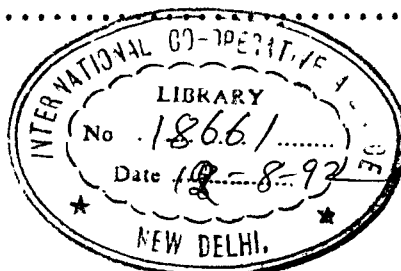




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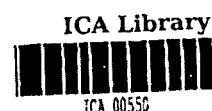
PROMOTION OF CO-OPERATIVE TRADE
REPORT OF ICA REGIONAL SEMINAR NAIROBI - KENYA
14TH - 26TH JUNE, 1982

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FOREWORD

Involvement of the Cooperative Movements in foreign trade (i.e the movement of visible and invisible trade items and other related services expressed as exports or imports) has attracted the attention of cooperative leaders in East, Central and Southern Africa for along time. The subject which was discussed repeatedly in various forums for policy makers in the region received more prominence when the ICA Congress which met in Moscow in 1980 appealed to the Cooperative Movements in the World to strengthen their cooperative trading ties as a way of counteracting adverse effects of the economic recession which had engulfed the entire world. These sentiments received massive support from all members of ICA because it was felt that time was ripe for the cooperative movements to take up cooperative trade more seriously as a measure of fostering cooperative solidarity in overcoming the economic problems which adversely affected their performance.

The keen interest of the cooperative leaders in the region should also be seen in the light of strong trade links which the cooperative movements have maintained in each country particularly in the supply of farm inputs and the provision of marketing facilities and services. Figures available at this Regional Office show that the cooperative movements import substantial amounts of fertilizers, insecticides and farm equipments from different parts of the world. The Uganda Central Cooperative Union which supplies the entire Cooperative Movement in Uganda with farm inputs, for example, imported goods worth well over 7 million US dollars in 1981. The Zambia Cooperative Federation and the Eastern Province Cooperative Union imported farm inputs worth more than 4 million US dollars in 1981. The same could be said to be true in Swaziland where the Central Cooperative Unions buys in bulk from Zimbabwe and South Africa on behalf of its members. In Kenya, plans are underway to involve the Kenya Federation of Cooperatives in the importation of farm requisites for the whole movement. A rather unique situation exists in Botswana where the Botswana Cooperative Union imports, besides farm inputs, large quantities of consumer goods for the movement. The market share of the union in consumer goods account for over 40% of the total retail trade in the country.

The Cooperative Movements also play a major role in providing marketing facilities and services for most of the main cash and food crops in each of the countries represented in the ICA Regional Office. In East Africa, for example, the movements handle over 75% of coffee and nearly 100% of cotton, cashewnuts and pyrethrum. In Swaziland, the movement handles almost 100% of all tobacco and cotton grown in the country. In Zambia, the market share of the movement is nearly 60% of all the maize collection. What is normally involved is that the cooperative movements carry out all marketing functions except export. Exportation of major

cash crops in each country has been entrusted in the hands of statutory marketing boards/authorities. This kind of marketing arrangement is meant to make it easy for the respective governments to exercise effective control over the exports of the main revenue generating activities.

Despite the impressive performance shown above the impact of the cooperative movements in the region in international trade is insignificant. This is so because of the following main reasons :

- government control over the export marketing of the major cash crops has deprived the Cooperative Movements of the opportunity to participate in international trade for the benefit of their member farmers. According to the views of cooperative leaders in the region, participation of the cooperative movements in international trade could have distinct advantages over the marketing boards/authorities in terms of lower operational costs and more involvement of producers in the marketing process of their crops thus motivating them to produce more. It will also provide better marketing prospects to the movements, particularly when it comes to developing contacts with cooperative importers who share the same aspirations and interests
- The Cooperative Movements have not taken full advantage of the enormous export potential which exists in each country for products like wood carvings, horticultural crops and other cash crops which are not controlled by governments. A few attempts which were made by some cooperative organisations like the Masaka Growers Cooperative Union in Uganda which exported pineapples and the Horticultural Cooperative Union in Kenya which exported fruits and vegetables were unsuccessful because of lack of technical support and cooperative infrastructure. With proper technical and financial support the Cooperative Movements in the region could make significant contributions in this field
- Where the Cooperative Movements have been involved in importation of farm inputs and consumer goods their operational capacities and efficiency left much to be desired. Lack of proper planning and coordination, lack of technical knowhow in processing imports and inadequate foreign exchange have contributed significantly in making them less effective in import trade.

It is with the above problems in mind that the ICA Regional Office saw the need to sponsor this seminar which, among other things, aimed at improving the position of the Cooperative Movements in the region in international trade, through the formulation of good policy guidelines. It is the belief of the ICA Regional Office that the respective governments and cooperative movements in the region would have a lot to gain from the effective participation of the cooperative movements in international trade. Prospects would be even more enhanced once a full-fledged inter-cooperative trade has been developed because the principle of cooperation among cooperators already provides fertile ground for stronger business ties between cooperative organisations. It is our hope at the Regional Office that the recommendations which were passed at the end of the seminar will receive favourable support from the respective governments and the cooperative apex organisations in each country!

Lastly but not least let me take this opportunity to extend my heartfelt gratitude and thanks to the International Trade Centre (Geneva), the Nordisk Andelsforbund (Copenhagen) and the Swedish Cooperative Centre (Stockholm) for their support and contributions which made it possible for the seminar to take place. We feel particularly indebted to M/s Wolf (ITC), Bergstroem (SCC) and Volkers (NAF) whose contributions as resource persons were highly appreciated by all those who participated in the seminar. Our special thanks also go to all participants for their active involvement in the seminar and M/s Obara (Jimba Investments), Benjamin (KETA), Wanyande (KETA) and Muthemba (KETA) who participated as resource persons. Finally I am thankful to my colleagues - Charles Kabuga and Ally Kimario - who directed the seminar and compiled this report.

Ellie M. Anangisye
REGIONAL DIRECTOR

INTRODUCTION

Since, as stated in the objectives, the seminar aimed at providing a forum for participants to formulate policy guidelines in the promotion of international trade as well as exposing them to important technical considerations, the seminar programme was divided into two distinct parts. The first part of the seminar covered technical subjects like export planning, export management, product adoption, etc which aimed at widening the participants horizon in international trade so as to facilitate their active involvement in discussions and in assessing the situations in their countries. In the second week the seminar examined more closely the problems which militate against the effective involvement of cooperative organisations in international trade in each country with a view to formulating policy guidelines to improve the situation.

This report cover the first part of the seminar in a summary form only because of the need to keep it short and precise. The summary of the major subjects appears in the Seminar Proceedings. The main feature of the report consist of two background papers (on Inter-African Trade and Pre-conditions and Ways of Exporting to Western Europe), the Kenyan Experience on Cooperative involvement in international trade and the final deliberations of the seminar.

The report also includes a section on export plans for each country represented in the seminar which is meant to give indications of export potential areas in the respective countries. Since the plans were prepared by the participants, they also show how the participants grasped the main ideas behind international trade.

SEMINAR OBJECTIVES

OFFICIAL OPENING

(a) SEMINAR OBJECTIVES

The following were the seminar objectives.

- (i) To enlighten cooperators on the techniques of planning and assessment of export markets.
- (ii) To assess the export potential of cooperative organisations in each of the countries represented in the seminar.
- (iii) To formulate guidelines which can be used by the respective governments to increase the participation of cooperatives in export business.
- (iv) To develop strategies for inter-cooperative trade between the cooperative movements in the developing and the developed countries.
- (v) To find out how the ICA Regional Office can assist member countries to increase their participation and effectiveness in export trade.

(b) OFFICIAL OPENING

The seminar was opened by the Deputy Permanent Secretary, Ministry of Cooperative Development on behalf of his Permanent Secretary who could not come because of pressure of work.

In his speech, the Permanent Secretary pointed out how problems of inflation and economic recession affected the less developed countries relatively more because of their dependence on the industrialised ones. Less developed countries purchase capital goods for industrial development from the developed countries and sell the agricultural primary produce and semi-finished goods to the same countries. In this way, the less developed countries are pegged to the economies of the developed countries. He pointed out that if the developed countries experience hyper-inflation, the same inflation spreads to the less developed countries. He observed that the situation resulting from such a dependence had continued to worsen over the years.

The Permanent Secretary hailed the efforts of the International Cooperative Alliance in attempting to sensitize the cooperatives in terms of promoting trade among and between themselves nationally and internationally. It was his considered view that consumers in Europe would be happier if most of what they pay to import agricultural produce and other commodities reached a cooperative producer in Africa. He urged the seminar participants to discuss how such a goal could be realised. He suggested that in East, Central and Southern Africa a cooperative organisation could be set up to establish a trade link among cooperatives in the region and as a block with the European Cooperative markets. He believed that through the good office

of the ICA a different version of economic order could be achieved. He wished the seminar participants fruitful discussions and a pleasant stay in Nairobi.

(c) A WORD OF WELCOME FROM MR E. ANANGISYE, REGIONAL DIRECTOR

The Regional Director thanked the guest of honour for finding time to officially open the seminar. That in itself was a reflection of the interest and commitment which Kenya and the Permanent Secretary himself had towards the cooperative movement.

He pointed out that the Regional Seminar had been initiated because most of the cooperatives in the region are carrying out their economic activities in areas which are linked to trade. As an example, the Regional Director sighted the agricultural cooperatives in the region which purchase a lot of agricultural inputs, implements and machinery. The same cooperatives produce crops some of which are commercially sold in the outside markets. Such transactions are handled within the scope of international trade.

The Regional Director observed that if cooperatives could learn to sell their commodities to where they fetch the highest prices, that would inevitably improve the income of the movement and hence the members. Similarly the consumer cooperative movements in the region would get their goods at equally more reasonable prices if cooperators had thorough knowledge of the trading techniques.

Because of the realisation of how much the cooperatives stand to benefit through directly participating in trade, the ICA has been encouraging its affiliates to move into this area within the regulations of each country particularly the promotion of direct trade links among themselves. Participants were informed that already the European consumer movements were being encouraged to purchase coffee, tea, etc., directly from cooperatives in the less developed world rather than from middlemen.

The Regional Director maintained that because the philosophy and ideals of the cooperative movement all over the world call for fair play, by entering international trade, cooperatives would be making significant contribution towards the establishment of better and considerate practices within the international economic dealings.

The Regional Director thanked the Kenyan Cooperators for hosting the seminar and the Kenya National Federation of Cooperatives for assisting with practical arrangements for the seminar. He looked forward to meaningful discussions and exchanges.

INFORMATION ABOUT ICA AND SCC

(d) INFORMATION ABOUT THE ICA REGIONAL OFFICE, MOSHI

Mr C. Kabuga informed the participants that as a result of ICAs policy on support to cooperatives in the developing countries which was defined in the Long-Term Programme of Technical Assistance and adopted by the ICA Congress in Lausanne in 1960 regional offices were opened. Today, there are three offices - one in New Delhi, India opened in 1960, another one in Abidjan, Ivory Coast opened in 1981. The Moshi Office was opened in 1968.

The main purpose of the office is to promote and support cooperative activities in the region.

Since its inception, the Office has supported on-going programmes on cooperative development in member countries. A special emphasis was placed on the training of trainers, enhancing women involvement in cooperatives, dissemination of cooperative information and the production of cooperative education materials and the provision of insurance consultancy services to insurance departments/agencies of cooperative apex bodies. Also emphasised were the training of cooperative managers in modern management techniques, action research and consultancy services in the field of consumer cooperatives.

Besides these activities, the Office organises conference and study tours to facilitate the exchange of cooperative experiences in the Region. The office holds yearly consultations of regional council members to formulate policy guidelines for the office.

Mr Kabuga pointed out that the office was 98% funded by the Swedish Cooperative Centre and the Swedish International Development Authority (SCC/SIDA). The annual contribution from each member country was Tshs.7,000/- per annum.

Administratively, the Moshi Office is an extension of the Head Office in London (now Geneva) to which it is accountable. The Regional Director is the executive head of the Office.

(e) INFORMATION ABOUT THE SWEDISH COOPERATIVE CENTRE

Mr Bergstrom informed the participants that the Swedish Cooperative Centre (SCC) was set up in 1968. Its main function was to take care of the fund-administration and implementation of the technical assistance programme financed by the funds collected by the cooperative movements in Sweden.

The activities of SCC among others include, the provision of financial and personnel assistance to the ICA Regional Offices in South East Asia and East, Central and Southern Africa. SCC also gives financial support to the Latin American Technical Institute for Cooperative Integration (LATICI)

In collaboration with ICA and SIDA, the SCC organises educational activities and training programmes for cooperative leaders from developing countries. SCC does assist in the recruitment of cooperators to serve in developing countries. Its other major activities are the annual fund-raising campaigns to continue with assistance to developing countries. Further, SCC informs the Swedish public about developing countries and the role of cooperatives in the economic and social development of these countries.

SUMMARY OF LECTURE NOTES

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(a) DEVELOPING COUNTRIES & WORLD TRADE: ASSISTANCE AND SERVICES AVAILABLE: MR R. WOLF (INTERNATIONAL TRADE CENTRE).

