Richard Ivey School of Business
The University of Western Ontario

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HONEY CARE AFRICA: A TRIPARTITE MODEL FOR SUSTAINABLE BEEKEEPING

When Kenyan-born and -raised Farouk Jiwa had launched Honey Care Africa in 2000[1], he had envisioned a business model that would tackle the constraints of subsistence farmers in rural Kenya head on.

> It was all about trying to understand the obstacles facing the farmers. Financing was clearly a problem, technology was a problem, market was a problem, government extension service was a problem. So we thought about it for a while, and asked: “How do we solve this problem for the farmer?” We looked at the sector and said, “If I was the average farmer in Kenya today with two acres of land, what would stop me from producing honey?” We then worked out how to best address each of these problems.

AGRICULTURE IN KENYA

The largest economy in East Africa, Kenya had a population of 34.7 million, a real growth rate of 5.8 per cent and purchasing power parity (PPP) of US$1,100. Two-thirds (69.6 per cent) of Kenyans lived in rural areas. Half of the population lived below the poverty line. The poorest 10 per cent accounted for two per cent of total household consumption; the wealthiest 10 per cent were responsible for 37.2 per cent of total household consumption. Forty per cent of the labor force, or 4.74 million Kenyans, were unemployed. Life expectancy at birth was 49 years, and the adult literacy rate was 84 per cent. The United Nations Development Programme’s Human Development Index, a scale based on economic and social factors, ranked Kenya 152 out of 177 countries surveyed, compared to Canada in sixth place and the United States in eighth place.[2]

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[1] *Jiwa had teamed up with two Kenyan benefactors and successful businessmen, Yusuf Keshavjee and Husein Bhanji who provided the capital and gave Jiwa the freedom and flexibility to run with the idea and make it work. Yusuf Keshavjee’s son, Irfan, and Husein Bhanji’s wife, Shella, also became investors, and together, the Keshavjees and the Bhanjis provided the financing, while Jiwa took on the responsibility of building Honey Care Africa and managing its operations.*
[2] *http://www.publicintegrity.org/aids/country.aspx?cc=ke, accessed January 22, 2007.*

Agriculture employed 75 per cent of Kenya's labor force, contributed 16.3 per cent to the gross domestic product (GDP),[3] and generated two-thirds of foreign exchange earnings[4]. Only eight per cent of Kenya was arable land, and less than one per cent was dedicated to permanent crops — mostly the heritage of the large colonial plantations devoted to coffee, tea, cotton, sugar cane, potatoes, tobacco, wheat, peanuts and sesame. Coffee and tea were also Kenya's main export crops. The majority of the households relied on subsistence farming — small lots cultivated with corn (the basic local food), manioc, beans, sorghum and fruit. Small-scale farmers accounted for more than three-quarters of total agricultural production and over half of its marketed production.

Jiwa's idea of a socially and environmentally sustainable for-profit model that would purchase honey from small rural farmers and resell it to Kenya's urban consumers was a marked counterpoint to the three existing approaches in Kenya's agricultural sector — characterized by corruption and inefficiencies that thinned farmers' margins, disconnected them from downstream demand, and delayed reimbursement. For agricultural commodities such as cotton and pyrethrum, large government-owned parastatals holding monopolistic positions often forced farmers to sell their produce at pre-set — and often rock-bottom — prices. Farmers were typically reimbursed eight to 12 months after the crop had been collected. For other commodities, such as tea, coffee and milk, produced and marketed by farmer cooperatives, corruption, mismanagement and frequent political interference meant that the farmers often waited many months to be paid for their produce. They frequently had to resort to violence to overthrow corrupt and ineffective management teams. For the so called cash crops which farmers could produce on their own, such as honey, they had to rely on a long sequence of intermediaries. Demand was limited to the number of local mid-level brokers each farmer could access. Honey changed hands at least three times through the supply chain, and farmers had limited knowledge of, and access to, the end market.

Conditions in western Kenya were ideal for producing honey and the practice had a long history in the country; however, farmers had few incentives to take on beekeeping. They were underpaid for their produce, and the cash took months to reach them. Honey was produced mostly by men, who used log hives placed on trees. Kenyan customers, increasingly disappointed with the declining quality of the local honey, were turning to imported honey, particularly from Tanzania.

Previous attempts by the Kenyan government and international donors to boost quality by introducing modern beehives had failed, due mainly to poor training and support for the beekeepers and unreliable or opportunistic market linkages that hindered the commercialization of the produce. Honey Care's solution for quality honey was also technology. Jiwa decided to equip all their suppliers with the more advanced Langstroth hives[5] (Photo: Langstroth hive; Credits: Farouk Jiwa). Langstroth hives ensured a much higher level of produce quality

[3] http://www.ruralpovertyportal.org/english/regions/africa/ken/statistics.htm#agriculture, accessed March 12, 2007.
[4] http://www.umsl.edu/services/govdocs/obr/obr_0008.htm, accessed on March 12, 2007.
[5] The Langstroth hive is split into two sections: the brood box at the bottom and the super, which sits on top. Placed between the two is a wire mesh frame called the queen excluder. This frame stops the queen bee from going up into the super to lay eggs. Instead, eggs are laid, and larvae are reared in the brood box. The only bees that can enter the super are worker bees, which store the pure honey there. Traditional and top bar hives do not have a queen excluder; the honey mixes with eggs, larvae and young bees, and the honey is bitter and of poor quality. To harvest a Langstroth hive, the beekeeper places an additional board between the queen excluder and the super. This divider is called a clearer board, and it is really a one-way trap for the bees. Worker bees move up and down between the super and the brood box throughout the day. When this trap is in place, they can find their way down to the brood box, but cannot make their way up again. During a 24-hour period, the super is thus cleared of all bees. The clearer board and the full super can then be easily removed, and a new super is placed on top of the hive. Source: http://www.honeycareafrica.com/files/faqs.php#Why, accessed March 12, 2007.

and were relatively simple to harvest, making commercial beekeeping popular with wider sections of the rural community, especially with women. Langstroth hives were also five times more expensive than traditional hives, but they produced a greater volume of higher quality honey which could command premium prices.

