

CASE STUDY

## Honey Care Africa: Enabling smallholder farmers in East Africa to produce and market honey



### BCtA Commitment

Honey Care Africa joined the Business Call to Action (BCtA) in 2010 with a pledge to establish 100,000 modern beehives in rural Kenya by 2017 and enable 40,000 low-income households to produce honey.

Honey Care anticipated that this new business model would be profitable by 2015. By 2016, the company had installed 2,950 modern beehives and was working with 8,600 smallholder farmers in Kenya, Tanzania and South Sudan, but had not yet reached profitability. Changing its strategy in 2016, the company launched a new honey-based snack business in order to expand its market. While this strategic reorientation compromised Honey Care's BCtA commitments, it is helping the company to become profitable.

### Key company facts

Country of headquarters:  
**Kenya**

Year of foundation:  
**2000**

Number of employees (2016):  
**75**

Annual revenues (2015):  
**US\$500,000**



### In Short

Sub-Saharan Africa is dominated by subsistence farming: the United Nations reports that 80 percent of all farmers own less than 2 acres of land, from which they produce just enough food to survive.<sup>1</sup> Honey production can provide low-income farmers with additional income without intensive labour, extensive land holdings or other investments. While the region has a long tradition of honey production, traditional beekeepers lack access to formal markets for the honey they produce.

Honey Care is tackling this challenge by establishing a complete honey production value chain. The company provides smallholder farmers with modern beehives and honey production equipment, helps them to manage production and

*“Whether it is triple bottom line, blended value or shared value – that’s us. We understand that sustainable economic development means creating financial value. It means improving social conditions. And it means doing it in a way that supports – not exploits – the environment.”*

— Madison Ayer, former CEO, Honey Care Africa

purchases raw honey from them. It also ensures the quality of the finished product and packages the honey in different sized containers. This innovative business model integrates low-income people as honey producers, employees and customers.

# What are the Results?



## Link to the SDGs

- 1 No poverty**
- 4 Zero hunger**
- 3 Achieve gender equality and empower all women and girls.**
- 12 Responsible consumption and production**



## Business model

Honey Care’s business model is based on a tripartite approach that integrates low-income people into its value chain as producers, employees and consumers. Originally, the company sold smallholder farmers modern Langstroth beehives for US\$50. But as part of its strategic reorientation in 2016, it stopped selling them and began training farmers to make the beehives themselves.

The company also provides farmers with basic production equipment free of charge along with large buckets for collecting the raw honey. The buckets represent the contracts between Honey Care and individual farmers. This informal agreement has two benefits: first, it avoids complex formal contracts, which are difficult for smallholders to understand. Second, because it involves less paperwork, it reduces up-front costs. The company’s only risk concerns the production and distribution of the buckets.

Honey Care has found that farmers prefer to be beehive owners rather than professional beekeepers so it deploys field teams to assist them. In addition,

the company employs and trains local people without a formal education as beekeeping technicians, data-entry clerks, sales agents and quality-control supervisors. The teams assist the farmers with honey production, monitor and evaluate the farmers’ performance, and collect the raw honey.

