



REPORT OF THE NATIONAL CAPACITY-BUILDING WORKSHOP ON CONTRACT FARMING TO AGRI-VALUE CHAIN ACTORS IN NAIROBI, KENYA AT SAFARI CLUB ON 22ND AUGUST 2023.



1.0 INTRODUCTION

The global crises of COVID-19, Conflict, and Climate Change pose challenges to EAC economies and business growth. The East African Business Council (EABC) partnered with Sequa GmbH under the Business Scouts Fund in the project on "Enhancing Competitiveness of Agri-food Industry and Mitigating the Impact of Global Crises to Improve Food Security in the EAC Region." Under the project, EABC organised the Master Trainers Capacity-Building Workshop on "EAC Export procedures and contract farming" on Monday, 24th July 2023 in Kampala, Uganda. During the training participants were exposed to the latest developments in Contract Farming to Agri-value chain and EAC Export Procedures for Food Products. The training sought to improve the technical and contractual capacity as well as enhance the understanding of export procedures and documentation for Agri-actors.

Following the Regional training, the EABC in collaboration with Kenya Private Sector Alliance (KEPSA) organised the National Capacity-Building Workshop on Contract Farming on 22nd August 2023 in Nairobi, Kenya.

2.0 BACKGROUND AND OBJECTIVE OF NATIONAL CAPACITY-BUILDING WORKSHOP

Contract farming for agri-actors is rooted in the need to strengthen agricultural value chains, enhance productivity, and promote sustainable partnerships within the agricultural sector. Contract farming offers numerous benefits, including market access, improved production practices, risk sharing, and income stability for farmers. However, successful implementation of contract farming requires Agri-actors to clearly understand its principles, processes, and best practices.

By providing training on contract farming, Agri-actors such as farmers, processors, and buyers can acquire the necessary knowledge and skills to engage in effective contract farming arrangements.

The main objective of the training was to improve the capacity and skills of Agri-actors in Contract Farming in Kenya in a bid to enhance the competitiveness of the Agri-food industry and mitigate the impact of global crises on food security in the region.

The training aimed to equip them with the ability to negotiate fair and mutually beneficial contracts, understand their rights and responsibilities and effectively manage the various aspects of contract farming, such as quality control, pricing mechanisms, and dispute resolution.

3.0 PARTICIPANTS

The workshop convened **35 Agri-Value chain stakeholders** from the Ministry of Agriculture, a representative from Giz, and the media to deliberate on the farming principles, processes, and best practices related to Contract Farming in the Region. The list of participants is attached as an **appendix**.

4.0 OPENING REMARKS

Mr. Lordesturs Gordon, a representative from the Ministry of Agriculture, and Livestock Development in Kenya expressed his gratitude to the EABC and KEPISA for organising the workshop. He urged all stakeholders to utilise the knowledge gained to build a resilient economy by enhancing investment in Agricultural value chains.

Dr. Agatha Thuo, Managing Director of The Agriculture Sector Network (ASNET) highlighted that 80% of producers are small-scale farmers who lack the knowledge to effectively market their products due to information asymmetry. She further emphasised that agriculture contributes up to 23% of the GDP and 65% to all exports, underscoring the importance of strengthening the Agri-Value chain.

Ms. Edda Otieno, Junior Advisor at GIZ Business Scout Fund for Development in Kenya, expressed her gratitude to the business community for their active participation in the National Contract Farming in Agri-Value chain initiative. She assured continued support to the Private Sector Associations on matters related to Agri-Value chains, digital transformation, matchmaking, trade fairs, etc. to ensure a sustainable supply in the value chain in a bid to mitigate risks associated with global supply disruptions.

Mr Gift Gabriel, EABC Trade Information Officer, conveyed his heartfelt appreciation on behalf of Mr. John Bosco Kalisa, CEO of the East African Business Council (EABC) to the participants of the National Workshop on contract farming to Agri-Value chain that

was organized on the ground by Kenya Private Sector Alliance (KEPSA). He also sent his appreciation to the German Development Cooperation (GIZ) through SEQUA for their invaluable support in implementing the project titled 'Enhancing the Competitiveness of the Agri-Food Industry and Mitigating the Impact of Global Crises to Improve Food Security in the EAC Region.'

