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Growth in a Globalized Industry:
The Case of Hillside Green Growers & Exporters Ltd.

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Late one afternoon in January 2010, Eunice Mwongera, Chief Executive Officer (CEO) of the Nairobi-based horticultural export company Hillside Green Growers & Exporters, watched as the daily shipment of snow peas and French beans left Hillside's packing facility for the airport. The shipment was bound for Hillside's original and most loyal customer in Dubai. This buyer had given Eunice her first order for mangoes in 1998 when she initially decided to enter the horticultural export industry. She had been headed to Dubai to purchase computer hardware for import into Kenya. On that flight she sat next to a man who told her of the opportunities in the horticultural industry for entrepreneurs. "I was intrigued. My entrepreneurial curiosity kicked in, and I told myself that instead of bringing goods into Kenya, why not start exporting what Kenya has to offer?" Eunice recalled. After landing in Dubai, she went to a produce market and talked with importers and distributors. She secured an order for mangoes, and her foray into horticultural exports began. "My first buyer took a big chance with me. I convinced him I could ship him mangoes, and I knew I had to deliver on that promise. We sourced the product and sent him the shipment in just a few short weeks. From that, Hillside was born."

Since 1998, Eunice's company had expanded from mangoes into a broad product line of fresh fruits and vegetables being sold to buyers in Dubai, Qatar, Kuwait, and more recently to the United Kingdom, Norway and the Netherlands. Recently, Eunice celebrated her latest breakthrough in her quest for growth: Hillside had just received its GlobalGAP certification, a standard that would give access to an even broader universe of fresh fruit and vegetable buyers in Europe. She was thrilled that new business fronts would be opened by this crucial document. "What about establishing a set of binding contractual agreements with European supermarkets?" she wondered. The Middle East market offered smaller volumes but year round opportunities, while orders for European markets were certainly greater in scope but concentrated during certain times of the year. Much bigger players in the horticultural export industry already served the European markets—could Hillside break in among those competitors? Eunice also gave thought to Kenya's own domestic market. With increasing urbanization, could Nairobi be a viable market? As she watched the truck of peas and beans drive off down the familiar road to the airport, she wondered which route she should take for her company.

The Kenyan Context

Kenya's macro environment offers both benefits and disadvantages to the horticultural industry in which Hillside operates. Having gained independence in 1963, the Republic of Kenya adopted a parliamentary system. It was generally a stable country until a disputed election in 2007. Politically and ethnically driven violence after this election saw a huge decline in revenue for the Kenyan horticultural industry. This was due to destruction of infrastructure and temporary decline in farming activities. Staged roadblocks cut off key access routes which restricted transportation of

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goods in and out of the country. The power sharing agreement signed in February 2008 led to the formation of a coalition government, and hence a return to peace in the country. Since then, the horticultural industry has been recovering.

Transparency International's 2009 report ranks Kenya 146th out of 180 countries in corruption, a figure that limits the attractiveness of the country to foreign investors. Hands-off government involvement is characterized by autonomy in production and marketing decisions thus fostering significant local private initiatives and dynamism within the horticulture industry (Export Processing Zones Authority 2005). However, adherence to internationally set standards on pesticide levels is checked at customs offices before product exportation.

Agriculture is the backbone of the Kenyan economy contributing approximately 25% of Kenya's GDP and employing 75% of the national labor force (Republic of Kenya 2005). The fact that 70% of Kenya's exports are from the agricultural sector and that the Kenyan government accrues 45% of its revenues from agriculture show the immense contribution of this sector to Kenya's economy. Despite the fact that agriculture is a main driver of the Kenyan economy, only 2% of land and 6% of land-holdings are irrigated. Dependency on rain-fed horticulture production leads to high variability in production yields year to year. Limited access to farming inputs and technologies also contributes to low productivity levels (Alila and Atieno 2006). Smallholder farming, characterized by farmers who own less than 2 hectares of land is common, as opposed to large scale farming, due to increased land demarcation, a characteristic of the growing population (Syngenta 2008). However, there is considerable variation between sub-sectors and products. Smallholder farmers produce more than 80% of Kenya's milk and account for 70% of horticultural production. Less than 20% of smallholder farmers are involved in vegetable exports (Wiersinga and de Jager 2007).

The Horticulture Industry in Kenya

The horticulture industry in Kenya comprises mainly fruits, vegetables and cut flowers (FAO 2003) and provides incomes to smallholder producers on a regular basis (Nyoro 2004). The horticulture industry is an important foreign exchange earner contributing 26% of all export earnings in Kenya. Additionally, the horticulture industry contributes to employment and farm incomes for the rural population (Wiersinga and de Jager 2007). The industry ranks in the top fifth bracket of GDP contributors in the country having undergone dramatic growth over the years with several players getting involved in export and sale to local markets. 10% of horticultural produce is exported outside the country while the remaining 90% of produce is consumed locally, pointing to a large domestic market mainly supplied by smallholder farmers. According to a Central Bank of Kenya (CBK) 2007 publication, horticultural exports increased both by volume and value, capturing the change in fortunes for the local growers. Huge growths in earnings help re-affirm analysts' perception of the local horticulture industry as one of the key drivers of Kenya's economy (CBK 2007). The industry has received a great deal of attention from local and international researchers, government, and donors over the past decade, due to the rapid and sustained growth of its exports. This growth has contributed to increased rural incomes and reduced rural poverty, through direct production effects and linkage effects because horticultural incomes from export are re-spent in rural areas (Wiersinga and de Jager 2007).

Kenya's horticulture industry has continued to exhibit impressive growth despite declining performance of overall national economic growth. This is due to the large local market and the lucrative and growing export market for a few high value horticulture products. Another factor contributing to this growth is the relatively high product value per unit of land and labor inputs for most of the industry's products. This enables farm households to derive significant incomes. Additionally, the comparative advantage of a relatively quick maturing period for most of the industry's crops enables farmers to derive quick returns from factors of production. The high adaptability of the various crops to a wide range of growing conditions and the "free-hand" environment accorded to the industry by the government enables the private sector to undertake investments without fear of regulation. Despite all this, foreign exports remain a small fraction of the volume of Kenya's overall horticulture industry. While over 90% of smallholder farmers produce horticulture products, fewer than 2% of farmers do so directly for export (Bawden et al. 2002).

A number of specialized government agencies work closely with the Ministry of Agriculture to develop and regulate key agricultural subsectors. These include the Horticultural Crops Development Authority (HCDA), which was set up under the Agriculture Act of 1967. HCDA's mandate is to offer technical and marketing services to stakeholders in the horticulture industry. It is the main regulatory body of the horticulture industry in Kenya, responsible for promoting the development of horticulture crops, licensing exporters, and disseminating information on horticultural marketing (Export Processing Zones Authority 2005).

