, EU market will continue to provide opportunities for suppliers that are able to meet the high quality and food safety buyer requirements. Opportunities for small and medium-sized enterprises in developing countries are found particularly at the high-end of the market. Currently, UK own production (May – October) is lead by Herbs Unlimited, Barfoots and WattsFarms. FV SeleQt in partnership with Flamingo Kenya sourcing from Kenya and Sainsbury’s supermarket chain sources most of its fresh herbs from Ethiopia, Spain, Italy and Jordan.</p> <p>The threat of substitution for fresh products is mainly relevant for dried herbs (e.g. basil, thyme and parsley) but can also be relevant for certain spices such as chillies and ginger. A large market segment is moving towards fresh products. In Southern EU countries fresh products (especially herbs) are often preferred to dried ones and opportunities for dried can be less. Germany, France, UK, Belgium and Netherlands seems to be the major consumers of herbs in the EU. For instance, inspired by TV chefs, health-conscious German consumers are increasingly choosing fresh herbs to spice up their dishes. An interest in Mediterranean cooking and fresh herbal teas is opening up the market for basil, rosemary, oregano and mint, while chives have long been popular in German cuisine.</p> <p>The strict buyer requirements suppliers have to comply with food safety (hygiene and traceability) and quality control (mycotoxins and MRL) form a serious barrier to entry to the market. Market entry requirements are increasingly becoming stricter as a result of technological advances and food safety scandals. In addition, non-legal requirements imposed by EU buyers are also getting stricter and require attention from suppliers.</p> <p>This business case proposes to focus on establishing a robust supply chain of portfolio of high quality fresh herbs from Kenya to EU market.</p>
3. Important elements for the success of this business case	<p>Describe the elements:</p> <ol style="list-style-type: none"> a) EU Market: Premier Seed and its Dutch partners will work very hard to establish supply contract with prominent UE based traders and companies. Based on supply schedule, Premier Seed and its Dutch partners will establish a high quality supply chain of fresh herbs from Kenya to EU. Premier Seed and its Dutch partners will form a joint venture and register a new company that will focus on supply chain management i.e. coordinating production, processing and shipping of fresh herbs according to supply contracts. b) High quality herbs seed; Based on Premier Seed experience in seed propagation and business relationship with a Dutch Seed company Enza Zaden, the joint venture compay will strengthern this partnership and establish a robust and sustainable source of high quality herbs seed so that the quality of herbs produced in kenya is not compromised. c) Finance mechanisms for production infrastructure “tripatite arrangements” so that Premier Seed and its contracted farmers have access to premium quality seed, state of the art irrigation kits and greenhouses d) Production Management – production should be planned according to customer requirements and in accordance to quantity and delivery schedule. For the success of this business, production

	<p>planning and management is crucial to avoid delays in deliveries and being unable to meet order volumes required by clients.</p> <p>e) Robust Supply Chain Management – The fresh herb market is very much defined by the freshness of the product and how well it holds up in transit. Fresh herbs don't travel well beyond a few days so the market is limited by what the produce distribution system can deliver within that time frame. Basil is usually the first to suffer, but others such as chives and cilantro have short best-before dates. For the success of this business, a robust supply chain management need to be in place so that the quantity, quality and consistent and timely delivery are not compromised</p>
<p>4. Investments requirements</p>	<ol style="list-style-type: none"> 1. Once Dutch partner is brought on board, Premier Seed intends to enhance its investment in capacity building of outgrower farmers, ensuring that they comply to good practice in the herbs production, through training that adheres to Good Agricultural Practices (GAP) and handling produce from farm to packaging. Based on Premier Seed's past experience, the trainings will be more frequent and amplified to cover EU market requirements like use of pesticides and integrated pest management system (IPMs). This will include setting up traceability system that ensures that in case of a quality issue at the export market, we are able to track the produce to the original farm for action. 2. But also due to some inconsistencies Premier Seed will establish own farm whereby it will produce consistently at least 40% of the total orders. Premier Seed's own farm will also produce delicate herbs that require robust on farm management. 3. Premier Seed is also targeting to roll out a scheme where farmers who have been struggling in getting modern farming technologies like drip irrigation kits and greenhouses are put into a credit programme that allows them to access this facilities and repay with proceeds from sale of their produce.