5.0 THE TRAINING SESSION

Based on the stakeholders' engagements the following key highlights and takeaways from the training were provided:

5.1. Promote supportive state policies.

Governments may play two important roles in improving the negative effects of contract farming. First, the State may act to regulate the market ensuring that contractors do not abuse their market power. **For example:** the enactment of competition policies, the introduction of special contract law, and the provision of low-cost arbitration options.

Second, the State may facilitate contracting by encouraging agribusiness firms to initiate new contracts and providing support to smallholders to make them suitable for contract selection. Such facilitating activities may include the provision of training (for instance in negotiation), extension services providing information on pros and cons, and research on contract farming practices and their impact. But also providing more information on markets and prices may greatly support the position of smallholders when entering contract farming schemes.

Finally, direct subsidies to smallholders may be helpful. Smallholders with contracts could be subsidized in the early years of their participation to reduce yield risks.

5.2. Benefits of the Contract Farming

Contract farming ensures agreement on the allocation of value, the allocation of risks, and the allocation of decision rights. The allocation of value relates to the distribution of gains from the contracted transaction, specifically on the price or the price determination mechanism, and to the delivery conditions under which prices are paid.

Contract farming can reduce uncertainty for producers because the contractor provides a guaranteed outlet. In addition, by agreeing on the price before the growing season, the producer already has some certainty about his income. By stipulating in the contract, the type of inputs and the cultivation methods to be used, the contractor reduces the uncertainty about the quality of the product that he will receive.

Smallholders may benefit from contracting through (a) reduced risk in production and marketing, and (b) improved access to inputs, technical assistance, and credit. As Contract farming is not a goal, it should lead to higher income and/or more stable income, thereby also contributing to a reduction of poverty.

5.3 Risks of contract farming

Contract Farming shifts farm production to cash crops, which may adversely affect the production of basic food crops.

Contract farming may lead to more narrow local farm markets resulting from agricultural resources being diverted to contract farming. This creates problems for non-contract producers who then face thin markets and lower prices.

6.0 CHALLENGES AND RECOMMENDATIONS

The following challenges and recommendations were provided from the engagements with agri-actors:

No	CHALLENGES	RECOMMENDATIONS
1.	Asymmetric Bargaining Power	<ul style="list-style-type: none"> Promote farmer organisations and cooperatives to strengthen collective bargaining power. Encourage transparent contracts that clearly define terms and conditions, ensuring a fair distribution of risks and benefits.
2.	Unfavourable Contract Terms	<ul style="list-style-type: none"> Facilitate legal and financial literacy training for farmers to better understand contract terms and negotiate more equitable deals. Encourage the use of standard contract templates that protect the interests of both parties.
3.	Price Volatility and Market Risks	<ul style="list-style-type: none"> Introduce price stabilisation mechanisms like price floors or market-linked pricing to shield farmers from sudden price fluctuations in contracts. Foster the creation of future markets or commodity exchanges to enable farmers to hedge against price risks
4.	Inadequate Access to Credit and Inputs	<ul style="list-style-type: none"> Strengthen financial institutions' support by providing easy and affordable credit options to contract farmers for purchasing inputs and equipment. Encourage public-private partnerships to ensure timely and affordable access to quality inputs.
5.	Information Asymmetry and Lack of Technical Know-How	<ul style="list-style-type: none"> Develop extension services to educate farmers about best practices, technology adoption, and market trends. Utilise digital platforms and mobile applications to disseminate market information, weather forecasts, and agronomic advice.
6.	Legal and Regulatory Challenges	<ul style="list-style-type: none"> Streamline and simplify legal and regulatory frameworks to reduce bureaucracy and provide a conducive environment for contract farming. Establish dispute resolution mechanisms that are efficient, cost-effective, and accessible to both parties.
7.	Long-Term Viability and Dependency on Contracts	<ul style="list-style-type: none"> Encourage diversification of crops and markets to reduce over-reliance on specific contracts or buyers. Support farmers in developing value-added products or exploring alternative income streams to enhance sustainability.

Addressing these challenges will contribute to a more equitable and mutually beneficial contract farming system that supports the livelihoods of farmers while meeting the needs of the market.

