

Market Mapping in the Herbal Products sector, Kenya

A Practical Action Case Study

Practical Action (formerly ITDG) has been exploring the application of the Market Map¹ to create knowledge and build linkages. A project in the herbal products sector in Kenya is a good example of its use.

Context – improving livelihoods of marginalised pastoralists

Pastoralists in Northern Kenya have been facing the long-term erosion of their traditional livelihoods as a result of declining livestock prices, environmental degradation and conflict. Practical Action has been working with pastoralist communities in Kenya for over 10 years and technology-led solutions were failing to improve livelihoods. The areas they inhabit contain potentially valuable natural resources, including herbal products showing increasing demand in export markets. In 2004 a project² was initiated by Practical Action, Traidcraft and Kenya Gatsby Trust that aims to learn about approaches for successfully integrating marginalized producers into viable market chains³.

1. Initial Mapping of the aloe market chain

The initial mapping exercise by the project team highlighted a number of challenges and issues at each of the three levels of the market map:

i) Improving linkages in the market chain

The project team carried out preliminary research, which identified herbal products as a viable and growing sub-sector. Further research identified a product group, aloe, as important to the livelihoods of communities, and that there is growing demand on world markets. For the first phase the project focused on West Pokot, an area that characterises typical aspects of the product sector. The project approach is to:

- Enable producers (harvesters and boilers) in West Pokot to establish a “Market Opportunity Group”
- Facilitate further market exploration to select the most promising market channels
- Conduct a Participatory Market Chain Analysis (PMCA) with market actors in the selected channels to identify and tackle bottlenecks and opportunities.

Challenges include:

- Harvesters of aloe are disparate and disorganised;
- Harvesters have misconceptions about what happens to their product; its value, destination;
- Market chain actors are very secretive about the trade because of the unresolved regulatory issues.

ii) Creating an enabling business environment

Factors affecting the enabling environment were identified by interviewing key informants (including market chain actors), producing a preliminary analysis of the local policy and

¹ The Market Map is Practical Action’s framework for representing knowledge and analysing opportunities in market systems, using a 3-tiered approach.

² Funded by Ford Foundation and Comic Relief

³ The project also includes coastal communities producing neem for learning about the approaches in different contexts.

regulating issues preventing effective participation by the communities in trade in aloe. In addition research of international trade issues (regulations, barriers) was initiated. Examples of issues emerging from the analysis:

Trade restrictions – CITES⁴ requirement on aloe export since 1999 has pushed the trade “underground” and considerably reduced the earning potential. All exports go, illegally, via South Africa “hidden” with other products. The so-called “Presidential Ban”, which never actually became law, has created further confusion making market chain actors even more secretive.

Corruption is endemic throughout the chain, adding costs and creating distortions of power and interests e.g. boilers pay bribes to local chiefs which enables them to negotiate lower prices (chiefs negotiate prices on behalf of harvesters).

Prejudice against Somali traders causes a high degree of mistrust and a lack of co-operation.

iii) Access to Better Business Services

Initial analysis indicated that some embedded services exist in the chain, for example:

- **Quality checking** – boilers have devised a system to test the sap before purchase (based on it’s absorption); they also advise on best harvesting methods.
- **Storage and bulking** – urban traders buy regularly from many boilers, taking higher quantities in the rainy season.
- **Market information** – an order from the exporter triggers action in the chain and information is passed down.
- **Transport** – market chain actors absorb the cost of transport.

Additional services actors could require were also identified:

- **Harvester co-ordination** – the current arrangement, of relying on the local chief, leaves them vulnerable to exploitation.
- **Technical extension services** to harvesters e.g. sustainable harvesting techniques (to protect supply since the source is getting depleted in many areas); Advice on harvesting methods to improve quality e.g. technology which extracts sap through gravity.
- **Energy efficient technology** for boiling, to reduce fuel costs.
- **Environmental impact assessment** is required by other stakeholders (such as the govt environment agency NEMA).
- **Certification** by Kenya Wildlife Service (KWS) to get CITES appendix II.

Potential for services (assessing potential demand and supply) could then be explored during the PMCA.

The Market Map created by this information gathering exercise (see end) gave the stakeholders a picture of the market system which they could further develop in the next stage, PMCA.