<p>5. The lead firm/champion</p>	<p>Premier Seed Kenya Limited (hereafter Premier Seed) is a private company that was registered in 2012 primarily as a marketing operation providing seed products, backup services, technical advice and seed production contracts. Premier is licensed to operate both locally and in over board territories through a dealer network covering major vegetable production areas. The company has a team of field operatives who provide technical support to the dealers who work with customers in areas where there are no agents. The company also arranges for professionally run product evaluations and enters candidates for state registration. The company provides both hybrid and open pollinated varieties (OPVs) vegetable seeds mainly sourced from overseas suppliers with a vast experience in both greenhouse farming and open field farming. Specifically, Premier Seed has partnered with breeders from Denmark, South Africa and The Netherlands to leverage its world class labs and technology to co-develop seed varieties suitable for the African market. Premier Seed offers reliable, objective, and affordable services tailored to individual client needs. Premier Seed is selling vegetable seeds countrywide in Kenya as well as in neighbouring countries in collaboration with other companies in marketing of specialized range of chemicals, equipment, hydroponic fertilizers, coco peat and greenhouse tunnels. The personnel - professional geneticists and agriculturists - responsible for Premier Seed's R&D and seed production ensure that high quality, high yielding vegetable seeds are developed at its production centers around the globe.</p> <p>Synergy from other Premier Seed business:</p> <ol style="list-style-type: none"> 1. Premier Seed has been working with a portfolio of over 30 contract farmers spanning across major production areas in Kenya, and has been supplying fresh herbs to EU based traders. Through this experience, Premier Seed has positioned itself as the upcoming medium scale enterprise in the herbs business since its inception in 2012. Premier Seed continues to recruit more farmers who have expressed enthusiasm in the production of herbs. Over 8 EU based traders and companies from Belgium, France, Germany and the Netherlands have approached Premier Seed's in the last two years because of the good quality herbs. 2. Premier Seed has also built a database of numerous farmers across the country who have expressed interest and will therefore meet the market demands with these numbers; provided the new venture will put in place quality management and control systems. 3. Premier Seed also takes the entire technical aspect of ensuring the right seeds are availed to farmers timely and high quality fresh herbs are availed to the market timely and in consistency required. This includes sourcing for the right seed, carrying out agronomic support which include soil testing, intensive training that entails introducing farmers to the new age farming techniques, observing Good Agricultural Practices, harvesting, sorting and packaging the herbs which is then ready for export.
<p>6. Other potential partners</p>	<ol style="list-style-type: none"> 1. Enza Zaden; is an international vegetable-breeding company. It has been selling herbs since 2001. Its main market is Europe, with a particular focus on Scandinavia, the Baltic States, UK, Benelux, Germany, France, Italy, the United States, Canada and Eastern Europe. Within these markets, our crop focus is

	<p>on basil, chive, dill, parsley and wild rocket (<i>Rucola selvatica/Diplotaxis tenuifolia</i>). Enza Zaden has been working with Premier Seed in getting the best patented herbs seeds for propagation. Enza Zaden will continue to work with Premier Seed in this initiative.</p> <p>2. Agri Irrigation & Borehole Limited (AB); is a drilling, irrigation, greenhouse and general water service company registered in Nairobi Kenya. Founded in 1999 the company has done tremendous work in irrigation works, boreholes drilling, equipping, greenhousing and dams to community and private projects. The AB units are design, installation and services offering drilling for community and private companies, hydrogeological survey, installation of pumps and generators, irrigation work for both large scale and subsistence farmers and green house work for intensive farming. AB is also offering services in construction of dams, dam linings and fish ponds. Premier Seed has been working with AB and will continue to access its services in this new venture.</p> <p>3. National Bank, Chase bank & Housing Finance K Limited; have been financial partners of Premier Seed for different business needs. Premier Seed is confident that these financial partners will be excited by this new venture and will be able to support the initiative.</p>