Mr Wolf informed the seminar that developing countries find problems in securing foreign exchange for them to improve cooperative trade. This has been exaggerated by the world economic recession. He told seminar participants that developing countries have been negotiating for reduced duties in order to enable them export without problems.

He emphasised that import substitute protection for too long was dangerous because the quality of the product never improves. This being so such a product (s) risked being out of the international market. He advised that free trade should be encouraged to allow competition so that, in the process, local products may be improved in quality.

He outlined various organisations regulating international trade such as UNCTAD, LTC, TCDC, GSP LOME I & II. Mr Wolf stated that various international agencies such as ITC (International Trade Centre) had been established to assist developing countries in their efforts to carry out international trade. It was up to the respective governments in developing countries to take advantages of ITC facilities. Requests could be submitted through individual governments which would then process the request(s) with the UNDP office in that particular country.

If any training was required, correspondence could be sent directly to the ITC for their consideration. Mr Wolf further indicated that ITC had technical assistance funds to assist less developed countries in the field of training. The import procurement section of the ITC could assist members of commerce of different countries organise seminars appropriate to their needs.

Responding to a question on the problem of pollution from the hides and skin processing industry, Mr Wolf observed that in his opinion less developed countries do not have the problem of pollution as yet in the same way the developed countries have. He therefore saw the potential for leather industry in less developed countries as fairly great.

(b) EXPORT MANAGEMENT AND MARKETING BY MR. WOLF

Regarding export management, Mr. Wolf underscored the importance of identification, determination and evaluation of the market. This required following certain steps. There are :

Fact Finding - in order to identify the market. Once identified, it was necessary to carry out market research to determine the capacity of the market before attempting to launch a new product. He stressed that it was extremely important to be "market oriented" rather than "product oriented" because once the market was assured, a product could always be adopted.

The second step was evaluation whereby the market findings are analysed to determine how much of the product should be produced and what technology should be used. It was also important to understand the environment since traditions, ways of life, consumption habits, nationalistic feelings and even attitudes towards business could seriously hamper penetration of a target market.

As step three, a decision has to be taken regarding the objectives and the intended results of the export undertaking. These would include decisions on product adaptation, pricing mark ups, sales revenue, profits, volume of business, supporting budgets and other resources.

Step four involves making a marketing plan indicating how the set objectives would be fulfilled. Four elements of the marketing plan were essential namely the marketing mix (product, price, place, promotion, people), the manpower to execute the plan, the budget and timing. He stressed the importance of understanding the controllable and the uncontrrollable factors in the marketing mix.

The fifth step was getting into action to distribute, sell and promote the product.

As a sixth step, it was necessary to constantly evaluate sales, profits, expenditure and time table so that adjustments are made.

Regarding export marketing, Mr. Wolf stressed that it was important for the exporter to know his product. He had to know price limits, his production capacity, the life cycle of the product, the substitutes for his product, his competitors, and possibilities of adapting his product together with new development possibilities.

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It was stressed that the exporter had to know his customers. Are they a group? If so where do they buy and what are their tastes and trends? What are their incomes? What is their demand pattern? What are their buying behaviours, etc. The importer has to ask further questions as what are the channels of distribution available and what are their costs? What is the motivation of importers? Are there agreements, regulations and tariffs that I must follow? How do importers react to my packaging, etc? After all these and other related questions have been answered positively then the exporter can go ahead with the business.

(c) THE ROLE OF COOPERATIVES IN IMPORT MANAGEMENT BY MR OBARA

Mr Obara started by pointing out that except for the savings and credit societies, in most African countries the cooperatives were agro-based. Since agriculture was the mainstay in the economy of most African countries, these agro-based cooperatives had a significant role to play in the development of the economies of these countries.

Turning to the import business on the side of cooperative society entering this business had to be familiar with three basic areas. These were the international pricing system, the international communication and the import procurement with its requisites of transport packaging and insurance.

International pricing system

On international pricing system and price quotations, delegates were informed that when cooperatives talk about imports, they have to bear in mind the fact that their currencies are not readily accepted internationally. As a consequence importing societies must be familiar with accepted currencies and the legal tender of the countries from which they intend to import. They should feel free to decide on which currencies to have the quotations (whether local or international). They have also to determine whether the suppliers are using full pricing or marginal pricing. It was pointed out that European suppliers always use full pricing.

The speaker pointed out several purposes which quotations serve as giving specifications on the product, indicating special facilities or services and showing any discounts allowed and duration of delivery. He went on to say that whatever is quoted should include unit cost of the product, transportation charges, insurance and responsibilities of the seller vis-a-vis those of the buyer. He advised that importers should receive quotations from as many sources as possible

before deciding from where to import. Once a decision is taken, importin societies should determine whether the import prices should be FOB or CIF depending on the international comperative cost. The speaker warned that whatever was quoted, the supplier must limit his responsibilities to tangible things as quality and quantity. He further pointed out that cooperatives should work closely with their governments so that government regulations and controls, political goodwill guidelines, prevailing economic policies, etc which govern the sector are not lost sight of.

International Communication

Mr Obara pointed out that cooperatives in Africa lack the international business language or communication because of the following reasons :

- limited facilitating channels of communication
- lack of internationally accepted business language
- distance and familiarity
- reputation which is not good enough and which therefore makes businessmen depend on friendship
- and courtesy which further limits their choice
- lack of promptness in business.

Because of these constraints, cooperatives in Africa tend to depend mostly on correspondence (letters) as opposed to the usage of tlex, radios, international satelite, telephones, etc which are time saving. He pointed out that ordinary surface mail takes months to reach its destination and by the time it reaches, price changes have occured. For places more easily connected to the international air routes, air mail was more favourable.

Mr Obara then advised that for cooperative societies which dont have full time employees, certain minimum acceptable communication standards were necessary. As basic requirements for import business, special stationery is necessary. It is also necessary to maintain a filing system which takes into account the geographical distribution of suppliers. He pointed out how promptness to order had cost advantages.

Import Requisites in International Business

Mr Obara informed the delegates that import planning was not complete until packing, insurance and shipping were finalised. Packing was important as a way of avoiding damage of goods while on transit. Cooperatives should however, not spend too much money for packaging at the expense of the unit cost. It should also be noted that packaging will also affect transportation (e.g, freight rates) hence the need to reconcile between safety and economy of import services.

On insurance Mr Obara categorised different types of marine insurance (e.g cargo insurance, all risk insurance; etc) and their advantages to all parties concerned.

As far as shipping was concerned, Mr Obara emphasised the importance of studying quotations (general or exclusive contact rates). The cooperative organisations should further consider all required documents e.g commercial papers like the bill of lading, government documents like import entry and consular services documents which could be obtained through the embassies. Cooperative importers have also to decide on the clearing agents who would be deployed to clear the goods.

Post Import Activities and Inventory Control

Mr Obara emphasised the importance of adopting scientific methods when it came to the whole problem of inventory control mechanism. He said that the services of qualified economists were necessary in order to avoid guess work. He discussed at great length the various methods which were normally used in management and control of inventory. He demonstrated how Economic Order Quantity, ABC Analytic Model, Fixed Order Quantity Order methods could be used in cooperative organisations.

Regarding warehousing Mr Obara emphasised that the participants have to pay attention to various cost factors connected with storage of goods. In order to minimise labour, equipment, shipping and inland communication costs scientific methods have to be used to determine the locations for the warehouses. Planning of warehouses should take consideration of population concentration, communication channels available, transportation, delivery time, credit facilities available and policy.

Mr Obara wound up his lecture by discussing how cooperatives could improve their imports. He drew the attention of the participants to the rights, privileges and obligations of importers and how various laws (e.g international, commercial, mercantile, British common code laws, etc) could be used to protect the interests of various parties involved in international trade. He advised the participants to make use of cooperative organisations in the developed world as a way of improving intercooperative trade and avoiding unnecessary problems which were normally encountered when doing business with unknown business partners.

(d) PRODUCT ADAPTATION, PACKAGING & PROMOTION BY MR BENJAMIN AND MR MUTHEMBA)

Mr Benjamin introduced the subject on the product adaptation and dwelt on it for some considerable amount of time. He highlighted that the problems he was concerned with were those concerning small scale cooperatives. He mentioned that the main reason for adapting a product was to shorten distribution distance between the producer or the artisan and the retailer because otherwise this direct link will be interrupted by the middleman who wants to be involved in the distribution line. He gave demonstration of samples of Kenyan basketry and wood carvings and how they have been adapted in order to suite the overseas market which is their target market.

He kept the discussion interesting by mentioning that until the cooperative producer has an organisation which can represent him at market level he should expect to be exploited. He mentioned also that new adaptation of product is done first to test the market and if the market accepts it then more can be produced for that market.

SUMMARY OF COUNTRY PAPERS

MAIN STATISTICS

MAIN FEATURES OF COOPERATIVE MOVEMENT

COOPERATIVE TRADE

BOTSWANA

Population 936,600

Population Density 1.4 per sq. km

Area sq km 570,000

Main economic activities are:

- Export of beef
- Mining of diamonds

Consumer Cooperatives controlling about 42% of Retail Trade

Marketing & Supply coops. controlling about 25% of cattle marketing

Thrift and loan societies

Cooperative Bank

Botswana Coop. Union imports large quantities of consumer goods and building materials from South Africa

Small amounts of export of tapestry

Cooperative Trade is insignificant

Potential areas
export of baskets

KENYA

Population 18 million

Area 583,000 sq km

Main Economic Activities

- export of coffee, cotton tea and pyrethrum
- tourism

Marketing Cooperatives controlling

- 70% of coffee export

- 100% of pyrethrum

- 100% of cotton

Savings & Credit Cooperatives

Cooperative Bank

No cooperative trade

Horticultural Cooperative

Union which used to export

horticultural products to

Western Europe closed down

its business in 1979 because

of stiff competition and

other problems. See complete report

Handicraft Coop. Union exports

wood carvings to America and

Europe

Potential areas:

- Horticultural products

- Natural honeys

MAIN STATISTICS

MAIN FEATURES OF COOPERATIVE MOVEMENT

COOPERATIVE TRADE 16

LESOTHO

Population 1.2 million

Area 30327 sq km

Main economic activities

- wool & mohair

- diamonds

Savings & Credit Cooperatives

Handicraft Cooperatives

Thrift & Credit Cooperatives

Housing Cooperatives

Export of small quantities of handicraft products produced by Lesotho Cooperative Handicrafts

Coop Lesotho imports large quantities of building materials and farm inputs from South Africa.

Cooperative trade is insignificant

Potential Areas

Export of Mohair Yarn

MAURITIUS

Population - 950,000

Area - 2040 sq km

Main economic activities

- cultivation of

sugar cane & tea

Agricultural Credit Cooperatives

Consumer Cooperatives

Savings & Credit Coops

Cooperative Bank

Agricultural Marketing Cooperatives

Mauritius Cooperative Union is non-commercial

No Cooperative trade

Potential Areas

Export of potatoes to neighbouring countries

Export of handicraft articles made by women coop. societies

SWAZILAND

Population - 600,000

Area - 17,363 sq km

- Main economic activities
- cultivation of sugar cane
- wood-pulp, citrus fruits, cotton and tobacco
- mining of Iron ore and asbestos

Marketing Cooperatives
(tobacco and cotton)

Consumer Cooperatives

The Central Coop. Union imports large quantities of fertilizers and seeds from South Africa and Zimbabwe

The Swazi Tobacco Coop. Society exports cured tobacco to South Africa

The Langesburg Coop. Tomato Manufacturers processes tomato sauces which are sold to South Africa

Potential Areas

- Export of hides and skins
- Export of pineapples

LESOTHO

Population - 20 million

Area - 945,166 sq km

- Main economic activities
- Coffee production
- cotton "
- sisal "
- cashewnuts "
- tobacco "
- mining of diamonds

Agricultural Cooperatives

Consumer cooperatives

Savings & Credit Cooperatives

Industrial Cooperatives

No cooperative trade

Potential Areas

- Handicraft articles

MAIN STATISTICS

MAIN FEATURES OF COOPERATIVE MOVEMENT

COOPERATIVE TRADE

UGANDA

Population - 13 million

Area - 236,000 sq km

Main economic activities

- production of coffee, cotton and tea

Marketing Cooperatives controlling 100% of coffee and cotton

Savings and Credit Societies

Consumer Cooperatives

Cooperative Bank

The Uganda Central Cooperative Union exports hides and skins

The Masaka Growers Cooperative Union exports pineapples

The Uganda Central Cooperative Union imports farm inputs and chemicals for agricultural and animal production

Potential areas

Handicraft articles

ZAMBIA

Population - 6 million

Area - 752,600 sq km

Main economic activities

- mining of copper, zinc, lead & cobalt

- production of tobacco

Marketing Cooperatives controlling 60% of maize production

Savings and Credit Cooperatives

Zambia Cooperative Federation imports goods worth approximately US\$ 3.2 million

Eastern Province Cooperative Union exports large quantities of groundnuts to Britain

Potential Areas

Handicraft articles

BACKGROUND PAPER

- Inter-African Trade
- Preconditions & Ways of Exporting to Western Europe
- Role of COOPTRADE in South East Asia

INTER- AFRICAN-TRADE SUMMARY OF THE LECTURE DELIVERED BY
MR ANDREW WANYANDEH, ASSISTANT DIRECTOR OF KENYA EXTERNAL
TRADE AUTHORITY

Problems of Developing Countries in Africa

The effect of unfulfilled promises of global development strategies has been more sharply felt in Africa than in the other regions of the Third World. Instead of improving the economic situation of the continent, successive so called growth strategies have made it stagnate and become more susceptible than other regions to the economic and social crises suffered by the industrialised countries. Thus Africa is unable to point to any significant growth rate or satisfactory index of general well-being in the past 20 years. It is paradox when one bears in mind the vast human and natural endowment of the continent. In addition to its reservoir of human resources, the African continent has 97% of the world reserves of platinum, 64% of manganese ore, 25% of uranium, 13% of copper, 20% of world hydro electrical potential, 20% traded oil in the world (excepting USA and USSR), 70% of world cocoa production, one third of coffee output and 50% of palm produce. Its resources of bauxite, nickel, lead, diamonds, soda ash cement, pyrethrum, sisal and cashewnuts are immense.