Some of the most popular vegetables and fruits exported from Kenya are French beans, snow peas, okra, Asian vegetables, avocadoes, mangoes and pineapples. The UK is currently the principal market, taking a 34% share of total horticultural exports, followed by the Netherlands at 31%, France at 15% and Germany at 5% (Okado 2004). Kenya is a member of the Eastern African Community (EAC) along with Burundi, Rwanda, Tanzania, and Uganda. The EAC has trade relations with the European Union based on the Interim Economic Partnership Agreement, which is under negotiation but currently provides duty free and quota free access for EAC exports to the European Union market as of 1st January 2008. Duty free access gives Kenya a competitive advantage over non-Eastern African Community countries in the EU market. Even though Kenya's horticulture industry faces increased competition from other East African countries, for example Ethiopia, it is still cited as a success story in Africa (Minot and Ngigi 2004). Moreover, Kenya's role as a hub for many airlines facilitates transportation of perishable horticultural produce to far-away markets, especially in Europe.

Other factors promoting Kenya's horticulture industry include formation of exporters' associations dedicated to the welfare and enhancement of members' business activities. The Fresh Produce Exporters Association of Kenya (FPEAK), formed in 1975, is one such association which lobbies for its members, disseminates information, offers marketing support and promotes members compliance to international standards. FPEAK aims to disseminate information that enables the membership and the general horticultural community to achieve high levels of proficiency, thus helping Kenya maintain its global status as a top horticultural producing nation in light of the emerging international standards in production and food safety. FPEAK organizes horticultural exhibitions which act as fora for stakeholders and policy makers in Kenya's horticulture industry to come together.

Market development is a challenge in Kenya's horticulture export industry due to poor infrastructure, weak contract enforcement which disrupts buyer-seller agreements, limited markets for financial services which results in high cost of capital, and political interference in input prices. In addition, fluctuations in the value of the Kenyan shilling against the Euro and the US dollar affect the profits earned by exporters. Since produce contracts are agreed beforehand between exporters and farmers, lower than expected returns from sales translate to decreased profits for exporters because farmers have to be paid agreed amounts.

With Kenya's current population of 38.6 million people growing at a rate of 2.64% annually, there is increasing local demand for horticultural produce. Over 80% of the Kenyan population lives in the rural areas and derive 70% of their livelihoods directly or indirectly from agriculture (Alila and Atieno 2006). Increased rural to urban migration—as people search for jobs and better incomes—has increased fruit and vegetable consumption in the urban areas. A number of supermarkets have ventured in the sale of fresh fruit and vegetable to tap into this increased demand. In addition, Kenya's varied agro-ecological climates favor the production of horticultural produce.

The 2008-2009 global financial crisis draped uncertainty over the performance of two of Kenya's key foreign-exchange earners, the tourism and horticulture industries (Armitage 2009) and has lowered Kenya's foreign exchange earnings (Kilonzo 2008). As one of the key drivers of the Kenyan economy, the horticulture industry is also influenced by the recent drought in Kenya and increasing competition from other emerging horticultural producers in South America and Africa.

Global Quality Standards

Globalization and changing consumer purchasing behavior in the developed world has had an effect on Kenya's horticultural production. With increased awareness of effects of crop pests and chemicals, consumers in developed nations have become more attuned to environmentally friendly production techniques that protect human health. This has resulted in a number of health and environmental regulatory measures such as GlobalGAP (formerly EurepGAP). GlobalGAP, an indicator of adherence to Good Agricultural Practices (G.A.P.), is a pre-farm-gate standard. GlobalGAP standards are primarily designed to reassure consumers about how food is produced by minimizing detrimental environmental impacts of farming operations, reducing the use of chemical inputs and ensuring a responsible approach to worker health and safety. This means that the certificate covers the process of the certified product from farm inputs-for example seedlings and other farming activities until the product leaves the farm. Certification is carried out by more than 100 independent and accredited certification bodies in more than 100 countries and is open to all producers worldwide. Annual inspections of the producers and additional unannounced inspections are carried out to ensure that the standards are being followed by the producers. GlobalGAP consists of a set of normative documents which cover general regulations, control points, compliance criteria and the GlobalGAP Checklist.

GlobalGAP standards are subject to a three year revision cycle of continuous improvement which takes into account technological and market developments. Due to the fact that producers have to comply with these so as to export to developed markets, such as the European Union, the fact that Eunice has recently obtained GlobalGAP certifications puts her ahead of the competition in

Kenya, especially the ones without the certification. Foreign and local supermarkets are also formulating their own private standards so as to ensure quality products to their consumers, raising the bar even higher for producers. These continually evolving standards place difficult burdens on small and medium exporting companies like Hillside, but with the support of FPEAK and the favorable growing conditions of Kenya, horticultural export is an attractive industry.

Inside Hillside

Since her first shipment of mangoes to Dubai in 1998, Eunice has succeeded in establishing relationships with clients in both the Middle East and Europe on behalf of Hillside. The company's product range now includes more types of fruit; green beans, snow peas, and a line of vegetables popular among consumers of Asian heritage (see Appendix 1). Despite the growth it has achieved, Hillside is still one of the smaller horticultural exporting companies in Kenya. "I want my company to at least grow into the medium size category," states Eunice. "I may not become one of the top five companies, but I want the Hillside name to be known among fruit and vegetable buyers for high quality products and to see Hillside cartons in every horticultural market in Europe and the Middle East."

Hillside's company vision is to "increase the volume of trade on daily basis for the mutual benefit our firm, employees and our country" (Hillside 2007). The company's core values are engrained in its culture, and it is dedicated to building long term relationships with customers through quality service and customer support. Hillside's goal is to have a steady increase in the expansion of the company as well as its turnover and profitability. Due to its high quality of products evidenced by recent achievement of the GlobalGAP certification, Hillside continues to grow despite the challenges of operating in a developing country and in an industry with intense competition. The company values include approaching all endeavors in a professional manner in regards to marketing, managerial practices, customer support and service. Quality and consistency are two words that are emphasized through all steps of production, from the farmers' fields to the distribution to markets throughout the globe. These two company characteristics are crucial in maintaining the loyalty of their customers. The commitment to their core values has led to a reliable clientele for Hillside, especially in the Middle Eastern market.

Organizational Structure

Hillside has twenty permanent employees (Figure 1) and utilizes 50 – 100 casual employees for sorting, grading, and packing. The number of casual employees needed depends on the size of the shipment being packed on any given day.

As CEO, Eunice is responsible for finding new markets and buyers by attending conferences and trade fairs and for the overall management of the company. The General Manager is responsible for the day-to-day operations of Hillside, from the evaluation of staff, to ensuring that the products are of top quality and shipped to clients in a timely manner. The Quality Control Manager oversees the receiving, grading, sorting and packaging of products. In addition, he/she trains all staff on quality grading of all fruits and vegetables for the international markets. The Production Manager and Agronomist are responsible for overseeing all farmers contracted by Hillside as well as training them on new methods for hygienic growing, sorting and grading in line

with international norms. Finally, all workers receive a competitive salary, health insurance and compensation for overtime.

