



Challenges for Development: Tanzania Cut Roses Value Chain.

A Research Paper presented by:

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in partial fulfilment of the requirements for obtaining the degree of
MASTER OF ARTS IN DEVELOPMENT STUDIES

Major:

**Governance and Development Policy
(GDP)**

Specialization:

**Local Economic Development
(LED)**

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The Hague, The Netherlands
December 2019

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List of Acronyms

BTG	Black Tulip Group
CBI	Centre of Promotion of Imports from developing countries
DFG	Dutch Flower Group
JKIA	Jomo Kenyatta International Airport
KFC	Kenya Flower Council
KIA	Kilimanjaro International Airport
TAHA	Tanzania Horticulture Association
TCCIA	Tanzania Chamber of Commerce Industry and Agriculture

Acknowledgement

In a special way I want to thank my thesis supervisor Dr. Lee Pegler and my second reader Prof. Peter Knorringa. I should admit that I could not manage to make a further step in this research exercise if it was not for their guidance , comments and valuable time spent by both my supervisor and second reader to directing me to the right path on fulfilling this academic exercise.

One of the challenges I experienced was to reach the organisations from my country, that I planned to interview for this study. Despite a number of attempts to reach them, I had but a negative response, Thus I would also like to acknowledge the support of the Embassy of Tanzania in the Netherlands for providing me with personal contacts to specific organisations such as TAHA and TCCIA that resulted to the accomplishment of the study.

Abstract

In order to benefit from the global market, growers must abide to the principles of production and distribution of cut roses. This research paper is designed to contribute to the debate on global value chain governance and upgrading of cut rose industry. This research paper aims to examine the operationalization of the cut rose industry focusing on Tanzania, Kenya and The Netherlands. Broadly, as an entry point, the study will focus on understanding the traditional factors that enabled Kenya to adapt the pace of production and distribution of cut roses globally leading to a prosperous chain of operation with the International market, hence upgrading.

Specifically, the content of the research paper will argue on the significance of Innovation in operations and digitalization of the market in Kenya and The Netherlands respectively towards facilitating upgrading of cut roses production and distribution in the market. With this regard, through the data collected, the research paper answers the question, “To what extent is the constraint of the Tanzania cut roses industry a result of government failure”.

I finalize the paper with the discussion on the current type of global value chain governance of Tanzania Cut rose industry in comparison to that of Kenya and The Netherlands and argue how Tanzania cut rose growers can manage to adapt the current applications of innovation and digitalization of the market which will enable upgrading of the cut rose industry and thus position Tanzania in a more flexible global value chain governance, however whether it is possible for Tanzania growers to adapt the changes or not this will depend on the institutional organization between the public and the private sector.

Relevance to Development Studies

The study questions and objectives will contribute to the ongoing debate in the development discourse on how effective the proper involvement of growers of cut roses in value chain governance is a result of upgrading exports to the International markets. With the use of a case study research method, features in both Kenya and Netherlands cut roses industry has been identified and analysed in line with the literature of global value chain so as to provide a clear picture of comparison and come up with ways of how Tanzania cut roses industry is capable of upgrading the products thus addressing the gap hindering development in this field.

Keywords

Cut roses, Global Value Chain, Global Value Chain Governance, Upgrading, Buyer driven chain, Clusters, Innovation, Kenya, Tanzania, Netherlands.

Chapter 1 Introduction

Globally and through time, horticulture Industry is growing very fast and dynamically. Companies focus on expansion of their markets to maximize profits through specializing in every stage of the value chain. Regarding Tanzania, Horticulture Industry is the fastest growing subsector within the agricultural sector. Most of horticulture processes and operations for production are currently dominant in Arusha, the northern region of Tanzania.

“In 2015 horticulture contributed 38% of foreign income, Export value in 2015 reached US\$ 545 million compared to US\$ 64 million in 2005 and horticulture industry employs about 2.5 million people thus it is the major employer within the agricultural sector” (RVO 2017). To a large extent, most communities found in the northern part of Tanzania depend on horticulture industry to run their daily family needs.

The Netherlands has played a historical role in the flower sector from the beginning of the twentieth century, starting with tulip breeding and propagation, then quickly moving to local trading, and afterwards heading to the remarkable international trading of all types of flowers, positioning as the current leading global importer and exporter of roses (Garcia, 2018). Roses are imported from different parts of the world to the Netherlands and then re-exported to the world. In other words, the Netherlands plays a permanent role of bridging the global rose buyers to global rose growers.

In Tanzania, cut flower industry was started in 1986 by Tanzania Flowers Ltd., with the main flowers being carnation, euphorbia (*Euphorbia marginata* Thumb.) and bishop's weed (*Ammi majus*(L) (Msogoya and Maerere 2006). The production of cut rose and shoot cutting chrysanthemum started in 1992 and 1997 respectively (Semboja and Mbelwa 1999). By 2000 there were seven companies operating in the sector, one of which was Tanzanian owned (Kombe roses, which is now called Tengeru flowers) (Stutton. and Olomi 2012:55). The number of companies producing cut-rose flowers and chrysanthemum for shoot cuttings in the country increased to 13 in 2003 (Msogoya and Maerere 2006) however, noting from the TAHA Business Environment Manager, “currently there are only eleven (11) companies operating in production and exportation of cut roses from Tanzania. According to Nyambo (2005: 08) “more than 90% of the roses are exported to Dutch importers or sold through Dutch auctions, however the production and export of cut flowers from Tanzania is often seen as part of Kenya's floriculture (at least 50 percent of all cut flowers are exported via Nairobi)”.

In Kenya, cut flowers are produced in clusters which were established as early as in 1980s. As cited in Porter (1998: 197-8) by Giuliani (2005:271) “clusters are geographic concentrations of interconnected companies, specialised suppliers, service providers, firms in related industries, and associated institutions (for example, universities, standards agencies and trade associations) in particular fields that compete but also cooperate”. In Tanzania, however, production of cut flowers and floriculture at large was dominated by individual growers, who were also limited in numbers. There were several advantages of cluster-based approach in the cut flower production (Mwase 2015:25). To elaborate this, Bolo (2006) wrote “In the Lake Naivasha cluster, specifically, farm owners consult each other on technological advancements, new varieties, market information and requirements while employees exchange valuable”. “Whereas in Tanzania major bottlenecks are lack of proper infrastructure, access to markets and investment programs” (Nyambo and Verschoor 2005).

The above bottlenecks can be regarded as Traditional factors. According to the World Bank (2009), “a cluster initiative offers a comprehensive assessment of a cluster’s markets, products, linkages, externalities, and synergies to help identify regulatory and business constraints, tap new and wider market opportunities, and develop sound business strategies to tackle its main competitors” Of course, clusters are very significant to the competitiveness of startups and other related businesses, whereby people are involved in business cooperatively through understanding procedures for production, required standards of production so that they may produce according to the market requirements and later benefit from the produce. However, in this study I try to provide the situation of cut roses industry in Tanzania in relation to that of Kenya, as connected to the Netherlands which is the main destination of cut roses from both Tanzania and Kenya. Using the tools of global value chain governance and upgrading, I reveal the technical gap in Tanzania cut rose Industry by analyzing; to what extent, Tanzania can improve its exports capacity towards reaching the demand of the cut rose global market and thus overcoming the challenges of development in the cut roses industry through clusters formation and application of constant innovative strategies.

1.1 Contextual Background

A rose (*Rosa*) is a woody perennial plant of the genus *Rosa*, in the *rosaceae* family (CBI 2016:2). Roses are a cut flower category in the floriculture industry, this product is the more exported as compared to other category cut flowers. According to Royal Flora Holland (2016:36), “rose is a leading sold flower in European Union with a turnover of €746 million by 2016”. The Netherlands is the biggest trade hub for cut roses in Europe, It is both a large trader and a large producer of cut flowers, However Dutch production of cut roses has declined as cheaper developing countries producers have captured an increasing share of the market”(CBI 2016:04).

The cut flower industry is very important in the current world development. In both developed and developing countries the industry is one of the largest provider of employment opportunities. The flower industry contributes around 1.06% to Kenya’s Gross Domestic Product (GDP). It is also one of the largest employer in the country , providing employment to over 100,000 people directly and an estimated 2 million people indirect (KFC 2019). Most of the Kenyan cut flowers are exported to Europe where they are auctioned or sold to whole sellers (Mwase 2015:21). According to TAHA newsletter (09 Aug-Sept 2019), Bashungwa who is also a full minister of Industry and Trade in Tanzania states, “The government is well aware of the potential of horticulture for creating jobs for youth, generating wealth, revenues and for guaranteeing the country with food security”. Globally, cut roses which is part of horticulture domain, apart from being a source to employment, it has potential in the international market, featuring the demand of expression either during the valentines day, mothers day, womens and fathers day, graduation ceremonies and for home decoration use. Floriculture is inclusive of both flowers and other ornamental trees that can be used to decorate house or office compounds (Mwase 2015:21).

As cited in (Maertens et al., 2012; McCulloch & Ota, 2002), “It is proposed that the export of horticultural products from African countries is beneficiary for the development of the poor people” (Welter 2018:07). The current debate in the cut flower industry is mainly on upgrading the products intended for the global market through

innovation and digitalization of the market. In 2014 exports from the Netherlands increased mainly because of growth of the German and Polish market. German after Netherlands is the most important export destination of cut roses. The total value of exports to Germany represents about 35% of total exports (€314 million), France (€134 million) and UK (€105 million) (CBI 2016:06). In the Netherlands, Through digital auction process, a virtual clock (regular auction) system in Aalsmeer and Naaldwijk combined with a number of physical clocks based on payment, customised logistics led to robotization helps in distribution of volumes with efficiency (Royal Flora Holland 2016). Furthermore, in order to reduce costs and to limit CO2 emissions, shipment by sea container is being developed as an alternative transport modality. Roses are already shipped by container from Colombia and Kenya to the Netherlands (CBI 2016:07).

For the cut flower industry to prosper, innovation is inevitable. Through innovation, Kenya has for example, managed to have special arrangements with the global buyers, such as Dutch Flower Group. Innovatively different global buyers develop commercial relationships with growers in Kenya so as to provide a suitable platform for quality products in relation to the current cut flower industry standards and certification. Since the Netherlands is an important exporter, Dutch wholesale traders have to comply with Industry standards. Retailers in UK or Germany often ask for a variety of certification schemes, most of them based on MPS-A and Global G.A.P (CBI 2016:06) hence quality in production, packaging, marketing and supplying. Buyers assist in some operations of producing with quality, “To take care of the quality process in the best way, to use the knowhow of growers and to be able to supply the freshest cut flowers, local teams are present to coordinate sourcing, (including the supply of sleeves, labels, flowerfoods e.t.c.) planning, handling and shipping as one supply chain” (florinews n.d.), these supporting operations and many others can be provided by buyers after having special arrangements with the growers.

As stated in the forth paragraph of the introduction section, in 1986 the flower sector was started by Tanzania flowers with the cultivation of carnations , euphorbia and *ami majus* in open fields for export to EU. After five years, two companies owned by the Bruins family (Tanzania flowers and Kiliflora) Introduced green houses and initiated the production of roses (Nyambo 2005:07), correspondingly, according to grower III, “most of the first flower farms in Tanzania were owned by foreign investors”. However, generally, the initial investors in Tanzanian cut flowers were Dutch nationals and companies based in Kenya, who began to invest in northern Tanzania, Thus, some 75-85% of Tanzanian fresh flowers are auctioned in the Netherlands and the rest are sold to Germany, Norway and the UK (Stutton and Olomi 2012:53).