Despite these extensive resources, Africa remains the least developed continent in the world. It has 20 of the 31 least developed countries declared by the UN. The domestic gross production (GDP) of the continent being only 2.7% of the world's and its per capita income averages of dollar 166 only. In the last two decades i.e. between 1960-80 the average annual rate of growth of the continent has been no more than 4.8%, a figure which hides divergent realities ranging from 7% growth rate for the oil producing countries down to 2.9% for the least developed countries.

International Trade of Africa

In the field of International Trade Africa is far behind the other continents, The share of Africa in International Trade is no more than 4.57%. The following table gives the figures of Africa's Trade and its share in the world trade during the last few years.

Table 1

Year	World Trade	Africa's Trade	Percentage share (million \$)
1963	154,700	6,640	4.29
1968	237,800	9,600	4.03
1973	574,300	20,870	3.63
1978	1,302,500	45,700	3.50
1979	1,638,000	66,530	4.06
1980	1,973,000	90,200	4.57

Source: International Trade 1980-81 GATT. During the last 17 years Africa's share in the world trade has remained more or less stagnant - below 5%.

Regional Composition of Africa's Trade

A major part of Africa's Trade is with the developed market economies. Africa's trade has been geared by history to the needs of the former metropolitan powers. After independence the same pattern has persisted with no more than very insignificant modifications despite the conscious efforts of individual countries to effect major structural changes. As a result the developed market economy countries account for more than three-fourths of Africa's imports and exports. Intra Africa Trade has, therefore, remained infinitely small as is evident from the following table :

Table 2

	1979	% share	1980	(million \$) % share
1. Total Trade of Africa	66,580	100.0	90,200	100.0
2. With Industrial area	56,110	84.2	73,985	82.0
(a) West Europe	33,655	50.5	45,375	50.3
(b) EEC	28,900	43.4	37,475	41.5
3. With developing area	7,715	11.6	12,095	13.4
(a) Africa	2,300	3.4	4,200	4.6
(b) W. Asia	705	1.1	1,600	1.8
(c) S.E. Asia	2,260	3.4	3,445	3.8

SOURCE: INTERNATIONAL TRADE 1980-81 GATT.

From the above figures it is amply clear that more than 80% of Africa's trade is with the developed market economies particularly with the EEC. Africa's trade with other developing countries is small accounting to only 13.4 percent of the total in 1980. Intra Africa Trade has been minuscule to 4.6 percent only.

The low volume and uneven pattern of Intra-Regional Trade has been largely due to lack of complementarity in the production structures of the different economies. The general pattern of production and trade in the Region is, by and large, similar to that of other developing regions; for most countries exports consist mainly of agricultural or mineral products and imports of foodstuffs, oil and manufactured capital and consumer goods. Dependence on a single primary product to generate major export earnings ranges from 30% of total export of Kenya (coffee) to 88% in Zambia (copper), Mauritius 67% (sugar), Seychelles 70% (copra), Somalia 82.8% (live animals) Uganda 85% (coffee) and so on. One or two commodities account for at least one half of exports for 13 of the 16 countries for which data has been available.

As a result of this production structure, the principal markets for exports of the region are in Europe and North America. For some countries the European Economic Community (EEC) has become increasingly important market, partly as a result of tariff preferences granted under the terms of Lome Convention. EEC accounted for 42.4% of the total trade of Africa in 1980.

While EEC is the dominant trading partner of Kenya, Tanzania and Uganda, South Africa has been a major supplier to the countries in the Southern Region. A large proportion of the import needs of Botswana, Lesotho and Swaziland are met by South Africa, the dominant member of the customs union between the four countries. In the past three years imports from South Africa has accounted for almost two fifth of total imports of Malawi, about one-fifth of Mozambique, 13% of Angola, 12% of Mauritius and 7% of Zambia. It is understood that 30 to 40 percent of Zimbabwe imports are made from South Africa.

Obstacles to large Intra-Regional Trade

The small amount of Intra Africa Trade gives legitimate cause for anxiety because of its cardinal importance in the economic development of African countries. Apart from the violent fluctuations and the downward price trends which the primary commodities forming the bulk of Africa's exports face, it is a well known fact that these exports develop only weak linkages. The needs of development therefore compel that African countries should develop the export of manufacture and semi manufactures which have a more stable and rapidly expanding markets and which are capable of forging strong industrial linkages.

The markets of developed countries are at present and will probably continue to be for the foreseeable future beyond the reach of most African manufactured products not only because of the superiority of their own products and their cost price advantage but also because of the maintenance of a variety of trade barriers which they have been rather reluctant to dismantle. In the circumstances a realistic way to the diversification of the exports of African countries from their excessive dependence on primary commodities to manufactured goods, is through accelerated growth of Intra Africa Trade and Trade with other developing countries. In addition, expanded Intra Africa Trade will provide the advantages of economies of scale needed for building a mass production manufacturing base in the fragmented African countries. This will strengthen the competitive power of the manufactured products not only in the markets of Africa against imported goods but also in the markets of other developing countries.

Developing countries in Africa face several bottlenecks in their endeavour to expand Intra Regional Trade. The lack of export culture, small size of their production, lack of exchange of information on trade, the difference in the currency system, the tariff and non tariff barriers and absence of well developed infrastructure and services such as banking, insurance, credit facilities are serious obstacles to increased trade in the Region. Inadequate transport and communication system, multiplicity of currencies and their non convertibility, absence of appropriate clearing and payment system further compound their problems. At present there are no trade financing facilities at the national sub-regional and regional level. This lack of institutional support has been a major bottleneck to the promotion of Intra Regional Trade, the African situation therefore demands an integrated programme of activities in the field of trade promotion, market research, credit facilities, financial and monetary policies.

Lagos Plan of Action - New Africa Strategy

It was in this background that a new Africa strategy in the field of International Trade and Finance was adopted by the African Heads of States and Governments of the organisation of African Unity (OAU) in Lagos during the second extraordinary session of the assembly which was exclusively devoted to the economic problems of Africa. The assembly reiterated among other things the need to expand and promote closer economic relations not only at the Intra Africa level but also with countries in other developing regions. Lagos plan of action for the economic development of Africa 1980-2000. It is therefore necessary to underscore once again the importance of this development which is in line with the programme for collective self-reliance adopted at various forums of the group of 77 and the International Community itself.

PRECONDITIONS & WAYS OF EXPORTING TO WESTERN EUROPE

by Mr A. Volkers

As I have told you before, the Western European Consumer Cooperatives are used to import quite large quantities of food stuffs and non-food items from all over the world, partly with the help of Nordisk Andelsforbund and partly with the help of Inter Cooperative. Imports from your part of the world are relatively modest and include coffee, tea, some canned fruits, fresh pineapples, and flowers.

Competition on the world market is extremely strong and the consumer cooperatives in Western Europe are quite selective in their imports and mainly concentrate on articles that can be sold in large quantities within their own shop network i.e. in supermarkets, superstores, and department stores.

In my paper, I would like to stress some EXTERNAL and INTERNAL factors that may affect exporting and that are essential to take into consideration.

By EXTERNAL factors I am referring to those that we cannot influence immediately or directly, and there are quite a few of them e.g. customers and import regulations, quotas, foodstuff specifications, changing rates of exchange, political crises, etc.

Companies or organisations wanting to export have to make sure that they are aware of all legal requirements of the various export markets AND comply with them. If they do not, the merchandise will be rejected at the borders, resulting in heavy losses.

It is not possible here to mention all external factors. I will, however, try to give some examples:

In principle, exports to the Western European countries can be made without restrictions during the whole year; there are, however, examples of temporary import prohibitions imposed by the EEC as well as other countries. They concern agricultural products in cases of extremely low prices - the EEC calls it cases of emergency - or in cases where there are still domestic products on the market like apples or potatoes in Sweden, Norway and Finland.

A somewhat weaker measure to control and limit imports is that of licences and quotas. Licences are granted by the governments to the importing companies and can be stopped or delayed if a certain import volume of the commodities in question has been reached. Without a licence import is not possible. The quota system is working in a similar way. Governments of exporting and importing countries meet and decide upon the volume of certain products that are allowed for export from one country to another. Part of the quotas may be granted to either exporters or importers - that depends on the agreement reached. Presently both solutions are used, and very often well-established exporters and importers are the quota holders, leaving very

few chances to newcomers. We are not happy at all about these licence and quota systems as they limit our freedom of buying. Within the EEC - but it goes for other countries too - quotas and licences are widely used for import of textiles from developing countries, mainly in order to protect own industries.

Food legislation is another important factor to be observed very carefully - the more so as food legislation varies greatly from country to country. All of them are dealing with the raw materials to be used, with the amount and type of additives, pesticides, colouring, preserving, etc., etc., which in reality means that suppliers have to check the goods in some way or another before they leave the factories.

The same applies to packaging and labelling, where there are detailed legal requirements but again different from country to country. In most countries the labelling has to be made in each country's own language, the raw materials used to be specified on the labels together with the additives. The origin of the product must be shown and in more and more cases also the date of production together with the last consumer sales date.

The objective of these requirements is naturally to protect consumers, however, at the same time it should be possible to use more or less uniform specifications in all countries, which would make export trade much easier and more economical. Within the EEC, harmonization of those regulations is on its way, including numerous security and safety regulations for the various non-food products such as toys, electrical articles, or household items.

As a last point, I would like to mention the difficult question of sizes and weights. As you will know, different systems are used in different parts of the world; in Western Europe the British system is different from the one in use on the Continent, although the metric system is in progress also in Great Britain - the same goes for kilos and grams. It is quite obvious, that exporters have to exactly keep the sizes, measures and weights for packaging used within the European countries.

These examples of external factors may be sufficient to show that a lot of things have to be investigated and considered before starting an export business.

The same applies to INTERNAL factors. Internal factors are those that can be influenced directly by the supplier himself in order to make the goods suitable for exports.

To be successful it is essential that the products offered meet the requirements of the export markets and the expectations of the consumers in the industrialized countries. These particular suppliers are, after all, in competition with all other sources of supply. A low price alone is not

sufficient; quality, packaging, and not least an equally reliable delivery are just as important as well as the fact that the products have to meet the numerous legal specifications of the various export markets, as I have already referred to.

Product quality I want to put in the first place within the group of INTERNAL factors. The quality delivered must be in absolute conformity with the one offered. At the same time, it is a necessity, that the quality does not differ from item to item but holds the same standard at all times.

It is very important that producers and exporters understand this and introduce a thorough quality control in their factories. Just a few examples as illustration :

- If our order states sliced pineapples size B, we want them all in that size, or
- If we want textiles in 51% cotton and 49% acrylic, we cannot accept a composition of 50/50 because we might risk an extra import duty, or
- If we ordered leather shoes in dark brown colour, we shall refuse them if they are delivered in light brown, as the fashion of that season might be dark brown and our advertisements are showing dark brown shoes.

Deliveries at agreed upon time are also of extreme importance as the sales of the stores are dependent on reliable deliveries. Take e.g seasonal products such as fruits and vegetables. If they arrive too early or too late in relation to the date agreed upon, they are not saleable, as other products are more competitive or imports have been stopped at the time of arrival. There may be products ordered for special sales drives. If those products do not arrive in time, big problems are to be expected as it is usually not possible to cancel planned advertising programmes. The buyer has to find the product elsewhere on the local market - often at a much higher price. Highly fashion goods cannot be sold if they arrive at the end or after the season. Next season will bring a different fashion.

In view of these risks, our member organizations tend to use suppliers known to them for a long time. But of course this does not exclude new suppliers, however, only after thorough investigation and test purchases on a small scale.

In general we do want to do business with suppliers on a long-term basis with suppliers who know the export business, the techniques and formalities, the best and cheapest ways of transportation, and suppliers who help selling the merchandise. Easy communication should be guaranteed.

Our buyers prefer suppliers who are able to communicate in the language of the importing country or at least in English. Telex equipment is a must to ensure that offers and orders can be speedily placed and that possible problems - and there are many - can be dealt with right away.

