



project results

INCREASING MARKET ACCESS THROUGH A TRACEABILITY SYSTEM FOR CHILLI PEPPERS PRODUCED IN KENYA



Market building



Non-financial services



Partner organisation (investee)

PHYMA FRESH PRODUCE LIMITED (henceforth PHYMA) was founded in 2004 and specialises in growing and exporting fresh fruits and vegetables, mainly to the European market. **The company works with a network of over 1,800 small-scale farmers** across Central Kenya, Eastern, and the Rift Valley regions on yearly renewable contracts as part of the company's out-grower scheme.

The challenge

Kenya is a significant exporter of chilli peppers in Europe. This is also reflected in PHYMA's sales structure, which is characterised by a large market concentration, with most of its chilli peppers sold to Europe (especially Germany, France, and Scandinavia). This trend reversed sharply with **a new EU plant health regulation, in place since 2019, aiming to strengthen pests and disease control.** The new rules require stringent control systems that are too expensive for most local actors and especially farmers who are not organised. Around 80% of Kenyan exporters stopped exporting to Europe and switched to lesser exigent markets.¹

PHYMA would like to seize this opportunity to grow its European market by using its capacity to aggregate farmers and apply these new regulatory measures.

The proposed solution

The project's objective was to support PHYMA in implementing a traceability system in the chilli value chain that will enable the company to manage the farmer groups better and help smallholder farmers meet the stringent control measures needed to export to the attractive European market. The company chose to implement the web-based version of the traceability software Packsoft based on the past good implementation of the offline version.

The expected outcomes of the project were:

- 1 **500 farmers gained access to new markets** by being included in the traceability system
- 2 **improved control of the sourcing, packaging, and shipping process**, resulting in the ability of real-time reporting
- 3 **improved access and increased number of buyers** through the certifications of product
- 4 **PHYMA's operations de-risked and able to attract new investments**

IMPACT INVESTOR



PARTNER ORGANISATION

PHYMA FRESH PRODUCE LIMITED
Kenya

NUMBER OF FARMERS REACHED

797

AGRICULTURAL VALUE CHAIN

Chilli

START DATE

May 2022

DURATION

4 months

TOTAL EXPENDITURE

€ 9,263

Including € 6,383 (69%)
financed by SSNUP

¹ FarmKenya (2021). "Exporters seek new market for chilli amid EU restrictions."



key results (as of October 2022)

Successful implementation of the Packsoft traceability system for the key areas:

- ✓ master data entry forms for field activities (sourcing of chilis, logistics)
- ✓ packhouse processes (produce reception in different locations, allocations, and shipments)
- ✓ reporting templates (standardised reports for all modules)
- ✓ creation of different user profiles

Improved operations:

- ✓ full traceability: better sourcing, packaging, processing, shipping, and reporting
- ✓ reduction of wastage
- ✓ easier management of the out-grower scheme and certification processes



797

farmers integrated into the database, of which

65% are women

Thanks to the more efficient digital management, farmers once in the database will benefit from PHYMA's out-grower scheme in an automated way, which includes:

- ✓ on-time delivered free certified seedlings and cash advances for fertilisers and pesticides
- ✓ guaranteed offtake
- ✓ support in obtaining the [GLOBALG.A.P. GRASP certification](#) and on-time renewal



8 key staff trained on the new system



87 seasonal workers, including **68 women**, benefiting from a transparent time wage system

The new system simplifies wage calculations, improving the relationship between PHYMA and its seasonal workers.

Project's contribution to the SDGs



2. Zero hunger

2.3 Improvement of agricultural productivity and smallholder farmers' income

5. Gender equality

5.5 Participation of women in economic life

12. Responsible consumption and production

12.3 Reduction of food losses and food waste



EUR 250,000 credit line

granted by Alterfin thanks to this de-risking project. The same amount is expected from the FEFISOLII investment fund to be distributed by the end of 2022.



lessons learnt

✓ The success of the traceability system depends on the data entry quality

PHYMA's traceability system relies on ground activities where its staff must ensure consistent, quality data collection. Key data include farmers' profiles and historical transactions. PHYMA's long-term vision is to involve farmers with key roles in farmer group organisations (chairman/woman, treasurer, and secretary) in the data inputting process to empower farmers to become active partners in the value chain.

✓ For digitalisation projects in general, data integration activity must be implemented to test and launch new applications effectively

✓ Agri-SMEs and farmer organisations must inform sourcing farmers about the intention of collecting and using data

Farmers have the right to consent on whether sensitive private information may be collected and used. This should be incorporated in the technical assistance project design and agreement. This will need to be supported by training for farmers to help them perceive and understand the impact of traceability on market access, as well as to guarantee good data quality.

✓ Digital solutions that aim to improve agri-SMEs' operations can ultimately benefit smallholder farmers

Even though a project is implemented to enhance a company's internal operations, it may generate indirect positive effects on smallholder farmers if designed inclusively.

Outlook

PHYMA will train farmers about the importance of quality data and their rights regarding data usage. **By the end of 2023, PHYMA aims to integrate 1,500 farmers into its chilli value chain**, of which at least 66% shall be women producers and at least 20% youth (aged between 18-35).

This project contributes to de-risking Alterfin's increased exposure to PHYMA. Alterfin will further support PHYMA and its farmers in obtaining the GLOBALG.A.P. GRASP certification.