7. Dutch interest/ linkage foreseen	<p>Premier Seed proposes an investment of model where the Dutch partner injects funding that will allow Premier Seed increase herb portfolio to better respond to market requirements while increasing their own production versus the farmers under contract to grow volumes that markets are demanding. Such undertaking requires investment to operationalize to fruition and logistical and administration management of the entire supply chain.</p>
8. Start-up time	<p>As soon as possible</p>
9. Area of coverage	<p>Premier Seed currently works with 30 contract farmers spread across Kenya who are able to on average provide 300 Kilos of produce every week. The model is growing in coverage area and in produce portfolio with every produce receiving thumbs up from farmers and a nod from markets. Unfortunately, it has been quite hard to meet the required orders for both local and export markets. Since its inception Premier Seed has managed to enter into contract with fresh herbs buyers from Belgium (Bell' Aroma), which has ever since dropped supply contract as Premier Seed could not meet the consistent supply of the orders (4.5 tonnes per month); others fresh herbs buyers who continue to buy from Premier Seed include Vita Cress (The Netherlands) and 5 other local export firms who have expressed insatiable appetite for Premier Seed's fresh herbs. Premier Seed intends to roll out portfolio of fresh herbs informed by the burgeoning EU demand.</p>
10. Risk Assessment	<p>1. Herbs are quite delicate crop that require robust quality control mechanisms throughout planting, harvesting, processing and shipping until they reach final retailer and eventually consumer. Premier seed and its partner will establish a robust quality control along entire supply chain guided by:</p> <ol style="list-style-type: none"> General Guidelines for Good Agricultural Practices on Spices & Culinary Herbs, International Organisation of Spice Trade Associations (IOSTA), Comply to European Spice Association (ESA) Adulteration Awareness Document Comply to ESA Product Information Standard Packaging material in conformity with fresh herbs quality requirements tapping on the tested benefits of polyethylene liners in increasing the shelf- life of parsley and watercress Comply to European Spice Association (ESA) Quality Minima Document Establish effective allergen control plan along entire supply chain including staff training and education <ol style="list-style-type: none"> Documentation of allergen management system in place. Comply to ESA Position Statement on Allergen Labelling <p>2. There is a perceived risk that some consumer may opt to use dried and/or synthetic herbs that are much cheaper in the market. Substitution from dried herbs and synthetic herbs will remain minimum because:</p> <ol style="list-style-type: none"> The threat of substitution for fresh products is mainly relevant for some dried herbs (e.g. basil, thyme and parsley) but can also be relevant for certain spices such as chillies and ginger. A large market segment is moving towards fresh products. In Southern EU countries fresh products (especially herbs) are often preferred dried ones and opportunities for dried can be less. There is a significant threat of permanent or temporary substitution especially for expensive spices and herbs that are in short supply, such as vanilla. Most food processing companies will however stick to the natural product. A large and growing share of the market however prefers the real thing as it is considered healthier and tastes better. Many brands have committed to using non-artificial additives in their products. Changing to synthetic spices and herbs would mean changing their recipes, packaging and marketing.

11.Next steps/Way forward:	<p>In order to move forward, the following steps are proposed:</p> <ol style="list-style-type: none"><li data-bbox="389 192 1517 282">1. Once interested Dutch partner (s) are identified, Premier Seed would engage with them to discuss this business case further and figuring out the nature of partnerships and business model. During this stage, a visit to Kenya is foreseen.<li data-bbox="389 286 1517 347">2. Thereafter, further feasibility and business planning will take place to firm up activities, investments and financing mechanisms
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Case 4: Wamu Investments Limited

Table 9: Business case 4: Wamu Investments Limited

Business Case: Wamu quality fresh herbs supply chain	
1. Introduction	Embassy of the Netherlands (EKN) in Nairobi and Dar es Salaam, commissioned Match Maker Associates Limited (MMA) to carry out a study of the demand and supply of fruits and vegetables for the export markets of EU and UK. The aim was to find a match between demand and supply and based on the outcome, define key investment opportunities and develop business cases. These cases were validated with key private sector actors. One of the validated business cases, is a case of developing quality fresh herbs supply chain in Kenya for the EU/UK market.