From the above description , Kenya, Tanzania and Netherlands flower industry have a connection in different sects of the value chain. This being the case, the three countries will be the specific area of my study. In this study therefore, I intend to contribute to the global value chain governance and upgrading literatures by explaining the traditional factors contributing to adding the value of the cut roses in the international market, but going extra mile by elaborating the nature of the contemporary cut roses industry as adapting to creative features of upgrading the industry through constant innovation, such as what is happening in Kenya and digitalization in market processes, as regard to the Netherlands. Thus, this study aims to address the gaps that exist in the Tanzanian cut

rose industry, through analysing activities in the cut rose industry between Kenya and the Netherlands.

1.2 Objective

The objective of this research paper is to examine the operationalization of cut rose industry focusing on Tanzania, Kenya and the Netherlands. Initially the objective is to examine traditional factors contributing to the improvement of exports of cut roses, thus upgrading the industry. Notwithstanding the traditional factors, in reference to the findings; digitalization of markets and innovation in operations in countries such as Netherlands and Kenya respectively, have proven to be of significance towards adding value to the cut rose industry.

Thus, this research paper aims to analyze the significance of innovation in operations and digitalization of the market in Kenya and the Netherlands respectively, towards facilitating upgrading of cut roses exports and through this analysis provide a way forward for Tanzania cut roses industry to initiate strategic ways of developing a cluster based production and supply system to the market with a constant culture of innovation that back-up the processes of production and the products intended for the market, both locally and international.

1.3 Research Question and Sub Questions

The research aims to contribute to the global value chain governance and upgrading of exports of cut roses from Tanzania to the International market by answering the following question.

To what extent is the constraint of cut roses industry in Tanzania a result of government failure?

The above question is operationalized into the following sub questions.

- How does Kenya as number one exporter of cut roses, maintain her position in the global market
- Why is the Netherlands steady in facilitating adequate linkage between global buyers and growers?
- What does the cut rose industry in Tanzania require to strategically improve her position in the exports of cut roses on the global market?

This study has two units of analysis that enabled me to obtain primary data. These are individuals and organizations. Organizations include local and international floricultural producing, exporting organizations and international distribution center. i.e. TAHA officials and registered producers and representatives/members of TAHA, TCCIA officials and Royal Flora Holland which is the international distribution center). Individuals are large scale farmers with experience of more than ten years in the cut rose industry as regard to exports from Tanzania via both Kilimanjaro International Airport (KIA) and Jomo Kenyata International Airport (JKIA).

Due to the contemporary nature of cut rose industry, to understand the constraint of the industry in Tanzania, it is important to explore how a competitor to Tanzania in the same

field is operating. Kenya is the biggest competitor of Tanzania in the cut rose industry and a neighboring country. Moreover, producers from Tanzania and Kenya depend mostly in the markets located in Europe, starting with the Netherlands as the major destination. This being the case, the key informant interviews were conducted in the Netherlands, from several well experienced buyers including the former Royal flora Holland area (Africa) manager. In Tanzania, TAHA Business Development Officer and two TAHA registered members who are among the 11 producers and exporters of cut roses. In Kenya, I managed to have a good cooperation from one producer and exporter of cut roses to Europe and Asia, whose company is a member of Kenya Flower Council (KFC), names Black Tulip Group (BTG).

The study questions and objectives will contribute to the ongoing debate in the development discourse on how effective the proper involvement of producers/exporters of cut roses in value chain governance is a result of upgrading exports to the International markets.

1.4 Limitations Of The Research

During the process of data collection there were several limitations. To begin with, time was very limited i.e. between July and September to have reached all the stakeholders and many growers from Tanzania, moreover it was not easy to get in touch with the growers just from a single approach. The government representatives were the most difficult persons to get in touch with, until I approached Her excellency the ambassador of Tanzania in the Netherlands with whose network, I managed to get responses from both TCCIA and TAHA. Kenya's side was a bit different, whereby after I approached Exports officer of Black Tulip Group he responded immediately.

In the Netherlands, basically, during summer the respondents were not accessible, and this is because of the fact that, it is the low season for the cut roses, later approaching end September and early October is when they got in touch and participated through face to face interviews. The case was different from Tanzania and Kenya, whereby, due to lack of funds to be physically present to conduct interview, I emailed and requested for alternatives for engagement to the interview exercise, i.e. skype call or WhatsApp call. It happened that my respondents had no time for online calls, therefore I opted to email them the questionnaires and in course of time they participated accordingly.

In general, accessibility of some crucial statistical data from Tanzania and Kenya was difficult, however an interview with the former area manager (Africa) of Royal Flora Holland provided me with links to obtain the data from buyer's perspective.

Chapter 2 Literature Review

In this chapter I am going to construct a theoretical framework that provide a platform of how value chain governance of cut rose industry can result to upgrading. Through the data available in the next chapters, I will provide a link to the five typologies proposed by Gereffi et al. (2005: 83-88) explained here under and thereafter extending the discussion to the upgrading of the Industry through clusters absorptive capacity and culture of innovation.

Upgrading and governance are intertwined. Gereffi and Lee (2016:27) mention that “the GVC framework was created to understand better how value is created, captured, sustained, and leveraged within all types of industries” from two ‘vantage points’: governance and upgrading. Therefore, for economic upgrading to take place it is essential to analyze how value is created and which actors are involved in different parts of the chain, also upgrading involves multiple factors such as the process, function and product upgrading; so providing the connection between the frameworks of value chain governance and upgrading I will further elaborate on strategic formation of clusters with a culture of innovation, that together accommodates the final result of upgrading.

2.1 Global Value Chain Theory

The globalization of production and trade is the result of integration of global economy, this aspect has brought vast opportunities in improvement of industrial economy through building competences in skills and linking capacities for production. As stated by Gereffi et al (2001:5) “The pace of technological change, the intensity of international competition, and the ongoing dispersion and interpenetration of productive activity have convinced policy-makers and entrepreneurs alike that participation in global value chains and production networks is the key to economic growth”. Through participation in the Global value chain, both suppliers and buyers get to know their positions in the chain and how they get to influence the process of adding value to a product. Thus, according to Gereffi et al. (2005: 79) Global value chain research and policy work examine the different ways in which global production and distribution systems are integrated, and the possibilities for firms in developing countries to enhance their position in global markets. In this paper I am going to refer how production and distribution systems of cut roses are integrated between producers from east Africa with buyers from the Netherlands, what possibilities does the firms, specifically from Tanzania apply to gain a better position in the global market.

I proceed the discussion by giving an insight of value chain. A value-added chain is ‘the process by which technology is combined with material and labor inputs, and then processed inputs are assembled, marketed, and distributed (2005:79). A chain describes the role of actors and all the activities that are needed from the beginning of producing a product to the final stage in the market, in this, different actors with a varying degree of expertise are involved in the chain. According to Humphrey and Schmitz (2001:2) “a chain without

governance would just be a string of market relations”. This aspect turn us to a further elaboration by Kaplinsky & Morris (2000:4) who define value chain as “the full range of activities which are required to bring a product or service from conception, through the different phases of production, delivery to final consumers, and final disposal after use”.

2.2 Global Value Chain Governance

Global value chains refer to the set of intra-sectoral linkages between firms and other actors through which this geographical and organizational reconfiguration of global production is taking place (Gibbon et al 2008: 318). With this definition, geographical and organizational factors in the global production has been emphasized, with this regard, governance can be a good tool to link geographical attributes with the overall organization of actors in the chain.

Gereffi et al. (2001: 4) states that, “Governance is a central concept to value chain analysis”, he furthermore states that, “Governance can be defined as non-market coordination of economic activity”. In the globalized world, firms vary in capacity, thus some firms tend to influence the outcomes in production and market opportunities of certain firms. Through the decisions taken by lead firms, other firms are affected in terms of production as well as capabilities, resulting to significant consequences to developing countries firms in accessing the global markets.

By analyzing the full range of activities that firms and workers perform to bring a specific product from its conception to its end use and beyond, the GVC approach provides a holistic view of global industries from two contrasting vantage points: top down and bottom up (Gereffi 2014: 12). Top down approach is an interpretation of the lead firm role in relation to the organization of the global industries, while bottom up is an approach that explain strategies and means that developing countries apply in order to upgrade.

As described in Table 1 below; basing on the typology of five global value chain governance types set forth by Gereffi et al. (2005 :83), this paper aims to analyze the dimensions through which the chain arises. These five types of global value chain governance arise from ascribing different values to the three key variables: (1) complexity of inter-firm transactions; (2) the degree to which this complexity can be mitigated through codification; and (3) the extent to which suppliers have the necessary capabilities to meet the buyers’ requirements (2005: 87).

In the diagram below, in market like modular global value chain suppliers and buyers high chances to work with multiple partners, this enables low power asymmetries hence it is easy to switch customers and suppliers, while with captive mode, there is high degree of control from the lead firms thus asymmetry in power prevails, while in relational global value chain there is a development of trust which enables mutual dependency between suppliers and buyers, firms have symmetrical power relations and there is a great deal in knowledge exchange

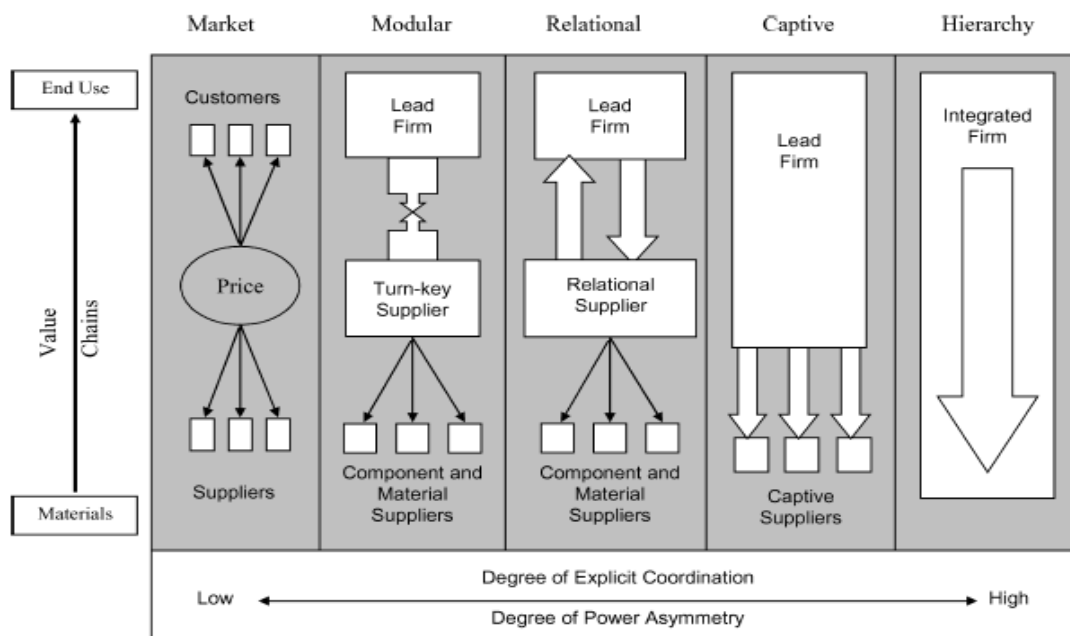
Figure 1 Key determinants of global value chain governance

Governance type	Complexity of transactions	Ability to codify transactions	Capabilities in the supply-base	Degree of explicit coordination and power asymmetry
Market	Low	High	High	Low
Modular	High	High	High	↕
Relational	High	Low	High	↕
Captive	High	High	Low	↕
Hierarchy	High	Low	Low	High

Source: Gereffi, Humphrey and Sturgeon (2005:87)

Building on the above explanation, below is figure 1. That provide further elaboration on how power asymmetries and complexity of activity exists in both captive and hierarchy value chains governance, however we see that the relational governance, unlike market and modular governance as declared by Gereff et al. (2005:84) “ has complex interactions between buyers and sellers, which often creates mutual dependence and high levels of asset specificity”.