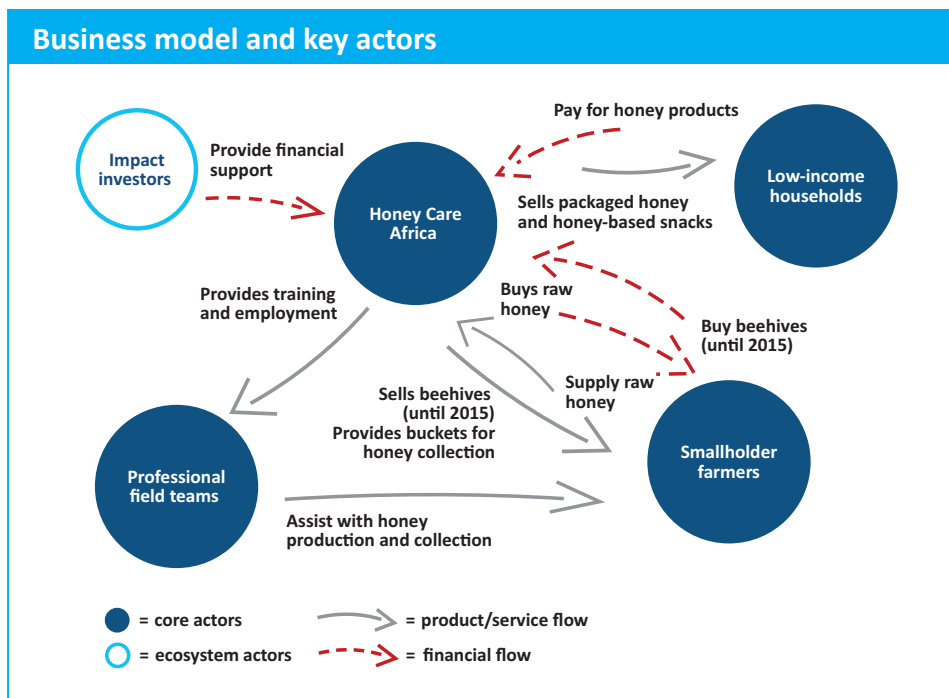
The farmers sell the honey they produce to Honey Care, which pays them between US\$1.20 and US\$2 per kg depending on the farm’s location, the national market and the quality. Honey Care processes the raw honey and sells the finished product in 5 g and 20 g single-serving sachets at traditional outlets like street kiosks, charging US\$0.05 and US\$0.20. It also sells larger jars of honey ranging from 100 grams to 1 kg via larger retailers like supermarkets.

Until 2015, Honey Care’s revenues mainly came from beehive sales and selling honey. However, in 2016 the company changed its strategy, launching a range of honey-based snacks including honey sesame crackers and honey roasted peanuts, which are expected to generate the majority of future revenues.

## The role of partners

Honey Care has secured long-term funding from impact investors including the Grameen Foundation and the Lundin Foundation. Together with Grameen Foundation, the company has developed a data platform for monitoring honey production and social indicators for farmers.

In South Sudan, Honey Care cooperates with a local NGO in order to work with the communities where the NGO is active. It is considering expanding this partnership to include sesame seeds, which it will use to produce honey sesame crackers – one of its new honey-based snacks.



## What are the Results?

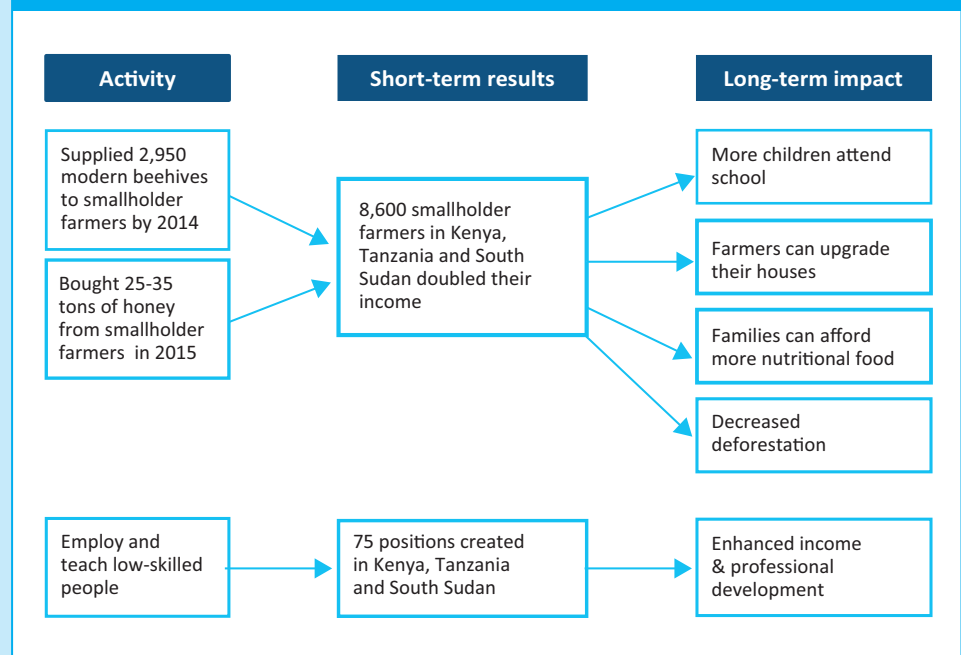
### Business results

Honey Care works with farmers to produce honey in Kenya, Tanzania and South Sudan, and sells its products in Kenya and South Sudan. Kenya is the company's main production and sales market, accounting for 95 percent of product sales. Working with 4,000 Kenyan farmers, Honey Care increased its market share by 4 percent during 2016. It also works with 3,000 Tanzanian farmers and 1,600 farmers in South Sudan.

