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KENYA Horticultural Development Program

Marketing News –February 2009

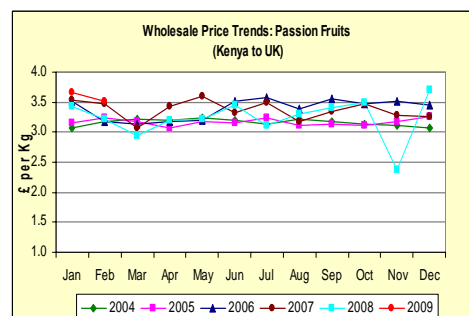
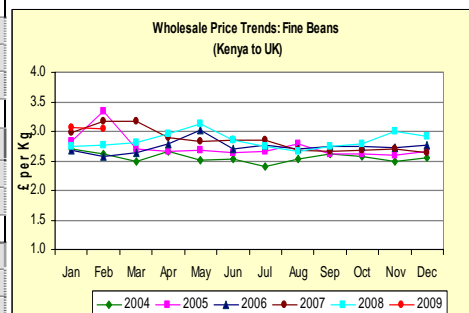
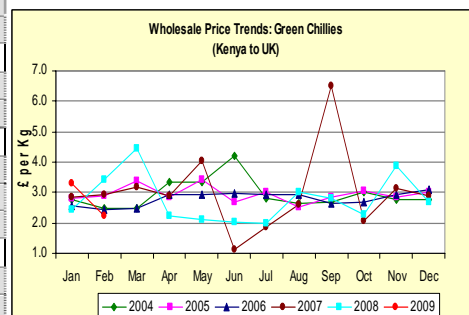
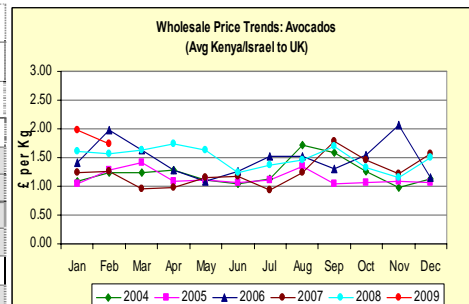
The horticulture export industry in Kenya is suffering hard from the global economic downturn. Market demand and prices are falling. Credit is drying up. Exports are 30% down. Companies are laying off staff in their urban processing plants and reducing their orders to growers, causing hardship in rural areas. Drought has caused shortages on the local market, with low-income consumers hit by price increases of 50-100% for kale and cabbage. Some growers are reaping a windfall profit but the overall effect is that less income is going back to the producing areas. **Nyakati ni ngumu.** *Steve New, Director, KHDP*

International Prices

Fresh Fruits and Vegetables-UK Market

Food Surveys & Fresh Produce Journal, UK

Supplier	Variety	Dec 08	Jan 09	Feb 09	% Change
Average Wholesale Prices UK£/Kg					
Avocado					
Kenya	Fuerte				
Israel	Fuerte	1.49	1.98	1.75	-11.6%
Peru	Fuerte	1.33	1.89	1.73	-8.5%
SA	Fuerte	1.15	2.00	1.75	-12.5%
Green Chillies					
Kenya	green	2.70	3.13	3.25	3.8%
Ghana	green	1.62	3.04	3.75	23.4%
Gambia	green	3.06	4.17	3.25	-22.1%
Holland	green	3.33	3.27	3.69	12.8%
Fine Beans					
Kenya		2.91	3.06	3.04	-0.7%
Zimbabwe					
Mangetout					
Kenya		3.60	3.21	3.11	-3.1%
Guatemala		2.40	2.67	2.54	-4.9%
Zimbabwe		2.83	2.60		
Sugarsnap Peas					
Kenya		3.63	3.35	2.80	-16.4%
Guatemala		2.90	2.73	2.72	-0.4%
Zimbabwe		2.80	3.00		
Okra					
Kenya		4.75			
India		1.99	2.07	1.80	-13.0%
Jordan			2.07		
Passion Fruit					
Kenya		3.70	3.67	3.51	-4.4%
Colombia		3.58	3.75	3.50	-6.7%
Zimbabwe		3.63	3.71	3.63	-2.2%
Karella					
Kenya		2.20	1.79		
Dominican Republic		1.85	1.71	2.20	28.7%
India		2.03	1.38	2.35	70.3%



Wholesale prices and demand for Kenya's main products remained strong through 2008. Avocado prices in UK were 20% above those of 2007 but Kenyan fruit was not regularly available in the UK markets. Green chilli prices were characteristically volatile but fell 8% overall as compared to 2007. Fine bean average prices remained steady through 2007-2008 at average \$2.84/kg.