TAKING THE WORLD BY SWORM

By March 31, 2006, Honey Care Africa had grown to 48 full-time staff and 2,179 active honey suppliers (of which 644, or 30 per cent were women). Its supplier base was almost doubling every two years. Since June 30, 2004, Honey Care had gained 38.5 per cent additional farmers. Many of these subsistence farmers had been able to substantially increase (and often double) their income levels with only five to six extra hours of effort per month. The business model enabled small-scale beekeepers to earn KSh15,600 to KSh19,600 a year (US$200 to US$250).[6] About a third of the farmers used the additional revenues for food and medicine; about a fourth of them used them to acquire seeds and fertilizers, about a sixth paid school fees, and about a tenth channeled the money into improving housing. Approximately five per cent of the farmers used the funds they had earned through beekeeping to launch their own microenterprises[7].

Honey Care's success changed the face of beekeeping in Kenya. By 2006, 43.6 per cent of the beekeepers were women. Beekeeping now thrived in Western and Nyanza Provinces - regions not traditionally known for honey production in Kenya. The business model supported more than 22,500 Langstroth hives and 6,200 traditional hives. Of these, 3,000 hives were disbursed on microlease basis in Western Kenya through Village Banks, and 2,500 more were ongoing, involving 7,754 households in sustainable commercial beekeeping. Five Agricultural Colleges in Kenya now provided beekeeping training on a commercial but ad-hoc basis. Honey Care helped train 220 government and NGO staff, and supported the preparation and submission of the Residue Plan for Kenyan Honey to the European Union, so Kenya could now export honey to the EU (it was the 4th African country to do so). Honey Care was a founding member of the Kenya Honey Council and a key member of UNIDO Task Force on sector development in Kenya. It was closely involved in various international working groups on private sector-driven development models, including World Bank /IFC SGBI Dept, Schwab Foundation, SEED-UNEP.

Commercially, Honey Care Africa had become the leading provider of honey to the Kenyan market, with 68 per cent market share. Since 2001, its Honey Care Africa brand offered seven different types of honey (Photo: African Blossom, Credits: Farouk Jiwa). In 2003, it launched three premium honey products launched under Beekeeper's Delight Brand. In 2006, it added several types of flavored honey, including Ginger Honey, Mint Honey, and Cinnamon Honey. Honey care was now experimenting with Coffee Honey, Vanilla Honey, and Clove Honey. Its distribution reached all major supermarket chains, retail outlets, shops, hotels, lodges and restaurants in Kenya. Its packing line bottled honey for several other companies, including Premier Food Industries. In Kenyan supermarkets a jar retails for about 220 Kenyan Shillings (US$3.25). Local competitors price their honey at 100, 120 shillings per jar. Honey Care Africa was now looking at extending its product line with innovative Base of the Pyramid offerings — honey stix (straws filled with about 6 g of honey each) who could provide a healthy source of carbohydrates to children in Kenya's

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[6] *Schwab Foundation for Social Entrepreneurship, http://www.schwabfound.org/schwabentrepreneurs.htm?schwabid=1731, last accessed on March 12, 2007.*
[7] *Based on 1,200 farmer responses. Source: Honey Care Presentation by Farouk Jiwa, July 2006.*

sprawling slums; and honey cups (each holding about 75 g or three to four days' consumption) which were targeted for direct distribution through kiosks.

A patient loan of $500,000 from the International Finance Corporation combined with US$350,000 from Swiss Development Corporation for further expansion, and US$95,000 from Swisscontact supported Honey Care Africa's expansion to Tanzania. Honey Care Tanzania was run as a separate company by local partner — founder, managing director, and serial entrepreneur, Jiten Chandarana. By the end of 2006, Honey Care Tanzania had 10 collection centers established which collected honey from more than 1,000 farmers. Honey Care Africa, a 50 per cent shareholder, sourced honey and beeswax from Honey Care Tanzania. Tanzanian beekeepers had already owned traditional beehives, the expansion reconfigured the original business model to open up additional opportunities for beeswax production. By December 2005, Honey Care became the lead African exporter of beeswax (120 tonne) to the United States; growth in beeswax exports was boosted by an additional US$75,000 trade finance secured from United Kingdom-based Shared Interest.

Honey exports were also picking up. Honey Care Africa was distributing fair trade honey internationally through the Pangea Artisan Market and Café web portal[8]. In August 2006, in partnership with Natures Cradle Foods, Honey Care Africa brought an exotic range of fair trade honey products (*African Blossom*, *Highland Blend*, *Acacia* and *Wild Comb)* to environmental and socially-conscious consumers in Eastern United States. Honey Care was gearing up for the United Kingdom market; Canada could be next. Export growth required fairtrade certification[9]. Honey Care had already begun cooperating with the Kenyan and Tanzanian governments to develop the criteria, but the fair trade board had not yet adopted any standards.

Six years after its founding, the venture remained small in size[10], but had grown large in its impact. Honey Care's initial commitment to improving the livelihoods of the farmers led to several innovative bridges between the for-profit and NGOs. In its first three years, Honey Care had won the full support of local NGOs, international donor agencies and Kenya's governmental authorities. It then forged innovative partnerships with Africa Now, the Aga Khan Foundation, the International Finance Corporation (IFC), Care Canada, the Canadian International Development Agency's (CIDA's) Coady Institute, the U.S. Agency for International Development (USAID), the United Nations Development Programme and the European Union's Community Development Trust Fund, to name just a few.

Honey Care Africa's success against the odds helped make the case that pro-poor for-profit ventures can play an important part in sustainable agriculture across African countries and in many other developing economies. Its innovative business model had earned international acclaim. In October 2005, Honey Care Africa was named the overall winner of the Africa Small Medium and Micro-Enterprise (SMME) Award for 2005-2006. A few months earlier, Honey Care Africa was recognized by the Schwab Foundation among the world's 100 most outstanding social enterprises at the World Economic Forum in Davos. Its path-breaking business model had received several other international awards for contributing to poverty reduction and

[8] *http://207.145.104.124/GBO/PDF/Honey_Care.htm, last accessed on August 10, 2007.*
[9] *Fair trade certification was an important bottleneck for exporting honey to Western countries. This certification guaranteed end-consumers that products had come from companies that incorporated social and environmental sustainability in their business functions.*
[10] *Honey Care Africa earns annual revenues of 8.5 million Kenyan shillings (KSh), equivalent to US$110,000 (July 1, 2004 data).*

biodiversity conservation, including the UNDP Equator Initiative Prize, the Prince of Wales World Business Award and the World Bank International Development Marketplace Award. The $30,000 cash award associated with the Equator Prize, followed shortly by a US$85,000 capacity-building grant from Project Ideas[11], hastened Honey Care's growth (Exhibit 1 lists the awards received by Honey Care since its founding five years earlier).

