

Abstract

In Kenya, the quantity of tea produced by the smallholder tea subsector per unit area has been consistently lower than that produced by the estates subsector. In 1998, for example, the average smallholder production per unit area was 2075 kg made tea/hectare (mt/ha) compared to 3491 kg mt/ha realized by the estates subsector. The policy objective of the Kenyan government is to produce 280 000 tonnes made tea per annum by the year 2001. This objective can only be realized if there is a major increase in green leaf supply by the smallholder subsector. Therefore, it is imperative to estimate the smallholder supply function of tea and to determine the factors that influence it to facilitate policy intervention. Secondary data obtained from the Kenya Tea Development Authority (now the Kenya Tea Development Agency Limited) was used to fit the supply function. The General Linear Model fitted the data best. The results revealed that the monthly mean price lagged once (P_{mt-1}) and the end of year price ("bonus") lagged five times (P_{et-5}) significantly influenced the supply of green leaf at the 5% level. The elasticity of supply for green leaf was 32.88 for a monthly average price (P_{mt-1}) and 6.69 for the end of year price lagged five times (P_{et-5}). Hence green leaf supply was relatively responsive to tea price changes. Policy intervention should therefore be focused on improving producer prices, particularly the monthly payment, in order to increase the quantity of green leaf in the short run and end of year payment in the long run.