Figure 2 Five global value chain governance types



Source: Gereffi, Humphrey and Sturgeon (2005:89)

2.3 International Economic Networks: Producer- driven and Buyer-driven global value chain

The starting point for interest in global value chains is the fact that some firms directly or indirectly influence the organization of global production, logistics and marketing systems (Gereffi et al 2001: 4). Gereffi (2014:13) elaborates about producer-driven and buyer-driven value chains, such as, “In ‘producer-driven’ chains, power is held by final-product manufacturers and is characteristic of capital-, technology- or skill-intensive industries, while In ‘buyer-driven’ chains, retailers and marketers of final products exert the most power through their ability to shape mass consumption via dominant market shares and strong brand names”. Furthermore, as stated in Gereffi (2001:1620) “Buyer -driven commodity chains refer to those industries in which large retailers, marketers, and branded manufacturers play the pivotal roles in setting up decentralized production networks in a variety of exporting countries, typically located in the ‘Third World’”.

Regarding the above explanation on the buyer-driven value chain, I further intend to focus my analysis on buyer-driven value chain because through the nature of cut roses industry, its flows and the behavior of the industry, comply with this type of network. To be more specific, most of the cut roses producers located in African countries organize and produce cut roses under the requirements and standards provided by the buyers from the developing countries, this is to say that, retailers and supermarkets in developing countries to some extent, control the chain and this as explained above is different from the producer-driven value chain. As supported by Gereffi (2001:1620) in buyer-driven value chain, “Production is generally carried out by tiered networks of Third World contractors that make finished goods for foreign buyers. The specifications are supplied by the large retailers or marketers that order the goods”. Furthermore, as declared by Gereffi (1994) in Gereffi et al. (2005:82) Gereffi used the term ‘buyer-driven global commodity chain’ to denote how global buyers used explicit coordination to help create a highly competent supply-base upon which global-scale production and distribution systems could be built without direct ownership”

2.4 Upgrading

Entering export markets for the first time is a major challenge for many firms in developing countries. It demands new skills and knowledge, for example concerning bureaucratic procedures, national standards and requirements, marketing channels and consumer tastes (Humphrey 2004:06). This imply that, competition in the international market is increasing daily. The fact that developing countries amalgamate into the global markets, producers from these countries experience competitive pressure that may result to development of new capabilities or focus to other products that may facilitate entry to the global market. Changing of activities or rather development of new skills and capabilities results to a decrease in the competitive pressure and, hence upgrading.

The concept of upgrading refers to several kinds of shifts that firms or groups of firms might undertake to improve their competitive position in global value chains (Gereffi

et al 2001: 6). Furthermore, Gereffi (2005:171) in Gereffi (2014:18) defines ‘Economic upgrading’ as the process by which economic actors – firms and workers – move from low-value to relatively high-value activities in GVCs. Moving to high value activities in the chain requires change in technology, advancement in skills and knowledge of the market, thus marking the definition of economic upgrading I will use in this research paper as defined by Gereffi (2005:161) that, “it is a move to higher value activities in production, to improved technology, knowledge and skills, and to increased benefits or profits deriving from participation in GVCs.

Table 1 Types of Upgrading on a Global Value Chain

Product upgrading: Moving into/adapting more sophisticated product lines
Process upgrading: More efficiency in operations through reorganizing the production activities or introducing superior technology.
Functional upgrading: Involves improving division of labor by increasing the overall skill content of activities through adoption of new functions in the chain or abandoning existing functions

Source: Author’s elaboration based on Humphrey and Schmitz (2002:1020)

2.5 Cluster Absorptive Capacity

The concept of clusters is relevant to my study because, cut roses industry in Tanzania is characterized of both small and large growers located in same area and embedded in institutions that affects their daily operations. According to Schmitz 1992 as cited in McCormick (2007:20) “A cluster is a geographic and sectoral agglomeration of enterprises. To add to Schmitz definition, Porter (1998:78) defines clusters as, “Clusters are geographic concentrations of interconnected companies and institutions in a particular field. Clusters encompass an array of linked industries and other entities important to competition.” Moreover, Giuliani (2005: 272) refer a cluster to a geographical agglomeration of firms operating in the same industry.

Within these definitions, there are two distinctive features of a cluster, these are; geographical and sectoral feature of a cluster. The former implies that a cluster, “clusters are spatially localized concentrations of interlinked firms. Colocation encourages the formation of, and enhances the value creating benefits arising from, networks of direct and indirect interaction between firms” (Asheim et al 2006:3) and the latter implies, “ a group of enterprises that engage in the same or related activities” (McCormick 2007:20).

According to Cohen and Levinthal (1990:128) Absorptive capacity refers to the intra-firm “ability to recognize the value of new, external information, assimilate it, and apply it to commercial ends”. “Here absorptive capacity includes organizational capabilities to assimilate information, internally distribute it and implement knowledge in design, development, production and marketing” (Nooteboom 2006:140). With absorptive capacity a firm can improve in different aspects due to utilizing information and being capable of equally distributing it in designs and marketing resulting to overall development of the products and

processes in the firm. This can continuously be attained only if clusters build an innovation system.

2.6 Innovation system

In this research paper, Innovation consists of, “process by which firms master and implement the design and production of goods and services that are new to them, irrespective of whether they are new to their competitors, their countries or the world” (Mytelka, 2000:18). In this aspect, innovation includes improvement from small to large entities, thus ranging from organization of production, product design and quality, marketing of products and the overall management of the firm within the firm and outside the firm i.e. maintaining efficiency in production while ensuring that environment and human welfare are preserved.

In this study, the case study of Tanzania, Kenya and Netherlands will be analyzed using the global value chain governance typology, then the significance of cluster absorptive capacity and the culture of innovation in the chain towards enhancing upgrading will be analyzed and through these theoretical frameworks I respond to the research question as outlined in chapter 1, section 1.3

Chapter 3 Methodology

In order to answer the research questions, data collection in Tanzania, Kenya and The Netherlands was inevitable. According to Flick (2009 :128) “The process of qualitative research may be described as a sequence of decisions”. First and foremost, in my study I decided to use the case study research method of data collection because, “case study can cover multiple cases and then draw a single set of ‘cross-case’ conclusions” (Yin 2014:18). Then I chose to focus in the case of the cut rose industry in Tanzania because, the industry has been operating for more than two decades. As noted by Sutton and Olomi (2012:53) “In 1989 a cut rose industry was established and this was followed by the development of a cuttings industry based on chrysanthemums”, hence one of the leading sources of employment. This argument can further more be supported by the fact that, flowers production in Africa has rapidly increased with Kenya leading in exports operations, Ethiopia, Uganda, South Africa and Tanzania, “These countries shows rapid growth because of the cheap labor and favorable climate (Martsynovska 2011:20)”.

Second, my study focuses in cut roses, because they are the leading exported cut flowers category from Africa to the International market, Netherlands being the main destination, then re-exported to the world. In addition to this, Kenya is the neighboring country to Tanzania, and it is important to know that “ the initial investors in Tanzania cut flowers were Dutch nationals and companies based in Kenya, who began to invest in Northern Tanzania (Sutton and Olomi 2012:53)” this is to say, Tanzania flower industry has largely been influenced by the Netherlands and Kenya involvement in global value chain of the cut rose Industry. Thus, analysing the value chain and the possible factors that would facilitate upgrading of cut roses exports will contribute to the objectives of the study.

To understand the relationship between actors, I used primary data collected from semi-structured interviews in the Netherlands, interviews through internet access in the case of Tanzania and Kenya and secondary data obtained from relevant literature. Overall data from respondents is analysed in chapter 5 below

3.1 Interviews

Business Environment Manager of TAHA described to me that, for now the overall number of cut- rose growers from Tanzania is eleven (11) and that these growers are also exporters, 90% of Tanzania growers are foreign investors. With this in mind, I started by finding a possibility of getting buyers who could share with me information on specific growers they buy from Tanzania and Kenya, then I got details of Mount Meru flowers, Kiliflora and Black Tulip group from Kenya just to mention a few of which I had to approach later in the process. Mount Meru and Kiliflora are all members of TAHA so it was not difficult to get contacts for specific respondents, however for black tulip group in Kenya, extra efforts were applied, including consulting the assistance Embassy of Kenya in Netherlands for a contact person.

Table 2 List of respondents

Countries	Growers Contacted	Growers Responded	Grower Company	Experience in Market (in years)	Annual Export (in NOs)	Buyers Contacted	Buyers Responded	Buyer Company	Experience in Market (in years)	Institutions Contacted
Tanzania	5	2	Kiliflora	8+	60-80 millions	x	x	x	x	TCCIA TAHA
			Mount Meru Flowers	18+	60-70 millions	x	x	x	x	
Kenya	3	1	Black Tulip Group	5+	x	x	x	x	x	x
Netherlands	x	x	x	x	x	8	3	Royal Flora holland	18 +	x
								Zyon Flower Compnay	7+	
								Dutch Flower Group	20	

Source: Author's own compilation

3.1 Secondary Data

Due to the nature of the study, the secondary data involved in this study was obtained from official publications of Tanzania Horticulture Association (TAHA), Kenya Flower Council (KFC), World bank, KEPHIS News letter, Royal Flora Holland and academic publications. Direct information was obtained through contact with former area manager of Royal Flora Holland who dealt with purchasing of cut roses from Tanzania and Kenya.

3.2 Data Analysis Method

In analyzing data, I began by selecting typical cases within the actors of cut roses involved in the chain upgrading. I also juxtaposed the data from different interviewees to have a clear starting point. As cited by Yin 2014:135, “ other ways of manipulating data include, (I) putting information into different arrays, (II) making a matrix of categories and placing the evidence within such categories, (III) creating data displays-flowcharts and other graphics- for examining the data, (IV) Tabulating the frequency of different events and (V) putting information in chronological order or using some other temporal scheme (Miles & Huberman, 1994)”.