For Farouk Jiwa, now director and chairman of the board for Honey Care Africa (Honey Care):

> Clearly it's all about small scale producers and about giving guaranteed markets and fair prices. […] We've got the infrastructure, we've got the farmer trust and the network group organized and we have the collection centers in place to make it easier for farmers. Going forward, it's important to remember that the model is now more valuable than the product we're producing.

Jiwa wondered whether this model would work equally well in different agricultural sectors, cultural environments or political regimes. He felt that Honey Care could, and perhaps should, play an active role in the replication of the business model. Jiwa was also interested in scaling up the model. However, as the business grew in Kenya and caught on in Tanzania, the business model was constantly facing new challenges. Honey Care's maverick approach had successfully streamlined and revamped the value chain. But its regional growth was held back in part by production (the supplier base was not going fast enough, mainly due to a shortage in suitable forms of microfinancing and constraints in scaling up Honey Care's community-centric model) and in part by competition (Honey Care's own success had spawn an entire generation of aggressive competitors, who now produced and sold quality honey at cheaper prices by taking their focus off the farmers).

A TRIPATITE BUSINESS MODEL

Honey Care's business model[12] (see Exhibit 2), based on a three-way synergistic partnership between the development sector, the private sector and rural communities, drew on the core competencies of each party and helped leverage their complementary roles and resources. Honey Care Africa sought to transfer much of the margin previously taken by intermediaries back to the rural farmer. It provided farmers with the tools required to harvest honey, purchased the honey from the farmers at guaranteed and fair prices, packaged it in marketable containers, managed the supermarket distribution and marketed the honey to Kenyan urban consumers. Honey Care Africa organized reliable collection of the honey, manufactured and helped farmers acquire hives, provided local training and technical support and, as much as possible, paid farmers in cash within 48 hours. The company facilitated individual ownership of the beehives, initially through private loans and company-sponsored plans, then through donor agencies, non-governmental organizations (NGOs) and micro-financing institutions.

Bridging the Profit Divide

Honey Care was designed as a for-profit, sustainable venture with a triple-bottom-line philosophy that would create social, environmental and economic value. Jiwa's primary objective was to work with the farmers and improve their livelihoods. But farmers had developed a chronic mistrust of corporations, large

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[11] *Project IDEAS is a $1 million initiative to support innovations in small business development jointly funded by IFC's SME Capacity Building Facility and George Soros' Open Society Institute.*
[12] *http://www.apimondia.org/apiacta/slovenia/en/jiwa.pdf, last accessed on August 10, 2007.*

and small. They also distrusted government representatives and cooperatives, which were never there when the farmers needed them most. The farmers only trusted local NGOs, which had built close, trusting relationships with rural communities over many years. Jiwa approached many of these NGOs, but forging relationships with these organizations was not easy since significant stigma and suspicion had been associated with private sector initiatives. On the surface, the new venture's primary objectives were at odds. Honey Care Africa had strong social and environmental principles but it needed a profit to survive. NGOs, on the other hand, were purely charitable organizations, interested in sponsoring projects that would help build community self-sufficiency without asking for anything in return. And giving had its costs.

Growing up in Kenya, Jiwa had seen too many unsustainable projects. They all worked well as long as the funds from international donors kept pouring in, but as soon as funding ended, these projects quickly fell apart. NGOs in East Africa had even been publicly criticized for undertaking projects that delivered short-term relief but did not result in *sustainable* opportunities for communities[13].

Farouk Jiwa persisted. He explained how his business model would, in fact, support long-term self-sufficiency, a goal that was central for many NGOs. He identified the specific challenges that each development organization faced and thought about how the Honey Care business model would satisfy those interests. He commented on the compelling case he had to put to the NGOs:

> You have problems of implementation of agricultural projects; you have problems with sourcing the right technology and access to training. There are also issues with information dissemination and awareness creation. But by far, the biggest challenge is with ensuring some level of continuity and long-term sustainability after you exit. Honey Care is going to give you the full package. We'll start with the manufacturing of the hives, we'll go from village to village to do the demonstrations, we'll train the farmers right, focus on the economically marginalized women and youth, and we'll give all the farmers a guaranteed market for their produce and establish a prompt payment system. Above all, we'll continue to offer them a market for their produce long after the project has been wound up.

Once the complementarities became explicit, many NGOs recognized that this small for-profit company shared their goals of building long-term self-sufficiency in rural communities. They realized that Honey Care also put social impact first; commercial viability was simply a means to ensure a sustained contribution to local communities. The NGOs bought into the company's commercial model, recognizing that it could provide a guaranteed and continual stream of income for communities after initial donor funding had been exhausted. Honey Care welcomed the NGOs' endorsements; their deep relationships with rural communities in Kenya had been key to alleviating initial mistrust and providing much-needed working capital for the farmers, who could not have otherwise purchased the beehives.

<u>Hive Ownership</u>

Initially, the business model envisioned farmers taking out regular loans to purchase the Langstroth beehives. But that wasn't possible — interest rates were high (21 per cent), and most banks would not

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[13] For example, in the early 1990s, several non-governmental agencies funded the installation of 10,000 water pumps in Tanzania, but did not involve local communities in their set-up or operations. Locals were not trained in how to monitor the pumps, nor held accountable for their maintenance in any way. By the mid-late 1990s, 90 per cent of the pumps became inoperable.

approve loans without collateral, which the poor rural farmers did not have. Honey Care devised a buy-back loan plan; the company would lend the hive to farmers and retain a certain percentage of the monthly revenue generated from its operation. But Honey Care's limited operational capital constrained its reach.

Many NGOs were willing to provide Honey Care with grant funding for the hives, but only if the hives were owned at the community level. Jiwa resisted. He feared that if hives were owned by groups of people, only some would bother to operate them, and if those people became frustrated and unwilling to keep at it, the investment would be wasted. Honey Care insisted that beehives be individually owned; however, the farmers could work as a group on particular activities. They could share the bee suits and the smoker. Eventually a compromise was reached. The NGOs conceded on the need for individual ownership; Honey Care agreed to support and work with existing groups.

Honey Care and the NGOs also disagreed on the basic principle of providing the hives to farmers free of charge. The NGOs were not interested in receiving money in return for the hives, but Farouk Jiwa was sensitive to the implication of giveaways. Free hives could be perceived as a discretionary asset, giving farmers no real incentive to produce honey of the quality desired. Honey Care insisted that a pay-back plan would signal to farmers that honey production was an economically viable activity that they could undertake without external help. Honey Care would retain 25 to 50 per cent of a farmer's monthly income and remit this amount to the NGO until the full cost of the hive had been recovered. This way, hive ownership in itself would become an important economic motivator: once farmers owned their hives, the economic pay-offs of honey production would almost double.