MEDIA

EABC ROOTS FOR CONTRACT FARMING FOR FOOD SECURITY

<https://www.the-star.co.ke/business/kenya/2023-08-23-eabc-roots-for-contract-farming-for-food-security/>

REGISTRATION LIST OF PARTICIPANTS, KENYA

NATIONAL CAPACITY BUILDING WORKSHOPS ON CONTRACT FARMING TO AGRI-VALUE CHAIN NAIROBI KENYA			
NAME	INSTITUTION/COMPANY	PHONE NO	EMAIL
Ronaldo Juma Jaoko	KEPSA	0759733825	rjuma@kepsa.or.ke
Nzuya Wycliffe	KIBOS Sugar	0721796642	wenzuyaz@gmail.com
David Kwach	KIBOS Sugar	0718401124	dekwachlet@gmail.com
Achieng Valary	Kenya National Farmers Federation	0714865466	valaryotreno497@gmail.com
Nelson Ojijo	JKUAT	0720692381	ojijonko@jkuat.ac.ke
Jeff Mwangeni	Maxie and Max Africa	0723319255	jeffmwangemiss@gmail.com
Rafael Wafula	FPC Kenya	0720640076	raphaelwafula2014@gmail.com
Michael Chunga	INGRID GREEN Ltd	0714981773	michaelchunga@gmail.com
Wycliffe Mogere	Meru Greens Horticulture EPZ	0708245033	elifmogere@gmail.com
Madadi Samuel	Farms Works Farming Services Ltd	0725702831	sammadaddy.sm@gmail.com
Davies Nyachieng'a	KAM	0701622031	davies.nyachenga@kam.co.ke
Agatha Thuo	ASNET	0722422885	
Gideon Beit	Ministry of Agriculture	0714522527	effgideon2015@gmail.com
Evan Ndekei	Women Enterprise	0726862624	endekei@gmail.com
Nungwani Ndehi	Kamujuu Coffee farm	0722908181	nungari.ndehi@gmail.com
Samuel Baraka	Hephzlbah Ltd	0722954013	barakasamuel74@gmail.com
Cynthia Orwa	Tropical lush	0708852033	crwa83@gmail.com
Friday Kagwina	KENAFF	0726794085	mutabari.fridah@kenaff.org
Eva Koech	KENAFF	0729348444	koech@kenaff.org
Clare Gitaa	EAGC	0712652104	gsoko@eagc.org
Ruth Karanja	Kevidan	0720677429	ruth.karanja@kevidan.com
Umuro A Mamo	EAGC	0725247192	m_e@eagc.org
Edda Otieno	GiZ	0713279100	edda.otieno@giz.de
Charles Lexasm	AGVXE	0759078100	charles@agvxe.com
Martin Mwita	The Star	0716357979	hsmwita@gmail.com
Pauline Okubar	Azaan Foods	0722782205	pauline@azaanfoods.com
Fredrick Maina	Mwachaka Group Ltd	0702153117	truiyorganicfoods@gmail.com
Nancy Emidewa	Thonge Leather	0710942098	thange254@gmail.com
Nicholas Mati	Inades Formation Kenya	0704399716	nemati@gmail.com
Lordestus Gordon	Ministry of Agriculture	0740916184	lordesturgordon@gmail.com
Rachel Nyangesa	Miyonga Fresh Greens	0706581312	rachel@miyongafreshgreens.co.ke
Gerishon Were	Tropical lush	0714074474	weregerishon@gmail.com
Mbithe Yoma	EABC	0731659023	mbithey@gmail.com
Gift Gabriel	EABC	0744656356	ggabriel@eabc-online.com

POST-TRAINING EVALUATION ON THE PERCEIVED BENEFITS OF THE NATIONAL TRAINING

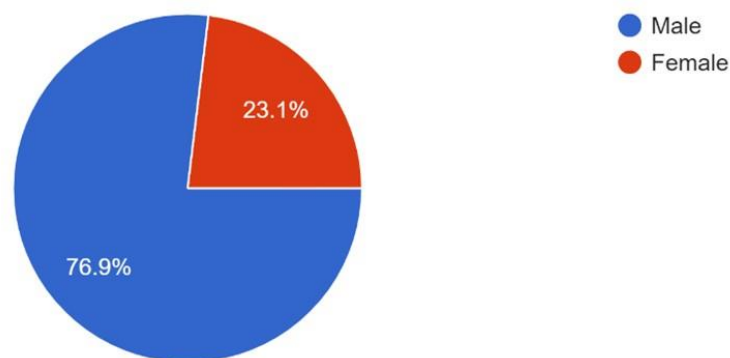
EABC conducted a post-training evaluation to get the perception of the benefits of the training. The following were the comments from the participants are summarised below:

