The Horticulture Sector in Kenya

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Introduction

Trade liberalisation can be defined as any act that would make a trade regime more neutral and nearer to a trade system free of government. Trade liberalisation has a number of common features i.e. it involves neutralizing of incentives for exports and imports at low tariff levels through the removal of import quotas and other quantitative restrictions or their conversion to tariffs, removal or reduction of export taxes, subsequent reduction of the level and dispersion of import tariff rates and the compensatory devaluation of the local currency. The link between poverty and trade liberalisation matter, because poverty is the greatest challenge to public policy and reducing it is the most fundamental objective. Macroeconomic and structural reforms and liberalisation under the WTO arrangement have been able to give Kenya's horticulture a major boost making it one of the largest foreign exchange earners. Horticulture production in Kenya began during World War 2 with the aim of distributing food to the Allied Forces based in East Africa. From this time onwards Kenya's horticultural exports have caught up with other markets around the world.

The horticulture sector in Kenya has a likely impact on poverty in a number of ways. Many of the workers employed in this sector are either unskilled or semi-skilled and are employed on a casual basis. Most of the work on these farms is done on a seasonal basis and, so there are longer working hours during the high season and a reduced demand for workers during the low season. These exports could alleviate poverty in two ways. Firstly, exporters create employment in their own farms and secondly, through the purchase of produce from small scale farmer or holders.

Economic Partnership Agreements and the European Market

Kenya had taken advantage of duty free market access from the European Union and built its horticultural exports base. Horticultural produce includes: vegetables, flowers and fruits. The preferential tariff regime with the European Union comes to a close in December 31st 2007 and will be replaced by a negotiated reciprocal trade regime under Economic Partnership Agreements (EPA). If an agreement on EPA's is not concluded by this time then Kenya will have to shift to the General System of Preferences (GSP), where some of the exports will have to face import duty on their products. When it comes to horticulture, GSP will mean the erosion of competitiveness of the products due to import duty. This could mean that Kenya could lose her already established markets to other competitors in Africa that already have a Free Trade Agreement with the European Union. This could lead to employee downsizing, loss of employment and relocation of investors to other countries. Economic Partnership Agreements are currently being negotiated under the umbrella of the Eastern and Southern Africa (ESA) group and are at an advanced stage. These negotiations are being steered by the main objectives of EPA's which are; sustainable development of African, Caribbean and Pacific countries, their gradual integration into the global economy and the eradication of poverty.

When talking of EPA's, East and Southern African countries have a lot to benefit from, through regional economic integration from regional programmes being put together as a framework for cooperation with the European Commission. Kenya stands to gain in areas of trade in goods, services, investment, marine and inland fisheries resources. There has recently been a lot of anxiety among exporters to the European Union in the recent past. This is due to the fear that the dead line for the conclusion of the EPA negotiations may elapse before an agreement is reached as other countries are slowly progressing.

Problems Currently Facing the Horticulture Sector

For the first time in thirty years the flower industry has suffered a decline in profits and is facing threats from other players in this sector like Ethiopia. This could see the sector going through a period of massive job cuts. Many Kenyan investors are moving not only to Ethiopia but also to other countries like Tanzania, Uganda, and South Africa due to favourable economic terms and better infrastructure. There are also fears that plans to mechanize operations in the flower farms to cut down on operational costs could lead to unemployment. Mechanising operations is currently the trend in Europe where one person does a job which would usually require a lot more people. Further losses are expected in the flower industry as summer in Europe had gone on for longer then expected and this will affect exports because flower sales are higher in the cold season. The decline in profits can also be attributed to the strong shilling and the severe drought which the country recently experienced.

The government is trying to put to rest fears in the industry and has drafted a policy paper that will address all the problems being faced by this sector. Other players in this sector feel that the government should create a board that will oversee the activities here and be more supportive. There is also the issue of Kenya no longer enjoying the comparative advantage it once had as more players are now involved. Other issues that need to be looked into are high freight costs, delayed VAT refunds, high costs of inputs and lack of extension services. The proposed horticulture policy will look into these constraints. This fast growing sector could be heading for some difficulty unless measures are taken to protect it from international competition.

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[i] Views expressed are personal