Passion fruit remained the highest value Kenyan product in 2008 at £3.20-3.70/kg although oversupply in November from Colombia and Zimbabwe cause a sharp dip in price to below £2.50. The average price was 4% lower than for 2007.

Despite chaos in world financial markets, the first week of January 2009 was reported as busy in UK fresh produce markets with prices at average levels for the time of year. February prices were generally down on January although Kenyan produce was less available than usual due to low rainfall in many production areas.

Domestic Prices - Fruits

Fresh Fruits

Ministry of Agriculture, Market Information Office & HDP

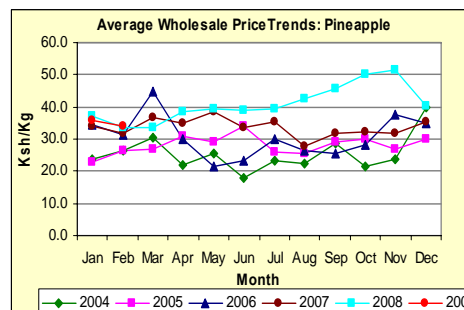
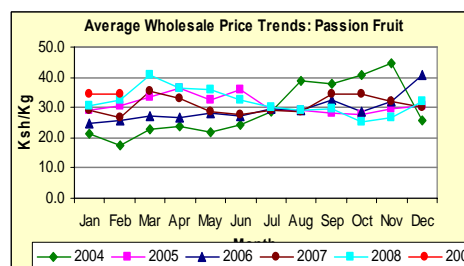
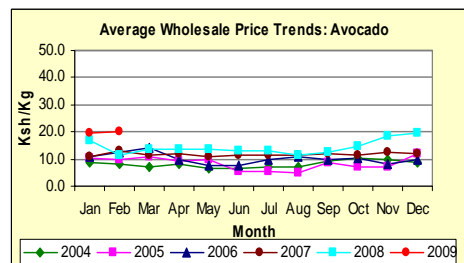
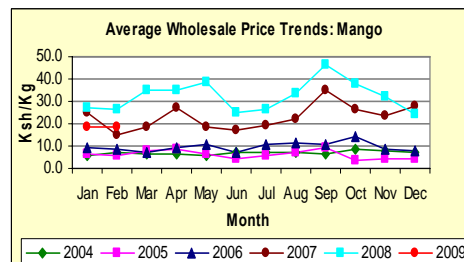
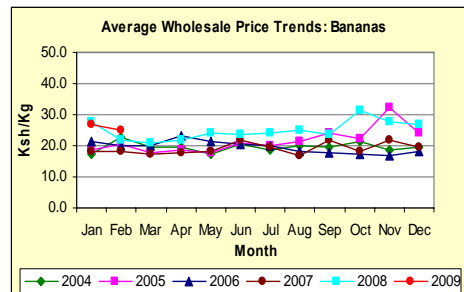
Market	Nov-08	Dec-08	Jan-09	Feb-09	Average
Average Wholesale Prices, KSh per kg					
Bananas					
Nairobi	33.3	39.3	45.2	33.0	37.7
Mombasa	24.6	30.0	24.3	24.6	25.9
Nakuru	20.0	20.0	23.5	18.6	20.5
Kisumu	21.0	14.3	19.6	26.8	20.4
Eldoret	38.8	29.8	22.4	22.9	28.5
Av. W/S P	27.5	26.7	27.0	25.2	
Mango*					
Nairobi	46.0	40.4	36.7	27.1	37.5
Mombasa	19.4	16.4	12.1	17.7	16.4
Nakuru	20.0	18.6	15.1	15.5	17.3
Kisumu	41.7	12.0	13.1	15.2	20.5
Eldoret	32.5	32.5	16.0	16.0	24.3
Av. W/S P	31.9	24.0	18.6	18.3	
Avocado					
Nairobi	19.2	19.7	21.6	22.9	20.8
Mombasa	30.6	23.7	23.7	27.3	26.3
Nakuru	19.0	23.1	20.3	18.0	20.1
Kisumu	14.7	20.7	19.2	19.3	18.5
Eldoret	8.6	10.0	12.7	13.0	11.1
Av. W/S P	18.4	19.4	19.5	20.1	
Passion Fruit					
Nairobi	28.0	36.3	34.2	33.3	33.0
Mombasa	23.8	38.0	27.6	31.6	30.3
Nakuru	40.1	43.9	43.0	41.9	42.2
Kisumu	25.9	26.9	24.5	21.8	24.8
Eldoret	15.8	15.8	43.9	43.9	29.8
Av. W/S P	26.7	32.2	34.6	34.5	
Pineapple					
Nairobi	50.7	61.5	55.1	42.2	52.4
Mombasa	47.9	47.9	32.4	41.7	42.5
Nakuru	23.6	26.9	20.7	19.4	22.6
Kisumu	100.8	30.5	41.1	36.5	52.2
Eldoret	35.7	35.2	29.9	31.1	33.0
Av. W/S P	51.7	40.4	35.8	34.2	