Regarding the above explanation, the data analysis I used is mainly relying on theoretical propositions. According to Yin (2014:136), “the prepositions would have shaped your data collection plan and therefore would have yielded analytic priorities”. my priorities therefore involved the use of qualitative research method, specifically relying on multiple case study from actors in Kenya, Tanzania regarded as growers/exporters and the Netherlands regarded as buyers. Semi- structured interviews and web assisted interviews happened in a duration of two and a half months. Challenges arose, basically due to constraints related to

summer holidays among the buyers from the Netherlands while communication constraints hindered immediate participation from the Kenya and Tanzania representatives. Attached in appendix 2,3 & 4 are the Interviewing questionnaires.

Chapter 4 Results and Discussions

In this chapter I provide the results that I obtained from the field as I was conducting interviews. The results provided will be analyzed in response to the underlying theoretical framework introduced in the previous chapters. I conducted interviews to three groups, these are; growers both in Tanzania and Kenya, Buyers in The Netherlands and Government Organization in Tanzania responsible for Investment, specifically on the field of Horticulture, i.e. Tanzania Chamber of Commerce Industry and Agriculture (TCCIA) and Tanzania Horticulture Association (TAHA).

According to TAHA Business Environment Manager, *“In Tanzania, there are eleven producers and exporters of cut flowers in total”*. I managed to contact three growers, one from Mount Meru Flowers, Kiliflora l.t.d and Dekkers l.t.d., in turn Mount Meru and Kiliflora responded to my request. Mount Meru Flowers and Kiliflora l.t.d companies are two of the farms that have existed for more than 10 years in the cut flower exports business. According to one of the growers and stakeholders of Mount Meru flowers, the farm has existed since 2005. Mount Meru flowers is located at 1300 m, with application of up to date technology and experience from both Dutch and African growers.

Kiliflora l.t.d has two farms in total, i.e. Loliondo and Nduruma farms. These farms are 30 hectares and 20 hectares respectively. Loliondo farm is found at an altitude of 1,280m while Nduruma farm is found at an altitude of 1,180m above the sea level. Both Nduruma and Loliondo farms are found at the foot of Mount Meru. Furthermore, I consulted several growers from Kenya, at least to have a concern from Kenya and it turned up that Black Tulip from Kenya responded to my interview. According to Export Operation Officer from Black Tulip Group, *“The group was found in 1990 initially at United Arab Republic (UAR), later in 2002 a farm was started in Kenya, with some experience in exports to The Netherlands, however most of the exports concentrates in markets of the Kingdom of Saudi Arabia, state of Qatar, Sultanate of Oman, India and Malaysia*. So, despite the additional experience in production and supply of cut roses from Black Tulip Group to markets of Saudi Arabia and Oman, I was kin to make sure that I concentrate the nature of my question to the Netherlands market so as I may flow according to the objectives of my study.

In the Netherlands, a total of eight buyers were contacted, nonetheless three buyers responded to the interview exercise. Unlike the Tanzania and Kenya respondents, I had an opportunity to interview the respondents face to face. First buyer is from the Dutch Flower Group, he has an experience of more than eight years in Buying cut roses from both Tanzania and Kenya. Second buyer is a former area manager of Royal Floral Holland located at Aalsmeer, few km from Schiphol International airport in Amsterdam, he has an experience of more that 15yrs as a buyer and consultant in cut roses trading from East Africa. The third buyer is from Zyon flower company. Zyon group is found at Westland. In 2018 Zyon group joined Floral Trade group. The Buyer from Zyon group has an experience of five years in the cut roses trade from East Africa to the Netherlands.

The interviews in the Netherlands were conducted in a duration of three weeks. The meeting point of all the interviews was at World Horti Centre at Naaldwijk, Westland. “Westland is the center of the world’s main greenhouse horticulture cluster. It continues to innovate thanks to the synergy created by the business community, education institutions and government organizations. It is the logistics hub of Europe and it produces high quality food, flowers and plants innovatively and sustainably” (Bakker, S. 2018). I managed to meet with the respondents at the same place, but as planned the interviews happened separately and during different days.

4.1 Overall Findings

In the following chapters, there is a detailed information on the findings that have been obtained from the field and also those from different government literatures. The chapter brings together the findings grouping them into four categories; that is, the Dutch global buyers, Tanzania and Kenya growers, reasons for Kenya flower industry to succeed and hope for improvement that the Tanzania cut flower industry possesses.

Detailed information has been elaborated in this chapter, providing concerns in factors such as coordination, products and services, logistics, market change and standards and certification with reflection to Dutch global buyers and Tanzania and Kenya growers.

The chapter ends with the possibilities of hope for the Tanzania cut flower industry, providing arguments on the chances for developing the industry in reflection of how Kenya as a competitor to Tanzania managed to cultivate success on the same industry.

Thus the chapter ends by directing our thoughts to a conclusion, that will combine the relevance of other chapters to addressing the challenges for development in the Tanzania cut rose industry and thereafter providing a way for the industry to cultivate chances for development in the cut rose industry.

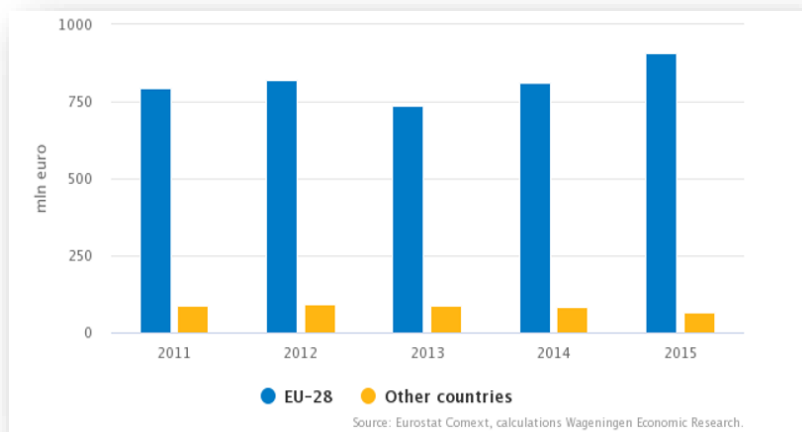
4.2 The Dutch Global Buyers

The Netherlands is the major exporter of cut roses in the world. For cut flowers and foliage, “The Netherlands is the largest trade hub for cut roses in Europe.” (CBI 2016:04) The Netherlands develop new markets and cater to the direct trade between growers and buyers as Kevin Maarsen explained in his presentation at Royal Flora Holland. Furthermore, CBI Ministry of foreign affairs (2017) clearly describes that, roses are the number one cut flower on the European market, Imports of fresh cut roses to the European Union (EU) from third countries increased from €588 million to €718 million between 2011 and 2015 and are expected to increase further in future. According to Buyer II, “The buyers in the Netherlands have a cooperative system of organization, where by medium as well as more experienced buyers come together and define the nature of the cut roses products they want to import, then through terms and conditions set by a group of buyers, they observe and execute all the transactions with the growers”. According to CBI (2017) Ministry of Foreign Affairs, “almost all the imported roses originate from developing countries. The main suppliers to

the Netherlands are Kenya, Ethiopia, Ecuador and Uganda”, thus a large share of exported cut roses is shipped to the Netherlands from other producing countries to be redistributed within the European market by Dutch wholesale traders. *Some groups of Dutch flower buyers include, Dutch Flower Group (DFG), V.D Berg Roses, Floral Trade Group and Flamingo flower group* (Buyer II, 2019). These buyers have a system of cooperation towards negotiating with the growers and with this attitude of working together they ensure that quality of the products and standards of production by the growers are observed and by doing this, it is evident that the industry faces different turns of innovation both in the process of distribution and emerging of new products that capture the market.

According to CBI (2017) Ministry of Foreign Affairs, the auction serves as an important trade platform for exporters from developing countries, moreover the Dutch flower auction is nowadays testing the auctioning of the cut roses without unpackaging them from the cardboard boxes, in order to improve the efficiency of the logistics process. With a sophisticated technology and advanced logistics pattern, the auction serves as marketplace, however the auction does not sell the flowers as if they own them. Thus, as stated by Buyer I, 2019, “It is only a distribution channel, thus in a tradition way flowers can be sold through the auction system, i.e. via digital connections such as the clock system or being sold through direct contracts”. Furthermore, through the auctions the value of the cut roses is to some extent upgraded, this is because the auction acts as a distribution centre, which means the auction bridge the growers with the buyers, with this regard, the auction has specific standards that they introduce to the growers of cut roses who intend to export to the Netherlands, this is because of the fact that the flowers that come to the auction are re-exported to other destinations in Europe. Therefore to provide for the auctions a grower has to meet specific standards, to meet the standards imply producing in a certain required value which reflects the demand of the market, for as stated by the Royal flora Holland former area manager, “if the roses brought to the auction do not reach the standard required then they are discarded”.

Figure 3 Exports of fresh cut roses from the Netherlands



Source: Eurostat, Wageningen Economic research
(as cited in CBI Dutch (2017) Ministry of Foreign Affairs)















Standards and Certification (Global Buyers):

Certification of the cut roses before trading them is very important. Global buyers emphasize the use of proper standards and certification regarding production and exports of the cut roses coming from different locations in the world. As stated by, Buyer II, 2019 *“It is important to consider the requirements of the customer before purchasing roses from the growers in Tanzania and Kenya, none the less, sometimes the customers do not intensify on the certification but as a buyers to be more reliable and functional in the market, we emphasize on the international standards and certifications to the growers”*. Furthermore, as stated by Buyer I, 2019, *“Major standards include MPS-ABC, Fair Trade and MPS-SQ”*. Thus, according to CBI (2017) Ministry of foreign affairs, “during trade, attention to quality labelling is important and necessary, including tracking/tracing codes and GLOBALG.A.P., MPS, FFP or other identification when required by the buyer, Fairtrade International is the main standard in the unspecialized supermarket channel, whereas Fair Flowers Fair Plants tends to be the label of choice for specialized florists.”

Other way round, as stated by Buyer III, 2019, “The roses from the Netherlands are cultivated from the farm direct to the market, thus they are considered as the best quality roses, where by, roses that come from both Kenya & Tanzania are smaller roses compared to roses grown in the Netherlands, and sometimes less fresh since they take 2 to 3 days before arriving to the market hence reduces quality”, however, according to Grower I , *“for quality of cut roses which have to be exported to the international market to be obtain, not only the quality in the farm is to be maintained but also, factors such as proper pre & post harvesting storage facilities (observance of time & temperature which influence the phase life), adequate transport system and adherence to international standards of cut roses production”*. Good standards of cut roses production include availability of means to fight against detrimental environment agents. Therefore, as clarified by one of the buyers, *“ From every country that we import roses, the rainy season is not good, so , due to the rainy seasons, molds as well as caterpillars attach the roses, producers should make sure that the farm is well treated and the flower is not affected with the environment agents like pests”* (Buyer II 2019).

According to CBI (2017) Ministry of Foreign Affairs, “The Netherlands is and will continue to be an important exporter of fresh roses. The country exported a total value of €975 million of cut roses in 2015, a 10% increase when compared to 2014.” *“However, growers from East Africa experience lower freight costs compared to other countries that export cut roses to Netherlands and the rest of European Union such as Ecuador”* (Buyer II, 2019). The lower freight costs, other low costs of operations and the availability of favourable climate is what convince more buyers and investors to focus in Africa compared to other countries as suppliers of cut roses.

