

### Fair Trade Enterprises; 2013

By James Weru <sup>1</sup>



James Weru is a new TSS Network Manager. He is the CEO of Fair Trade Enterprises (FTE) and is based in Nairobi. James is not new to TSS as he worked with Traidcraft in collaboration with RAVI (on COB 1) and has been coordinating the TSS training for the SHoMAP groups. James describes his network business.

#### Fair Trade Enterprises

My business aims to target the Fair Trade market for horticultural produce; with fair prices and bonuses for farmers, transparency, ethical sourcing, and traceability through TSS. We are looking at both the home and export markets.

#### Export Plans

FTE is planning to export French beans, chillies and sweet potatoes to Europe. We have been exploring links to Jacana in the UK and other buyers in France and The Netherlands; we are presently renewing our license for export. We will be sourcing from Kabaa where we will need to have all the things in place to reach the Global Gap standards at the collection centres. To guard against problems with rejections, we will have a company supplying and spraying the pesticides; the farmers will not do this.

#### Potato Marketing

My other area of business interest is potato marketing within Kenya. I have been coordinating the training of the SHoMAP farmer groups to work within our TSS networks; some of these groups produce potatoes. At first I would like to connect these producer groups with the bottom of the pyramid buyers (BOP) but later I want to sell to big hotels that are interested in traceability and Fair Trade. Hotels who register as Fair Trade enterprises have payment conditions that they must honour and this means that we would be able to get commitments to buy in

advance and to agree payment conditions.



Potatoes from a SHoMAP Village

#### A Potato Trial with BOP Buyers

I had planned for a first registered deal JW13-237 under the Academy in October. I entered my pending deal for a potato deal from Karima to three hotels in Nairobi. The problem that stopped this deal was the issue of an LPO, which is something that many hotels do not commit to because they want to see the produce before they buy. I used a 'registration of interest' form for these hotels, however when Lydiah Muya (from techfortrade) phoned the hotels to do the due diligence they became worried and denied that they had made any commitment to buy potatoes.

#### Registered Deal JW13-243

In order to try to find a way of doing business with these small BOP buyers I took advice from Ueli Scheuermeier and we organised a small pilot deal of 25 bags, with the potatoes collected from Karima and dropped off at various hotels in the Olsopes area in Nairobi. I organized an emergency store to use for any remaining potatoes. We looked to see if the deal was viable by looking at the current Nairobi market prices, the middle costs, commissions etc.

#### Learning by Doing

The potatoes deal didn't play out as expected and it took about a week to finalize the deal. We managed to sell 20 bags; the remaining five bags were going bad so we sold them cheaply to mitigate on the losses. Despite these

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challenges we have learned critical lessons as a network that will help us and other networks in executing deals in future.

- **Learning from Sourcing**

The synopsis of the learning from the sourcing end is as below:

a) Farmers' registration

Farmers fear when they have to give their IDs and mobile phone contacts.

Lesson: These details should be asked for when trust has been developed.

b) Farmers' cash flow

Their cash flow is limited, when it rained some farmers could not be reached by the truck and the potatoes had to be ferried to an accessible point by motorbikes at a cost of 100/ KES per bag. The farmers had no cash in their pocket and the agent had to pay this, and we deducted this while paying for the potatoes via Mpesa. T4T must be flexible; it rained at the collection point so we had to spend more money for collection. We had to minus this from their sale price. This needs to be handled as a middle cost.

Lesson: The agent should be ready to handle emergency middle costs, which are not planned for in the middle costs. When we work out the middle costs we need to insert a risk buffer. Then the farmers get a bonus if this is not used.

c) Mobilizing farmers for a deal

Initially we had seven farmers who had indicated that they would be harvesting the potatoes, but we ended up with only three harvesting. When dealing with crops like potatoes it is difficult to tell who is bringing potatoes for you. We need to log these details on delivery. Farmers only need two hours notice to bring potatoes.

Lesson: It's difficult to tell which farmer will actually harvest the potatoes. For the initial stages the farmers' list should be provided two hours before the deal.

d) Payment via Mpesa

Some of the farmers are still skeptical about payments via Mpesa and we skipped a few for this reason. If we were having a huge deal it would have been a nightmare.

Lesson: Farmers who do not use Mpesa can be paid cash. The amount can be sent to the agent who can withdraw and pay the farmer cash. However, care should be taken to avoid loss of money and the TSS network should be in a position to vet the agents.

e) Grading of potatoes

The farmers indicated that they were not in a position to do the grading and bag the potatoes. We had to incur an extra cost of 250/ KES per bag to get individuals experienced in this. One of the farmers was angry as most of his potatoes were left because they didn't meet the criteria. With repeat deals we should be able to cope with this through training.

Lesson: Farmers should be well informed of the grade needed before harvesting and also during production to avoid misunderstandings. Grading costs should be factored in the middle costs.

- **Learning from Buyers**

The BOP market is a very interesting. This is a huge market with so many small hotels, and these are good payers. At the same time the inherent risk is high and the lessons learned are as follows:

f) Most of the hotels have no stores and are keen to have a trader storing for them. They can buy stock for one week and just pick up more when they finish what they have.

g) They have a high turn over in consumption of potatoes; on average they consume two bags per day.

h) They appreciate door-to-door delivery instead of going to Wakulima market.

i) These buyers do business on a cash basis; so we would have to start like that and I would then pay into the clearing account.

Lessons Learned:

Conditions come with trust: The small hotels are not keen in signing LPOs, they want to pay for what they can see. Once trust is developed they can sign order forms. If we put too many conditions the buyers will run away, but as they get to know us they will build up trust and hopefully enter into a regular delivery agreement.

Timely supply: An order for ten bags was lost because of our delay in delivery as initially the deal was to take place on Thursday and ended taking place on Friday.

Emergency Store: This is critical when doing deals like this, if a buyer doesn't pay for the produce it goes to the store.

Quality of potatoes: The potatoes moved slowly as they were from Karima and were large and medium sized. Hotels want large potatoes as there is less waste when they are peeled. We therefore need to target large potatoes; these could come from Narok.

### Supplying A Processor



*Peter Karanja explaining to James Weru the qualities he needs for potato chips*

I have recently linked with a potato processor who is running a cottage industry, supplying hotels and restaurants with ready peeled and cut potatoes on a daily basis. Peter Karanja wants to use his cash to upgrade his equipment rather than to source potatoes. He buys about 20 bags per day and needs varieties that do not absorb much oil and those which cook quickly. We have agreed that I will supply him (Fresh n Crisp Co) with a small test delivery of large quality (chang'i) potatoes and we will see if we can build on this.



*The peeling machine at FreshnCrisp Co., Nairobi*

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