

Abstract

Kenya's overall economic and social development is highly dependent on the growth and development of the agriculture sector. Tea as a leading cash crop has made significant contribution to the economy. Tea exports increased by nearly 30 percent in 2010 reaching 441 tonnes valued at USD 1.3 billion. However the tea industry is faced with myriad challenges that threaten its survival if immediate intervention measures are not put in place. The tea industry is challenged by high cost of labour, farm inputs, energy/fuel, numerous taxes and levies. This study aimed at determining the impact of the cost reduction strategies initiated by various tea factories in Embu County. A total of 18 managers, 40 employees and 225 tea growers were sampled from the targeted population. Data from the respondents was collected through structured questionnaires. Data collected was analyzed descriptively using frequencies and percentages. The study found that the factories employed cost reduction measures. Some of measures were acknowledged to be applicable at 100%. These were strategies like staffing, technology and energy sources. The results further indicated that considering equal period of time before and after 2006 (when cost reduction strategies were introduced), the results obtained statistically showed that the amount of tea processed was not correlated with cost reduction strategies. This is because the quantity of tea decreased from 191,258,695 kilograms to 189,880,652 kilograms. The rate of annual returns for the farmers increased from a mean of 67.47% to 72.6% which implied that cost reduction measures had a correlation with the annual returns.