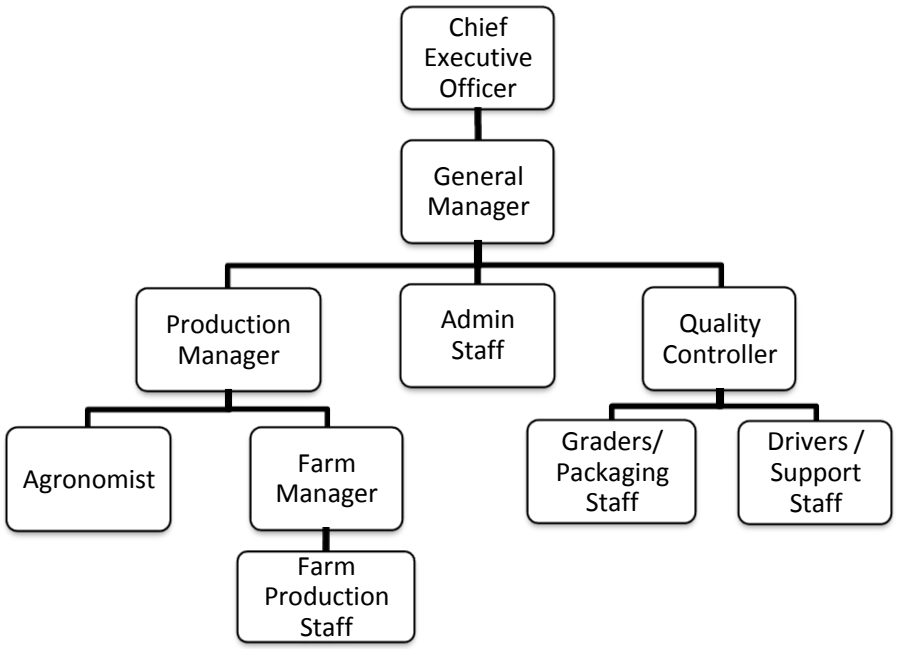


Figure 1: Hillside's Organizational Structure

Hillside has intertwined professional development and communication between all staff members into their organizational structure. All staff members are required to attend annual meetings on training, professional development and international food processing norms. In addition, there are seasonal meetings with the agronomists from the field and the staff based in Nairobi, as well as production meetings, review meetings, and field meetings. These meetings allow for the free flow of communication between all channels and makes sure production quality is continually being maintained by Hillside. The strong commitment to human resource development is expressed in Eunice's remark, "Growth of the employees is growth of the company."

Products

Hillside exports three major categories of produce: 'exotic' vegetables, Asian vegetables, and fruits. 'Exotic' vegetables are classified as such because they are primarily grown for export and are not a part of the traditional Kenyan diet. This category includes French green beans, snow peas, and sugar snaps. The Asian vegetables include various types of chilli peppers, eggplant (also known as brinjal or aubergine) and okra, among others. In the fruit category, Hillside has branched into providing four different varieties of mango, two varieties of avocado, passion fruit and pineapple.

Product availability for shipments is organized on a seasonal schedule according to the buyers' needs. Hillside's Middle East buyers place orders for both fruits and vegetables throughout the year, while the European window of orders for vegetables is limited to Europe's winter months when it cannot produce its own. Vegetables are not available year round, and while fruits diverse peak seasons, most fruit is available throughout the year. The Middle Eastern market accounts for about 95% of Hillside's revenue. The remaining five percent is derived from orders received from

the UK and the Netherlands. As shown in Figure 2, the profits per individual product range from one million Kenyan shillings (approximately US$13,000) for sugar snaps to fifteen million Kenyan shillings (approximately US$195,000) for snow peas. Hillside's average turnover for 2005 – 2007 was approximately US$500,000 per year.

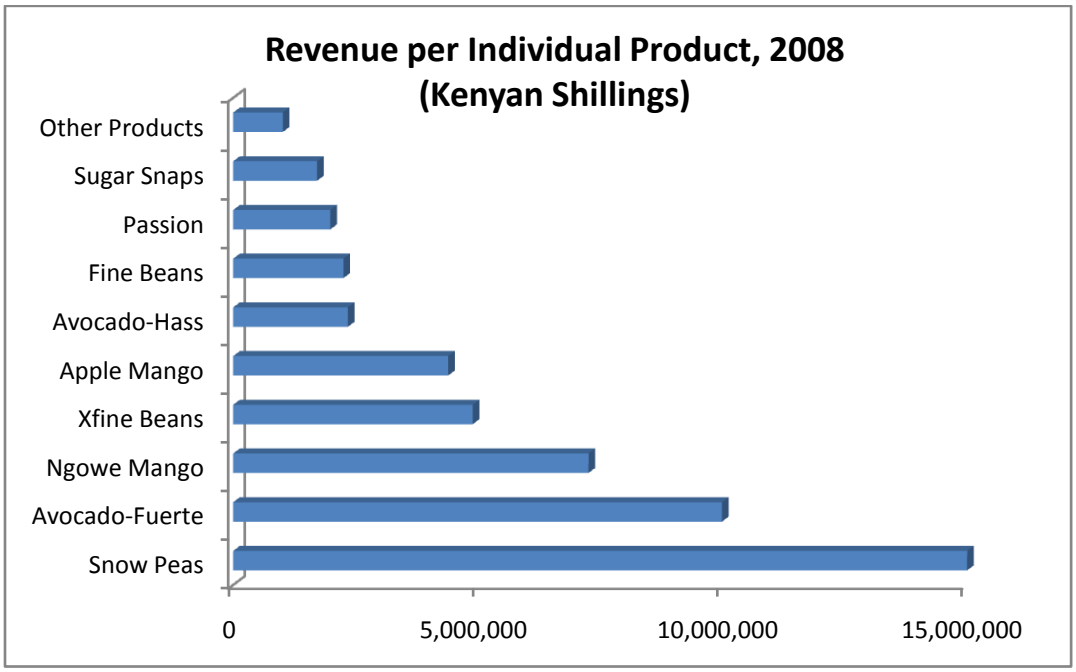


Figure 2: Hillside's Revenue per Product

From Kenya's Fields to Customer's Produce Aisles

Hillside sources its products through three channels: growing them on its own farms, contracting with smallholder farmers, and buying from brokers who source from farmers. The products come from a wide range of regions within Kenya due to the country's various agro-ecological zones. Figure 3 shows the location for some of the fruits and vegetables sourced by Hillside in Kenya. The company's farms, measuring about 40 acres, are located in the Mount Kenya region of the country. Currently, Hillside grows 20 – 40% of its produce needs on its own farms. Another 30 – 60% of its produce is supplied by contract farmers who enter into supply agreements with Hillside, typically in the form of one year renewable contracts. Under the contracts, Hillside provides support to these outgrowers in the form of seeds, chemicals, and the supervision of Hillside's agronomists and field agricultural officers trained in horticultural production and integrated pest management (IPM). The prices are agreed in advance with a certain amount of incremental fluctuation depending on world market prices. Under contracts, farmers deliver produce to a local collection center, and Hillside makes the payments when receiving produce. In addition, Hillside offers extra payments when production levels exceed contracted levels. Because of the weak judicial system in Kenya, Hillside occasionally faces difficulty enforcing contracts in cases where contract farmers sell to a broker or another company offering a higher price than agreed to in the Hillside arrangement.