2. Participatory Market Chain Analysis

Having completed the initial mapping exercise the team then addressed the challenge of engaging in a participatory market chain analysis exercise. Getting competing and disparate

⁴ Convention on International trade in Endangered Species

market chain actors to work together was not under-estimated. The practicalities and associated lessons of the PMCA exercise included:

Developing trust in the aloe market chain

There is a high degree of mistrust in the chain. Harvesters generally believe that boilers take an unreasonably high margin, whereas the reality is apparently quite different. The main issue affecting revenue and margins for actors in the chain is trade regulation (linked to “unsustainable” supply issues). A strategy to tackle this problem is to apply for certification of the aloe (see below), which requires co-operation and co-ordination. In this case it is in the interests of exporters and central agents to work with other actors to address issues of sustainable harvesting at the production end of the chain, by for example, ensuring that harvesters and processors have access to the services they need to produce a certified high quality aloe.

Engaging aloe market chain actors: finding a ‘hook’

The aloe market mapping exercise identified two issues to attract the market chain actors to participate in the process:

- Exploring the potential for a specific market chain to acquire certification - from sustainable harvesting to accredited exports. This involves all actors from harvesters in West Pokot to the exporter in Mombasa and a number of key stakeholders, such as Kenya Wildlife Service who manage CITES certification. The “hook” in this case is that certified exports would enable direct sales to final buyers and therefore considerably more value will flow into the chain (\$10/kg instead of \$2/kg paid by the South African buyers). Exporters and agents cannot achieve this without harvesters and boilers following sustainable harvesting techniques.
- Quality improvements: all market chain actors are affected by quality issues, though there are certain stages in the chain where they may be critical. The processing stage (boiling) converts sap to bitters, which is the stable form of the product for export. Improvements in efficiency and subsequent increased revenue in the chain depends on this vital stage.

Physical limitations: the challenge of a long distance market chain

The aloe market chain is dislocated with actors spread over 1200 km, from remote Northern Kenya to the coast, so the project is addressing this problem by holding initial partial market chain participatory meetings between interacting actors:

- Harvesters and boilers
- Boilers and traders/central agents
- Central agents and exporters.

The segments of the market chain overlap, so boilers for example will interact with both harvest and urban traders. The next step is to bring as many representatives from all groups in a central location to explore solutions and innovations to the issues they have identified in their market chain sub-section. This incremental approach also builds up trust (see above).

Addressing Imbalances of Power: Preparing producers for a PMCA

Aloe harvesters belong to pastoralist communities (often the women and youth) who are living in relative isolation, with little exposure to commercial environments. The project is

working with them to create “Market Opportunity Groups” which prepares the harvesters to engage with other market players in a constructive and informed way, and in time, to be proactive so they can explore new market links and respond to a dynamic market environment.

Balancing external influences: Aloe interest groups

As the Market Map illustrates the aloe market chain is dependent on a large group of stakeholders. It is important that they provide targeted support to market chain actors, but their role should not be confused with the actors themselves (i.e. those in the middle section of the map) who take ownership of the product. The Aloe Interest Group has a different function from the Market Opportunity Group (which is for producers). It comprises of a wide range of local decision makers, service providers, research institutes, regulatory bodies e.g. Local Chiefs, Kenya Wildlife Services, Forest department, as well as selected market chain actors (boilers and representatives from women’s groups involved in harvesting). The West Pokot Aloe Interest group links with a national stakeholder group the Kenya Working Group on Medicinal and Aromatic Plant Species, which has a specific working group on aloe. These groups are distinct from but vital to the successful aloe PMCA.

3. Developing solutions

The PMCA will lead to a better understanding of where blockages and constraints in the aloe chain are so that stakeholders can jointly develop commercially viable solutions. An example of this process is the information needs of the aloe chain:

Assessing service needs: market information in the chain

Market information services in the aloe market chain are currently embedded i.e. each market-chain actor passes down information to the next. The whole chain responds to orders from the exporter, although this becomes more dislocated further down the chain and is, to some extent, “smoothed out” by the actors who bulk and store. The initial analysis indicates that there is a need to improve market information services, highlighted by the example of a group of harvesters who, discovering the world market price of aloe bitters, refused to sell to the boilers at their offer price, even though in reality the boilers find it hard to make a profit. The PMCA process will facilitate the discovery of new solutions as the market-chain actors consider how information can be passed down the chain more accurately. It will be important to assess demand for ‘stand alone’ services to strengthen or complement the embedded ones, and explore how these might be developed as a commercially viable service. Members of the wider ‘Interest Group’ are key stakeholders in assessing the potential for developing market information services.

Alison Griffith: International Team Leader, Markets and Livelihoods Programme, Practical Action.

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Aloe Market Chain into West Pokot, Kenya

THE ENABLING ENVIRONMENT