NB: *From 2007 Mango prices and trends indicated are for the Ngowe Variety

Fruit prices in 2008 were higher than ever before. Bananas recorded a 30% increase over 2007, going from Kshs19/kg to Kshs 25/kg. January prices were slightly above those of December while February prices fell back Kshs 0.2/kg.

Average mango prices were up 41% on 2007 but fell in October through February as seasonal supplies came in from the coast. Avocado prices in 2008 were 22% above those of 2007, rose another 3% in January and reached a five-year high of Ksh21/kg in February 2009. Passion fruit prices were fairly steady gaining marginally (by 3%) in 2008 as compared to 2007. Pineapples gained 22% to an average of Kshs 41/kg for 2008 but have been dropping consistently since November, reaching a 12-month low of Kshs34/kg in February 2009.

Low rainfall and higher fuel costs were the main drivers of high fruit prices in 2008. With prolonged drought across the country, prices will remain high in March-April.



Domestic Prices - Vegetables

Fresh Vegetables

Ministry of Agriculture, Market Information Office & HDP

Market	Nov-08	Dec-08	Jan-09	Feb-09	Average
Average Wholesale Prices, KSh per kg					
Potatoes					
Nairobi	23.3	29.7	22.3	25.4	25.2
Mombasa	24.3	25.9	23.5	31.6	26.3
Nakuru	18.3	16.0	17.1	17.6	17.2
Kisumu	19.5	18.1	16.2	24.3	19.5
Eldoret	13.5	14.1	15.8	14.6	14.5
Av. W/ SP	19.8	20.8	19.0	22.7	
Tomatoes					
Nairobi	35.7	47.7	48.3	45.6	44.3
Mombasa	24.7	33.5	22.4	23.0	25.9
Nakuru	31.2	39.4	24.0	27.3	30.5
Kisumu	36.2	44.3	33.3	38.3	38.0
Eldoret	23.6	28.9	22.7	19.9	23.8
Av. W/ SP	30.2	38.8	30.1	30.8	
Cabbage					
Nairobi	17.4	20.6	17.2	17.6	18.2
Mombasa	21.1	30.0	26.4	28.0	26.4
Nakuru	7.3	7.6	11.3	14.5	10.2
Kisumu	4.9	5.4	9.3	15.2	8.7
Eldoret	4.5	4.5	8.2	11.9	7.3
Av W/ SP	11.0	13.6	14.5	17.4	
Onion					
Nairobi	50.5	105.2	65.7	48.2	67.4
Mombasa	43.5	48.9	50.3	51.0	48.4
Nakuru	38.5	38.5	37.9	38.8	38.4
Kisumu	57.1	45.1	53.6	58.8	53.7
Eldoret	59.9	50.0	33.5	33.2	44.1
Av. W/ SP	49.9	57.5	48.2	46.0	
Kales					
Nairobi	15.3	25.4	29.0	33.6	25.8
Mombasa	23.5	22.3	35.6	38.1	29.9
Nakuru	5.6	9.8	21.9	31.2	17.1
Kisumu	24.1	24.7	56.8	74.0	44.9
Eldoret	14.0	13.0	31.8	36.1	23.7
Av. W/SP	16.5	19.1	35.0	42.6	