Eventually, the NGOs endorsed this position and agreed to purchase the hives for Honey Care. The firm would lend them to the farmers who could purchase the hives gradually, at their original cost. Honey Care would then place the returned funds into a savings account that could be used by the community for expanding the hive base and/or other development projects.

Joining Forces with Africa Now

The relationship between Honey Care and Africa Now[14] had been a symbiotic and model-defining one. Africa Now was one of the few NGOs interested in enabling entrepreneurial development in rural Kenya, and a vocal champion for fair treatment of small farmers. The NGO had significant experience with small-grower beekeeping in Somalia and other parts of Kenya. Rob Hale, then Africa Now's country director for Kenya, was keenly aware of the need for a business approach for overcoming the structural flaws in the existing honey supply chain.

Hale and Jiwa became good friends. Their strong personal connection and commitment to a shared goal infused all aspects of the partnership between their organizations. At the strategic level, Farouk Jiwa and Rob Hale maintained a steady and healthy tension. They constantly debated the new opportunities for providing additional services to farmers, and, in the process, collaboratively refined Honey Care's original business model. Jiwa commented:

> Rob helps keep us on the straight and narrow. It's good to have somebody out there who comes from a little more on the social side of the spectrum than you are. Then we come in

[14] *Africa Now is an international development organization tackling poverty in Africa by helping small-scale producers and promoting ethical trade. Africa Now assistance finance, training, technology and securing a fair price for their goods offers farmers a 'hand-up' rather than a 'hand-out', providing people with a future of opportunity, not charity. Source: http://www.africanow.org/, last accessed on August 10, 2007.*

> a slightly more on the business side of the spectrum and say "Well that's great Rob, that's wonderful, but can we actually make some money on this." So the question I ask Rob every single time is, "What are we going to do when the grant finally runs out?" and the fundamental question Rob asks me is, "What would you have done if the donors didn't have the money to start with?"

The strategic alignment also filtered down throughout the organization, affecting every aspect of Honey Care's operations. There was a tremendous amount of transparency between the two organizations. Payments to the farmers were always made in the presence of Africa Now (Photo: Africa Now Truck; Credits: Farouk Jiwa). Communication between the two organizations took place across all levels on a day-to-day, week-to-week and month-to-month basis. It quickly became an accepted norm that all major decisions of one organization would affect and involve the other.

The two firms shared operational resources, including personnel, logistical facilities and vehicles. Africa Now already had human resources on the ground in western Kenya and it assisted Honey Care to provide field services in several rural areas. Africa Now also had bases in most of Honey Care's farming areas, so Honey Care used Africa Now's facilities to conduct its administrative functions. This arrangement saved Honey Care substantial overhead expenditures when it was getting started. Furthermore, Africa Now's employees working in areas not yet serviced by Honey Care spread the word about the new business model among small-scale producers in western Kenya. Many farmers bought into the model, and Honey Care's supplier base quickly expanded. The images of Honey Care and Africa Now became inextricably linked in farmers' minds because the companies endorsed each other and shared personnel and facilities in many communities. In fact, many of the farmers felt they were dealing with a single organization. This increased the commitment of the farmers to Honey Care.

Earning Farmer's Loyalty

Looking back, Jiwa was heartened by the firm's focus on small-scale honey-producing communities and the commitment to look after the needs of farmers. Since its founding, Honey Care had tried to be the best partner for rural Kenyan farmers. Farouk Jiwa knew that any other model, whether focused primarily on economic profit or social impact, could not have accomplished this goal. This special bond with the farmers was not only the raison d'être for the company but, as Jiwa well knew, it remained the key to its survival: any day, any season, Honey Care's viability depended on its farmer network:

> We shouldn't forget where we came from, because that's what it's all about. Being in agriculture is very fickle — a drought across the country, and we're out of business. It's as simple as that. With a steel mine or a copper mine you can just go and dig more copper, but honey is produced every single day. If the flowers don't bloom in time there is no honey. So we remember that no matter how big we become we're always going to remain very close to the edge. And the only thing that keeps us above the edge is the fact that we have good relationships with our farmers.

For the farmers, the partnerships with local NGOs and community-based organizations (CBOs) were an important signal that Honey Care was genuinely committed to Kenya's rural farming communities. But actions had to follow. As Jiwa explained, Honey Care's relationship with the farmers was equal, fair and sensible:

> I think you just go out there and speak with the farmers very honestly and without being patronizing. You explain what's in it for them and you explain what Honey Care intends on getting out of this. Above all, you listen to what they have to say and take their input seriously.

This was a very different approach from the way farmers had been treated before; government representatives would lecture farmers for two hours straight, giving them little opportunity for feedback or dialogue. Jiwa put away the podium and engaged farmers in a two-way conversation. It took him a while to break the ice, but the farmers quickly warmed up to his open, frank style. Above all, they recognized Honey Care's genuine interest in understanding and meeting their specific needs.

Money for Honey

From the outset, Honey Care implemented a money-for-honey plan. They paid farmers fair prices, on the spot, under a detailed and formal contract. No other organization had done anything like this before. Even the Coffee Board of Kenya delayed payments for eight to 12 months.

The Money for Honey proposal had gotten Jiwa the first break. DANIDA, the Danish International Development Agency, which was at the time engaged in a small development project in a semi-arid region of Kenya, agreed to fund a pilot project of 100 beehives. At harvest, Jiwa planned a public celebration which would attract other donors and investors. Only two donors showed up, but fortunately so did the *Daily Nation*, the largest circulating newspaper in East Africa, which published a full front-page article on the project.