PART A: GENERAL PERCEPTION OF THE TRAINING

1. Demography:

From the survey about 77% of the participants were Male and 23% were Female as shown in Chart 1 below:

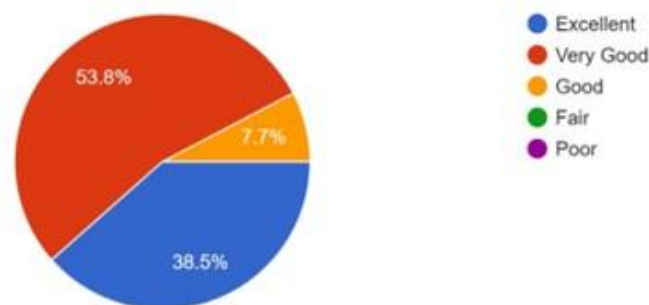
Chart 1: Participants of the post-training survey according to gender



2. Overall organisation and structure of the capacity building workshop.

Most of the participants (53.8%) were of the view that the organisation of the workshop was Very Good. Moreover, 38.5% of the participants ranked it as Excellent and 7.7% rated the overall organisation and structure of the workshop as Good. The chart below provides a summary of the responses.

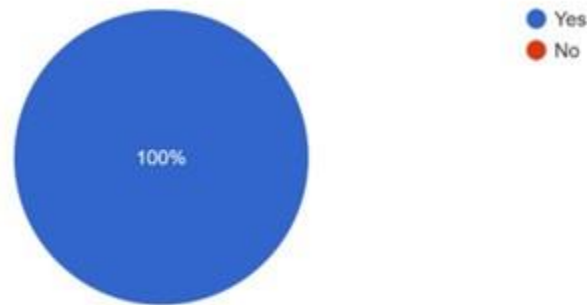
Chart 2: Overall organisation and structure of the capacity building workshop



3. Training objectives

All respondents replied that the training objectives were clearly stated and achieved during the training. Chart 3 below provides a representation of the responses.

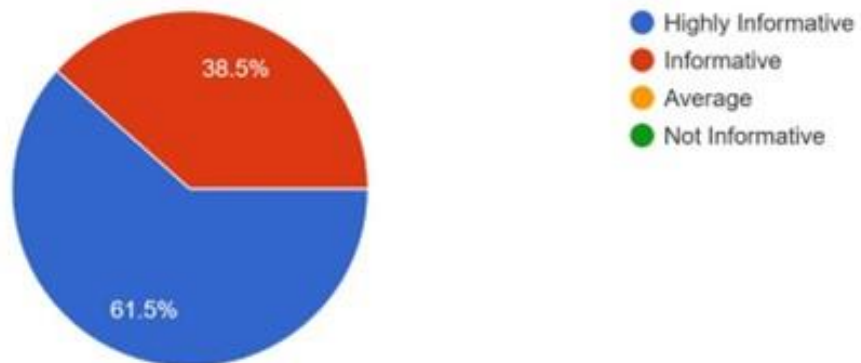
Chart 3: Clarity in stating and achieving the training objectives



4. Content of the training sessions

Most of the respondents (61%) were of the view that the contents of the training were Highly Informative. The remaining respondents (39%) viewed the content as Informative. None of the respondents viewed the contents were Non-Informative or Average. The responses are provided in Chart 4 below.

Chart 4: Rate the content of the training sessions.



5. Relevance of the training materials

All respondents were of the view that the training materials were useful and relevant. Chart 5 below provides a depiction of the responses.

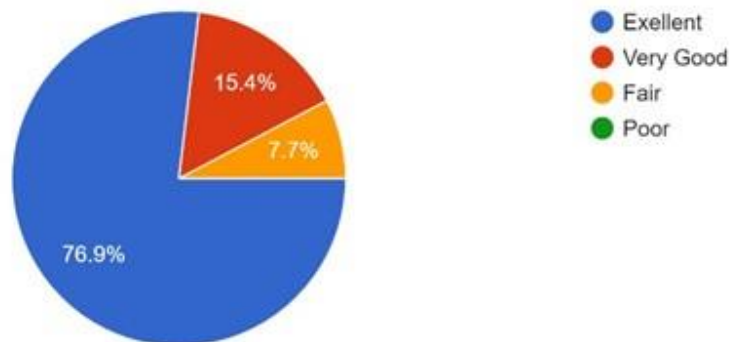
Chart 5: Usefulness and relevance of the training materials



6. Knowledge and experience of the trainer in delivering the content

Most of the respondents (77%) rated the knowledge and experience of the trainer as Excellent. 15% of the respondents were of the view that the trainer’s knowledge and experience as Very Good while 8% of the participants were of the view that it was Fair. The depiction of the responses is provided in Chart 6 below.

