



The Meru Herbs Story

CASE STUDY

Case Synopsis

Meru Herbs is a Fairtrade social enterprise, based in Kenya, which produces organic¹ products for international export and local sale. It was established in 1991, under the direction of Andréa Botta, an Italian native who had been living in Nairobi since the 1980s. Meru Herbs was initially set up as a business venture to produce and market herbal teas. Profits from the business were to be used to help meet the operational and maintenance costs of the irrigation system put in place by Nguuru Gakirwe Water Project (NGWP). Today the company employs over 400 hundred farmers and exports produce to Europe² and Japan. Its mission is to empower women, alleviate poverty and improve living standards for the local community by providing sustainable incomes for farmers and employees.

Background and Context

Tea in context

The global market for tea is worth many billions of US Dollars each year. Tea is also one of the key cash crops. Kenya makes a significant contribution to the Kenyan economy as it is one of the top tea-producing countries and was responsible for 9 per cent (346,000 tonnes) of global tea production in 2010³. Kenya exports the majority of its tea (95%⁴) and exports have increased from 306m kilos in 2003 to 494 in 2013⁵. In Kenya, almost 10 per cent of the population are employed in the tea sector⁶. Almost three quarters of tea is sold at auction and the rest is sold direct. In Kenya roughly 60 per cent of tea is cultivated on small holdings while larger plantations cultivate the remainder. One of the key concerns for small farmers is to get the tea to the processing factory and obtain a good price; larger plantations have their own units. These tea factories, therefore, play a key part in the tea supply-chain. Brokers/auction houses also play a key role in the supply-chain as they provide a link between the producer and the buyer. The tea supply chain can be complex with many involved, including, producers, collectors, international traders, brokers, the tea company/wholesaler (purchasing the tea), retailers and consumers. Kenya is one of the most important suppliers of tea for the United Kingdom and Fairtrade certified tea accounted for 7 per cent of the UK's tea sales in 2009. While Germany makes up a very small proportion of the global tea consumption market, it has a keen interest in organic tea which accounted for about 4 per cent of the overall German tea market in 2009.

¹ Organic Certification (UK Soil Association)

² This includes Italy, France, Austria, Germany, United Kingdom and Ireland.

³ Tropical Commodity Coalition (2010) – figures date from 2008.

⁴ Tropical Commodity Coalition (2010) – figures date from 2008.

⁵ Tea Board of Kenya <http://www.teaboard.or.ke/statistics/>

⁶ Fairtrade Foundation (2010).



About Meru Herbs

Meru Herbs can trace its origins to a group of farmers in the Meru Central and Tharaka districts, along the river Kitheno, approximately 200km from Nairobi, in Kenya. Originally, this area was classified as semi-arid and therefore was really only suitable for the cultivation of drought-resistant crops. In 1985 the NGWP was established as a result of collaboration between the Italian Government (through Andréa Botta) and the Catholic Diocese of Meru (DOM) who was very interested in trying to stimulate agriculture production in the area. The project, which was carried out in three phases, set out to provide irrigation and domestic water to approximately 430 farmers and their families. During Phase I, 135 households were serviced with little community input. In Phases II and III, however, there has been significant community involvement and almost 2,000 households are currently connected to the water.

After completion of Phase I it became clear that the beneficiaries were going to have to contribute towards the operational and maintenance costs of the system. The nominal fee set for each household fell well short of the costs so an alternative to raising the funds had to be considered. In 1991, a business known as Meru Herbs was established as part of the NGWP. Irrigation provided by the water project meant that the farmers could grow other crops, so a decision was made to grow Carcade, Lemongrass and Chamomile organically and export them as herbal teas. Initially they sent the crop in bulk but after receiving a grant, they were able to purchase a packing machine, enabling them to employ more people and export a finished product, adding value to the products.

Through connections in Italy Fairtrade distribution channels were set up with CTM Altomercatro and CEM Equomercato. They also have a Fairtrade partner, The People Tree, in Japan. In 2013 the export value to Europe (CTM/CEM/UK) was €133,940 and to Japan, €14,231. Most of the export value is from the tea factory (69.5%) with the remainder coming from the jam factory⁷.