Training and Extension Services

Immediate cash payments were needed and appreciated by the farmers, but Jiwa also knew that sustaining high-quality honey production also required initial training and on-the-ground technical support. Governmental ministries provided some assistance through ad hoc training services, but Jiwa felt that Honey Care should provide more specific support. He initiated formal and informal training schemes that taught farmers the technical peculiarities of honey harvesting using Langstroth hives. The training covered beehive maintenance, pest control, safety and protection (e.g. bee suits), proper harvesting techniques and other activities related to the honey harvesting process. (Photo: beehive inspection training; Credits: Farouk Jiwa)

Honey Care also employed a team of project officers, who were dedicated to a small number of farmers in their neighboring communities and worked one-on-one with farmers to maximize their yield and quality. The project officers were aware of the cultural idiosyncrasies of their neighborhoods and were deeply committed to the social development of their communities. Project officers made regular visits to the farmers to see how the honey harvest was progressing. As Rob Nyambaka, Honey

Care's operations director explained, they were available whenever the farmer needed advice on any aspect of the harvesting process:

> The project officer is the key: they essentially ensure that the farmer produces the honey. They also play an important role in knowing what is happening on the ground. Because most of them are from the local community and speak the language and know the culture, they are able to continuously gather the right information about the status of the projects. Whatever happens in the field, we, here at head office, will know. This helps us constantly monitor the needs of each particular community. What exactly are their problems? What exactly do they need? Project officers act as a link between Honey Care and the community. They are the Honey Care presence in the field. Whenever the communities see the project officer, they know Honey Care is in the field. This has never happened with other honey buyers. They come this season, disappear for the next six to eight months, come again for a day next season, disappear for the next six to nine months, come again for a day, disappear for another six to eight months. They simply do not have the same close relationships to the farmers as we do.

Feedback

A trusted relationship with the farmers has been pivotal to Honey Care's success from the beginning, and it had helped refine and recalibrate its business model. For example, the original business model had planned for collection centers to be located in the middle of each community. Once in the field, however, Honey Care realized how significant the distances were — the average farmer would walk about 20 kilometers to reach the closest collection center — so Honey Care switched to a mobile tent and brought the collection center to each farmer.

Early feedback also suggested that five days of intensive initial training in Nairobi conflicted with the basic demands of the farmers' lifestyles; most needed to return home after three days. Later programs were shorter and conducted closer to the farmers' homes, whenever possible. Honey Care also realized that it was difficult to convey the technical aspects of beekeeping because many of the farmers had low levels of formal education. Honey Care stripped away the technicalities and translated the training into basic and applied practices that the farmers could better remember. Wherever possible, Honey Care trainers learned to use appropriate analogies and local sayings to convey their message.

In 2004, Honey Care formalized a farmer feedback process with a simple "performance monitoring questionnaire," distributed monthly to 60 farmers selected at random from its supplier network (see Exhibit 3). The questions were designed by the farmers, through a participatory learning exercise facilitated by Honey Care's close partner, the non-governmental organization (NGO) Africa Now. The exercise involved individual farmers identifying key issues and framing the questions. The monthly questionnaire collected farmers' feedback on the firm's training, the quality of the hives and the quality of the extension services delivered by project officers, among other information. The data, carefully and timely analyzed, signaled what Honey Care was doing right and where improvement or change might help them do better. The questionnaire was also a measuring tool for Honey Care's socio-economic impact.

Going on Trust

Honey Care's entire business model relied implicitly on farmer loyalty. Honey Care did not have a monopolistic relationship with the beekeepers because many of the hives were obtained with NGO support; farmers could sell their produce to any broker. Because of the superior quality of the honey produced using Langstroth hives, other brokers were now skimming the harvest by offering KSh10 to KSh20 a kilogram more than Honey Care's KSh100 KSh per kilogram. Those farmers who had taken their hives on the buy-back plan were only receiving 50 to 75 per cent of the Honey Care rate, so selling to the higher bidder was sometimes tempting. Everyone in the field was aware of cases where farmers had taken advantage of the higher margins. These were, after all, small rural communities with incomes barely above subsistence levels, which were often pressed for cash for urgent needs. But overall, the community remained loyal to Honey Care. Lucas, one of the Honey Care farmers, commented on the situation:

> There was one member who was not being cooperative and well he was thinking of selling his honey somewhere else, so we talked about it and now he changed his mind completely. We disowned him. We told him that we'll not deal with him. If he thinks of looking for a market anywhere else, then we won't deal with him as a community. But we have changed him, and now he's all right.

Honey Care lost some farmers to ad hoc and opportunistic competitors, but many of them returned once these competitors vanished. As Jiwa explained, returning farmers developed an even greater appreciation for Honey Care's consistency and the guaranteed monthly payments that came every collection cycle:

> We're always amazed, but farmers almost always come back to us. I guess the one thing we are doing right is our level of consistency. When we tell farmers we're going to be out there next Wednesday to collect the honey, we do it. There's no substitute for the ability to keep our promises.

Initially, the plan had been to rid Honey Care of opportunistic suppliers by providing the super (the upper portion of the Langstroth hive where the honey was stored) free of charge. The rest of the hive was owned by the farmer, but the super belonged to Honey Care. Project officers collected the filled supers and replaced them with empty ones. Although this practice reduced the chance that farmers would sell to ad hoc competitors, the process was not sustainable. As the farmer base grew, Honey Care realized that the supers were locking up a significant portion of the company's finances. Supers were distributed throughout the country, and replacing them at each harvest was costly. After carefully considering the pros and cons, Honey Care adapted its business model so that the farmer owned the entire beehive. This decision to earn the trust of the farmers, rather than limit the odds of opportunism, paid off.

THE DIFFERENCE MAKERS

At head office and in the production room employees felt they were making a difference. Jiwa diffused his vision of what Honey Care Africa stood for, one employee at a time. He would often bottle honey shoulder-to-shoulder with his employees, reminding them that packaging was essential for attracting customers. He could also be found spending time in the workshop with the carpenters or loading boxed jars onto trucks. Day after day, everyone developed a clear, deep sense of what the business model was all about. No one wanted to short-change subsistence-farming communities; they had all come from such a community and could envision the difference quality honey production could make for their friends and relatives. The sense of personal duty permeated the entire process, from the production of beehives to the distribution of the honey jars to urban supermarkets. The employees clearly understood the roles they played in the business model and looked after their specific tasks with utmost care. The carpenters assembling the beehives tasted the honey their uncles and grandfathers produced using the hives; they knew that the farmers' ability to produce high-quality honey and generate a substantial source of income depended, at least in part, on their own commitment and craftsmanship.

