DETERMINANTS OF TEA EXPORT IN THE WORLD MARKET: A CASE STUDY OF KENYA.

BY

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ABSTRACT

The aim of the study was to identify the factors that determine tea export supply in Kenya. Specifically, the study attempts to describe the tea export performance of Kenya for the period 1995-2007, investigate the determinants of tea exports and make policy recommendations for improving tea export performance in Kenya.

It explains how real exchange, price of substitute and structural adjustment programme affect the tea export supply in Kenya. To do this, a simple log linear model was estimated using Ordinary Least Squares (OLS). Gretl Statistical Program was used to analyze the time series data for the period 1995-2007.

The findings of the study indicate that real producer price of tea and the real exchange rate are highly significant in explaining tea export performance at any given time period. The real milk price and wage rate variable were found to be significant in explaining amount of tea exported from the country. The finding of the study indicate that real producer price and real exchange rate are highly significant in explaining tea export performance at any given time period. The milk price and real wage rate were also found to be highly significant in explaining the amount of tea exported from the country.

Based on the findings of the study, policy recommendations have been made which can remedy the situation. This includes price stabilization, flexibility in the exchange rate, innovative marketing designed to improve tea producer prices. The government should help to reduce transaction costs like electricity and fuel that make the production and marketing of tea expensive and uncompetitive in the world market.