Figure 4 International Standards & Certifications

SOCIAL		ENVIRONMENTAL & SOCIAL		ENVIRONMENTAL	
	MPS Socially Qualified (SQ) Certification Scheme		Kenya Flower Council Silver Standard		MPS-GAP Certification Scheme
	Business Social Compliance Initiative (BSCI) Code of Conduct		EHPEA Code of Practice for Sustainable Flower Production Silver level		BOPP (British Ornamental Plants Producers) Grower Standard
	Fair Trade International Hired Labour Standard		Florverde® Sustainable Flowers Standard		Global G.A.P. Floriculture Standard
	Ethical Trading Initiative Base Code / SMETA				EU Organic Farming
	Social Accountability International SA8000 Standard				USDA National Organic Program
	Sustainable Agriculture Network - Rainforest Alliance Certificate				

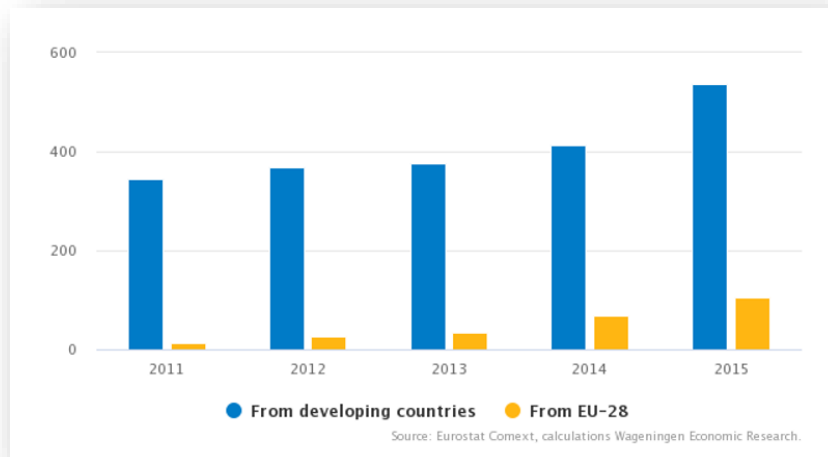
Source: FSI Basket of standards Toolkit, 2017

Price break down:

As stated by Buyer III, “Cut roses from Tanzania and Kenya are sold in every segment of the market in Europe i.e. wholesale and retail, currently almost 70% of roses is being sold via online sale, direct sale and contract sale”. Buyer III added that, “In order to create profit, it is important for the buyers to consider structuring prices depending on the quality and nature of cut flowers, buyers prefer to sell roses in a mono bundle, but sometimes they are creatively molded on a bouquet”. It is important to note that, the more creative a buyer is, in making sure that the cut roses are displayed at the market will provide an opportunity for a better price. In otherwords, flexibility in the market is a key for the buyer to win profit from customers, where by, for a buyer to maintain a certain level of flexibility, a culture of innovation in processes of supply and how the buyer reaches the customer, introduces the products in the market will determine more profit. As stated by Buyer II, “most of the time buyers consider selling the roses in mono setting, where the price value is more compared to when they are mixed with other type of species in a bouquet.” According to CBI (2017) Ministry of Foreign Affairs, “In the Netherlands, a mono bunch of 15 medium-sized red roses currently sells for about €20 to €30 when bought at a florist shop, a bouquet of 15 large-bud, long-stemmed red roses sells for about €30 to €45, and a bunch of 10 small roses in the super-market sells for much less, between €3 and €10.” Furthermore, according to the former area manager of royal flora Holland, “In the Netherlands the importers are connecting their stocks with what they are importing from Africa, prices are being published on website, so there is a fare and transparent relationship at the market”. This is also a presence of culture of innovation; because previously the connection between buyers and sellers was more physical centred and therefore more expensive in terms of time and other resources, however today we see revolution in the market; the websites are more used as platform of communicating, transparency has been established in form of marketing the products and prices on line but also providing a clear

information of what a customer should expect from the product that he/she wants to order, thus the relationship at the market becomes fair to all the actors resulting to efficiency and accountability.

Figure 5 Imports of fresh cut roses to the Netherlands.



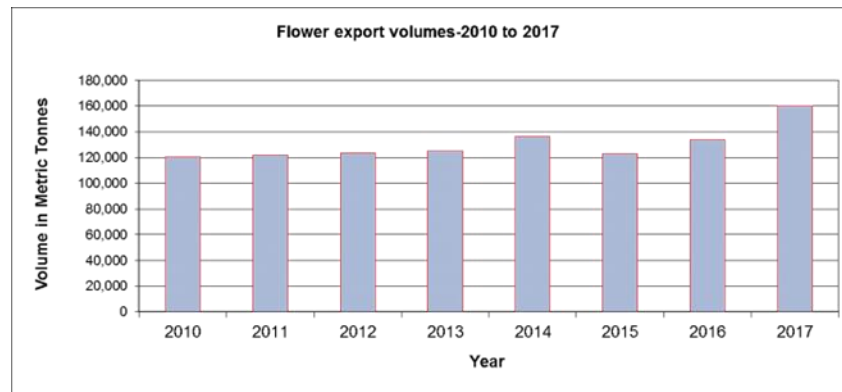
Source: Eurostat, Wageningen Economic research
(as cited in CBI Dutch (2017) Ministry of Foreign Affairs)

4.3 Tanzania and Kenya Growers

Tanzania and Kenya are countries found in East Africa. The climatic condition of both countries favors agricultural activities throughout the year and the cost of acquiring labor force is very encouraging. According to CBI (2017) Ministry of Foreign Affairs, “Dutch production of cut roses has declined, as cheaper producers from developing countries have captured an increasing share of the market, Dutch imports from developing countries increased from €345 million in 2011 to €538 million in 2015.” *“In average, 60-70 Million of stems of fresh roses are exported from Tanzania annually with 50% landing to the Netherlands then re-exported to Scandinavia, Germany and France and the rest 30% of exports land direct to UK and 20% to Austria”* (Grower I, 2019). However, as stated by Buyer I, “fresh roses exports from Kenya to the Netherlands, as per 2018-2019 records is up to 150,000 tons”. Kenya has a wide experience in production and supplying of cut roses to the International market compared to Tanzania, thus exporting in huge capacity. According to the Kenya Flower Council (2019), “Kenya is the lead exporter of roses to the European Union (EU) with a market share of about 38%, approximately 50% of exported flowers are sold through the Dutch auctions, although direct sales are growing, thus floriculture has been identified as a key component of Kenya’s vision 2030”. Furthermore, as stated by Grower III, *“In terms of quality, it is quite difficult to say while comparing Tanzania and Kenya roses, none the less the point is branding this is because, most customers focus on the branding pattern and for the record, Kenyan fresh roses industry is more experienced in branding compared to*

Tanzania”. To put it more clear, proper branding by Kenyan growers, provide excess value to the cut roses, through which the quality of roses is determined by the customers.

Figure 6 Flower Export Volumes 2010 to 2017

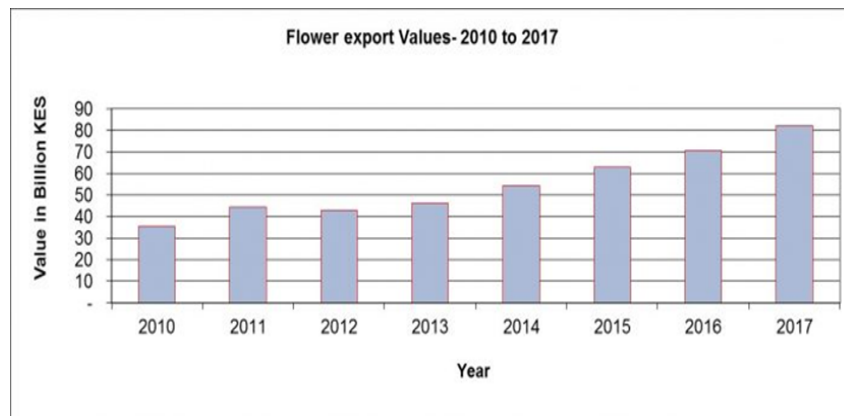


Source: Kenya Flower Council Website, 2019

Cut Roses Quality Criteria

According to Buyer I, *“In the beginning the Kenyans focused on sweetheart roses and then Intermediate roses”*. Buyer I proceeded by saying, *“Kenya is the course leader in the continent of Africa”*. Climatic condition in Tanzania and Kenya are equally friendly to the production of roses, labor and land resources can cheaply be attained compared to the Netherlands, thus attracting massive investment. As stated by Buyer III, *“Earlier, Kenya focus was on retail, none the less mid 2000’s there was a bit of a shift, whereby, retail found other sources such as Ethiopia”*. Through the involvement of Ethiopian growers, a spark for Kenyan growers to think on how to be more creative to the market was manifested. *“The growers in Kenya decided to focus on higher value products, this forced them to shift to high attitude area for production i.e. around Nakuru and Mount Kenya, so as to have a more quality product, however, In the market this time more focus shifted on wholesale, thus supermarkets such as ASDA form UK became of significance and other Scandinavian countries which tend to order direct from the growers”*(Buyer I,2019). The expansion of Kenya to the wholesale market has enabled Kenya record in exports value to increase annually. However, *“In the emerging markets like the former eastern Europe, the flower business is high among street vendors, then small shops and kiosks then sold in supermarkets”* (Grower II,2019). Furthermore, as stated by Buyer II, *“This is a significant different supply chain. It is difficult to completely describe the quality of cut rose depending on a country aspect, none the less, the important aspect is always branding, because most customers are looking on the branding aspect”*. The industry continues to attract new, local and foreign investors due to a solid infrastructure, inbuilt knowledge of prerequisites for successful flower farming and marketing, favorable climate, global-positioning of Kenya as a cut-flower producing country, and a productive local workforce (Kenya Flower Council 2019).

Figure 7 Flower export values 2010 to 2017



Source: Kenya Flower Council Website, 2019

Air freight and other logistics facilities.

Kenyan air freight facilities are more organized compared to Tanzania. This is a plus to the cut roses exports because unlike Tanzania, Kenya regularly has an advantage of transporting fresh cut roses to The Netherlands with reliable agreements with airfreight companies such as KLM Cargo airways. As stated by Grower I, *“In case of Tanzania, there is a zero capacity of fresh roses transportation to the Netherlands via KLM Cargo airways because it arrives with southbound cargo to Dar Es Salaam, however other airlines carries a capacity of between one container (around 40,000 roses) up to pallets of 100,000 to 200,000 roses, thus transporting maximum three times in a week”*. Furthermore, as stated by Grower II, *“In Tanzania, constraints occur through rough handling of roses resulting in broken stems, absence of proper cooling facilities and sometimes too long waiting at the runway leads to cut roses getting hot, and in case if it is raining the roses become wet leading to depreciation of the quality”*. Due to the presence of such constraints the growers from Tanzania often rely to the Kenyan airport cargo services, as they are more promising.