Finally, I would like to mention the question of business morality. At times there are problems in this field. It has happened that a supplier did not deliver an order because he discovered - after having signed the contract - that he could get a better price from another customer. Such suppliers will never again be considered by our member organizations.

Dear fellow cooperators, I have mentioned quite many factors and conditions that are necessary to expand export business to the industrialized countries, to the European consumer cooperatives. It was not my intention to discourage you in your export efforts but to give you a realistic picture of the existing conditions and possibilities. Inter Coop and Inter Coop members are ready to consider any proposition and to grant any help and advice requested - national and international organizations.

Allow me to conclude my paper with the following statements derived from my own experience :

1. Trade between the producer cooperatives from developing countries such as from your region and the consumer cooperatives of Western Europe has good chances to expand, if the offers are fully competitive with other cooperative and/or private sources. We have to define in details the products that might be suitable.

At the same time, promising trading possibilities with cooperatives within this region and other parts of the world such as Asia and European countries with state trade, should be investigated and opened. In addition to that there might be private customers all over the world.

2. Conditions and means for a further expansion of modern production resources and for an improvement of the export facilities of the various cooperatives need to be created as soon as possible. Within the realms of their possibilities Inter Coop, NAF and other cooperatives in the industrialized countries are prepared to place their experience in international trade at the disposal of those who are trying to reach this aim. We have done this before for the South Asian region.

3. In order for a cooperative to be able to export it needs a strong internal organization with a professional export operation. Its task is to find the best business channels either within the cooperative market or the private market. Not all products are meant or suitable for sale in coop stores.

Cooperatives should understand, that it is only profitable to sell directly to big customers abroad, if they can offer large quantities of the same quality. If their quantities are too small and/or very specialized, they should prefer to operate through a trading house and/or an importer specialized in that commodity, because these people know the right sales channels on the various export markets.

4. Minor cooperatives should investigate the possibilities of joining other small cooperatives in order to create professional export departments. At the same time larger quantities can be offered.
5. The products of the exporting units should be included in the trade lists of directories that are distributed in the industrialized countries by their embassies or chambers of commerce. The cooperatives should also arrange for representation in any national or regional showroom that may exist as well as in any brochure that may be printed, and in any fair that may take place, involving their particular commodities.

SUMMARY ON ROLE OF COOPTRADE IN DEVELOPING COOPERATIVE
TRADE IN SOUTH EAST ASIA BY MR F. BERGSTROM

In order to improve the standard of living for the people in South Asia, ILO/SIDA recognised the desirability of promoting trade between cooperatives in selected developing countries in 1978. COOPTRADE was formed as a project to strengthen inter cooperative trade relation in Bangkok and Thailand. The following countries were later included in the project - Bangladesh, Burma, India, Singapore, Sri Lanka, Thailand and Phillipines.

Main activities of COOPTRADE Project

- Survey of potential export products from cooperatives in selected Asian countries.
- Organising regional workshops which aim at strengthening Inter Cooperative Trade relations in the selected countries.
- Fact finding missions to a selected number of countries
- Organising fellowship programmes including study tours to Sweden
- Providing background papers on cooperatively produced commodities.
- Establishment of trade contacts.
- Documentation of cooperatives with export/import potential.
- Short term consultancies to cooperatives.
- Training packages on advanced marketing techniques.
- Organising regional pilot workshop together with ICA.

Areas of Operation

COOPTRADE covers three main areas of operation :

- Trade between Cooperatives in the region - there is no significant trading pattern between Cooperatives in the region today. The best possibilities to develop such trade would probably be to concentrate on export of products with a low degree of processing e.g agricultural products (rice, fruits, vegetables, etc) to countries with developed infrastructure and well organised consumer cooperatives e.g Singapore and Republic of Korea.
- Trade between Cooperatives in the region and other regions - mainly Japan, Australia and Pacific, Middle East.

- Trade between Cooperatives in the region and Europe. Not forgetting the two first areas of operation, the new organisation of COOPTRADE, with one person at SCC Stockholm and one person at ICA, Delhi, is streamlined for operations between the region and Europe.

Coordination

Several international organisations are engaged in Cooperative development and trade. It is essential to stay in close contact with these organisations in order to exchange experiences and coordinate activities to avoid overlapping of similar projects. The ILO regional office for Asia and Pacific in Bangkok is planning a COOPTRADE Project in the Pacific. Since the Pacific is a potential export market of South-East Asia, it would be important to follow up the development of this project. NAF/Intercoop along with BECA, with purchasing Cooperatives from the developed countries as members, is another example. Japan being a developed country with substantial interests in South-East Asia must be very much involved in Cooperative trade. It should be valuable for COOPTRADE to learn more about the Japanese approach to Cooperative trade development and explore the possibilities for COOPTRADE to further develop trade between Japan and Cooperative exporters of the region.

Contacts with IMPOD, Sweden; Oxfam, UK; Friedrich Ebert; Stiftung, Germany; CIUSA, U.S.A and similar organisation would also be valuable.

Planning, execution and follow-up of a project is time consuming and requires a continued contact with persons in various organisations, Cooperative and often also governmental. It would therefore almost be necessary to have contact persons in the different countries in the region, with a thorough knowledge of marketing and the local Cooperative sector. These "country contacts" should preferably be attached to the apex organisation responsible for Cooperative trade and be involved in project planning, preparation of visits and follow-up activities.

Mr Bergstrom went on to tell the seminar participants that the ILO/Cooperative project in Bangkok will be taken over by SCC/ICA and be managed by him at the end of the year. He will be working in close collaboration with Mr Jacobsen who from the beginning of 1981 has been responsible for International Trade Questions for Cooperatives in developing and developed countries. He told the seminar that Mr Jacobsen was stationed at SCC Stockholm and himself was contracted by SCC/ICA for a two year period and would be stationed at the ICA Regional Office in New Delhi as International Trade Specialist.

KENYAN EXPERIENCE ON PROMOTION OF COOPERATIVE TRADE

- Horticultural Cooperatives
- Handicraft Cooperatives

HORTICULTURAL COOPERATIVE UNION

Historical Background

This union was established in 1952 to handle horticultural products throughout the country. The objectives of the union were as follows :

- act as agent for its members and arrange on their behalf for the sales of their product;
- supply members with seeds and other farm requirements;
- acquire land and buildings and provide transportation and other services as may be necessary to fulfil these and other objectives;
- own and operate canning or any other processing plants necessary for the effective marketing of members' produce;
- adopt measures which would enhance the development of the horticultural industry in East Africa, including the establishment of research and advisory services;
- encourage cooperation among the existing affiliated societies and coordinate matters of common interest. The union was **also** entrusted with the responsibility to promote horticultural cooperatives at the grassroots;
- raise loans to implement these objectives;
- receive and invest deposits from members;
- promote other measures designed to encourage the spirit and practice of thrift, mutual and self-help.

Production of Horticultural Produce

Horticulture production for export is the most sophisticated field of agriculture and requires special knowledge and experience which few of the small farmers possess today. Production inputs (prices) e.g seeds, fertilizers have recently increased to such an extent that quite a number of farmers have ceased to grow them. In addition the rate of deterioration of such produce is so fast that it requires quick transportation from farm to airport and thus virtually limits the area of production to within 100 miles of the airport.

As time went by more and more people became interested in the business and the Horticultural Cooperative Union found it hard to maintain its monopoly position. Locally the union experienced such stiff competition that its sales plunged down to a critically low level in a matter of a very short time. Generally the union faced the following problems :

- lack of organised price information system
- lack of adequate transport
- high degree of concentration by competitors who aimed at rooting out the union
- loss of loyalty by some members who sold their produce to dealers rather than their union in order to earn more money.

The changes experienced in the local market affected the export market very negatively because the initial stability of the local market had set the basic foundation upon which exports were organised. When the management of the union turned its attention to problems affecting the local market the union lost its hold on the export market - a factor which encouraged competitors to take advantage of the situation. The union's problems in export business were mainly as follows:

- lack of reliable international price information system
- unreliable supply of produce from farmers
- lack of competent export marketing personnel
- lack of adequate capital to meet obligations
- lack of loyalty by some producers.

Rehabilitation of the Union

In order to rescue the Horticultural Union from the imminent collapse, the Kenya Government sought financial and technical assistance from the Dutch Government to rehabilitate it. In 1976 Kenya shillings 4.5 million was earmarked for a rehabilitation programme of the union which also included the employment of a marketing manager and chief executive of the union. The rehabilitation support was extended to k shs .5.1 million in 1979. The rehabilitation programme paid attention on the following areas :

- the streamlining of the handling of large quantities of better grades at the HCU's godowns
- the hiring of competent marketing personnel
- improvement of transport system between producers and the union
- improvement of the flow of information
- the hiring of qualified extension staff in the field.

There are over twenty varieties of produce exported from Kenya. These include pineapples, mangoes, avocados, passionfruit, pycnolobes, French beans, capsicums, okra, brinjals, karelas, mooli, dudhi, chilles, asparagus, artichokes, sweetcorn, melons, etc., each requiring special knowledge and attention. Thus some farmers specialise in production of say three or four crops which they endeavour to master. Needless to say this varied array of crops requires an equally large number of sprays, fertilizers, etc., needing substantial capital outlay.

To quite a lot of small farmers labour costs are fairly high as it requires large number of people to pick, grade and pack export produce. While the prevailing wages in Kenya are considered low compared with developed countries, export produce is in practice extremely labour extensive compared with other crops in the country. Fair amount of experience is required in grading export produce and extensive knowledge is required for successful production.

Performance of the Horticultural Cooperative Union

Initially the union concentrated its efforts on the home market where there was less competition. The main domestic market outlets were the major towns such as Nairobi, Mombasa, Nakuru, Kisumu, etc. The union owned storage and transport facilities in Nairobi, where members produce were collected and handled.

After gaining a strong foothold in the domestic market the union decided to enter the United Kingdom market in 1957. Later on the market in Western Europe was expanded to include France, Britain, West Germany, the Netherlands and the Scandinavian countries. The share of the H.C.U in those countries during the period 1973/74 - 1978/79 accounted for between 31% and 50% of its turnover.

The rapid expansion of the union was due to the following favourable conditions :

- the union received high quality produce from producers
- export quantities were small thus making it easy for the union to exercise effective control on quality of the produce received.
- there were few horticultural exporters in Kenya
- members were loyal and dedicated
- the union collected and distributed its goods and services from one control point thus cutting down transport costs drastically.

- improvement of coordination between the Ministry of Agriculture, Horticultural Crops Development Authority, the Ministry of Cooperative Development, and the Union.

The Role of Horticultural Crops Development Authority

This parastatal body which was created in 1967 was charged with the responsibility to develop the horticultural sector in the country. Its specific functions were:

- provision of technical advisory services on quality, grading and packaging methods
- provision of market information
- sales promotion
- market research
- formulation of licensing procedures
- education and training.

Despite the above rehabilitation measures the HCU's business performance remained below the expected level. During the period 1978/79 the union's business with non-members was 54% because of disloyal members. The Horticultural Crop Development Authority also proved to be very ineffective.

Summary of Major Problems

(a) Performance in the Horticultural Sector

HCU played a leading role in the marketing of horticultural produce at its initial stage but its importance decreased substantially through competition in the seventies.

Only 4% of the Union's turnover originated from cooperative societies where the non-members contributed 54% and the individual members 42% during the period between 1978 & 79.

The by-laws of the union which contained the objectives were never reviewed to conform with the general economic development. Generally, members felt reluctant to deliver their produce to the union because they were able to fetch better prices elsewhere.

(b) Procurement

Lack of adequate transport services, delayed payment, low prices and sometimes non-payment for produce delivered created poor relationship between the Union and its members.

(c) Marketing

Effective marketing of HCU was impaired partly by the Horticultural Crop Development Authority poor performance in its functions and partly by

the HCU ineffective management. Also HCU's loss of the local market to its competitors and failure to win tenders for supplies to government and other institutions. The export market was adversely affected by lack of price information and constant price fluctuations which made it difficult for management to present clear projections of business as part of marketing strategy.

(d) Other institutions

The extension service received from the Ministry of Agriculture seemed to have been inadequate. Likewise the Horticultural Crop Development Authority did not satisfactorily perform its role in promotion, regulating and controlling the industry.

(e) Production

The Union's obligations as stipulated in its objectives in the field of promotion were never fulfilled. The union was supposed to supply its members with quality seeds, spray chemicals, fertilizers and other necessary inputs. This was considered to be a priority function. Lack of production plans led the Union to a situation of excessive gluts and deficits.

(f) Marketing Services

- Lack of transport for collection of produce from the members
- grading, standardization and packaging ability was poor.
- lack of adequate information as regards market prices for both local & export markets

(g) Financial and Management Constraints

The operations of the Union over the years generated losses which reached Ksh.1.2 million (or 11.7% of the total turnover) in 1978/79. The major factors which contributed to the low performance were poor financial management, poor marketing and lack of control from the management committee.