Brokers--traders that travel through rural areas buying from farmers and transporting the produce for sale in urban areas--account for approximately 20% of the company's total supply. For

their trouble, brokers take a fee for the produce they sell, so it is not as cheap to buy from a broker as from a farmer. Hillside buys from brokers when it cannot meet demand through production on its own farms and from contract farmers. Brokers are also a major source of Hillside's fruit due to the disaggregated nature of fruit farming in Kenya. Many households have one or two trees and sell to a broker when the fruit ripens. Figure 4 depicts Hillside's supply chain.

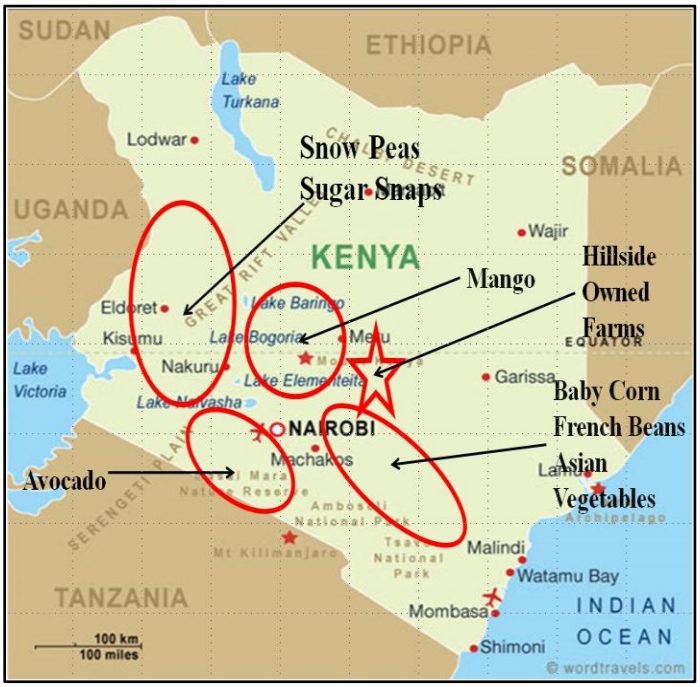


Figure 3: Map of Fruit and Vegetable Cultivation in Kenya

Buyers place orders through text messaging, fax, or email. Agreed prices vary depending on the daily market situation and exchange rates. Hillside fixes its price at a premium above bulk selling competitors and promises higher quality products. Hillside's loyal customers receive a 45 day grace period before payment is due. Agreeing to sell to new buyers can be risky, as Eunice has learned the hard way. Having experienced a number of losses due to buyers who never paid, Hillside is trying to prevent this in the future.

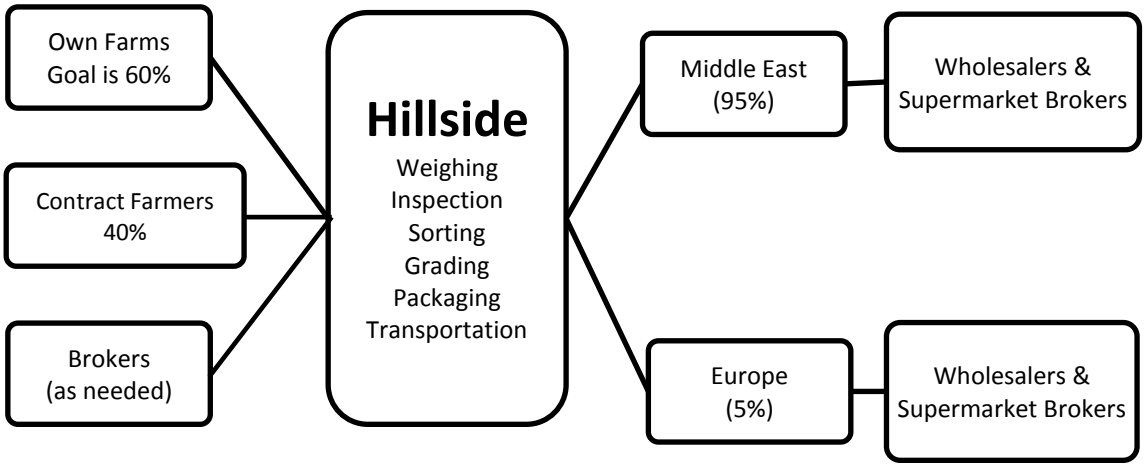


Figure 4: Hillside's Supply Chain

After receiving orders from buyers, Hillside asks field representatives to facilitate harvests by outgrowers, on its own farms, and purchases from brokers. The produce is graded at the farm gate under the supervision of Hillside's staff, and then transported to the company's pack house in Nairobi for weighing/inspection, sorting, additional grading, packaging and cold room storage to maintain freshness and await transportation to the airport. Buyer's specifications are followed in packaging. French beans, for example, can be packed in small, plastic-wrapped trays for individual consumers or can be prepared in bulk boxes. Transit to the airport for air freighting is done after all the documentation and flight logistics have been confirmed. Hillside currently owns two trucks. Hillside packs its products in distinctly labeled and branded packages suited for each distributor. "We're currently packing and shipping only three days a week. I want to increase our sales and find new buyers so we can be filling orders six or seven days a week. We could even add extra shifts. We have the capacity," declares Eunice.

All fruits and vegetables, except for avocadoes in peak season, are sent from Nairobi using air freight to its direct market. The direct shipment of fruits and vegetables allows for quality and the timely manner of delivery to be maintained in all steps of the process. Hillside has dependable and strong links with the freight and airline industry – in particular, Kenya Airways, which is beneficial for the filling of urgent orders. During peak avocado season, Hillside ships entire containers of this product by sea.

Hillside's Challenges

Even though Hillside is capable of meeting the demands of its customers in the Middle East and Europe as of now, there are some constraints which may make it difficult for Hillside to respond to increasing orders in the case of a possible market expansion. First of all, the capacity of the Hillside's existing pack house is quite limited. Hillside cannot rely on this pack house if it wants to grow in the international and/or national markets. In addition the capacity issue, location of the pack house is another concern. Most of the Hillside's direct competitors have production facilities close to the airport. However, Hillside is located in the city center, which leads to transportation difficulties for the company. This brings up the discussion of investing in a new facility in a more convenient location. Although this seems to be a viable option at first blush, it needs to be mentioned that Hillside does not have enough capital for realizing that kind of investment. This is related with its limited access to finance for further expansion. Despite the fact that some banks in Kenya have relieved their conditions for collateral in the recent years, most horticultural companies still consider bank loans risky due to the risky nature of their business.