Furthermore, management of the supply chain and the production of huge volumes of cut-roses is very significant. Regarding Buyer I, *“Ethiopia is a classic example of the start of the cut flower industry. Factors that matter include quality logistics, supply chain and management, volume of flowers is the decisive factor for African flower growers. It is decisive in the way that it helps the grower to get the competitive advantage. Cost of logistics is a problem to Tanzania, because it is still 40 to 50 % cost, this is very significant thus Kenya has always been a way for perishable freight both for flowers and vegetables”*. The logistics patterns in Kenya are organized in quality and they sustain the basic requirements of international standards thus attracting the growers from Tanzania to use the export services at Nairobi airport. The industry continues to attract new, local and foreign investors due to a solid infrastructure, inbuilt knowledge of prerequisites for successful flower farming and marketing, favorable climate, global-positioning of Kenya as a cut-flower producing country, and a productive local workforce (Kenya Flower Council 2019).

Standards and Certifications (Kenya & Tanzania)

According to CBI (2017), Ministry of Foreign Affairs, “roses imported to the EU must be accompanied by an official ‘phytosanitary certificate’ guaranteeing the phytosanitary conditions of plants and plants products, as well as that the shipment has been officially inspected, complies with statutory requirements for entry into the EU and is free of quarantine pests and other harmful pathogens.” As stated by Grower III, *“Unlike Tanzania, Kenya through Kenya Flower Council (KFC) and Kenya Phytosanitary organization, quality of roses is issued for international market, this goes hand in hand with approval of logistics handling hence adequate production and transport services”*. According to KEPHIS Newsletter 2019, “the inspectors also ensure that Kenyan plant produce remain competitive in the international market through inspections to ensure that producers and exporters adhere to; strict hygiene practices and principles on food safety, proper documentation of all actions from land preparation to client, documentation of all pesticides used, their rates and application levels, safety provisions in application to analytical checks of the produce and proper field and pack house checks to ensure they are free from pests and diseases before presentation of the product for inspection”. In terms of Tanzania, according to TAHA Business Environment Manager, *“TAHA has a dedicated production department with a major responsibility of training horticultural producers on Good Agriculture Practices (GAPs). TAHA does this through its extension system comprised of more than 25 agronomists and 65 community-based facilitators located in different regions where TAHA operates. The extension services are offered through daily visits to farmers, demonstration plots and Practical Training Centers”*, In response to this fact, the main problem of Tanzania fresh rose Industry is, as noted by the former Royal flora Holland area manager (East Africa) *“the absence of an organ that specifically focuses on cut roses production and collaboration among private growers, hence leading to either low quality products or inadequate handling service”*. The former area manager proceeded by saying, *“Kenya has the horticultural association that maintains the standards and ensures the quality of all horticultural products including cut flowers, however due to the complexity of the horticultural industry, Kenya Flower Council was formed and specifically focuses on the affairs of the growers in terms of quality of produce, dividends and subsidies from the government and a follow up of market intelligence both from the local and from international level through participating in international flower trade fairs, thus fresh roses produce from Kenya are currently incomparable to those from Tanzania.”* From this point of view, proper information about the nature of the market is very important for the growers, as this will give them clue on how to structure and properly organize their engagement in the market so that they may in the end benefit from trading. Thus as stated by Buyer II, *“Due to reliable market information provided by KFC to the cut rose growers in Kenya, growers learn how to perform in the international market through doing business with high standard and qualified buyers from The Netherlands, whereby in case of Tanzania, the absence of reliable market information leads to poor management of the cut roses supply chain through doing business with low standard buyers resulting to poor performance”*. KFC through its role of creating transparency has managed to link the growers with the world buyers, for example through providing information on the “International Floriculture Trade Fair”, in turn, unlike Tanzania growers, many growers from Kenya attend the shows, learn the perspective of the market and the requirement of buyers, view the trending products and through this relation cultivate a zeal of international competitiveness which results into a culture of innovative strategies in facing the international market.

Agricultural Policy & Regulations vis a vis cash flow challenge

Commercial agricultural sector can develop if there are specific guiding agricultural policies. Regarding fresh rose industry there are some ventures in the commercial platform where the government through policies can assist private investors to have lesser obstacles and foster more easy access to export services and transactions. These ventures include infrastructure, Investment, Institutional, Innovation and Human capital. For example, the Tanzania policy guideline do not to a large extent abide in practice to what is documented within. According to Grower I, *“there are no many tax breaks, except when we join TIC (Tanzania Investment Center) and in theory the government regulations elaborate on VAT-refund, but we don't get the VAT refunded although there is TZS 1 B due or overdue and the money would be needed urgently.”* Averagely this implies that growers/producers are discouraged by the inactive policies, resulting to deficits due to lack of/ absence in Tax return. This is a huge setback to the growers in Tanzania thus as elaborated by Grower III, *“this contributes to the Tanzania growers signing permanent agreements with Kenya growers and exporters in supplying their products direct to them in a cheap price compared to the one which will be exposed on arrival to the Netherlands.”* Furthermore, as stated by Buyer I, *“Buyers from the Netherlands consider this cash flow challenge among Tanzania growers as a business opportunity for them, because there are high and low seasons in the cut rose industry, buyers provide financial support to growers in Tanzania which goes hand in hand with a temporal or permanent commercial agreement between them in supply management, hence some growers from Tanzania find themselves to be dependent to specific buyers hence lacking the productive capacity to expand to other markets”.*

4.4 Reasons for Kenya Flower Industry success

Strong co-operation within the Private sector and with the Government

The government of Kenya ensures the provision of incentives in form of nil or reduced duties and other taxes on imported inputs crucial to the sector such as green houses, green house covers, refrigeration equipment for cooling and cold stores. The industry comprises highly experienced and educated workforce. The private sector through Kenya Flower Council (KFC) is well informed on the market intelligence. Through a proper market knowledge that Kenya Flower Industry excels.

Furthermore, as elaborated by the KFC (2019) The Kenya government together with the private sector have a single voice and coordinated leadership, whereby government departments and law makers support the industry through enacting appropriate legislation conducive to flower production and export. Locally, the council partners with the government in representing the industry in various forums like EAC, EU and Economic Partnership Agreement (EPA) negotiations through the Ministry of Foreign Affairs and International Trade. At the international level, the Council is a member of Floriculture Sustainability Initiative (FSI) and Union Fleurs and International Flower Industry Association also lobbying Governments worldwide on behalf of the industry. The Council is also a member IFTF (International Floriculture Trade Fair), and participate each year to share knowledge in market changes, product improvements and process innovation. Also Kenya partners with other

institutions in the government. As stated by Grower II, *“We also partner with other government bodies including KEPHIS, KEBS, NEMA, HCD, EPC, KARLO among others in various platforms. Other local industry stakeholders working closely with us include HEBI, FPEAK, KENWO, KPAWU, AEA, FKE, Africa Now, among others”*. The government of Kenya has managed to create a balance in communication and implementation with other actors in the industry, with proper information and clear follow-up, KFC has managed to be the main link between the private sector, other actors in the chain and the government. KFC represent the industry on exhibitions abroad but also have the marketing intelligence and thus provide independent valuable information to the growers in Kenya whereby the same is not happening in Tanzania (Buyer I, 2019). To put it more clear, the standards in production can be obtained because the government provides necessary environment to support the growers attain the international goal of production and through the visit to the shows in the International Floriculture Trade Fair, the growers gain information that they will later use to make sure that they benefit from the knowledge. Growers benefit from the information attained from the International Floriculture Trade Fair shows and this is evident because among the African countries that have a huge number of growers attending to IFTF shows Kenya is the leading, thus reflecting how the government support growers in international trade participation.

Observing high standards in Production & Handling

In order to qualify improving flower business beyond the local level, producing with reference to international standards and certifications is inevitable. In Kenya, it can be said that, one of the factors that keeps the industry rising is the diligence of Kenya growers towards observing standards required for growing cut-flowers, for example: according to the Kenya Bureau of Standards (2019), *“The standardization mark, is a mandatory product certification scheme for locally manufactured products provided for under section 10 of the Standards Act Cap 496, Laws of Kenya.”* To acquire the mark, manufactured goods are expected to meet quality requirements as specified in the various Kenya/Approved Standards. A permit to use a Standardization mark is issued to a firm to certify that a product conforms to requirements in a Standard. In extension to this, according to the Kenya Plant Health Inspectorate Service (2019), *“Kenya has a very stringent plant introduction and certification procedures since 1930's when the plant quarantine services were started in East Africa. Initially Plant quarantine services were conducted under the Ministry of Agriculture. In 1996, a state corporation (Kenya Plant Health Inspectorate Service, KEPHIS) was established to vigilant for the Government, business sector, scientists and farmers on all matters related to plant health and quality control of agricultural inputs and produce. Through the activities of KEPHIS, the introduction of plant pests, diseases and noxious weed into Kenya is prevented or delayed. All phytosanitary measures are based on international standards as in International Plant Protection Convention (IPPC) and World Trade Organisation (WTO) agreement on sanitary and phytosanitary (SPS) regulations and guidelines. The Plant Protection Act (CAP 324), the suppression of Noxious weeds (Cap 325) and the Agricultural produce (Export) Act (Cap 319) provide the legal framework through which the authority carries out*

phytosanitary regulation service.” Through strengthening the standards of the cut flower products coming from Kenya, it is evident that Kenya can with a huge capacity focus on even much higher value products in the flower Industry. A good example is the Floriculture Sustainability Initiative (FSI). According to Kenya Flower Council, FSI baskets of standards, enhances transparency on standards criteria, identifies responsible sources through independent benchmarking, avoiding duplication of costs and audit fatigue in the supply chain. It is furthermore responsible in mainstreaming and promoting sources of flowers and plants in the areas of environmental and social practices. “Currently, the FSI Basket of standards include a set of 14 benchmarked social and agricultural sustainability compliance standards. It is used as an instrument to identify , measure and promote responsible sources of flowers and plants, thus after 2020, sustainable production under FSI will be defined according to the combined benchmarks on agricultural , social and environmental practice”(KFC, 2019 FSI Basket of Standards).The FSI Basket is open to standards that: make their criteria publicly available on the ITC standard map and are successfully bench marked against international basic requirements for environmental and social practices. Furthermore , KEPHIS plays a role in soil testing, According to KEPHIS Newsletter (2019), “KEPHIS determines the nutrients and contamination levels in soils, composition and characteristics such as acidity or alkalinity and texture”. With this culture of innovation, Kenya production and handling of cut roses will always be efficient and with profit when presented to the market.

Innovation in Air freight resulting to handling optimum cargo capacity

Kenya like the Netherlands have advanced in the way they manage and monitor the logistics towards enhancing proper handling of the cargo. *Nairobi airport is quite structured to handle large cargo because the amount of cut roses grown and coming out from Kenya is more than those which come direct from Tanzania, also this shows that, the knowledge and awareness of the needs of the market of the growers from Kenya is much high as compared to the Tanzania growers*(Buyer II, 2019). According to the Dutch Ministry of Economic Affairs Agriculture and Innovation, (2012) “The importance of reliable transport and the volume of exports from Kenya have led to the development of an air freight forwarding sector specializing in transporting cut flowers to Europe” **(2012:41)**. With this regard, the success of Kenya towards exports to Europe is managed with the experiential knowledge they have to the requirements of the global market. This argument is supported by Buyer I, that, *“Kenya has adopted the digitalization of the market and her logistics are of good quality thus the progress to the industry. Furthermore, in Kenya, growers work together with other similar industries. i.e. Vegetables, flowers and fishing industry work together in handling of cargo, this helps the growers to reach the optimum weight requirement for the cargo planes to take off without extra charges”*. It is clear that, with experience to the market Kenya floriculture industry has developed a high absorptive capacity which results to a culture of innovation where by; Kenya adopts all the necessary qualities for a cut flower industry to develop, thus unlike Tanzania, In Kenya there is evidence of proper handling of the cut roses cargo including related products for exports to which this factor make other countries’ cut flower industry, such as Tanzania to be interested in using the logistics and freight services of Kenya and to some extent abandoning their

own freight services whose management levels have not yet being flexible to adopt the culture of constant innovation.