HISTORICAL BACKGROUND OF HANDICRAFT COOPERATIVES

Production of handicrafts is as old as the Kenyan Society itself. Crafts-work has been a work-task of both men and women from antiquity. The art of crafts working has been handed down from one generation to another and with the official recognition of the cooperative movement in 1947 groups began to form into cooperatives. Such handicraft cooperatives mushroomed after Independence and by October 1981 a total of 28 handicraft cooperative and the Kenya Craft Cooperative Union Ltd were already in existence.

However, wood carving as a handicraft activity is in a class of its own with very distinct evolutionary trend. In Kenya woodworking activity was started in 1936 by the late Mr Mutisya Munge of Mamunyu location, Machakos district. Mutisya is said to have acquired this art in Tanzania before transporting it back home. In the initial stages, wood-carving was exclusive only to residents of the district. By 1960 quite a large number of people had mastered this trade and there arose need for these masters of art to seek fortune in other parts of the Republic.

Some people moved to the coastal zone of Kenya and formed the present Akamba Handicraft Cooperative Society Ltd. Others moved to Nairobi to form the present Nairobi Handicraft Cooperative Society Ltd. Those that remained at the point of origin form the present Mamunyu Handicraft Cooperative Society Ltd.

Main Fields of Operation of the Handicraft Cooperatives

A wide range of handcrafted goods are produced by cooperatives. The crafts fall into ten major categories in order of their production volume. These are :

- Wood carvings and ornaments of wood
- Stone carvings and ornaments and articles of clay
- Basket-ware and natural fibre containers and ornaments
- Textiles, hand printed or decorated
- Jewellery, hand wrought from base metals and silver in combination with wood-beads, seeds, bone, hair clay and other organic materials
- Toys and dolls
- Curios from horn, teeth, shells, feathers
- Ethnographic, folk arts and tradition artefacts
- Body decoration, coverings and accessories

Analysis of production categories for the first three production areas reveal the following :

Wood Carvings have enjoyed a reasonable popularity in the markets of the developed countries. The largest selling items are animal figures and statuary, sold in sizes from 1" miniature to series pieces in 4", 6" and 8" sizes.

Semi utilitarian items include napkin holders (rings), bottle stoppers, tripod seats, book-ends and serving trays.

A number of other products manufactured and sold in volumes are masks, walking sticks (Nyayo sticks), paper knives and combs. At present, diversification on the line of production is taking place. This is being done by introducing new items of functional use such as serving containers, toys, small-furniture and items that fall into the categories of gift-ware and household and decorative accessories.

Stone Carvings - these do not differ much from wood carvings. Most popular stone carvings are - flower vases, candle holders, chess boards and snake boxes.

Major items for functional use are sugar bowls and soap dishes in addition to flower vases and candle holders.

Creation of Income Earning Opportunities

Crafts work and exportation of handcrafted articles in Kenya have an important function in augmenting Kenya's national priority of rural development. Crafts activity is in most cases rural based and hence provide supplement income and thereby encourage more farmers to stay on land.

Crafts sector plays a very significant role in the overall exports of Kenya, since the skills required to produce handicrafts are quite abundant and inputs that go into the production of handicrafts are available locally. The availability of these inputs and the making use of the same is quite in line with Kenya's economic strategy of enhancing reduction of imports.

The production of wood carvings is important in Kenya's overall rural development planning. The value added in carvings (labour and materials) can be as high as three times the value added in sub-resource based manufacturing foreign input and as said earlier is negligible accounting for less than 1% of the production cost.

Because of the afore said, the development of handicraft industry in Kenya has gained major policy backing from the government which had recognised the potential of handicraft production as a valuable generator of foreign exchange earnings and a significant source of employment creation for rural inhabitants.

For instance a master carving complex and export centre was recently put up in rural Wamanyu. In addition the formation of a national marketing union of cooperatives (Kenya Crafts Cooperative Union Ltd) is progressing and is to amalgamate the country's handicraft producers into a strong production forces and offering a vast selection of unique and tasteful merchandise for foreign markets. Handicraft production and export are therefore considered an important element in the country's economic development.

Current and Future Trends of Development

Ministry of Cooperatives in liaison with Kenya External Trade Authority has thoroughly examined major areas of diseases in the handicraft cooperative industry and has consequently worked out solutions. It was realised that the present problems are comprised of management, marketing and education.

Managerial problems - having realised that Management was a constraint in the handicraft cooperatives, the Ministry of Cooperatives has hence developed comprehensive and relevant management systems in major functional areas such as administrative organisation, budgetting and accounting/recording of input supplies, deliveries and sales, payment to members.

Implementation of the developed systems has been an ongoing activity and is planned to continue into the second half of the 1982. The Ministry has also planned for the provision of physical facilities to selected handicraft cooperative societies in order to strengthen and improve local and indirect export (through tourist) sales. Such physical facilities include the construction of appropriate showrooms, store rooms and offices.

In Akamba H.C.S Mombasa, completion of showroom, store-rooms and office costing Kenya shillings 1.1 million was completed in March this year.

A similar complex was finalised in mid-June 1981 for Wamunyu Handicraft Cooperative Society Machakos. Construction on the proposed Malindi complex commenced in March 1982.

Using unbalanced growth doctrine in sector planning, it is believed that benefits that will accrue to such selected handicraft societies as a result of the provision of the said physical facilities will in the end benefit the rest of the sector through the "trickle down" process.

Marketing

This is yet another area where attention has been paid and the handicraft cooperative producers in Kenya lack capability of developing a marketing strategy aimed at maximizing profits and long term sales a loophole that has long been exploited by the middlemen. The Ministry of Cooperatives has initiated the formation of a marketing body known as Kenya Crafts Cooperative Union (KCCU) which is charged with the responsibilities of:

- developing reliable marketing structures;
- aggressively search for new sales opportunities;
- continually monitor market demand and develop products in consonance with the monitored demand.

Through K.E.T.A (Kenya External Trade Authority) handicraft cooperatives are presently having beneficial marketing relations and commercial contacts abroad. As a result of extensive correspondence with U.S buying and merchandising organisations, KETA arranged a product review at their stand at the international trade fair in Milan, Italy in 1977 with a merchandising specialist from the Associated Merchandising Corporation (A.M.C). A.M.C is a group of 47 major retail store chains throughout the world affiliated into a buying network. The A.M.C executive reviewed the vast selection of handicraft merchandise on display in Milan and selected a number of product lines for indepth market appraisal by seasoned buyers and A.M.C Merchandise Specialists.

Feedback came several months later along with first orders from buyers indicating that woodcarvings of Akamba Origin were widely accepted by the retail stores in A.M.C network. This initial contact has led to a continuing programme of new styling and product development for sales to the A.M.C affiliates. At present product development on woodcarvings for A.M.C stores have been finalised for their gift decorative accessories, houseware, christmas ornaments and toy departments.

The said success with which wood crafted articles had obtained a foothold in the market has led the cooperatives to examine how the market position could further be strengthened. This has recently led to the implementation of "in-store" demonstration plan by cooperative master carvers, a thing which has offered customers abroad the experience of seeing the sculptures being carved, further stimulating their demand for the wood crafted items.

In future, more of such "in-store" demonstrations will be encouraged for the Master Craftsmen of Kenya's cooperatives for the following purposes :

- for launching new product lines
- feature special merchandise, and
- accelerate sales of an exclusive or wheel prices lines.

The Ministry of Cooperatives with the assistance of KETA recently conducted a cost/benefit analysis of such "in store" demonstrations, listing the objectives of such a series of promotions and the estimated costs of staging the events. The benefits anticipated included :

- obtaining additional orders from stores participating on the promotional events;
- receiving practical, on-site training for the handicraft cooperative management in preparing and carrying out promotions in foreign markets;

- getting media exposure for their art through advertising placed by the stores, to promote the event;
- getting insights into consumer buying patterns for use in planning future production;
- carrying out market testing of new product styles at the consumer level;
- analysing the range of retail prices to be used in calculating future wholesale prices and discount policies to increase the returns to the cooperatives, and
- expanding the positioning possibilities of handicrafts by enhancing their image as important fashionable merchandise.

Marketing (Domestic and Foreign)

It has already been alluded that most of the domestic sales are really retail and people buy in a walk-in-walk-out basis. Usually there is no prior notification or premeditated intention to buy. Here there are no serious promotional campaigns carried out, all that tends to matter is the choice of shop location, service offered and window display.

Of course different/same products from different cooperatives will differ in size, shape, finish and the product's self off-take.

Before the formation of the Kenya Crafts Cooperative Union most of the export orders were obtained through KETA (Kenya External Trade Authority) and also through private contacts by the various cooperative groups. On the whole Europe and North America have been the biggest buyers of Kenyan handicrafts. Individual countries include Canada, Germany, Switzerland, etc. It has not been possible for the cooperatives to attend trade fairs and exhibitions abroad due to lack of funds.

Main Problems Facing Handicraft Cooperatives

Major problems in the handicraft movement can be grouped into four categories:

- lack of management skills
- lack of specialised skills
- marketing constraints
- lack of capital.

Lack of Management Skills

Most of the primary handicraft cooperative societies are located in the rural areas with exception of Nairobi H.C.S; Maendeleo Handicraft C.S and Akamba H.C.S. Because of the high rate of rural - urban drift, especially among the educated, rural areas are often devoid of skilled managers.

At the same time because of the inequalities in the distribution of social amenities between rural and urban areas, it often happens that the skilled managers ask for higher fees in order to take up jobs in the rural areas (to compensate for the alternatives foregone).

Level and Category of Working Skills

Artisans in the handicraft cooperatives still continue with the inherited product lines and skills. They fail to realise that the produce lines have already reached saturation point in the product cycle and hence there is a necessity to affect change. In Kenya this situation has arisen because of two major reasons :

- Absence of prototype/product development centres
- Presence of only a few Kenyan designers. Kenya has very few crafts designers compared to other countries in the world. There are only two designers known in the craftwork circles. The only institution in Kenya training designers is the University of Nairobi whose output in this line of production has little relevance to wood carving sector or the existing handicraft industry.

Marketing Constraints

Marketing in any business can be looked into as an interacting activity or as a customer demand. As an interacting activity, marketing is the total system of interacting business activities designed to plan, promote and distribute wants satisfying products and services to present and potential customers. As a customer demand, marketing is the performance by an enterprise of all activities required in order to create, promote and distribute products in accordance with the wishes of present and potential customers.

What then are those activities that the handicraft cooperatives have not been able to perform adequately?

- anticipate demand - handicraft cooperatives have not been able to determine specifically who **wants** what type of product, when and under what conditions of sale.
- plan and develop products - they have been able to determine specifically what products to produce with what special features and sizes and in what quantities in order to satisfy the great number of people
- product price - some of the handicraft product prices are very unrealistic. Handicraft Movement have of late determined what costs are involved in production and what profit margin to expect from each product line.

A possible contributor factor to points raised above is probably the background of the artisans engaged in this industry. 90% of the artisans are illiterate and produce only for subsistence. They hence fail to comprehend the need for sound cost calculation, market survey and product development.

Total Foreign Exchange Earnings vs Foreign Exchange Earning by the Handicrafts Cooperatives

During the year 1981, the total foreign exchange registered through foreign sales of handicrafts was estimated at slightly over Kshs.16 million.

A look at the handicraft cooperatives reveal that Akamba H.C.S has the highest export sales estimated at K.shs 500,000. This was followed by Yamunyu H.C.S which earned K.shs.100,000. The contribution of other handicraft cooperatives in the export market was quite negligible during the year. Total export sales from the handicraft cooperative sector has thus been estimated at only 5% of the total foreign exchange earnings. Statistics show that the bulk of export sales was performed by middlemen who buy from cooperators (by-passing the society's showroom).

This by-passing of the society has been necessitated by the poor financial position of the cooperative societies. Most of these societies have no funds to enable them to purchase all the produce from members and neither do they have funds to enable them to professionally fill orders.

Lack of capital has generally discouraged product development in cooperative handicraft industry. Craftsmen usually have problems in designing new items. KETA and the Ministry of Cooperatives have always been taking the task of monitoring market demands in foreign markets but their efforts have often been frustrated by lack of capital to re-direct production.

In general, even when a producer has a good idea for new product, he/she is often not able to get the financing necessary to buy new tools and develop the prototypes as banks are seldom willing to loan money to small businessmen for research on new product ideas. As a result of which our craft producers are forced to continue making primarily decorative crafts which have already flooded the markets.

Future Requirements

For further development of the existing product lines there is need for the establishment of a prototype centre. This centre would then be charged with the responsibility of :

- continuously developing the handicraft products and releasing prototypes to the societies for mass production.
- making qualified designers available and training of local artists on the art of design and development and
- continuously change product lines in consonance with market demands.

Finally, several handicraft groups exist in Kenya managed as self-help rural groups. Such groups have the necessary potential to warrant their organisation into viable handicraft cooperative society. There is therefore need for technical and financial assistance for a thorough survey of the handicraft sector which would consequently lead to identification and registration of potential producer groups as cooperative societies.