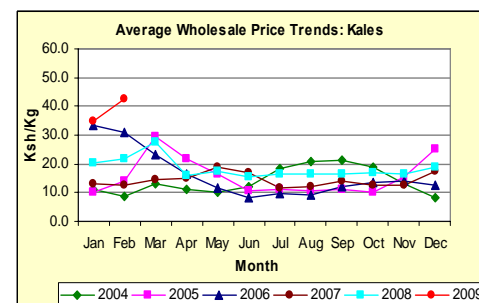
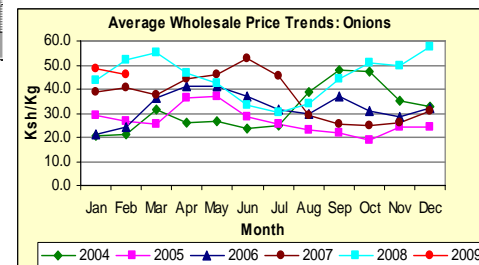
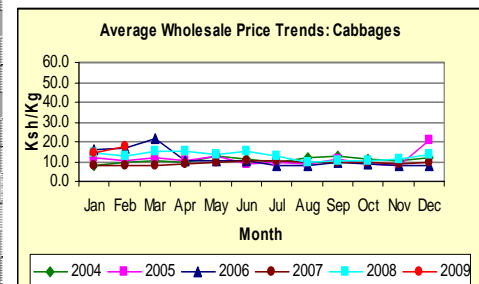
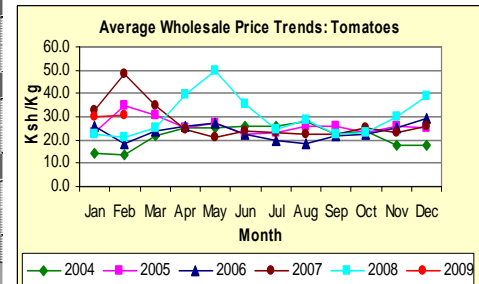
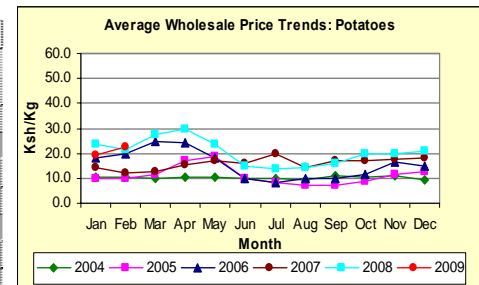
Average vegetable prices increased between 10% and 40% in 2008 compared to 2007. This trend has continued into 2009 and contributed significantly to an increase in the Consumer Price Index (CPI). February prices were up 20% on January and all markets except Eldoret recorded higher prices.

The CPI increased by 4.8% from 318.02 points in January 2009 to 333.21 points in February. Month-on-month overall inflation rate increased from 21.9% to 25.1% in the same period.

Potatoes gained by 28% in the year to a record level of Kshs 20/kg. Tomato prices were haphazard throughout 2008 but showed an average 10% increase over 2007 and closing the year at Kshs 30/kg. January/February prices were 35% higher than the same period in 2008.

Onions also went up by 28% in 2008 but have been on a downward trend since the beginning of the year losing two shillings between January and February when they were selling for an average Kshs45/kg

Prices for cabbage, kale and onion also rose to record levels in 2008. Cabbage reached an average of Kshs 13/kg, a 39% increase compared to 2007. This trend continued in 2009 with February prices up 20% on January to Kshs 17.4/kg. Kales were up 28% in 2008 compared to 2007. In February the average kale price across the country hit an amazing Kshs 43/kg, a 100% increase over December 2008, the highest price ever recorded. Since cabbage and kale are almost staple food crops for most Kenyans, this is having a significant impact on food security.