2. Emerging opportunity/ Value proposition	<p>According to CBI, the European demand for fresh herbs is increasing. Fresh herbs such as basil, chives and mint thrive with the consumer trend of buying natural and the appreciation of culinary experiences. Opportunities for producers and exporters in developing countries are most prominent during the EU off season (November – April). However, suppliers are expected to maintain excellent product quality and high standard packaging.</p> <p>The power of buyers in the EU has traditionally been strong, but with increasing scarcity and high prices, the power balance is shifting to suppliers in origin. The high prices and the growing sense of scarcity will attract new suppliers over time. The expectation is that the EU market for most spices and herbs will continue to grow. Therefore, EU market will continue to provide opportunities for suppliers that are able to meet the volume, consistent supply and high quality and food safety buyer requirements. Opportunities for small and medium-sized enterprises in developing countries are found particularly at the high-end of the market. Currently, UK own production (May – October) is lead by Herbs Unlimited, Barfoots and WattsFarms. FV SeleQt in partnership with Flamingo Kenya sourcing from Kenya and Sainsbury's supermarket chain sources most of its fresh herbs from Ethiopia, Spain, Italy and Jordan.</p> <p>The threat of substitution for fresh products is mainly relevant for dried herbs (e.g. basil, thyme and parsley) but can also be relevant for certain spices such as chillies and ginger. A large market segment is moving towards fresh products. In Southern EU countries fresh products (especially herbs) are often preferred to dried ones and opportunities for dried can be less. Germany, France, UK, Belgium and Netherlands seems to be the major consumers of herbs in the EU. For instance, inspired by TV chefs, health-conscious consumers are increasingly choosing fresh herbs to spice up their dishes. An interest in Mediterranean cooking and fresh herbal teas is opening up the market for basil, rosemary, oregano and mint, while chives have long been popular in German cuisine.</p> <p>The strict buyer requirements suppliers have to comply with food safety (hygiene and traceability) and quality control (mycotoxins and MRL) form a serious barrier to entry to the market. Market entry requirements are increasingly becoming stricter as a result of technological advances and food safety scandals. In addition, non-legal requirements imposed by EU buyers are also getting stricter and require attention from suppliers.</p> <p>This business case focuses on establishing a robust supply chain of portfolio of high quality fresh herbs from Kenya to EU market.</p> <p>This business case proposes to focus on:</p> <ol style="list-style-type: none"> a) Develop a new product line of Herbs (Chives, Basil, Parsley, Thyme, Rosemary & Mint) b) Establish strong market linkage for export of Herbs
3. Important elements for the success of this business case	<ol style="list-style-type: none"> f) Produce to order: WAMU strive to develop a consistent and sustainable market for Herbs, Broccoli, and chillies. WAMU wants to diversify into production of herbs and develop the broccoli and chillies' lines of production more both in volumes

	<p>and markets. WAMU needs to consolidate and focus on reliable markets so as to establish a production plan.</p> <p>b) Product development: Identify the right seeds to plant and jointly develop a planting protocol to ensure the crop is grown well.</p> <p>c) Infrastructure: Putting the right infrastructure to facilitate crop development i.e. Greenhouses, irrigation systems and cold chain.</p> <p>d) Technical support: Personnel experts who can support on the crop agronomy and be involved through the production cycles and supply chain management.</p>
4. Investments requirements	<ol style="list-style-type: none"> 1. A feasibility study needs to be done to establish the costs required in establishing production of herbs. The costs would mainly be centered around infrastructure set-up i.e. Greenhouses and irrigation systems. 2. Cold chain from WAMU farms to packhouse including packaging materials and quality control unit
5. The lead firm/champion	<p>WAMU Investments Ltd is an indigenous local company founded in 1989 that produces and exports fresh fruits and vegetables to European Union, United Kingdom, Middle East and Africa. It is registered by the Horticultural Crop Directorate and is a member of the Fresh Produce Association of Kenya. The key products exported are French Beans, Snow Peas, Sugar Snaps, Broccoli, Chillies, Baby Vegetables, Asian Vegetables, Avocados, Mangoes and Passion Fruits. Last year (2016), the company exported 1,000 Metric tonnes of produce bringing in a turnover of USD 1.7M in foreign currency to the Kenyan economy.</p> <p>WAMU has its own farms and over eight hundred outgrowers spread across the country that produces all the products that are exported. The produce is Global Gap certified.</p> <p>The company headquarters is strategically based right at the doorstep of the airport to ease packaging and export logistics. The property lies on a one-acre property that houses a 3,500 square meter packhouse with current throughput of 200 tonnes every month. There is still a huge unutilized capacity. The packhouse is BRC and BSCI certified.</p> <p>WAMU has a strong management team that has been consistent in the growth of the company. The vision is to achieve global recognition as a fresh produce exporter of choice from Kenya. The mission is to expand the market share by operating profitably while producing hygienically safe and quality horticultural produce for the export market.