The Competitive Environment

Hillside faces intense competition in the fresh fruit and vegetable markets both from globally and within Kenya. Competitors are from South American and African countries that export high value fresh fruits and vegetables and other Kenyan exporting companies as shown in Appendix 3. For instance, in the global export competition of green bean market, Kenya is the third exporter in value, following France and Spain. Thus, there is pressure coming from increased production in the target markets, mainly Europe, due to methods being implemented that extend the growing season. Using greenhouses and covered tunnels, for example, growers in colder climates are producing for a greater length of time, and this reduces reliance on imports from countries like

Kenya. Competitors within Kenya can be divided into large scale exporters, medium and small scale exporters, and seasonal exporters. A total of thirty-five exporter members, including Hillside, are currently listed on FPEAK's website (FPEAK 2010).

Large scale export companies

In the fresh fruits and vegetable export markets in Kenya, seven large companies[1] control approximately 75% of the market share (FAO 2004) as shown in Figure 5. Large exporters procure produce mainly from their own farms. The product lines of large exporters are broader than those of medium and small exporters. In addition to conventional high value fruits and vegetables, some large exporters also supply organic produce and flowers. The quality of products is assured by certifications such as GlobalGAP and others. With the advantages – high quality of products and stable large volume of supply--most of these large companies have contracts with supermarket chains and large retailers in European and other countries. Large exporters leverage logistical strengths – a pack house location next to the airport and airfreight space secured in mass quantity.

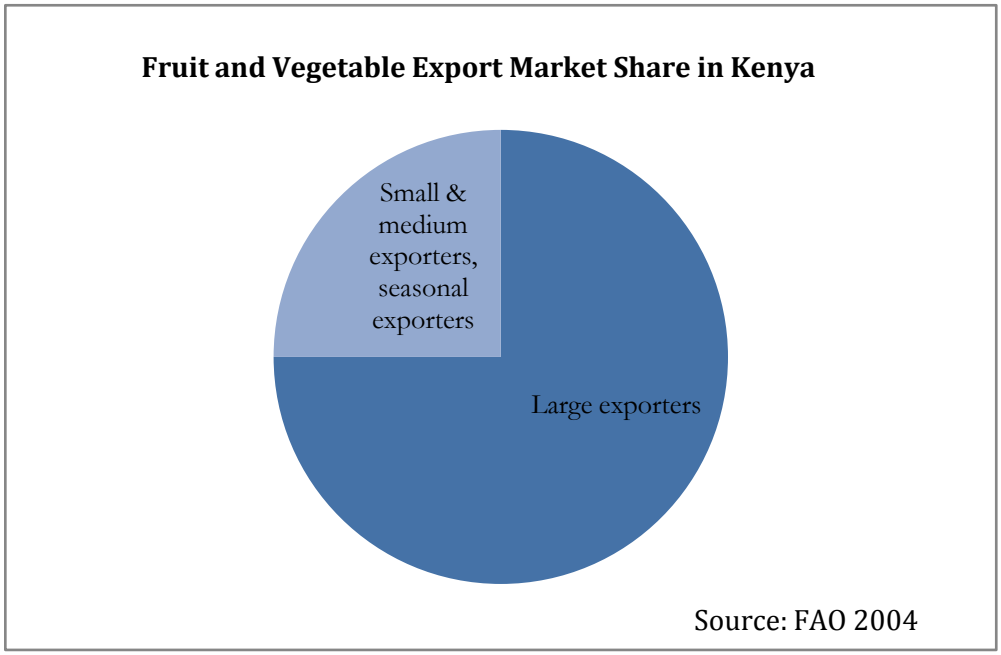


Figure 5: Fruit and Vegetable Exporting Market Share in Kenya

Homegrown, a company whose exports account for fifteen percent of the Kenyan horticulture industry, formed a joint venture with MK Airlines which has a daily evening flight to the UK and achieves reliable and timely shipping coordination as well as cost reduction. Homegrown manages a stable supply of high quality products by procuring ninety percent of produce from its own farms, and has established a strong customer base by contracting with supermarkets in the UK (Dolan, Humphrey and Harris-Pascal 1999).

Medium and Small Export Companies

Medium and small exporters including Hillside are distinct from large exporters in their capacity to meet the quantities required for large contracts with retailers such as supermarket

[1] The description of one of the large exporters, Sunripe Ltd. is in Appendix 2.

chains. While some medium and small exporters source produce from their own farms, others rely on small scale outgrowers for 50-100% of their supplies. For this reason, the quantity they can manage is not as extensive and stable as large exporters. Some medium and small exporters are certified by GlobalGAP while others are not: Hillside just acquired GlobalGAP in February. As a result, medium and small exporters like Hillside are at a disadvantage in obtaining contracts with large retailers in Europe and other countries who require both quantity and quality. In terms of logistics, the pack houses of some of medium and small exporters are located next to the airport while some are not. For instance, Hillside's packhouse is located in the city of Nairobi while another medium size exporter, Wamu, has a packhouse next to the airport.

The export firm Wamu Investments Ltd. is classified in this category of enterprises.[2] Wamu entered the fresh fruit and vegetable export business in 1989 and carries product lines similar to Hillside's: vegetables, fruits, and Asian vegetables. Wamu supplies GlobalGAP-certified products to importers in the EU. The company has its pack house next to the airport and prepares produce shipments every day. Its markets are mainly the UK and other EU countries (France, Scandinavian countries, Italy and Belgium), and the buyers in those countries are importers, food caterers and local supermarkets. In the Norway market, Wamu has direct contracts with local supermarkets while supplying products to Carrefour, a large French supermarket chain – via importers in France.

The company possesses its own farms and has contracts with 500 small scale farmers in four different areas in Kenya. Thirty percent of produce is from its own farms whereas seventy percent of produce is supplied from small out growers. A main challenge in production is adherence to GlobalGAP standards among small scale farmers. The cost of acquiring certifications prevents some medium and small exporters that manage small scale farmers from achieving the required standards; however, Wamu acquired GlobalGAP certification by hiring consultants to enforce the standards. As a result, Wamu successfully entered the lucrative European markets. Another strategy Wamu takes to manage small scale farmers is to occasionally give them higher prices when the production volume is larger to maintain farmers' loyalty.

Seasonal Exporters

Seasonal exporters enter the horticulture export market when demand is very high during the winter months of Europe. Since they are not operating throughout year, they are not formalized and do not possess their own pack houses and offices. A 1999 study found that only 50 exporters out of 200 licensed exporters operate all year round (Dolan, Humphrey and Harris-Pascal 1999). The remaining 150 exporters sporadically enter the market, mostly during peak season: for instance, the peak season of avocado is between October and April.

Potential Competitors in the Domestic Market

Hillside's vegetables are not a traditional part of the Kenyan diet. Most Kenyans purchase the vegetables they do consume (e.g., tomatoes, onions, potatoes, leafy greens, etc.) from open air markets or road-side kiosks. As supermarkets have gained popularity among Kenyans, and as Nairobi's population of expatriates has grown, the types of vegetables supplied by Hillside have

[2] Information in this section is based on an interview with Wamu's CEO, Peris Muriuki, on January 12, 2010.

started to appear in Kenya. A few suppliers of high value fresh fruits and vegetables dominate the Kenyan domestic market.