EXPORT MARKETING ACTION PLAN

- *Botswana*
- *Kenya*
- *Lesotho*
- *Mauritius*
- *Swaziland*
- *Tanzania*
- *Uganda*
- *Zambia*

EXPORT MARKETING ACTION PLAN FOR BOTSWANA

1. Selected Products

- Tapestry (wall hangings, ladies' bags, etc)
- Basketry (basket, table mats, etc)

2. Identification of Constraints (Tapestry)

Advantages

- creation of employment opportunities to the rural community
- increasing women's participation and involvement in the economic/industrial development
- foreign exchange earnings
- creation of the base for the utilisation of the raw materials from the Kankul Sheep farming industry.

Disadvantages

- lack of import financing and procurement of bulk buying of raw materials
- lack of sales promotion
- inadequate exchange of marketing information with importers
- lack of management and marketing techniques
- high pricing resulting from the use of hand driven machines
- inadequate expertise in the use of export documentation
- exchange control problems in respect of inter-African trade.

3. Solutions

- intensive training programme in areas of management, finance and marketing techniques
- provide marketing and sales promotion techniques
- improve the procurement of bulk raw materials
- review pricing policies & offer competitive prices
- provide catalogues and price lists

Markets

- Europe
- U.S.A
- Scandinavian countries

The above markets have distinct advantages in the areas of payments and exchange control systems in addition to the establishment of trade arrangements such as Lome II (ACP-EEC).

4. Basketry (Baskets)

On the above products the main disadvantages are :

- Mobilisation and organisation of producers
- Standardization of products and quality Control
- Compliance with delivery schedules

Markets

- same as above.

Solution

- Improve coordination and mobilisation of producers
- establishment of collection points or stations
- offer better prices as incentives to producers.

EXPORT PROMOTION PLAN FOR KENYA

Selected products with export potential :

- (a) Handicraft - (i) wood carvings
(ii) stone carvings
- (b) Horticultural produce - variety of vegetables
- (c) Honey - natural honey

Marketing mix for each of these three products with export potential is basically the same. We take handicraft as an example for discussion as follows:

1. Product - Handicraft with export potential

- (a) The production of handicraft carvings be they wood or stone in Kenya is by specialised craftsmen whose traditional production technology has been inherited from their forefathers.
- (b) The production quality based on the traditional skills has been described by visiting tourists and buyers from abroad as the highest in the third world.
- (c) In the financial year ended 30th June 1981 Kenya recorded some Ksh.16 million earned as foreign exchange from handicraft export sales.
- (d) Both wood and stone carvings have already been exported in large quantities to Europe and America and continue to remain exportable.
- (e) Both are wholly produced locally in Kenya and are principally for the export market.
- (f) Raw material for both types is available locally
- (g) Capacity for production is available. About 8000 to 12000 people skilled in wood carving and about 2000 people skilled in stone carving are engaged in production.

2. Advantages

- (a) Value added on handicrafts is higher than any other product in Kenya. Carvers earn more from carvings than could from other products.
- (b) High production skills and technology founded on traditional inheritance.
- (c) The handicraft have already reached the export market and sold successfully.
- (d) Competence in producing both utilitarian, cultural and decorative carvings.

3. Disadvantages

- (a) Price factor affected by long distances between Kenya, European and US Markets.
- (b) No Government protection is given where producers could be given subsidies so as to enable them offer competitive prices for handicraft from other sources.
- (c) Competition from other dealers.
- (d) High costs for packing materials.
- (e) Difficulties experienced in changing the skilled producers to conform with market requirements (conservatism in producers).

4. How to overcome disadvantages

- (a) Strive to centralise the markets - both domestic and export markets.
- (b) Educate producers to become market oriented.
- (c) Standardization of production in order to enhance standard packing.
- (d) Delivery on time.
- (e) Secure government's protection.

5. How to Market

- (a) To maintain the already existing export markets.
- (b) To exclusively use KETA (Kenya External Trade Authority) to get export information as regards tariffs, new markets, training support, etc.
- (c) To participate in trade fairs and exhibitions.
- (d) To make contacts with potential buyers by making inquiries through trade attaches and embassies.
- (e) To advertise through local and overseas papers.

EXPORT MARKET PLAN FOR LESOTHO

The objective of the Lesotho Handspun Mohair Project is to produce from Lesotho's own clip spun mohair yarn in the rural areas. The project is at present creating employment opportunities mainly on a part-time basis for over 1,854 persons, mainly women.

The Project adds value to a locally available raw material and as such contributes to the economic self-reliance of the country. The project has been organized on a cooperative basis where fourteen primary production cooperatives are in operation and Lesotho Handspun Mohair has been registered as a cooperative society to serve the primary production cooperatives with inputs and act as their selling agent of the mohair yarn.

Production Levels

Actual production of handspun mohair yarn shows considerable fluctuation in quantity, depending on the time available for spinning. The interfering factors which are largely beyond management control are Agricultural activities, illness and family affairs.

Quality of yarn produced differs from one primary cooperative to the other and even for every individual spinner about three quarter of the produced yarn is classified as grade one. The quarter of production is of second grade.

Field observations give the impression that though the spinners recognise more or less the differences between first and second grade yarn, they have no exact insight in the price differences and in general cannot calculate in advance their profit for one month's work. However some intensive refresher courses at the village level have been programmed.

Marketing

The Lesotho Handspun Mohair yarn is a highly valued product which is destined for export.

Advantages of Mohair yarns

The main export attraction of handspun mohair yarn is on :

1. The uniqueness of the product which gives it a high demand, particularly because it is new and there is no competition for it.
2. Its warmth and beauty, its softness and strength and over and above all it is a lustrous fibre.
3. Lesotho Handspun Mohair is the only able concern to supply the Mohair yarns to the world at present.

Disadvantages

1. The yarn is produced by rural people who also have some other commitments related to other agricultural, domestic activities.
2. It had become apparent that the market for thick dense yarns was negligible due to the high cost of mohair. In order to cure the situation, we are now producing medium yarn of approximately 875 Tes and a doubled version of the same.
3. Unevenness - These existed some variation in evenness. This was a problem which strict quality control has greatly reduced but is specially apparent in flufly yarns. Unevenness often resulted in weak spots in the thinner sections.
4. Yarn breakage had been a constant problem making the yarn unusable on combing or knitting machines. This problem is however solved with the use of wool code to give it more strength. The result of these problems is not only a limited appeal to the larger markets but also a dramatic increase in production time.

It was once suggested that the utilization of machine prepared fibre which would result to improved yarn could be spun much more quickly and would be more saleable to the broader market. The main point of contention was and still is to what extent should the fibre be processed as we have not been able to identify the main suitable purpose for the application of the product. It is only when we know the application of the product that we can have the tailored quality control and streamline the distribution channels in favour of the users in a chosen market area.

So far initial marketing studies have been conducted for Denmark, the Federal Republic of Germany, France, Italy, Norway, Sweden, Switzerland, United Kingdom and U.S.A while also the Southern African market has been approached.

Our plans are to produce 2000 kgs of mohair handspun yarn per month but this figure is of course adjustable depending on market demands. At the same time there is some scope for expanding locally the sales to tourists and weaving centres. In the initial stages of our marketing policy we envisage a two tract nature!

The first grade yarn will be sold in a limited number of sophisticated export markets while the lower grades can be sold to local and regional weaving centres.

EXPORT PROMOTION PLAN FOR MAURITIUS

Product : Potatoes

Advantages

Fairly reasonable cost of production. Infrastructure in existence e.g cold storage facilities, good road network i.e transport facilities.

Disadvantages

Seasonal in the sense that it is an interline crop i.e it is planted between two rows of cane and can only be planted in large quality after sugar cane harvest.

Shipping availability and the high cost of freight.

Market

Reunion and Seychelles. Reunion because of the high cost of production and Seychelles because of the scarcity of land.

How do we overcome our Constraints

We can do nothing about climatic conditions. Liberal law in our diversification programme. As for Trade barriers government has to negotiate with the other countries. As for shipping and air freighting we have to try to interest shipping companies.

EXPORT PROMOTION PLAN FOR THE KINGDOM OF SWAZILAND

Product 1 - Hides and Skins

Advantages

High population of live stock. Better disease control facilities. Better extension services. Technical Assistance export on Hides and Skins. Availability of infrastructure - using cooperative societies which are scattered all over the country.

Disadvantages

Quality control i.e small farmers still use oxen to plough their lands, they are bound to beat animals thereby worsening the quality of skin. Again financial institution brand the animal when a farmer requests for a loan. Pricing, market prices fluctuate now and then.

Landlocked country - No easier routes to outside markets except through Republic of South Africa and Mozambique. The latter faces internal squabble and language problems.

Identifying better markets.

Plans to overcome constraints

- Intensifying training programmes for producers through extension officers.
- Requesting loans and grants from financial institution and donors respectively.
- Acquiring through ICA a technical assistance from overseas i.e someone conversant with hides and skins quality control.

Produce 2 - Pineapple

Advantages

Favourable climatic conditions. Centralized production. Produced by Cooperators. Two picking season. Close to railway line. Can be sold as a fruit or processed as canned fruit.

Disadvantages

Storage facilities, High seasonal labour requirements. Landlocked country. No established markets.

Overcoming Constraints

- Lodge a request to finance storage facility for central warehousing and raising share capital to meet required change i.e working capital.
- Cut high seasonal labour by introducing machinery to do the job.
- Signing trade agreements with countries having access to sea outlets.
- Request for an agent in neighbouring countries i.e Botswana, Lesotho and Mozambique.

EXPORT PROMOTION PLAN FOR TANZANIACash crops - Coffee, Cashewnuts, Grapes for wineIndustrial Products - Textile (women), Leather (shoes)Constraints and Advantages

<u>Cash crops</u>	<u>Constraints</u>	<u>Advantages</u>	
Coffee	Quality	- Two types produced Arabica & Robusta	
	Quotas	- Taste of Arabica best	
	Packaging	- Processing and thus value added	
	Transport		
	Competitors		
	Market		
	Substitutes		
Cashewnuts	Management		
	Transport	- Processing & packaging are done locally	
	Quality		
	Grading	- Second world producer to Mozambique	
	Competitors		
	Markets		
	Production Capacity		
Grapes	Volume produced low due to low price given to growers		
	Low production	- Environmental advantages	
	Low technology	- Harvest twice a year	
<u>Textiles</u>	Pricing	- Processed and packed locally	
	Khanga and Kitenge (women wear)	Low production capacity because of non availability of machinery spares	- Cotton grown and processed locally
		Chemical imported	
Competitors			
Leather (shoes)	Technology		
	Equipment	- Raw materials locally produced	
	Technology and Management	- Processing also done locally	

How to overcome constraints

Coffee - Training of Manpower

Cashenuts - Find new markets which do not fall in quota agreements
Alternative packing materials

Grapes - Should be researched upon.
- Learn more of competitors
- Product promotion
- Selection of markets

Textiles & Leather - Quality e.g training of manpower
Government to be advised to increase farmers prices
Learn more of competitors business in the same field.

Markets

Cash Crops - European countries, USA, India, Scandinavian countries.

High demand due to :

- (a) non-availability of these products there
- (b) taste, etc.

Industrial products - Zambia, Mozambique, Kenya, Uganda
Reasons - taste, fashion, design

Marketing Mix

<u>Product</u>	<u>Price</u>	<u>Place</u>	<u>Promotion</u>	<u>People</u>
Khanga	Shoes	Coffee	Wine	Wine
Kitenge		Cashewnuts		Coffee
		Kitenge		Khanga
		Khanga		Kitenge
		Wine		

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The Market Mix (contd)

- Promotion : This is done through the Ministry of Commerce by the Export Promotion Council
- People : Investors in the leather industry.

Pineapples

These are exported when they are still fresh. The target markets are in the Middle East and Europe.

Advantages

- (i) To earn foreign exchange
- (ii) Due to the lack of processing machinery, it is imperative that we have to dispose of this product.
- (iii) To stimulate and encourage production of the product and get better utilization of the arable land.

Constraints

- (i) Transport - pineapples have to be airfreighted which is very expensive and yet the flights are not available as and when required.
Solution - There is a need for more plans.
- (ii) Pineapples are perishable products. They therefore require quick, careful and timely handling.

The Market Mix

- Price - This is mainly determined by the law of supply and demand in the buyers market.
- Product - The fruits are sold fresh
- Place - This is in open markets in both the Middle East and Europe
- Promotion - This is being carried out by the Export Promotion Council in the Ministry of Commerce
- People - These are of course consumers.

EXPORT PROMOTION PLAN FOR UGANDA

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Products - Hides & Skins
Pineapples

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(a) Hides & Skins

- (i) The foremost advantage that we aim at is to generate foreign exchange that is badly needed by the nation.
- (ii) Uganda has a large population of cattle, goats and sheep which provide sizeable numbers of hides and skins. The tannery at Jinja is not yet operational. It is imperative that the hides and skins be exported in order to dispose off them. - Otherwise they will be wasted at the detriment of the nation.

Constraints

- (i) Quality standards. The livestock are scattered all over the country. There is no central slaughter-house but many of them in towns and trading centres. It is therefore difficult to have hides and skins conforming to the required standards. The solution in this regard is to have Expert Advice and to establish a Central slaughter house.
- (ii) Lack of knowledge about markets - Since the past and upto now, the hides and skins are exported to the Middle East and Europe because the countries thereof have been the traditional importers of these products. There is a need to explore other markets.