</p> <p>In the next two years WAMU aims to double profitability through increased market growth; increased productivity; acquisition of technologies that reduce farming costs; product and market diversification and exploiting more opportunities in the local market.</p> <p>Synergy from current WAMU business:</p> <ol style="list-style-type: none"> 1. WAMU has over 25 years experience of exporting fruit and vegetables to the EU. The proposed new investment strengths and experience of supplying EU customers with fresh products meeting EU standards. 2. WAMU own farms at Kinangop (20ha); Rumuruti (45ha)... will be utilised to install greenhouses and drip irrigation infrastructure for scheduled herb production to meet buyers orders 3. WAMU Packhouse in Nairobi will be used for processing and packaging of herbs prior to despatching them through existing <p>WAMU existing relationship with commercial banks in Kenya</p>
6. Other potential partners	<p>f) Amiran Kenya Limited & Hortipro Limited: These are greenhouse providers who are involved in setting up, construction of the greenhouse and installation of drip/water systems. Both companies have financial plans that can facilitate acquiring infrastructure for herbs production including installation of greenhouses and drip irrigation facilities in WAMU own farms</p> <p>g) Seminis East Africa & Syngenta: have been reliable seed supplier to WAMU and its contracted farmers and these companies are able to provide herbs seeds</p>

	<p>h) Koppert Biological Systems: has been a partner with WAMU in providing biological solutions for pest and disease management.</p> <p>i) Latia Resource Centre: Provide support in recruitment of key staff for production, staff training and development of farming procedures</p> <p>j) Kenya Commercial Bank & Equity Bank. WAMU has an existing relationship with Kenya Commercial Bank and Equity bank who can consider funding in agribusiness related activities based on WAMU good track record.</p>
7. Dutch interest/ linkage foreseen	WAMU seeks a herbs market partner in the Netherlands to explore this opportunity of sustainable production of Herbs. WAMU preference is a trader and or marketer who we can partner with to provide us with guaranteed market and at the same time invest time and resources in the production process. WAMU have very limited expertise in herb production and would be interested in getting a partner to participate in the production process.
8. Start up time	As soon as possible
9. Risk Assessment	<p>1. Production and yield could be very low and hence buyer loses interest because of small and inconsistent supply</p> <ol style="list-style-type: none"> a. Engage with agronomist who is expert in herbs production b. Using high quality seeds from reliable supplier c. Develop production management systems <p>2. WAMU is overwhelmed by orders on their core products (fruits and vegetables) and unable to invest in herbs production</p> <ol style="list-style-type: none"> a. Seek credit facility from commercial bank to finance diversification processes b. Develop a robust outgrower scheme with carefully selected herb farmers <p>3. WAMU is overwhelmed by growth and unable to manage the growth of diversified business lines</p> <ol style="list-style-type: none"> a. Invest in business management systems and training b. Engage short term experts (consultants) to support the management team in growth management <p>4. There is a perceived risk that some consumer may opt to use dried and/or synthetic herbs that are much cheaper in the market. Substitution from dried herbs and synthetic herbs will remain minimum because:</p> <ol style="list-style-type: none"> a. The threat of substitution for fresh products is mainly relevant for some dried herbs (e.g. basil, thyme and parsley) but can also be relevant for certain spices such as chillies and ginger. A large market segment is moving towards fresh products. In Southern EU countries fresh products (especially herbs) are often preferred dried ones and opportunities for dried can be less. b. There is a significant threat of permanent or temporary substitution especially for expensive spices and herbs that are in short supply, such as vanilla. Most food processing companies will however stick to the natural product. A large and growing share of the market however prefers the real thing as it is considered healthier and tastes better. Many brands have committed to using non-artificial additives in their products. Changing to synthetic spices and herbs would mean changing their recipes, packaging and marketing.
10. Next steps/Way forward:	<p>In order to move forward, the following steps are proposed:</p> <p>3. Once interested Dutch partner (s) are identified, WAMU would engage with them to discuss this business case further and figuring out the nature of partnerships and business model. During this stage a visit to Kenya is foreseen. Thereafter, further feasibility and business planning will take place to firm up activities, investments and financing mechanisms</p>

Case 5: Interveg Company Limited

Table 10: Business case 5: Interveg Company Limited

Business Case: Interveg quality fresh herbs supply chain	
1. Introduction	Embassy of the Netherlands (EKN) in Nairobi and Dar es Salaam, commissioned Match Maker Associates Limited (MMA) to carry out a study of the demand and supply of fruits and vegetables for the export markets of EU and UK. The aim was to find a match between demand and supply and based on the outcome, define key investment opportunities and develop business cases. These cases were validated with key private sector actors. One of the validated business cases, is a case of developing quality fresh herbs supply chain in Kenya for the EU/UK market.