One such dominant supplier is Fresh 'n' Juici Ltd. This company is a subsidiary of Nakumatt, a local high end supermarket chain in urban areas with 19 branches in Kenya and two other branches in Uganda and Rwanda (Nakumatt Holdings Ltd). The company is the only supplier of fresh produce to the chain. To meet the demand from Nakumatt, Fresh 'n' Juici procures sixty percent of products from approximately 300 local contract farms and imports forty percent of products. The company manages the quality of the fresh produce supplied to Nakumatt to meet the high standards required. The strong business relationship between Fresh 'n' Juici and Nakumatt was clearly evidenced by the remark of a public communication manager of Nakumatt, Catherine Mugo. "We trust Fresh 'n' Juici to procure fresh produce that meets our quality standards, and we are very satisfied with the products."

The Road Ahead

After 12 years of slow but steady growth, Hillside is poised to make a jump toward expansion. Eunice had grown the company from a single order for mangoes in 1998 to a product line of over 20 items and a turnover of more than US$500,000. She knew the overall market potential was much higher, though, and needed to decide how to capture a larger piece of it. The Middle East market had steady year round buyers and had served her well from the beginning. With her new GlobalGAP certification in place, the European market was a tempting place. She could invest in forming relationships with European buyers, but how would she keep from getting her fingers burned by unscrupulous players? Would the seasonality of the opportunities in the European market prove too difficult to manage? She also considered the possibility of entering the local Kenyan market, by establishing a road side kiosk or a new open air market even though it would mean adding new products outside of Hillside's current specialties. Apparently, local horticultural market has big potential to grow with increasing population and urbanization in the country. There may be some innovative ways to attract different sections of the highly heterogeneous Kenyan society. As Eunice watched the daily shipment continue on its journey from the field to the consumer, she pondered the journey she had started with Hillside. Just as she had made a bold decision to enter the horticulture export market 12 years ago, she now faced another tough call—what would be the best road toward increased growth for Hillside?

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Appendix 1: Hillside's Products

'Exotic' vegetables


French Beans


Snow Peas


Sugar Snaps


Baby Corn

Asian Vegetables


Chilies


Karella


Okra


Ravaya
(Eggplant)

Fruits


Hass Avocado


Fuerte Avocado


Apple Mango


Kent Mango


Passion Fruit

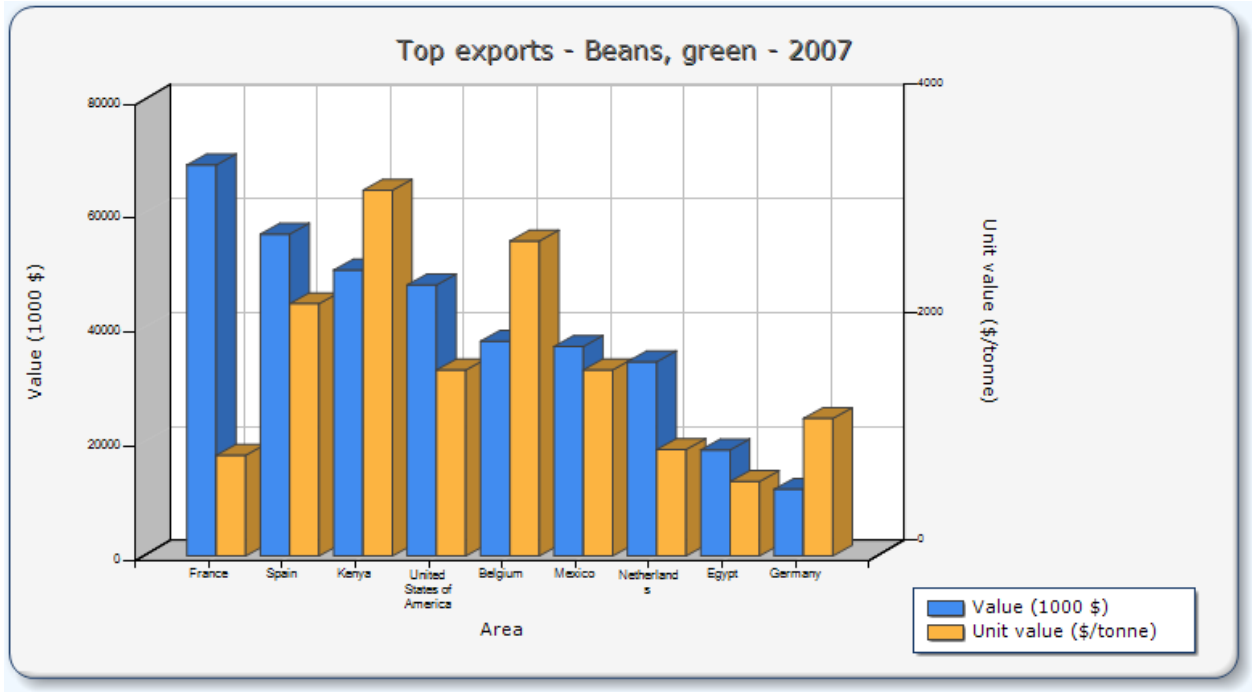

Pineapple

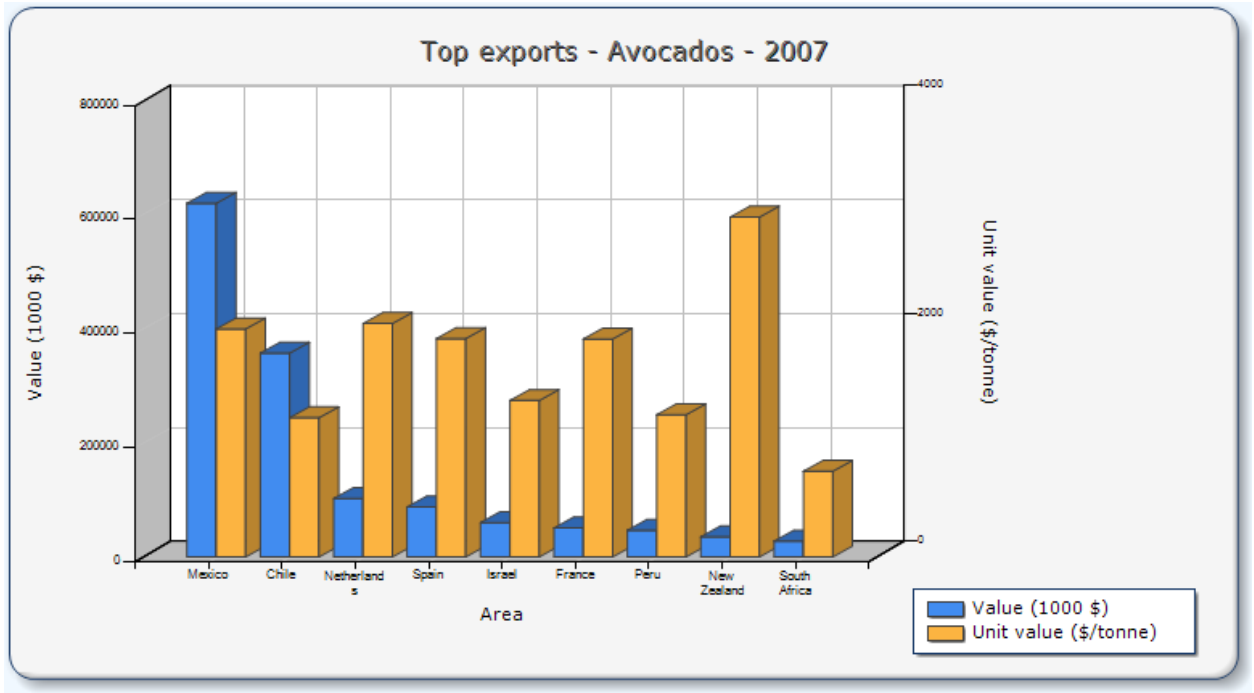
Appendix 2: A Kenyan Large Exporter: Sunripe Ltd.