The solution in this direction is to get better market information.
- (iii) Lack of technical knowhow to operate a local tannery at Jinja. Should leather be exported instead of the raw skins and hides, the country would earn more foreign exchange. It will be necessary therefore to get technical training for our people to man the tannery. UNDO would be the right organisation to assist us in this matter.

The Market Mix

- Price : this is controlled by raw materials
- Product: It is a raw material
- Place : It is the foreign companies in Europe and Middle East that do buy the hides.

EXPORT PROMOTION PLAN FOR ZAMBIA

1. Export Objectives

- (a) To earn foreign exchange
- (b) Create Employment

2. Product for Export

Groundnuts

3. Assessment of Export Capability

(a) Positive Features

- Good climate and growing conditions
- Good and high quality groundnuts
- Favourable government export policy
- Favourable government agricultural policy
- Sufficient Training facilities

(b) Negative Features

- Non availability of grading facilities
- Underdeveloped quality control
- Transport problems - no cost
- High labour costs
- Low labour productivity
- High packaging costs
- Inattractive packaging and presentation
- Limited information on Import Regulations and other external trade information.

4. Measures to remove the Export Constraints

- (a) Creation of an internationally reorganised grading organisation
- (b) Improvement on quality control
- (c) Improvement on Communication
- (d) Intensive manpower training and education
- (e) Appropriate mechanization
- (f) Establishment of contacts with international agencies dealing with international trade
- (g) Knowledge of regulations on export market.



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5. Target markets

- (a) Middle East
- (b) West European countries

6. Marketing Plan

(a) Product

- Identify the specific product requirements of the customers in taste, packaging, appearance and size and other characteristics
- Product adaptation to customer requirements

(b) Pricing

- competitive price
- price to cover the variable cost of the high quality exports and the fixed costs to be covered on the sale of lower grade groundnuts

(c) Promotion

- Establishment of an export promotion organisation or finding suitable import organization
- Advertisement in international magazines reaching the target group.

(d) Place

- Distribute to delicatess firms, Restaurant, chains and big super-markets and other consumer cooperative chains.

(e) People

- constant contact and communication with the main customers.

SEMINAR RECOMMENDATIONS

RECOMMENDATIONS

- (1) Realising the great benefits which the cooperative movements in East, Central and Southern Africa could derive from participation in import/export trade, the seminar appeals to all members of the Regional Office to find out ways and means of fostering strong trade links with cooperative and non-cooperative organisations within Africa and or with countries abroad.
- (2) Realising the technical difficulties involved in the promotion of international trade, the seminar urges all members of the Regional Office to take advantage of such assistance and services as are available at the International Trade Centre, Geneva and further stresses that the International Cooperative Alliance should play the role of a clearing house where relevant information and assistance on matters connected with international trade could be collected, sorted out and disseminated to member countries.
- (3) Convinced that the ICA Regional Office should play a more central role in promoting international trade generally and cooperative trade in particular, the seminar recommends that the Regional Office should set up a trade information and promotion departments/section which will, among other things, be responsible for promoting international and African trade, for providing professional advice to member countries on how best to improve their import/export business and for determining training needs and programmes for those who would be involved in technical operations. The section should also make available to member countries all information regarding legal and internal requirements of international trade as a tool to improve and enhance imports.
- (4) Realising the need for guidance and support, particularly during the initial period, the seminar urges the cooperative movements in the region to take full advantage of the existing facilities offered by national export promotion agencies (e.g Kenya External Trade Authority in Kenya), the Auxilliary Committee of ICA such as BECA and INTERCOOP together with other international bodies like ITC.
- (5) The seminar feels strongly that all experiences gained through the South East Asia Inter-Cooperative Trade Project should be utilised for the benefit of the East, Central and Southern African region through the support of ICA Regional Office and other relevant agencies. The seminar also appeals to those concerned to carry out exchange programmes between the South East Asia and the East, Central and Southern African regions.

- (6) Realising the fact that international trade will not only benefit the cooperative movements but also the respective governments in each country, the seminar appeals to the governments in the region to allow cooperative organisations to participate freely in foreign trade particularly where such business would lead to generating more income for the cooperative members.
- (7) The seminar recommends that follow-up seminars at national and regional levels should be organised from time to time to evaluate what has been achieved and to expose participants to new techniques and experiences. Study visits to industrialised countries would be particularly useful as a way of facilitating the exchange of experiences and encouraging a dialogue between potential exporters and importers.
- (8) Considering the enormous amounts of money spent by cooperative organisations on imports of farm inputs and consumer items, the seminar recommends that member countries should find ways and means of improving the efficiency in processing imports (particularly through the application of modern methods and techniques) and should see to it that as far as possible the business is given to cooperative organisations as opposed to the current practice of dealing with private dealers.
- (9) Action Plan - The seminar recommends the adoption of the following action plan :
 - (i) The Regional Office should carry out an indepth study, preferably by a qualified and experienced international trade expert who should help to identify export potential so as to enable cooperatives in the region to prepare their export strategies and action programmes. Initially, the assignment could be on a short term basis (two to three months).
 - (ii) In case the above study shows positive results a full-fledged project should be established at the Regional Office along the lines of the COOPTRADE Project at the Regional Office in South East Asia where a full time international trade promoter would be based. The COOPTRADE project at the Regional Office would be required to provide guidance and support in export promotion to member countries. It would also be a clearing house for relevant information and training materials for member countries.

- (iii) Starting with countries with the greatest potential, special cooperative export promotion departments or agencies should be established at the apex organisations. The responsibilities of the export departments would be to study the national situations more closely and to work out action programmes which would be based on priorities of the cooperative movements. The departments would work very closely with the Regional Office in the formulation of export plans and in establishing trade contact in and outside the region. The Regional Office would also coordinate training programmes for technical staff responsible for export in the member countries.
- (iv) While awaiting the implimentation of the above proposals, closer links should be maintained between the Regional Office and member countries on all matters pertaining to international trade. The Regional Office should solicit for relevant information from international organisations like UNCTAD, ITC, etc., and disseminate it to member countries. Likewise, member countries should keep the Regional Office informed about their export potentials and plans so as to enable it to play a more central role in promoting international trade in the region.

APPENDICES

- Seminar Programme
- List of Participants
- Opening Speeches
 - *Regional Director*
 - *Permanent Secretary*
- Closing Speech

SEMINAR PROGRAMMESUNDAY ; 13TH JUNE

: Arrival of Participants

MONDAY : 14TH JUNE

- 08.30 - 10.00 : Registration of Participants
Climate Setting and Information
about Practical Matters
- 10.00 - 10.30 : Official Opening
- 10.30 - 11.00 : Tea Break
- 11.00 - 12.30 : Background about the seminar
E. Anangisye
Introducing the Seminar
Programme - A. Kimario
- 12.30 - 14.00 : Lunch Break
- 14.00 - 14.30 : Information about ICA - C. Kabuga
Information about SCC - Bergstroem
- 14.30 - 16.00 : Presentation of Participants
Export Potential
- 16.00 - 16.15 : Tea Break
- 16.15 - 17.30 : Developing Countries & World
Trade Assistance and Services,
available - R. Wolf

Chairman of the Day - Anangisye
Rapporteur - Mbuji

TUESDAY : 15TH JUNE

- 08.30 - 10.00 : Export Management and Marketing
Objectives & Policy - Wolf
- 10.00 - 10.30 : Tea Break
- 10.30 - 12.30 : Export Management & Marketing - Wolf
- 12.30 - 14.00 : Lunch Break
- 14.00 - 15.30 : Product Adoption, Packaging and
Promotion - Benjamin
- 15.30 - 16.00 : Tea Break
- 16.00 - 17.30 : Product Adoption ... (contd)
Benjamin

Chairman of the Day - Kabuga
Rapporteur - Bubi

WEDNESDAY : 16TH JUNE

- 08.30 - 10.00 : Selection of export Markets
Identification of Market Potential
- Wolf
- 10.00 - 10.30 : Tea Break
- 10.30 - 12.30 : Selection of Export Markets - Wolf
- 12.30 - 14.00 : Lunch Break
- 14.00 - 15.30 : Banking Services for Exporters/
Trade Facilitation - Okara
- 15.30 - 16.00 : Tea Break
- 16.00 - 17.30 : Channels of Distribution - Wolf

Chairman of the Day - Bergstroem
Rapporteur - Muyakwa

THURSDAY : 17TH JUNE

- 08.30 - 10.00 : Selection of Agents - Wolf
- 10.00 - 10.30 : Tea Break
- 10.30 - 12.30 : Selection of Agents - Wolf
- 12.30 - 14.00 : Lunch Break
- 14.00 - 15.30 : Intra-African Trade - Wanyandeh
- 15.30 - 17.30 : Intra-African Trade - Wanyandeh

Chairman of the Day - Mauremootoo
Rapporteur - Khanyane

FRIDAY : 18TH JUNE

- 08.30 - 10.00 : Costing & Pricing for Export - Wolf
- 10.00 - 10.30 : Tea Break
- 10.30 - 12.30 : Air/Sea Freight Comparative costs - "
- 12.30 - 14.00 : Lunch Break
- 14.00 - 15.30 : Syndicate Work on Export
Marketing Action Plan
- 15.30 - 16.00 : Tea Break
- 16.00 - 17.30 : Plenary Session

Chairman of the Day - Owino
Rapporteur - Ramsamy

SATURDAY : 19TH JUNE : Study Tour

MONDAY : 21ST JUNE

- 08.30 - 10.00 : Role of Cooperatives in Import Management (Planning & Procurement) - Obara
- 10.00 - 10.30 : Tea Break
- 10.30 - 12.30 : Organising Post/Import Activities
- Inventory Control
- Warehousing - Obara
- 12.30 - 14.30 : Lunch Break
- 14.30 - 15.30 : Organising ... (contd) - Obara
- 15.30 - 16.00 : Tea Break
- 16.00 - 17.30 : How to Improve Imports - Obara

Chairman of the Day - Tau
Rapporteur - Okwiri

TUESDAY : 22ND JUNE

- 08.30 - 10.00 : Intra-African Trade - Wanyandeh
- 10.00 - 10.30 : Tea Break
- 10.30 - 12.30 : Country Papers
- Botswana
- Lesotho
- Mauritius
- Swaziland
- 12.30 - 14.30 : Lunch Break
- 14.30 - 15.30 : Country Papers
- Tanzania
- Uganda
- Zambia
- 15.30 - 16.00 : Tea Break
- 16.00 - 17.30 : Case Study - Kenyan Experience

Chairman of the Day - Marobela
Rapporteur - Tumusiime

WEDNESDAY : 23rd JUNE

- 08.30 - 10.00 : Role of COOPTRADE in Promoting Cooperative Trade in South East Asia - Bergstroem
- 10.00 - 10.30 : Tea Break
- 10.30 - 17.30 : Visit Wamunyu Handicraft Coop. Society

Chairman of the Day - Sehloho
Rapporteur - Matsebula

THURSDAY : 24TH JUNE

- 08.30 - 10.00 : Banking Services for Importers
Standard Bank - Obara
- 10.00 - 10.30 : Tea Break
- 10.30 - 12.30 : Role of Agricultural Economic Sub-
Committee on Promotion of Coope-
rative Trade - Scheuer
- 12.30 - 14.30 : Lunch Break
- 14.30 - 15.30 : Consumer Coops. in Western Europe
International Economic collaboration
between Consumer Coops - Volkers
- 15.30 - 16.00 : Tea Break
- 16.00 - 18.00 : Problems & Prospects in Trading with
Developing countries - Volkers

Chairman of the Day - Fjallman
Rapporteur - Tarimo

FRIDAY : 25TH JUNE

- 08.30 - 10.00 : Person to Person discussions between
Participants and Resource Persons
Identify Import/Export Potential
which need immediate action
- 10.00 - 10.30 : Tea Break
- 10.30 - 12.30 : Group Discussions - Formulation of
Deliberations and Action Programme
- 12.30 - 14.30 : Lunch Break
- 14.30 - 15.30 : Plenary Session - Formulation of
Deliberations & Action Programme
- 15.30 - 16.00 : Tea Break
- 16.00 - 17.30 : Plenary - Formulation of Delibera-
tion and action Programme
Summing - up

Chairman of the Day - Anangisye
Rapporteur - Kabuga

SATURDAY : 26TH JUNE : Departure

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WELCOME STATEMENT MADE AT THE REGIONAL SEMINAR ON THE
PROMOTION OF COOPERATIVE TRADE MADE BY MR T. M.
ANANGISYE, REGIONAL DIRECTOR OF ICA REGIONAL OFFICE
FOR EAST, CENTRAL & SOUTHERN AFRICA

Guest of Honour
Dear Cooperators
Ladies and Gentlemen

First of all, we, the organisers and sponsors of this Regional Seminar wish to thank the Guest of Honour for having agreed to spare some of his busy time to come and open this Workshop. This is a reflection of the interest and commitment that his country and he, personally, have towards the cooperative movement.