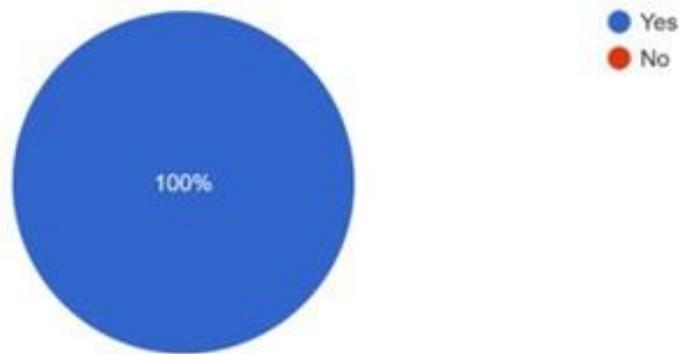
Chart 6: Rate of the trainer’s knowledge and experience



7. Quality of interactions and engagements

All the respondents were of the view that the training sessions were interactive and engaging. Chart 7 below provides the summary of the responses.

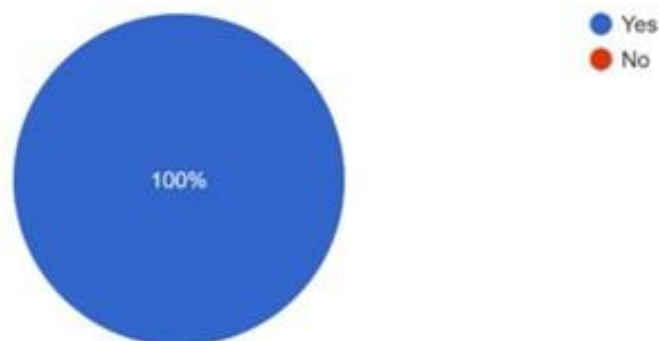
Chart 7: Quality of interactions and engagements.



8. Opportunities for participants to ask questions and seek clarification during the training.

All the respondents felt that they were given adequate opportunities to ask questions and seek clarification during the training. Chart 8 below stipulates the responses.

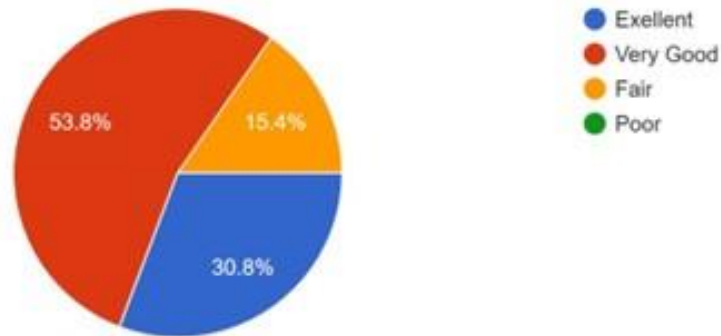
Chart 8: Opportunities for participants to ask questions and seek clarification during the training.



9. Rating of the training facilities and arrangements

Most of the respondents (54%) reported that the training facilities and arrangements were Very Good. 31% and 15% reported the facilities and training arrangement as Excellent and Fair respectively. The results are provided in Chart 9 below.

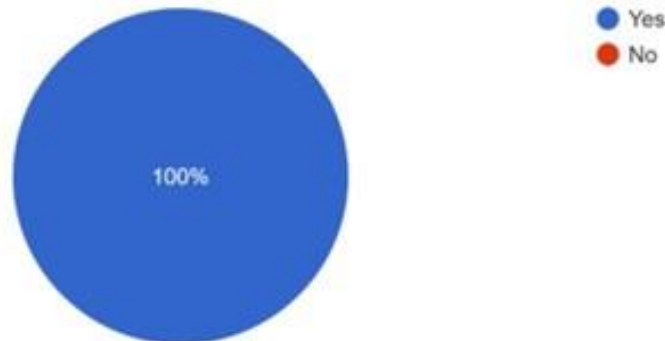
Chart 9: Rate of the training facilities and arrangements



10. Capacity and skills in contract farming

All the participants were of the view that the training objectives met the requirement to enhance their capacity and skills in Contract Farming. Chart 10 below provides a depiction of the responses.