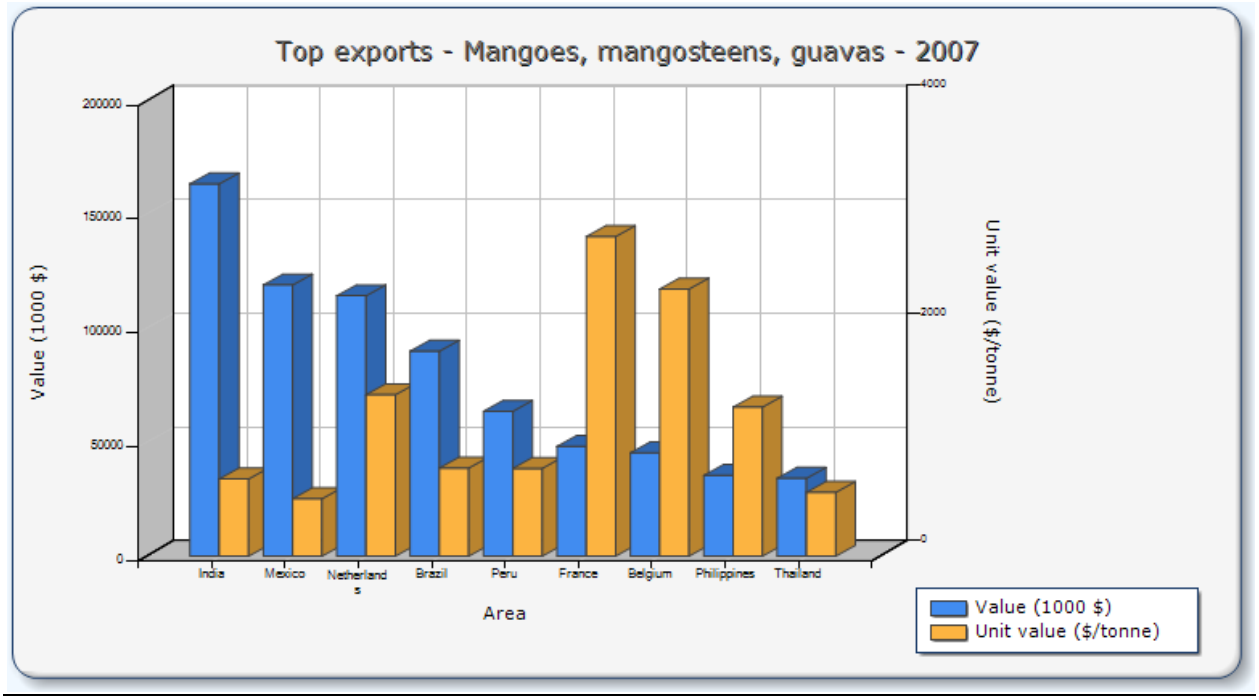
Sunripe Ltd., established in 1969 by the Shah family, is representative of the large exporter category (English, Jaffee and Okello 2006). This company has a diversified product line (40 available products) ranging from conventional fruits and vegetables to organic vegetables and flowers. The company secures stable supply volumes throughout the year by sourcing produce from not only farms in Kenya but also in Tanzania. In terms of marketing and sales, Sunripe has clients in globally diverse geographical areas (25 countries) as well as in Kenya. Sunripe has subsidiaries responsible for research, production and logistics to holistically maintain the export business (Sunripe 2010). The strength of the company is its own integrated units of supply chain ranging from production to shipping within the Sunripe group. Sunripe's supplies come from several large farms and from 1,000 small scale farmers in Kenya, taking advantage of different climatic conditions for farming, diversifying its production portfolio and ensuring reliable supply all year round (English, Jaffee and Okello 2006). Serengeti Fresh, a group company of Sunripe, manages production and quality control, and implements IPM in collaboration with research institutions for reducing chemical use. Sunripe possesses a main pack house close to the airport in Nairobi and two pack houses near farms. The main pack house is accredited by the British Retail Consortium to process both conventional and organic produce (Sunripe 2010). Freight In Time (FIT), another group company of Sunripe, plays an essential role in logistics, leveraging its regional and global network, and facilitates time sensitive delivery of products all over the world.

Sunripe also has a strong presence in domestic markets of high value pre-packed fruits and vegetables at local supermarkets and green groceries in urban areas. The quality of Sunripe products is guaranteed by certifications such as GlobalGAP and others. Sunripe has approximately 2,200 workers, 1,200 full-time and 1,000 part-time (English, Jaffee and Okello 2006). Its sales were US$13 million in 2003 (Sunripe 2010).

Appendix 3: Top Global Exporters (Green Beans, Avocadoes and Mangoes)