Jiwa wanted to keep Honey Care employees motivated every step of the way. He had seen first-hand that even the most personally invested field officers working for the Ministry of Agriculture sometimes delivered sub-par performance in rural communities. Jiwa set out to establish clearer linkages between the efforts made by project officers in the field and the quantity and quality of honey produced by the farmers. Honey Care devised an incentive program that gave project officers a bonus on top of their regular salary for every kilogram of honey produced. This bonus was awarded at the end of each year. For the first year of the plan, individual bonuses ranged from five to eight Kenyan shillings (KSh) for each kilogram that the project officers helped the farmers produce (the equivalent of 6.6 to 10.5 cents in U.S. currency. This is a third of a loaf of bread at $0.35 a sixth of a packet of sugar at $0.63, and half of a bottle of Coca Cola at $0.21[15]). The incentive plan had an unexpected positive impact on Honey Care's forecasting accuracy. Because project officers monitored local honey production closely, the firm knew in advance how much honey it would collect every month. Thus, Honey Care could ensure sufficient cash in hand, better manage processing capacity, make informed downstream market commitments and plan distribution activities.

SCALING UP

As Jiwa reconsidered the replicability and scalability of Honey Care's business model, he recalled two of the best-known and most successful examples of sustainable agriculture in Africa: Sekem, an organic farm rooted in a strong culture and centralized logistics (see Exhibit 4); and the Kenya Tea Development Agency (KTDA), a farmer–owned and -operated cooperative focused on large-scale, low-margin crops (see Exhibit 5). He wondered how Honey Care could grow its beekeeping operations across East Africa without losing its farmer focus. A good way to expand within Kenya and Tanzania was to provide more beehives to those communities in which the company already had a strong farming presence, and then expand to neighboring communities — but collection, payment, and quality assurance bottlenecked its local growth.

Collection

With increasing numbers of farmers joining the program, the initial model of collecting from each individual producer was becoming less feasible. Honey Care was again toying with the idea of establishing collection centers. It was a typical model for Kenyan agriculture; farmers from a particular community would come together at one central location to deliver their produce and receive payment. Collection centers had their downsides, but they would enable more farmers to extract their honey and be paid in the short harvesting season. Each community would gain but individual farmers would have to bring the honey to the collection centers.

[15] *http://news.bbc.co.uk/1/hi/world/africa/4805530.stm, accessed March 12, 2007.*

Payment

As the volume of collected honey increased, Honey Care representatives were handling significant amounts of cash, and the company had to find simpler, safer and more effective ways of managing cash payments. Cash handling could be reduced by depositing the funds right into the farmer's account of a local bank. This could allow a means of savings and allow farmers to take on other investments maybe buy more hives or other equipment through leasing mechanisms that we've developed with financial partners. The village bank network was still quite small but cell-phone banking was spreading fast throughout rural Kenya[16].

A second challenge was the time lag between Honey Care's payments to farmers and its receipts from supermarkets — usually several weeks. As volume increased, Honey Care's cash flows could not cover the entire lag. However, delaying payment to the farmers could jeopardize their hard-earned trust. But going into the field twice, once to collect the honey and then again to pay the farmer, would be expensive. Honey Care was unsure how to best reorganize the payments.

Quality Assurance

Higher volumes also meant greater stocks and longer shelf life. Honey Care had to find ways to maintain stock levels, check the heights of the fill, and prevent crystallization. There were also consequences for the bottling process, which now needed to include micro-filtration and improved honey pasteurization processes. Both would require additional investments in technology and human resources.

As beekeepers became more proficient at harvesting the honey and needed less day-to-day support from the project officers, the demand for the project officers' extension services was changing. The roles of the project officers began shifting from demonstrating the harvesting and maintenance techniques to providing advice on how to increase the purity of the honey. Project officers were acquiring new capabilities; and they now had more time for new responsibilities.

In Kenya, market share had peaked, spurring price-based competition. To maintain its market leadership at home Honey Care was turning attention to creative marketing: bi-annual campaigns featured lead producers' stories from different regions; innovation in product range and packaging sought to create additional market niches at home. International markets were beckoning, but production capacity was still lagging overseas demand. Jiwa wondered how the tripartite business model that had brought the venture international acclaim could be recalibrated and expanded to keep raising the volume of high quality honey without fracturing Honey Care's bond to rural farmers.

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[16] *M-PESA provided an affordable, fast, convenient and safe way to transfer money by SMS anywhere in Kenya; additional details at http://www.safaricom.co.ke/m-pesa/default.asp, last accessed on August 10, 2007.*

Exhibit 1

SELECTED HONEY CARE AWARDS

Bryden Alumni Award 2005-2006
Farouk Jiwa was awarded the inaugural One-to-Watch Bryden Alumni Award by York University, Toronto, Canada, in November 2005, for his work with Honey Care Africa.

Overall Winner of the Africa SMME Award for 2005-2006
The Small Medium and Micro-Enterprise (SMME) Award was presented to Honey Care Africa in October 2005, by a consortium of African businesses and the Africa Centre for Investment Analysis at the University of Stellenbosch, in Stellenbosch, South Africa.

Most Outstanding Social Entrepreneur Award
The Award was presented to Farouk Jiwa at the 2005 World Economic Forum in Davos, Switzerland, in recognition of being among the World's Top 100 Social Entrepreneurs by the Schwab Foundation for Social Entrepreneurship.

World Business Award
This award was presented to Honey Care Africa in recognition of its contribution to the Millennium Development Goals of the United Nations. In 2004, it was jointly awarded by the Prince of Wales International Business Leaders' Forum, the United Nations Development Programme (UNDP) and the International Chamber of Commerce.

Equator Initiative Prize
This award was presented to Honey Care Africa at the World Summit on Sustainable Development (WSSD) in Johannesburg, South Africa, in 2002, in recognition of the outstanding efforts to reduce poverty through the conservation and sustainable use of bio-diversity. This US$30,000 prize was jointly awarded by the UNDP, the Government of Canada, the International Development Research Centre (IDRC), the Television Trust for the Environment, the International Union for the Conservation of Nature and Natural Resources (IUCN), The Nature Conservancy, Brasilconnects and the United Nations Foundation.

Ismaili Youth Award for Excellence
This award was presented to Farouk Jiwa in 2002, by His Highness Prince Amyn Aga Khan of the Aga Khan Development Network, in recognition of excellence in entrepreneurship through Honey Care Africa.

World Bank International Development Marketplace Innovation Award
This award was presented jointly to Honey Care Africa and Africa Now in 2002 for its innovative business model and community micro-leasing scheme. This award was presented by the Small and Medium Enterprise (SME) Department of the World Bank Group/ International Finance Corporation and supported by George Soros's Open Society Institute.

Source: http://www.honeycareafrica.com/files/awards.php, accessed March 12, 2007; http://www.yorku.ca/fes/alumni/graduates.asp?recDesc=grad/mes_txt01_11.htm, accessed March 12, 2007.