In 2015, the company generated US\$497,000<sup>2</sup> in revenues – a 12 percent decrease compared to 2014. Honey Care's strategic reorientation away from modern beehive sales (it had sold 2,950 beehives in 2014) and towards honey-based snacks negatively impacted its revenues; this compromised the company's BCTA goal of establishing 100,000 beehives by 2017. However, most farmers have continued to use traditional beehives, which are better suited to the climate in semi-arid regions.

Although the company has not yet broken even, requiring US\$400,000 in external funding in 2016, it expects revenues to increase by US\$1.5 million, with 44 percent of revenues derived from honey sales and 56 percent from honey-based snacks. While the majority of its sales are via modern retailers, the company intends to reach more low-income households through its snack business. It expects to become profitable in 2017.

### Results chain



### Development results

Honey Care reports that the 8,600 farmers it works with have doubled their incomes. These farmers previously sold their honey on the informal market, but because many consumers suspected that this honey was produced in unhygienic conditions, they bought imported honey instead. By providing access to a secure, formal market, Honey Care has enabled farmers to sell more of their honey, which motivates them to scale up their businesses. Previously, farmers harvested their beehives only once per year with a yield of around 20 kg since they were unable to sell large amounts of honey on the informal market. With Honey Care as a partner, farmers are now producing an average of 30 kg of honey three to four times per year.

As a result, Honey Care increased its honey purchases from 10 metric tons in 2014 per month to between 25 and 35 metric tons in 2015. According to Honey Care, this capital flows into communities, enabling families to send their children to school, upgrade their homes and buy more nutritious foods. The additional income also helps to reduce deforestation since many people no longer need to sell firewood to supplement their incomes.



## What are the Lessons Learned?

### Key challenges and solutions

When Honey Care began operating in 2000, the honey market in East Africa suffered from supply constraints and there was no formal market for honey products. In response, the company began training smallholder farmers in commercial honey production and provided them with modern beehives. However, it soon became clear that while farmers wanted to own beehives and earn an income from honey, very few actually wanted to become beekeepers; in fact, many farmers were afraid of bees. These farmers did not produce commercial quantities of high-quality honey, which negatively impacted the company's business. Honey Care's solution was to professionalize its honey production: starting in 2010, the company employed and trained field teams to assist farmers in producing honey. This significantly increased farmers' production levels.

A second challenge was the lack of demand for single sachets of honey. Honey Care found that people with low incomes did not buy the company's products because they preferred to eat something that either satisfied their appetite or lasted a long time. For example, children from low-income households prefer chewing gum to eating honey because they can enjoy it for a longer period. In response, Honey Care

launched a honey-based snack business in 2016. The snacks include honey sesame crackers and honey roasted peanuts, which are filling and therefore appealing to low-income consumers. Through its snack business, the company hopes to unlock the low-income market for honey and honey-related products.

Honey Care has evolved from being a production and equipment provider to a consumer goods company involved in all areas of the value chain. Consumer goods are becoming the core of its business activities and are expected to generate the strongest future revenues.

### Future plans

Honey Care plans to increase its footprint East Africa by expanding honey production capacity in Kenya, Tanzania and South Sudan, and by entering a new market in Uganda. In addition, Honey Care plans to launch honey sales in Tanzania. In the future, the company will expand its honey-based snack business into its major revenue stream.



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E: [secretariat@businesscalltoaction.org](mailto:secretariat@businesscalltoaction.org)

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Written by Miriam Höfling  
Reviewed by Claudia Knobloch and James Tulloch  
and Tatiana Bessarabova, Business Call to Action