The enterprise has been successful and the teas are now processed and packaged in a factory that was built on the site of the original NGWP 'base camp'. The business has expanded to include the production of fruit jams and tomato sauces for export. Meru Herbs contracts some of the farmers to grow the speciality crops for their organic jams and they purchase the fruit directly from the farmer, without the need for a 'middle-man'. This provides farmers with a higher annual income. The fruit is then processed and packaged in the jam factory, Meru prides itself on the high fruit content of its organic jams (65% approx.). Meru Herbs still has challenges to face. Transport and logistics are made difficult by poor infrastructure and they have to source key materials outside Kenya: the glass packaging jars come from Egypt, the jar lids from Italy and the tea bags from France.

In January 2005 a savings and credit co-operative society (SACCO) which was established by Meru Herbs in association with the NGO Swiss Contact, this to fill the need for the 'safe-keeping'

⁷ Meru Herbs Newsletter (December 2013).



of extra cash. SACCO was registered as a 'self-help' group with the ministry of culture. This co-operative offers members a safe place to deposit saving and provides low-interest loans to its members. At the end of 2013, there were 625 members with a share capital of €4,933,297⁸. Members have benefited from an improved standard of living because of this co-operative.

Meru Herbs Today

Today Meru Herbs produces a range of organic herbal teas, gourmet fruit jams and tomato based sauces. Meru Herbs is held under the Trustee of the Diocese of Meru and is still a key part of the NGWP, sharing the same management structure. However, a separate Community Committee has been established for dealing with policy and labour issues. Andrea Botta remains one of the key decision makers along with Sally Kimotho Sawaya, the Assistant General Manager. Meru Herbs turns a reasonable profit on a turnover of approximately Ksh 15m per annum (€126,000 approx.). The company is able to finance more than 50 per cent of NGWP's operational and maintenance costs. Today, 90 per cent of its produce is exported to Europe and Japan, and 10 per cent is sold to the local market.

Meru Herbs continues to educate its farmers on the use of water and organic farming methods and collaborates with its network of Italian contacts to improve conditions locally. In 2012, a project to construct a pedestrian bridge over the river Kitheno was set up in collaboration with the University of Bari Aldo More in Italy. This bridge will allow for maintenance works that have not been carried out since the irrigation project was established and will ease transport of raw materials. The company continues to be strongly supported by Meru Herbs Italia⁹ and the Department of Agriculture in Kenya. They also receive support from an Irish social enterprise organisation, Value Added in Africa (VAA)¹⁰. Over the past few years, VAA have been helping them to connect with potential new international buyers as well as aiding with the formulation of a marketing strategy and designing the artwork for product packaging.

In Conclusion

Meru Herbs is a unique business that was built by local people for local people and has been successful in accessing the international food and drink market. It has moved from providing subsistence to providing a cash crop to processing and producing quality gourmet products for export around the world.

⁸ Meru Herbs Newsletter, 2013.

⁹ Meru Herbs Italia Onlus (Friends of Meru Italy) is a non-profit organisation in Cuneo and aims to build a support network in Italy for Meru Herbs, to support self-development for the rural community of Meru, co-ordinate training, information and publicity of Meru Herbs and disseminate the principles of Fairtrade. <http://meruherbs.it/chi-siamo/i-nostri-obiettivi/>

¹⁰ VAA is a not-for-profit organisation that aims to support African businesses internationally. It is supported via funding from other charities and public donations.



Suggested Questions

1. Identify the main stakeholders for Meru Herbs'.
2. Taking the perspectives of 3 different stakeholder groups - identify the main strengths and weaknesses of the products from each point of view.
3. Identify the main elements in the supply chain for Meru Herbs Jam product.
4. Considering what you learned from the case and in this class – where do you see opportunities for Meru Herbs to scale in the next 10 years?
5. What global themes can you identify from the report, and how do they link to this class?
6. What are the main challenges for a successful Fairtrade social enterprise based in East Africa?
7. What are the marketing challenges Meru Herbs have to overcome?
8. What are the supply chain challenges that Meru Herbs have to overcome?



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