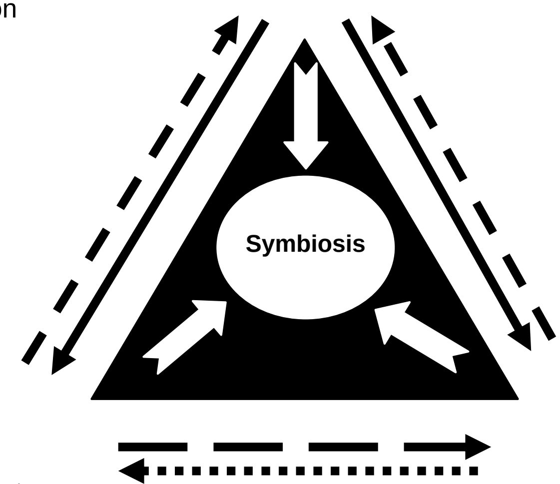
Exhibit 2

HONEY CARE'S TRIPARTITE BUSINESS MODEL

Beekeeping equipment for farmers
Project planning activities
Coordination / communication
Independent monitoring & evaluation
Loan remittances from farmer
Regular monitoring reports
Project status reports
Oversee smooth exit
Publicity and public relations

Honey Care

Honey production
Hive management & harvesting
Record keeping
Demonstrations
Agro-ecological assessment
Technical beekeeping training
Training in record keeping
Supply of beekeeping equipment
Community-based extension service
Guaranteed market on contract
Honey extraction services
Honey collection from farm / centre
Cash payment on-spot
Loan payment deduction



Development Organization
Donor Agency / MFI

Rural Communities

Participate in community assessment
Group formation and rules
Identify sites – individual / communal
Start beekeeping
Service loans until repayment done

Facilitate community assessment
Community organization skills
Group formation & loans
Independent monitoring & evaluation

Exhibit 3

PERFORMANCE MONITORING QUESTIONNAIRE

Dear Beekeeper, we are asking you to fill in this form in order to see how Honey Care is doing, and to find ways in which we can serve you better! THIS IS YOUR CHANCE TO TELL US!

SECTION 2: BEEKEEPING DETAILS

6.Do you belong to a Beekeeping Group? (Tick Appropriate Box): Yes ☐ Group Name ____________________ No ☐

7.How many Hives do you have? _______________Langstroth ____________Other

8. How much time do you spend looking after your hives each month? Less than 1 Hr ☐ 1– 5 Hrs☐ More than 5 Hrs☐

9. How much honey did you harvest last year? ____________Kg

10. How much honey did you harvest the year before? _______Kg

11.How many honey harvests did you have in the last 12 months? ______________

12. If you had NO harvests in the last 12 months, please state reason (e.g. New Beekeeper, Drought, etc)
____

13. Have you received Beekeeping Training from Honey Care or its partners? Yes ☐ No ☐

14. If Yes, on which date? ______________________________________ *(Month and Year is sufficient)*

16. If Yes, was the Training Useful? Yes ☐ No ☐

17. Did you get any Extension Services from Honey Care or its partners in the last 12 months? Yes ☐ No ☐

18. Please rank how important the following are to help you increase honey production:

FASTER EXTRACTION AND RETURN OF SUPERS	Not Important ☐	Somewhat Important ☐	Very Important ☐
MORE FREQUENT EXTENSION SERVICES	Not Important ☐	Somewhat Important ☐	Very Important ☐
INFORMATION ON WHICH TREES / CROPS INCREASE HONEY	Not Important ☐	Somewhat Important ☐	Very Important ☐
BEEKEEPING EQUIPMENT (Bee Suit, Smokers, Hive Tools etc)	Not Important ☐	Somewhat Important ☐	Very Important ☐
MORE BEEKEEPING TRAINING	Not Important ☐	Somewhat Important ☐	Very Important ☐
MORE SUPERS	Not Important ☐	Somewhat Important ☐	Very Important ☐
MICRO-FINANCE LOANS FOR MORE HIVES	Not Important ☐	Somewhat Important ☐	Very Important ☐

OTHER (Please Specify):

Exhibit 3 (continued)

SECTION 3: PERFORMANCE SATISFACTION INDEX (PSI)

19. Overall, how would you rank your satisfaction with Honey Care's Products and Services?

QUALITY OF BEE HIVE	Excellent ☐	Good ☐	Fair ☐	Need to Improve ☐
QUALITY OF BEEKEEPING KIT (e.g. Bee Suit, Smoker)	Excellent ☐	Good ☐	Fair ☐	Need to Improve ☐
BEEKEEPING TRAINING (if applicable)	Excellent ☐	Good ☐	Fair ☐	Need to Improve ☐
EXTENSION SERVICES	Excellent ☐	Good ☐	Fair ☐	Need to Improve ☐
HONEY EXTRACTION / COLLECTION SERVICES	Excellent ☐	Good ☐	Fair ☐	Need to Improve ☐
PAYMENT / LOAN DEDUCTION SERVICES	Excellent ☐	Good ☐	Fair ☐	Need to Improve ☐

ANY OTHER AREAS WE CAN IMPROVE (Please Specify): ____

____

WHAT OTHER INFORMATION / SERVICES WOULD YOU LIKE FROM HONEY CARE? ________________________

____

SECTION 4: SOCIO-ECONOMIC AND ENVIRONMENTAL IMPACT:

20. What do you do with the money you earn from sale of honey? (*Tick as appropriate)*

BUY FOOD FOR FAMILY	☐
BUY MEDICINES	☐
BUY SEEDS, FERTILZERS, FARM TOOLS, LIVESTOCK, HIRE FARM LABOUR	☐
PAY SCHOOL FEES FOR CHILDREN	☐
BUY SCHOOL UNIFORMS / BOOKS FOR CHILDREN	☐
IMPROVE THE HOUSE	☐
START A SMALL BUSINESS	☐
SAVE ALL OR SOME OF THE MONEY	☐
BUY TREES TO PLANT NEAR THE HOUSE / APIARY	☐
HELP OTHERS IN FAMILY / COMMUNITY IN GREATER NEED	☐
BUY MORE HIVES	☐
BUY BEEKEEPING EQUIPMENT (Bee Suit, Smoker, Hive Tool etc)	☐