This Regional Seminar was initiated because most of the cooperatives in this part of the world are carrying out their economic activities in areas which are linked to trade. Let us take as an example the agricultural cooperatives which are prevalent in most of the African countries. They produce crops which are commercially sold mainly in the internal market. The same agricultural cooperatives do purchase a lot of agricultural inputs like fertilisers, pesticides agricultural implements and machinery - all of which are handled within the scope of the international trade.

Therefore it is proper that the cooperatives concerned, should be introduced into the business knowledge and practices involved in these operations. This is very important especially when we bear in mind the fact that at the international trade level the trade technicians and transactions are undertaken in a most advanced manner.

There is another aspect to this trade. The cooperative movement involvement in it would help ultimately to improve the incomes of the members of the cooperatives. If cooperatives can learn to sell their commodities to where they fetch the highest prices that would add income to the movement and hence the members. Now the cry in most of the countries of Africa and the Third World is to do everything to maximise incomes to the peasants as an incentive for them to produce more food for national self-sufficiency and for export to improve the foreign exchange earnings during this world economic crises. Apart from helping peasants to produce more and better crops through extension services, apart from reducing down operating costs, saving commodities from handling

and storage losses, cooperatives should look for ways of maximising their incomes. International Trade is one of such areas to be seriously looked into. Moreover making imports at minimal prices would save a lot of expenses by peasants in purchasing their agricultural inputs. The consumer cooperative movements would get their goods at equally more reasonable prices than if they were to obtain them without thorough knowledge of the trade techniques.

As a result of the realisation of how much the cooperatives stand to benefit through their direct participation in trade, the International Cooperative Alliance has been encouraging its member organisations to seriously move into this area, of course, within the national regulations of each of the countries. This move is directed first among the cooperative member organisations which are being encouraged to promote direct trade links among themselves. The European consumer cooperative movements, for example, are being encouraged to purchase coffee, tea, etc., directly from the developing world cooperatives that produce such commodities instead of obtaining the same through middlemen. Already there is a fastly growing trade among cooperatives in the world in which African cooperatives would stand to benefit a lot if they succeed to participate not only between developed and developing countries but also among African and developing countries themselves.

The nature of the philosophy and ideals of the cooperative movement do help to ensure some fair play among the cooperatives. The cooperatives are therefore helping to contribute towards the establishment of better and considerate practices within the international economic dealings.

SPEECH BY MR J. GITUMA, PERMANENT SECRETARY, MINISTRY
OF COOPERATIVE DEVELOPMENT ON THE OCCASION OF OFFICIAL
OPENING OF THE REGIONAL SEMINAR ON PROMOTION OF
COOPERATIVE TRADE AT KENYATTA CONFERENCE CENTRE
NAIROBI : 14 JUNE 1982

The Regional Director of International Cooperative Alliance,
Distinguished Representatives from East, Central and
Southern Africa,
My Fellow Cooperators,
Ladies and Gentlemen :

It gives me great pleasure to have been invited to perform the function of officially opening this very important regional seminar which is organised and sponsored by the Regional Office of the International Cooperative Alliance. That the venue for this seminar was chosen to be Nairobi is an even greater honour to our country. I wish, therefore, to take this opportunity to welcome all of you from sister African countries and further abroad to our country in general and to Nairobi in particular.

It is our sincere hope that you will take time off between your busy schedules, to enjoy the many facilities of recreation and entertainment our country offers. For those of you coming to Kenya for the first time, I hope that you will see not only Nairobi, but some sections of our beautiful countryside. Our country believes in the African hospitality and I wish to assure you of exactly that while you remain in Kenya.

Mr Regional Director, the Cooperators in Kenya are happy and proud of their continued association with the International Cooperative Alliance. The link between ICA and our country has made the realisation of very rapid cooperative development possible. Through this association, our policymakers have been exposed to several and various possibilities of cooperatives previously not very well known to us. I am here referring to such forms of cooperatives like the savings and credit - elsewhere known as credit unions, the consumer, the housing and the industrial producers cooperatives. Through seminars, conferences, courses and more particularly the meetings of ICA Congress and Central Committee, these other openings have slowly but clearly unfolded to us and we have taken the challenge and expanded.

Initially, most of our cooperative societies were based on agricultural processing and marketing services only. Today Kenya boasts of a total of 1.7 million individual members of cooperative societies. This represents nearly 13 million people if we take an average of eight people per family. In the agricultural sector, cooperatives account for an average of 70% of total food and cash crop production. We are happy to note that ICA has continued to pursue this stand and has brought the gospel of cooperative movement to many other countries.

Mr Regional Director, the Regional Office was initially catering only for Kenya, Uganda and Tanzania. Now we talk of Regional Office for East, Central and Southern Africa covering formally a total of nearly ten countries. This is a commendable spirit and we would like to express our appreciation, through the Regional Director, to the ICA Headquarters and all those organisations which fund it. I know that all of you concur with me on this.

Mr Director, Ladies and Gentlemen - On a different note we would like to express our sorrow for the untimely death of Dr Mauritz Bonow who as President of the ICA widened the horizon of this august International Non-government Organisation. It is his farsightedness which awoke ICA to the plight of cooperators on the third world. May God rest his soul in eternal peace!

During the past few years the world has been experiencing difficulties due to inflation and economic recession. The economic problems have been global and both industrial and less developed countries have suffered. The less developed countries to which group countries presented here today belong, have suffered relatively more because of their dependence on the industrial countries. Our countries rely largely on sources of funds for development projects from developed countries; we purchase capital goods for our industrial development from those countries; we sell our agricultural primary produce and semi-processed goods to industrial countries. We are thus pegged to their economies. If they experience hyper-inflation, the inflation will be communicated to us like a contagious disease. The situation resulting from this dependence has continued to worsen over the years. Efforts to try and alleviate this problem have led to such discussions as the new economic order and the north south dialogue. The outcome of these discussions have left much to be desired.

It is in this realisation that we hail the efforts of the International Cooperative Alliance to sensitize the cooperatives in terms of promoting trade among and between themselves internationally. Most of the consumers in industrial countries are cooperators. On the other hand most producers of agricultural commodities in the less developed countries find their way to the tables of the consumers in the industrial countries but not always through cooperative means and channels. The cooperative consumer in Europe will, I am sure, be much happier if most of what he pays for his food reached the cooperative producer in Africa. In my interpretation of the theme of this seminar, I think that you will discuss basically how possible it is to realize that goal. I would like to assure you that whatever the outcome of your seminar, we in Kenya, and I know the whole of East, Central and Southern African independent nations, will take them very seriously.

That we need in East, Central and Southern Africa is a cooptrade organisation which will link us, firstly among one another and secondly as a block with the European cooperative market. The climatic differences within Africa - ranging from arid tropical, sub-tropical to temperate climates, is most conducive to intercooperative trade within Africa itself. The climatic extremes between Africa and Europe also renders itself most conducive for inter-trade.

As I have said earlier, direct trade between cooperatives in Africa and those in Europe is insignificant. Worse still is the trade between the African countries themselves. But the potential is great. Through the good offices of the ICA, especially the agricultural committee which has championed the idea of promoting cooperative trade, we can achieve a completely different version of economic order which could surprise the whole world.

CLOSING OF REGIONAL SEMINAR ON PROMOTION OF COOPERATIVE
TRADE BY MR J.J. MUSUNDI, GENERAL MANAGER, KNFC LTD

Mr Chairman, Regional Director of ICA, Distinguished participants, ladies and gentlemen.

It gives me great honour to have been invited to come and close this important seminar.

The seminar is important because it is the first of its kind to be organised by ICA Regional Office for East, Central and Southern Africa for the cooperative functionaries of the region. I therefore as an individual attach great importance on this seminar and I feel that as a result of it our varied cooperative movements will be motivated to be more aggressive in promoting cooperative trade even on a modest scale. In fact cooperatives in our region should take an advantage of the Trade Pack which was signed by some of our countries to explore possibilities of international trade between our countries.

You have during the last two weeks been deliberating on a topic which through the centuries have caught the interest of many noted academicians as well as the common man. In Adam Smith's wealth of nations the following passage on trade was stated.

"Between whatever places foreign trade is carried on they all of them derive two distinct benefits from it. It carries out the surplus part of the produce of their land and labour for which there is no demand among them and brings back in return for it something else for which there is demand".

From this rather simple statement of the obvious, a number of noted economists have gone on and put together sophisticated models intended for showing that every nation benefits from foreign trade. Of these models the most noted one is the possible theory of comparative advantage which exemplifies the benefits to be derived from specialization in production and exchange of goods between countries. This is perhaps the most important aspect to which cooperatives in our region should address themselves.

To the layman most of these academic exercises are beyond his comprehension but nevertheless through his own experience he will concur with their findings. To him it is obviously of the good that for instance, various petroleum derived products which cannot be produced locally but yet of great importance to his daily life can be obtained through overseas sales of coffee, cotton, pyrethrum, tea or copper. The same applies to the acquisition of many other products which at present state of development cannot be produced locally but for which he or she as an individual has acquired the needs and means to obtain.

Similarly it is clear to the governments of most developing countries that in order to carry out their economic plans aiming either at greater national self sufficiency or the export of manufactured goods the necessary foreign exchange earnings due to the vagaries of climate, pests and foreign demand we have no alternative but to pursue vigorous export efforts to attain our basic economic goals of economic and social betterment of our people.

Every effort should be made to penetrate the overseas cooperative markets with finished goods of the products we produce in our respective countries. If the South East Asian countries have flooded European and Northern American markets with their products, there is no reason why products handled by our cooperatives cannot find their way to the same markets. It will however require extra aggressiveness on the part of cooperatives and support from the governments and other sectors of the economy.

The seminar you are just about concluding exemplified on one hand that the cooperative movements in the developing countries in general and ICA in particular recognize the importance of external trade promotion and on the other hand their desire and resolve to make a positive contribution to external trade activities in the developing countries themselves. This is important because the developing countries produce a variety of commodities which are necessarily not found in their own countries.

I am convinced that you have had fruitful deliberations about the potential involvement of cooperatives in the import/export trade and about the present constraints facing cooperatives in harnessing this potential. One obvious constraint in this regard is the role of marketing boards and other parastatals vis-versa cooperatives. In most cases cooperatives only act as commission agents of statutory boards and therefore their operations are limited to local markets. I look forward to receiving and reading the main conclusions and recommendations arrived at during the seminar. But let us not forget how easy it is on abstract level to analyse and make recommendations for improvements and action. The aim is now upon all concerned to put into affirmative action what has been concluded during this seminar. Let us neither forget that like most other economic and social undertakings, a greatly increased participation of cooperatives in the export/import trade does not happen over night but calls rather for determined and sustained efforts from our side for a long period.

The most obvious beginning is to look at our present status and activities. And in this connection I may pose a few questions for our consideration.

Do we command the needed expertise to enter vigorously into external trade? Have we fully tapped the existing possibilities for inter-cooperative trade? Have we fully examined the further processing of various agricultural produce now being exported in its raw form? Are we convinced that the existing export/product mix is fully consistent with existing export possibilities? Are we satisfied that the existing marketing arrangement, where parastatal bodies are often responsible for both regulatory functions and actual marketing are the most suitable ones both from national and cooperative movement's point of view?

I realise that in today's environment of generally weak economies of the developed as well as the developing nations the task of promoting trade among nations is not an easy one but this cannot deter us from making determined efforts particularly in increasing trade contacts between cooperatives and therefore fulfilling one of the cooperative principles of cooperation between cooperatives. Unfortunately as far as Kenya is concerned up to now our efforts in this direction have been dismal and disappointing.

It is also obvious looking at the size and strength of the cooperative movement in many parts of the region that it is upon us to consolidate this strength and bring added benefits to our members by paying more attention to transport, processing and distribution. Because only by increasingly taking on these links can we be certain that the economic and social interests of the cooperators are adequately protected. I have to admit we have a long way to go before we achieve this necessary integration of the various links and the main barriers to be overcome in this attempt are undoubtedly our lack of marketing and managerial know how in this field and lack of the financial resources to enter full scale into transport, processing and distribution.

I think that ICA and various UN organisations can play an important role in the envisioned expansion of cooperatives into external trade and other related activities. I have especially in mind that if ICA or Cooperative Trade could on regular basis disseminate to cooperatives, information about existences of trade opportunities, price charges, finance, insurance, transport and freight rates a small but important step would be taken in enabling various cooperatives to proceed on the path of increased

vertical integration. Similarly it appears to me that the Cooperative Trade promotion of Export/Import trade in selected Asian countries is praiseworthy and direct effort in assisting the cooperatives to reach their inherent potential and I appeal to the ICA and other cooperatives in industrialized countries to consider giving assistance to the cooperatives in this region.

Honourable participants, in closing let me reiterate my belief that the topic discussed at this seminar is of great importance to the future development of the cooperatives in our country and it is my sincere hope that as a result of this seminar we will see more of the cooperatives involved in external trade bringing economic betterment to our cooperative members.

On behalf of all participants I wish to express our deep appreciation to ICA for having sponsored this seminar and it is on occasions like this that we realize that cooperatives in the developing countries dont stand completely on their own and that we are being extended a hand of cooperation and support from ourselves through the auspices of ICA.

With these few remarks I have the pleasure in declaring this seminar formally closed.

Thank you!

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