Chart 10: Perception of the capacity and skills in Contract Farming after the training



11. Level of capacity of the trainees

Participants were asked to rate their perception of the capacity acquired on contract farming after the training. All respondents felt better equipped to engage in contract farming arrangements after attending the training. Their responses are depicted in Chart 11 below.

Chart 11: Perception of the capacity to engage in contract farming arrangements after attending the training



PART B: TRAINING IMPACT AND OUTCOMES

12. Relevant aspects of the training

The responses below highlight aspects of the training that were relevant and useful to the trainees:

- i. The practical session for drafting a contract.
- ii. Principles of contract farming were relevant for drafting future contracts.
- iii. The topic on the particulars and sequence of a contract.
- iv. The group work sessions enabled members to engage each other on the contract farming elements and provided an opportunity for clarification and guidance from the trainer.
- v. The general contract farming guidelines from FAO.
- vi. The details are provided in the FAO sample contract.
- vii. Discussions and presentations of case study sessions were very useful in testing what was learned and expounding further on contract farming.
- viii. Importance of embracing consumer needs for the improvement of raw materials.

13. Proposed areas for improvement

Respondents proposed the following areas for improvement:

- i. Widen the scope of the stakeholders to include government agencies, smallholder farmers, women groups, and cooperatives.
- ii. Provide more time for training to delve deeper into topical issues on contract farming.
- iii. Expand access to contracts for online markets.
- iv. Provide handouts for the training materials such as PowerPoint and other materials.

14. Possible changes or improvements to be made in the professional practice of the trainees.

The respondents provided the following areas of improvement in their professional practice following the training:

- i. Become the ambassador of contract farming and its benefits to other farmers.
- ii. Using the competence and tools provided to design future contracts and negotiate better terms in the future I will be competent to design contracts going forward.
- iii. Enhanced awareness of the important details of the contract and their application to the day-to-day operation of the business.
- iv. Engage in contract negotiations activities in 2024.
- v. Use the knowledge acquired to better support trade linkages.
- vi. Review existing contracts and renegotiate existing terms to eliminate existing loopholes.
- vii. Enhance the principles of contract farming during our Annual Farmers' debrief meetings.
- viii. Creating every party understands on key provisions of the contract before signing.

15. The impact of the training on the members of the trainees' organisation

The respondents identified the impact of the knowledge gained from the training on the members of their organisation as provided below:

- i. To equip and engage the members of their organisation to participate more effectively in contract farming.
- ii. Enrich their performance with first-hand information and benefits of contract farming.
- iii. Be accessible for co-workers and members to design contracts on their behalf when the need arises.
- iv. Scaling and updating contracts for contracted farmers and members.
- v. Use the knowledge to guarantee the supply of raw materials to the company.
- vi. Protecting the interests of members/farmers thus cushioning them from exploitation.
- vii. The knowledge gained will be shared with colleagues supporting trade and other stakeholders in the value chain as the organisation supports structured trade.
- viii. The knowledge acquired will strengthen our members' dealings with the buyers of our products. Also, during the signing of contracts with buyers, they will be keen not to leave any issues unaddressed in their contracts.
- ix. It will make it easier for them to understand my member's role in contract farming and how to handle their farmers.
- x. Members will learn more about the principles and emphasise the importance of contract farming practices.
- xi. It will be helpful in policy formulation for farming clients.
- xii. Call for a meeting with everyone and do a memo after defining our roles in each member's job description about contract farming.

16. Additional comments

The respondents provided additional comments/suggestions regarding the training programme as follows:

- i. Recommended to issue certificates of participation to the participants.
- ii. The training was quite impactful to the trainees and the trainer was highly knowledgeable.
- iii. Organise refresher training to follow up on the progress of the trainees.
- iv. Expand the training to reach out to more stakeholders/farmers at the county level.
- v. Train the same stakeholders on EAC export procedures since it was only held in Uganda.