OTHER (Please Specify): ____

21. Would you agree or disagree with the following statements?

BEEKEPING IS GOOD FOR THE ENVIRONMENT	AGREE ☐	DISAGREE ☐	DON'T KNOW ☐
BEES HELP TO INCREASE CROP YIELD	AGREE ☐	DISAGREE ☐	DON'T KNOW ☐
PLANTING MORE TREES AND FLOWERS INCREASES HONEY PRODUCTION	AGREE ☐	DISAGREE ☐	DON'T KNOW ☐
USING PESTICIDES AND CHEMICALS REDUCES HONEY PRODUCTION	AGREE ☐	DISAGREE ☐	DON'T KNOW ☐
MY FAMILY USES HONEY REGULARLY BECAUSE IT HAS MEDICINAL PROPERTIES	AGREE ☐	DISAGREE ☐	DON'T KNOW ☐

IS THERE ANYTHING ELSE YOU WANT TO TELL US? ____

____

Source: Honey Care Africa, personal correspondence with Farouk Jiwa, August 2006

Exhibit 4

SEKEM'S MOTHER FARM MODEL OF SUSTAINABLE AGRICULTURE

Founded in 1977, in arid Egypt, by Dr. Ibrahim Abouleish, Sekem had achieved rapid growth and international success without trade-offs in its pivotal commitment to the surrounding community and the environment. Sekem nurtured a strong culture that bound farmers together and promoted knowledge sharing and development.

The Sekem initiative (Sekem means "vitality from the sun") began by using biodynamic methods on 70 hectares of desert land, 60 kilometers outside Cairo, Egypt. With only 200,000 German marks and a network of friends and supporters, Abouleish, former head of the division of pharmaceutical research at the University of Graz in Austria, started the development of what was known as a "mother farm" in the Egyptian desert. More than 120,000 trees were planted to create both a shield from desert storms and a habitat for insects and animals. Wells were drilled at depths of more than 100 meters. Soil fertility was built up gradually using the dung of 40 cows donated by friends in Germany. In 1983, seven years after its inception, Sekem was rewarded with a crop of real organic tomatoes and carrots.

The principle at Sekem's core was fairness towards local producers and towards consumers worldwide. Initially, the idea of organic farming in the desert diffused slowly. Abouleish went from door to door, educating farmers about the benefits of organic crops and the opportunity to grow organic produce for the European market. Sekem gradually facilitated the production of organic fruits and vegetables, organic textiles and medicines from natural sources; it supplied these products directly to large supermarkets and department stores in Europe.

One of Sekem's primary goals was to support the transition of small farmers from traditional to biodynamic cultivation, both through knowledge transfers and through support services. However, despite the significantly higher margins for organic crops, farmers were initially reluctant to switch, in part because benefits were delayed by two to three years. Transitioning to organic agriculture typically took two years of zero chemical use, and regular inspection visits to ensure producer compliance. Egyptian farmers also had little trust that the European market was a feasible alternative to traditional local sales. But Abouleish guaranteed a market for all produce, at fair prices. The supplier network began growing, tentatively at first, then snowballing once word of mouth got around. Abouleish's passion caught on and inspired a strong community culture. By 1994, Sekem had attracted approximately 100 farmers.

In 1996, Sekem sponsored the Egyptian Biodynamic Association (EBDA), a non-governmental organization (NGO) that promoted biodynamic farming methods in Egypt and its neighboring region. EBDA focused on research and development, training, extension, technology transfer and many other related services. The number of farmers increased exponentially once organic growing became institutionalized. Thirty years after its founding, Sekem comprised about 180 farms and 850 farmers, who cultivated approximately 2,700 hectares all over Egypt, from Aswan to Alexandria. Each farm applied international standards in biodynamic agriculture.

The initial mother farm still housed the infrastructure required to produce, package and market all the raw materials received from small rural farmers. The mother farm continued to provide a strong, reliable linkage between rural Egyptian farmers and European chains. SEKEM had strengthened the supply chain upstream and downstream, resulting in deep and trusting relationships among its customers, suppliers and employees.

Exhibit 5

KTDA'S COOPERATIVE ALTERNATIVE

One of the few successful models of sustainable agriculture in Kenya was the Kenya Tea Development Agency (KTDA), now a farmer-owned and -operated cooperative that brought together 400,000 small tea growers. KTDA, a former public institution established in 1964, has been privatized by the Kenyan government in 2000.

The cooperative intermediated between its member growers and the international bulk tea market. Upstream, KTDA provided extension services to the growers and conducted all monetary transactions as the tea leaves changed hands throughout the supply chain. Downstream, KTDA negotiated maximum prices for bulk tea with companies such as Lipton and Unilever.

KTDA oversaw the supply, production and distribution of more than 800 million kilograms of leaves per year. Small growers from around Kenya took their tea leaves to a collection center located within a few kilometers of their farms. Leaves from a dozen or so geographically proximate collection centers were then transported for processing to one of KTDA's 45 factories dispersed throughout Kenya. Processed tea leaves were then transported in bulk to the Mombasa port and shipped to Asia, the Middle East, Europe and the United States.

Within the cooperative, all major decisions were made democratically by board representatives who were elected by tea-growing communities across Kenya. Each of the 12 different districts sent one representative to the KTDA board. This representative was appointed by the three to four other factory representatives in the district. All factory representatives were elected by the small growers who sold their crop to the collection centers neighboring each factory.

KTDA's profits were fully disseminated to the tea farmers each season; very little cash was retained for factory upgrades or process improvements. The small growers were paid in two installments. The first payment was received electronically by each grower approximately one month after the leaves were delivered to the collection centre. This first installment was equal across all growers, and typically ranged between one-third and one-half of the expected market prices per bushel. For example, if KTDA expected the tea leaves to sell for KSh24 per bushel, the initial payment would be about KSh9 per bushel. The second payment occurred several months later, at the end of the year. This second installment varied among grower communities, depending on the costs incurred by each grower's collection centers and processing factory. The difference between the total revenues and the first installment, KSh15 per bushel in this example, less operating expenses, was divided evenly among the farmers in each growing community — all received the same revenue per bushel.

Before privatization, KTDA attracted about 10,000 new growers each year. The rate of growth had increased by 50 per cent after privatization, due to the incentives associated with ownership. KTDA now gained about 15,000 new members each year. This accelerated expansion had its challenges. Prior to the privatization, each extension officer had been working closely with farmers and had been responsible for up to 100 farmers. Now each extension officer worked with 800, or even 1,000 growers, and the membership kept increasing every year. KTDA board members were taking a closer look at the possible trade-offs between financial viability and social sustainability.