2. Emerging opportunity/ Value proposition	<p>This business case proposes to focus on:</p> <p>There is a continuing and expanding international demand for herbs and spices . Social changes, including food diversification, the desire for new flavours, increased importance of processed food, which requires condiments and aromatic herbs for its preparation, are driving an increase in this demand.</p> <p>Developing countries like Kenya have a significant opportunity to benefit from this increasing demand.</p> <p>It is for this reason that Interveg Exports Ltd, has embarked on the growing and export of herbs i.e..Dill, Chives, Basil, Mint, Corriander,Rosemary,sage, lemon verbaner, parsley and lemon grass.</p> <p>These products are a profitable source of diversification for Interveg Exports whose major export crop has been french beans, snowpeas and sugarsnaps</p>
3. Important elements for the success of this business case	<p>a) Organizational Ability: Infrastructural strength of the business as an integrated organization under a strong leadership. Interveg expects the The company has two directors, John Maina and Purity Naisho – Maina, who between them have more than 20 years in the horticultural export industry. Both are also trained managers holding business degrees from Punjab University, India.</p> <p>b) Financial Comfort: Is required in maintaining a positive cash flow and ensuring adequate equity and investment at most if not all the time. The last audited accounts for the year ended 2016 show Interveg to be in a fair financial position with an asset value of > €350,000. Herb growing requires finances for labour, the various fertilizers, pesticides, packaging and freight charges among other hidden costs.</p> <p>c) Continuity: The company intends to increase number of skilled personnel to ensure continued and improved sustainable business. Improving on the current systems will ensure the company always adheres to the changing requirements of the industry. The new business venture should be seen as a dynamic entity. The business is required to possess momentum and continuum in all of its aspects.</p> <p>d) Growth and strategic goals: The new venture should strive to achieve its strategic business plan and set targets and seek new options or ideas on how to achieve these targets.</p> <p>e) Infrastructure and logistics. Interveg Exports is in the process of leasing a 20 acre farm which is complete with borehole water, pipings and green houses. The green houses are being renovated to make them ideal for the growing of inhouse herbs like basil and chives. Interveg has a fleet of 4 trucks but with the entrant of a new partner, these can be increased to cater for the urgency in postharvest care of the herbs so that they reach end consumer when still very fresh.</p>
4. Investments requirements	<ul style="list-style-type: none"> • Lease of land – The 20 acre farm that will be leased will not be sufficient to meet the demand anticipated. We shall require another 30 or so acres and prepare it as well. • Logistics – Increase in the number of trucks to ease the logistics of moving the herbs from farm to packhouse and airport. • Expertise – We shall require someone with vast knowledge in the agronomy and post harvest care of the herbs. Interveg Exports has a trained agronomist, but with limited knowledge on herbs. • Financial investment – The operation costs of the growing and export of the herbs

	have to be catered for.
5. The lead firm/champion	<p>Interveg Exports Limited is a horticultural exports company, based in Nairobi, Kenya. Formed from a simple idea that was spurred by the desire to open up Africa's purest horticultural produce to the world, the company started in 2003.</p> <p>Interveg Exports Limited has now bloomed to a fully-fledged company that now exports to vast markets across Europe and United Kingdom.</p> <p>Based in the capital city of Kenya, the company is perfectly located within the precincts of the main International Airport. This proximity to the airport ensures our produce gets into the supply chain still fresh and ensures effective and flawless service to our clients.</p> <p>The company has in the past concentrated in the growing and packaging of French beans, sugar snaps and snow peas over the years. The company, in its strategic planning, 2017 has seen the opportunity in diversifying the products they export to further grow the company. Synergy from current Interveg business:</p> <ul style="list-style-type: none"> • Brand name - Interveg Exports Ltd is a known brand, known for quality and Consistency. However, for the new venture, an agreement on business name to use needs to be finalised, either have a new entity where directorship will be discussed, and any other legality arising. • Infrastructure – The company is well grounded having a fleet of trucks (3) and 1 pic up, a godown that is BRC certified and Global Gap certified farmers, SMETA and soon to be Fair For Life certified, as well trained staff on Haccp and other market standards. • Market – The company has a wide network of clients in Europe who are willing to partner with in the import of the new products that the company intends to export. • Suppliers – Apart from the leased farm(s) that Interveg will manage, the company also intends to contract at least 50 farmers who are also Global Gap certified to ensure the sustainable supply of safe and quality produce.