Massive investments by both local and overseas investors

The Kenyan Flower Industry has an advantage of good relationship with the overseas investors. Buyers from big companies in the Netherlands support the efforts of the growers in Kenya through having a direct investment to the produce of their farms. *“Some buyers from the Netherlands, due to the demand of their customers sign a direct contract with growers in Kenya, this relationship helps the growers to maintain their produce even during the low season”* (Buyer I, 2019). By signing a direct contract, the buyers commit themselves to purchase from a specific grower, this implies that all the efforts that the grower put in a season is focused on the specific buyer, in this way markets for the roses from Kenya are easily attained. Contracts may develop to certain commercial agreements, and this happens sometimes when the buyer notices a load for the grower may be due to lack of financial capability or certain tools to facilitate production, so the buyers may decide to provide financial or technical support to the grower so that during the next season, the target by the grower will be obtained, similarly this is an advantage for the grower because production takes place but also for the buyer because required products and with quality reach the market hence sustainable production and distribution of cut roses. Furthermore, as elaborated by Buyer II, *“In my company and most groups of small cut flower companies, we make contracts with growers from Kenya having selling points in the Netherlands, so we buy from the selling points in the Netherlands and re-sell them with value to our customers.”* Buyer II proceeded by saying that, *“with this relationship to the growers, we manage to avoid the cost of ordering ourselves direct from Africa while we are still a medium flower company.”* To elaborate more on this, sometimes small buyers from the Netherlands have to understand that they have similarly small number of customers, and provided the nature of customers, sometimes the customers change to a different supplier, if this is the case, to avoid massive loss, it is important for small buyers to make a commercial agreement with the growers, where by through a selling point in the Netherlands, where the buyer gets order can easily order fresh roses and supply them to a specific destination and thus avoid keeping products in the shelf. Moreover, for many years, Dutch Flower Group is active in Africa, “started in 2003, Dutch Flower Group (DFG) founded an office in Nairobi and worked towards stronger partnerships with growers in the Naivasha area.” (Florinews (n.d.)) With a dedicated mindset of the local investors in Kenya, the global buyers/investors support the efforts by opening branches or rather partnership agreements which enables the development of more skills to the local growers, sharing of valuable information and transfer of technology. Further elaboration from the floriculture journal put it clear that, “one of the most vital links of getting growers flowers to the customer, no organization knows this better than the Dutch Flower Group, It is for this reason that DFG has invested sizable amounts into making Airflo the best dedicated flower handling facility in Nairobi.” Other buyer flower groups having either short/long term commercial agreement with growers in Kenya include, black tulip group, flamingo, Margin Par and V.d Berg Roses in Kenya registered as Bilashaka farm

4.5 Hope for the Tanzania Cut Flower Industry

TAHA provides a platform that softens the overall local and inter regional activities in the horticultural industry. According to TAHA business development manager, *“TAHA successful negotiated with Kenya on the removal of import levy to Tanzania vegetables (KS 2 per kilo) thus boosting Tanzania vegetable for export to Kenya from US \$ 5 million in 2012 to US \$ 13 million in 2017”*. This is a good initiative; however, it would be much more productive if the same could be inclusive to the cut rose (flower) segment of horticulture. As stated by Grower, I 2019, *“maybe the Government lost the believe in cut roses industry, after our predecessors couldn’t manage and the cut rose industry was shrinking, but if properly managed, it is a good business, what is a proven fact in Ethiopia and Kenya.”* In figures and performance, Kenya is the leading exporter of cut flowers to Netherlands with a Turnover of 353 and 358 million in 2016 and 2017 respectively, followed by Ethiopia with a turnover of 179 and 178 in 2016 and 2017 respectively (Royal Flora Holland report, 2018). It is important for the government of Tanzania to provide a conducive environment for growers, and this is most especially through government documents such as policies and laws (regulations), however it is the high time for Tanzania cut rose (flower) industry to co-operate in strategically studying the market requirements, collaborate in introducing specific country products and standards that would enable competitive products when reaching the international market.

Due to political harmony and availability of land, it is evident that some foreign growers decide to invest in producing cut flowers from Tanzania. Examples, Margin par and Flamingo Dutch flower groups in Ethiopia and Kenya. As stated by Buyer I, *“Margin par and Flamingo flower groups, Dutch owned were producing roses in Zimbabwe, later they made a choice to leave Zimbabwe and now they are in Tanzania, since ten years ago, they made a deliberate choice to invest in Tanzania and this is due to land redistribution in Zimbabwe, influenced by some political issues.”* Apart from all the constraints that Tanzania cut roses industry is facing, with the above facts it is evident that there is a huge benefit in proper management and investment in cut roses. It is therefore very important for the private sector to cooperate with research institutes in the country and other actors related to the field in enhancing innovation and logistical clusters so that with a combination of the friendly natural climate and setting of Tanzania as a country, Tanzania like Kenya and Ethiopia can eventually upgrade cut roses exports to The Netherlands and the entire EU markets.

In addition to the above, efforts have been done to enable affordable prices to the Tanzania growers in terms of airfreight costs. According to TAHA business environment manager, *“Leading negotiations with service providers such as Swissport, TAA, BP/Puma and KADCO on reduction of airport charges, handling fees, parking fees and jet fuel fees to reduce cost of airfreighting, has resulted in several exemptions in perishable handling costs and related aspects at the airports and sea ports. This has led to an overall decline of airfreight rate from our International Airports to Europe from US \$ 2 per kilo in 2013 to US \$ 1.5 per kilo currently.”* One of the factors to increase profit in operating an industry is to minimize costs of operations. To minimize costs effectively, TAHA could opt to bring together the actors in floriculture industry, develop an independent association that engage in knowledge search, market information and product improvement so that

when the knowledge is shared among the group of growers of cut flowers, the results can be reflected in the end product at the market. Turning to the reliability of labor force, experience to the international market and quality of logistics, Buyer I emphasized that, *“Tanzania growers are lacking knowledge and efficiency to the market, If a grower is trustworthy and reliable and is connected to the digitalization of the market and the logistics are of good quality then, progress to the industry can eventually be attained.”* Buyer I added that, *“Growers should work together. Vegetables and flowers and other industries should work together so that they may collectively reach the optimum weight requirement of the cargo flights to take off from Kilimanjaro International Airport, then this can allow improvement of freight services in Tanzania and attract more investors to invest in the countries’ horticultural sector.”* Co-operation in production and understanding the market requirements is very significant in the whole process of adding value to the cut flowers produced in Tanzania. When I say cooperation It means, if the Tanzania “eleven growers” of cut roses come together and initiate a cluster driven relationship that will involve other actors in the logistics and government organizations, this means that the growers in Tanzania like those from Kenya will have a single voice to the production processes, the functions of the industry and the products that reach the international markets. In other words, through a cluster driven relationship of production the growers will realize how things work and collectively improve their operations and there is a hope of other investors joining the line to improve the industry for future requirements.

Furthermore, in recent times a development has been noticed in the government VAT regulation condition. According to the TAHA newsletter (09 Aug-Sept 2019) “the cold storage systems are very expensive. The price of one unit ranges between \$100,000 to \$150,000”, it is stated in the newsletter, “During his budget speech for the 2019/2020 financial year in parliament, Dr. Mpango announced a raft of tax cuts aimed to boost horticultural production.” The minister said, “exemption of VAT on imported refrigeration boxes was intended to reduce the production costs and promote modern horticultural farming”. In the production area, there are both small growers and big growers. One of the challenges that most growers face is the turn up in production after a season is done. This challenge develops when the growers have no financial capacity to grow for the next session while the government had promised tax returns. This is to say, if the government of Tanzania, as stated from the TAHA newsletter (09 Aug – Sept 2019) will practically intervene on the raft of tax cuts for the storage facilities coming to the country, then the private sector can use that opportunity to cooperate in enhancing a sustainable logistics and storage system of operations that will in turn encourage more production of cut roses from the existing growers and this will indeed encourage more investors in the global cut flower industry to pay more attention and dare to invest in Tanzania.

In this respect if Tanzania could create a long term plan of how to increase productivity of cut flowers, other horticultural products and other products associated to this industry and therefore provide necessary means to facilitate proper storage of the same, there is a possibility of an improvement in overall performance of the industry that could eventually lead to the upgrading of exports of cut roses and other products that are related to the flower industry and to the international market consumption

Chapter 5 Conclusion

In this research paper, a contribution to the global value chain debate has been laid out through the understanding of the cases in cut rose (flower) industry of Tanzania, Kenya and the Netherlands. Arguments on the nature of cut roses industry in the three countries have been raised by answering the main question that states; To what extent is the constraint of the Tanzania cut roses industry a result of Government failure?

Due to the dynamic nature of the cut rose industry and the gradual changes in the market chain requirements, I divided the main question into three sub questions that through the findings, the type of value chain governance available in Tanzania was well described and with the explored experiences from both Netherlands and Kenya possibilities for Tanzania cut rose industry to upgrade was clearly identified as elaborated below;

To respond to sub question one, it is evident that the government of Kenya has a strong cooperation with the private sector in the flower industry. Basing on the findings, in Kenya there is an organized chain which is well informed of the requirements of the market. This is made possible because the private sector has established the so called Kenya Flower Council whose responsibility is to ensure that growers are linked with buyers through acquiring proper market information, thus in case of new products demand in the market it becomes easy for the growers in Kenya to be flexible and swing according to the tide.

Also, through negotiations direct with the government, the KFC has enabled to convince the government to reduce duties and other taxes on imported inputs such as green houses and cold storage facilities by which are very expensive but important tools to facilitate quality products for the international market, with this attribute more attention from the buyers has been dedicated to Kenya growers, where investment costs in terms of inputs supply, intensive and experienced labor, and logistics pattern have been partly taken care of by the government through providing favorable environment for investment.

Due to this coordination between the government of Kenya and the private sector, the global buyers develop a more interest in creating certain commercial arrangements with the growers in Kenya, this in turn gives the growers more access to the understanding of the global market demands, and through certain commercial arrangements, the global buyers, given the urgent need of the market provide the growers with both financial and technical support so as to maintain the supply to the market and obtain profit margin.

Furthermore, with the tradition of global buyers to make certain commercial arrangements with Kenya growers, through a systematic plan by the KFC, growers from Kenya, especially those who have proven a great commitment to the requirements of the market are linked with the International Floriculture Trade Fair (IFTF) through which; awareness of the global floriculture market, knowledge to capture the market demands and opportunities for networking between buyers and growers is made visible. With this exposure, Kenya growers have managed to widen their experiential horizons to be more flexible and cause impact to the global cut rose market.