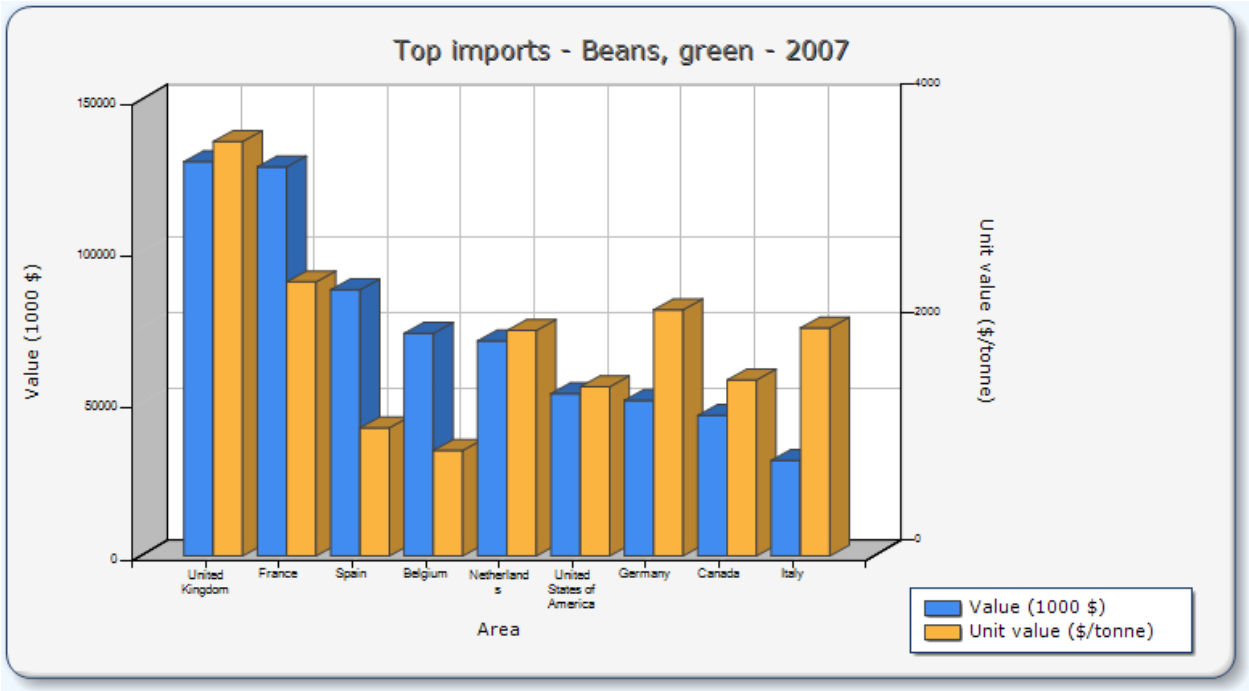


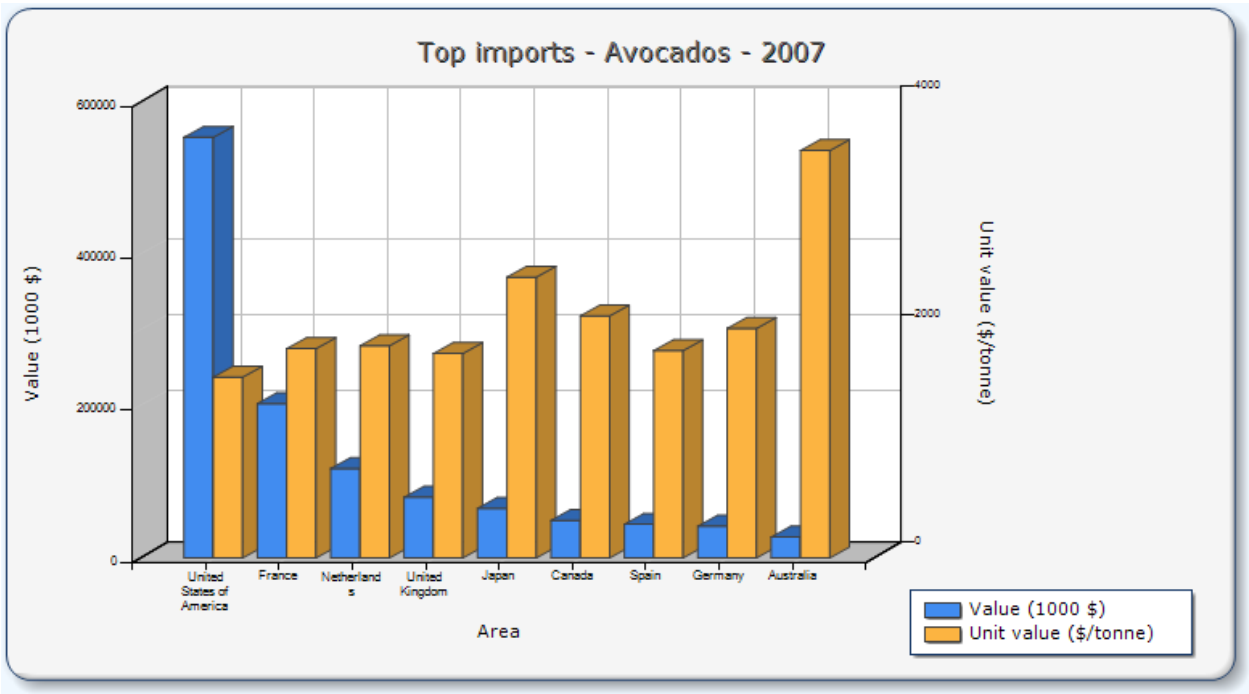


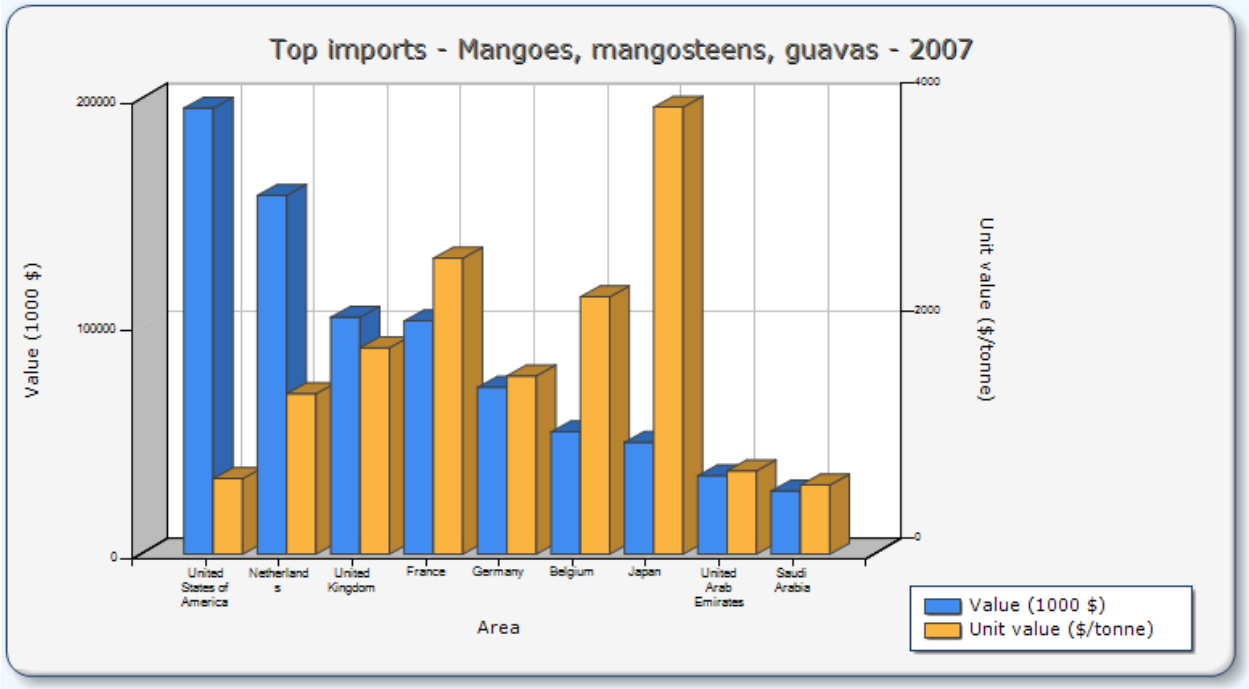


Source: FAOSTAT

Appendix 4: Top Global Importers (Green Beans, Avocadoes and Mangoes)







Source: FAOSTAT