6. Other potential partners	<p>Freight companies: Morgan Air, Kuehn+Nagel, Air Connection and Liftcargo</p> <p>Banks – Stanbic Bank Kenya</p> <p>Certification companies: BRC and Global Gap</p> <p>Inputs and Packhouse suppliers: Seeds – Kenya Highlands, Hygrotech and Packaging-Carton Manufacturers, Techpack</p>
7. Dutch interest/ linkage foreseen	<p>What should the Dutch partner bring on the table to make the new business successful?</p> <ul style="list-style-type: none"> • Market & Expertise – Despite the company having an established network of clients in Europe, the Dutch partner may increase this network by providing new frontiers to market the export products. As well as any expertise in their area of operations. • Finance – The Dutch partner will also be required to provide financial input in the operations of the company / new venture. <ul style="list-style-type: none"> ○ Green houses construction - Some of the herbs like basil and chives require specialized attention and controlled growing conditions and this requires them to be grown in green houses. ○ The new products also require new packaging. ○ Renewal of annual Audits from the government and other certifying bodies and licencing bodies for the packaging and export of herbs and avocados. ○ Specialized training for the suppliers on the agronomy of growing herbs. ○ Increase efficiency in the supply chain, this means expansion of existing infrastructure - bigger pack house or increase the efficiency to the existing one by building more cooling panels, increase number of trucks and increase in number of trained staff. ○ Lease of farm. For the safe and planned production of herbs, it's necessary to have a dedicated farm for the herbs. This will ensure low risk of contamination from other plants in the farm. It is therefore prudent to lease land where the agronomy of the herbs can be monitored. ○ Marketing : The partner will assist the company market its products. This can be in the form of attending international exhibitions like the annual Messe Berlin, Germany.

8. Start-up time	The company has sourced and identified potential farmland where it can either contract the farmers to grow the herbs or lease the land to Interveg and we grow the herbs itself, so the starting time is as soon as possible.
9. Area of coverage	Production areas, targeted markets Our main area of operation is in Isinya Kajiado county for the herbs which is about 50 kilometres from Nairobi. Our target market remains in Europe with the possibility of expanding to the UAE in future.
10. Risk Assessment	<p>1. Herbs are quite delicate crop that require robust quality control mechanisms throughout planting, harvesting, processing and shipping until they reach final retailer and eventually consumer. Premier seed and its partner will establish a robust quality control along entire supply chain guided by:</p> <ol style="list-style-type: none"> a) General Guidelines for Good Agricultural Practices on Spices & Culinary Herbs, International Organisation of Spice Trade Associations (IOSTA), b) Comply to European Spice Association (ESA) Adulteration Awareness Document c) Comply to ESA Product Information Standard d) Packaging material in conformity with fresh herbs quality requirements tapping on the tested benefits of polyethylene liners in increasing the shelf- life of parsley and watercress e) Comply to European Spice Association (ESA) Quality Minima Document f) Establish effective allergen control plan along entire supply chain including staff training and education <ol style="list-style-type: none"> a. Documentation of allergen management system in place. b. Comply to ESA Position Statement on Allergen Labelling <p>2. There is a perceived risk that some consumer may opt to use dried and/or synthetic herbs that are much cheaper in the market. Substitution from dried herbs and synthetic herbs will remain minimum because:</p> <ol style="list-style-type: none"> d. The threat of substitution for fresh products is mainly relevant for some dried herbs (e.g. basil, thyme and parsley) but can also be relevant for certain spices such as chillies and ginger. A large market segment is moving towards fresh products. In Southern EU countries fresh products (especially herbs) are often preferred dried ones and opportunities for dried can be less. e. There is a significant threat of permanent or temporary substitution especially for expensive spices and herbs that are in short supply, such as vanilla. Most food processing companies will however stick to the natural product. A large and growing share of the market however prefers the real thing as it is considered healthier and tastes better. Many brands have committed to using non-artificial additives in their products. Changing to synthetic spices and herbs would mean changing their recipes, packaging and marketing.
11. Next steps / Way forward:	<p>In order to move forward, the following steps are proposed:</p> <ol style="list-style-type: none"> 4. Once interested Dutch partner (s) are identified, Mara Farming Group would engage with them to discuss this business case further and figuring out the nature of partnerships and business model. During this stage, a visit to Kenya is foreseen. 5. Thereafter, further feasibility and business planning will take place to firm up activities, investments and financing mechanisms