Kenya Bureau of Standards and Kenya Plant Health Inspectorate Services (KEPHIS) together have a great contribution to the production of adequate products that correspond the expectations of the buyers. This can well be elaborated by the FSI Basket of standards. FSI baskets of standards has provide introduction to the certification procedures in the Kenya cut rose industry, that enhance transparency on standards required and thus avoid both the extra costs in the supply chain and discarding of the cut roses upon arrive at the market.

With many roses coming from Kenya as compared to Tanzania, in order to handle optimum cargo capacity, Kenya government in cooperation with other export industry have enabled to innovate means to cover the optimum cargo capacity, thus avoiding loss and convincing more growers even from Tanzania to rely on her cargo facilities. This innovative strategy has not only facilitated the increase in value of the cut roses that are exported from Kenya but also enabled a trust relationship from Tanzania growers in handling capacity of the Kenyan freight services hence influencing large growers from Tanzania to utilize the potentials of Jomo Kenyatta International Airport cargo facilities hence generating revenues to the country.

Responding to sub question two, from the findings the Netherlands has mastered the cut flower business both in research and development of the industry. In this case, the Netherlands can in no way be compared with Tanzania. Due to a long-term experience, the Netherlands has specialized in a position of linking the buyers and growers both direct and through the flower actions.

With the challenges resulting form costs in labor and climatic conditions for production of cut roses, The Netherlands paved a way to specialize in the sophisticated logistics and the technology of the clock which resulted to a firm digitalization of the market. This aspect has provided more value to the cut roses industry in the Netherlands because efficiency in logistics is assured 24/7 and for the buyers to purchase cut rose from growers, they can instantly do it by the click of a mouse. The digitalization of the market has made the Netherlands the pinnacle and thus the most destination of cut roses in the entire Europe.

With an experience of cut flower clusters, the Netherlands have initiated a means for cooperation among buyers which in turn results into positive competition grounds. To further elaborate, many buyers both small and big come together and formulate a group. This group is essential for a cooperative initiative to study the market, project outcomes and decide proper ways to compete for a better future. A good example is the Dutch Flower Group and Flamingo flowers. With this kind of cooperation, experienced buyers share knowledge and expertise with the less experienced buyers, introduce them to the reality of the market and they collectively benefit in massive buying of the cut roses and in turn profit from their operations and thus in collaboration with the government the industry becomes more steady in linking the global buyers with global growers of cut roses.

Turning to final sub question, the cut flower industry in Tanzania is very significant in providing employment and it is a category to the horticulture industry. None the less, due to the operations managed by TAHA, findings revealed that; TAHA has paid more attention to other categories of horticulture in the country such as; vegetables, forgetting the cut flower industry. To put it more clear, unlike Kenya with the KFC which specifically focuses on the

affairs of cut flowers and the growers, TAHA and provided the hugeness of the horticulture industry in Tanzania cannot be efficient enough to provide required support and work effectively with all the domain of the horticulture industry. This has resulted for example, to lack of specific data as regarded to the cut roses industry in Tanzania, this implies that, even in the level of research and development of cut roses industry, TAHA has not managed to direct more research investment and energy to the industry.

Regarding the above argument, for Tanzania cut roses industry to strategically improve, it is very important for growers to cooperate in the production level and create competitive environment when reaching the market. For this to happen TAHA involving all actors in the horticulture industry have to provide a platform such as that of KFC where by growers in the cut rose industry can have a collective say and approach to their market, learn about the challenges for production of cut roses at first hand and produce in accordance to the demand of the market. Furthermore, introduction of an independent flower association in the Tanzania horticulture industry will provide a room for the growers to explore the international markets through participating in International Floriculture Trade Fairs, this in turn will give Tanzanian growers clues of efficiency and an understanding of how things work hence upgrading the production and supply of cut roses to the international market.

Handling logistics and proper storage of cut roses is very significant to adding value of the products. In this case, if strategically an independent association of floriculture can be formed by either TAHA or with the cooperative initiative of the government and TAHA the next step would be to create a collection center which will be used specifically for cut flowers and furthermore, through the initiative by the private sector, logistics arrangements can be done so that a single committed logistic company can be responsible in ensuring that cut flowers are gradually transported to the collection center for storage before undertaking other procedures for exporting. This will encourage more productivity among cut roses growers because , they will have managed to cut the costs of transporting their product to the JKIA for exports instead they will utilize the KIA which is the closest to the production area and replace the savings for more production, moreover, because the cut roses have an advantage of growing through out the year, especially in tropical areas like Tanzania, by the initiative of an independent flower collection center in Arusha, growers will have an extra room to produce and more production can attract more investors which will result into the development of the industry.

With the digitalization of the market and Innovation, Netherlands and Kenya respectively manage to adapt to the gradual changes of the cut rose industry. In Tanzania however, challenges of the cut roses industry has been observed as a result of lack of innovative strategies in the private sector improvement, resulting to poor cooperation among actors in the private sector and leading to loosing criteria for competition in the global market.

Understanding challenges for development in one step to overcome the challenges. The entire thesis from the introduction to the conclusion reveal through the application of specific theories the technical gap found in the Tanzania cut rose industry so as to reflect on the challenges for development. In the Tanzania cut rose industry, and any other industry in the world it is only through collective efficiency of the actors, institutional organization and improving sectoral performance that will reflect chances for development. In industries, Development is an improvement of production, processes of production and the functions and

the product it self. Tanzania cut roses industry can surely develop. There is no doubt about it because, all the traditional factors that have facilitated development in the same sector in Kenya are visible in Tanzania. This means that, it is the right time for the private sector and the public sector to come together and spend more energy reflecting on the challenges of development of this specific sector, learn from the competitors and through learning create a similar or more advanced way of operation that will result into more productivity and quality products.

Going further to my topic; challenges for development, through collective efficiency of the actors, if each actor plays his role effectively and according to the requirements of the international market, the sector will eventually improve because, costs of production will be minimal, transparency with/to the market will be available and eventually profit will reach the growers as quality flowers will find their way to the consumers. With profit, development is attained. However, institutional organization is very significant for the above results. From the angle of policies for trade and investment, it is very important for the government of Tanzania to provide maximum support in form of conducive environment for investors who are both local and international because by providing this support, the private sector will easily merge hence cooperation among them will easily be attained because already policies merge them together in collective production. The simple logic here is that, the market is for all including the government it self, because the industry represents the country but the profit maximization will depend on the level of competitiveness between growers while in the market. This means with cooperation in production and competition in the market supported by organized institutions, there is no doubt that Tanzania cut roses industry will eventually improve and provide chances for development in the sector, thus overcoming the challenges for development in Tanzania cut roses industry.

Therefore, by addressing this technical gap in the Tanzania cut rose industry, I hope that in the future there is a possibility for the Tanzania cut flower industry to create ways through which research and development initiatives in the sector with relation to the neighboring country i.e. Kenya ,will be more advanced so as to provide a framework of how the private sector in Tanzania can cooperate in production and supply of cut roses to the international market and this is very possible because currently Kenya and Tanzania are in good bilateral relations which can provide a proper platform for Tanzania to learn how things work and therefore overcome the challenges for development in the cut roses sector.

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Appendix 1. -List of Interviewee

Grower/ Exporter I- Mount Meru Flowers (Tanzania)

Grower/Exporter II- Black Tulip Flowers Group (Kenya)

Grower/Exporter III- Kiliflora ltd. (Tanzania)

Buyer I – Former Area Manager (East Africa) of Royal Flora Holland

Buyer II – Zyon Flower Company (Westland, Netherlands)

Buyer III- Dutch Flower Group (Netherlands, Tanzania)

TAHA – Business Environment Manager

TCCIA - Research and Policy Officer

Appendix 2.

Interviewing questionnaire for Flower Growers & Exporters:

(All information will be dealt with confidentially and will only be used for academic purpose)

Name of the company:

Beginning of Operations:

Respondents Position:

Location:

1. What is the volume of exports of cut roses (flower) industry per year?
2. To what extent does the Government support you in ensuring high capacity in production?
3. How efficient are cut-rose flower storage facilities provided by the Government?
4. Is there a system of cooperation between the government and the private sector and how does it work?
5. How often do you participate in local investment meetings? E.g. with K.F.C(Kenya Flower Council), etc.
6. How is Kenya Flower Council contributing to the sustainability of production and export of cut-roses?
7. How do you rate the process of export /trading across borders?

-Not easy	<input type="checkbox"/>
-Easy	<input type="checkbox"/>
-Neutral	<input type="checkbox"/>
-Somewhat difficult	<input type="checkbox"/>
-Difficult	<input type="checkbox"/>
8. Which tax breaks/incentives are given by Kenyan government to cut flower exporters?
9. How easy is to secure permissions/licenses/certification related to cut roses export industry?
10. Which countries are the main destinations for your exported roses?
 - % of exports
 - % of exports
 - % of exports
11. Are there direct cargo flights available from JKIA to Amsterdam?

12. How much capacity of cut- roses can a cargo flight from JKIA to Amsterdam handle?
13. How often does cargo flight take cut-roses from JKIA to Amsterdam?
14. What challenges do you face in freight handling?
15. What do you think is the best way to tackle the challenges in freight handling?
16. What are the transaction costs involved compared to Tanzanian cut roses industry?
17. How does East African Trade agreement affect cut-roses export from Kenya?

Thank you for participating in this academic research!

Appendix 3.

Interview Questionnaires for Government organization.

(All information will be dealt with confidentially and will only be used for academic purpose)

Name of the Organization: TCCIA

Beginning of Operations: 1988

Respondents name:

Respondents Position:

Location:

1. What is the main constrain facing the cut- rose sector?
 - a) What is the role of TCCIA in cut rose export industry in Tanzania?
 - b) Which activities are undertaken by TCCIA for advocacy of the needs of cut roses exporters?
 - c) How does TCCIA help in business partner match making in cut roses exporting and what is the international response?
 - d) What are the challenges that current cut roses export industry face and how does TCCIA support it through its advisory services?
 - e) What is TCCIA role in ensuring Trade and Investment opportunities in cut-roses industry in Tanzania?
2. Is the main problem Internal (e.g.) Financial, Marketing...?

3. (Or) is it the position of competitors in the global value chain of the cut-roses industry?

4. If this is the case what advice do you give to producers and government in this respect?

Thank you for your cooperation!

Appendix 4.

Interview Questionnaire for Organization.

Name of Company/Organization: TAHA

Name of respondent:

Position of respondent:

Beginning of Operations: 2004

Location:

Questionnaires.

1. How many members are registered as flower producers?
2. How many of the registered flower producers are exporters?
3. How many members are registered as flower exporters?
4. How many of the registered flower exporters are cut-roses producers?
5. How does TAHA work in collaboration with the Government of Tanzania?
6. Which activities does TAHA undertakes to ensure enabling environment for its producers?
7. What is TAHA role in ensuring good agricultural practices that leads to export quality produce?
8. Are there standards and codes of practices introduced by TAHA to facilitate sustainable flower production? If Yes, Mention them:
9. How does TAHA strategize and strengthen backward linkage which leads to profitable market partnership for producers?
10. Through which measures, TAHA enable to access to finance for its members?
11. Who are the majority owners of the flower farms in Tanzania?

- a) Natives b) Foreign investors

Thank you for your cooperation!