Performance of the Horticulture Sector

Table 1: Calendar Year Export statistics

Calendar Year Export Statistics									
Product	2007			2008			% Δ		
	Quantity ('000' Tonnes)	Value		Quantity ('000' Tonnes)	Value		Qty	Value	
		Billion Kshs.	Million US\$		Billion Kshs.	Million US\$		Kshs.	US\$
Cuttings, bulbs	4.5	3.5	51.5	4.5	3.6	50.5	1.8	3.4	-1.9
Cut flowers	97.8	21.1	310.6	113.6	30.7	429.5	16.1	45.7	38.3
Fresh foliage (miraa)	6.0	5.2	76.2	6.8	5.6	78.5	12.5	8.5	3.0
Total Flowers	108.3	29.7	438.3	124.9	39.9	558.5	15.3	34.3	27.4
Fresh Vegetables	80.2	15.9	234.8	78.2	17.9	251.2	-2.6	12.7	6.9
Dried Vegetables	40.8	1.3	19.0	17.1	0.9	13.0	-58.1	-27.9	-31.5
Processed Vegetables	26.8	2.8	40.6	28.2	5.1	71.3	5.4	85.3	75.8
Total Vegetables	147.8	20.0	294.4	123.5	24.0	335.5	-16.5	20.1	13.9
Fresh Fruits	20.4	1.4	21.0	24.1	1.8	25.1	18.0	25.8	19.4
Processed Fruits	97.3	5.3	77.9	121.2	6.9	96.4	24.6	30.4	23.8
Total-Fruits	117.7	6.7	98.9	145.3	8.7	121.5	23.4	29.5	22.9
Nuts	11.4	0.9	12.6	29.5	1.2	16.4	158.8	36.5	29.5
Grand Total	385.2	57.3	844.3	423.1	73.7	1031.8	9.8	28.8	22.2

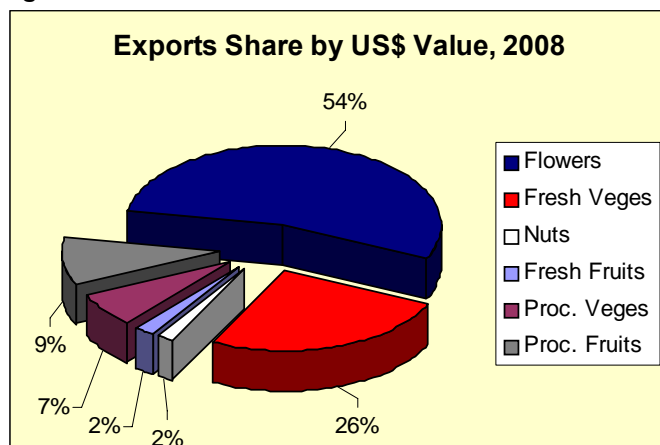
Source: KRA Customs

1. Exports 2008

Overall exports for the year increased by 9.8% in quantity and 28.8% in value (table 1). Cut flower sales reached a record Ksh 30 billion following high prices during the 2008 Valentines period. Fresh vegetable sales grew only 12.7% in value and fell 2.6% in quantity. Processed vegetables, mainly canned beans, did well, with an 85% increase in value.

Fresh and processed fruit showed good growth of 25% and 30% respectively. Nuts recovered well after two poor years. Total nut exports reached 29,000 tonnes, the highest for five years and almost three times the 2007 figure. Since most exports were raw nuts, value increased only 37% over 2007. Flowers and fresh vegetables accounted for 80% of all exports (Figure 1)

Figure 1



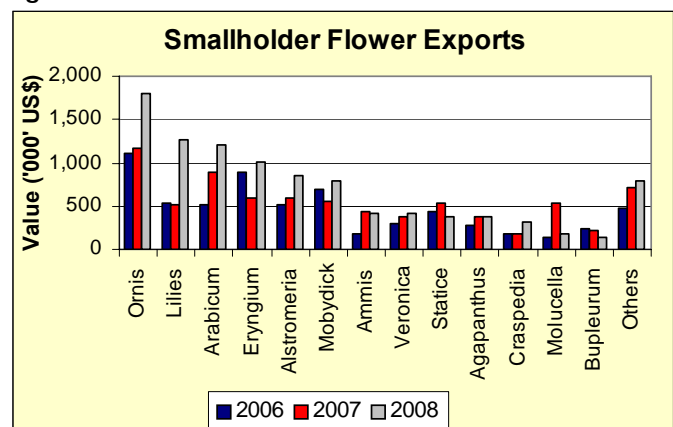
Source: KRA Customs

2. Emerging export products

Smallholder Flowers

The increasing demand for ready made bouquets has provided opportunities for more small-scale growers to enter the flower business and take advantage of Kenya's dominant position as the leading African supplier of flowers to Europe.

Figure 2

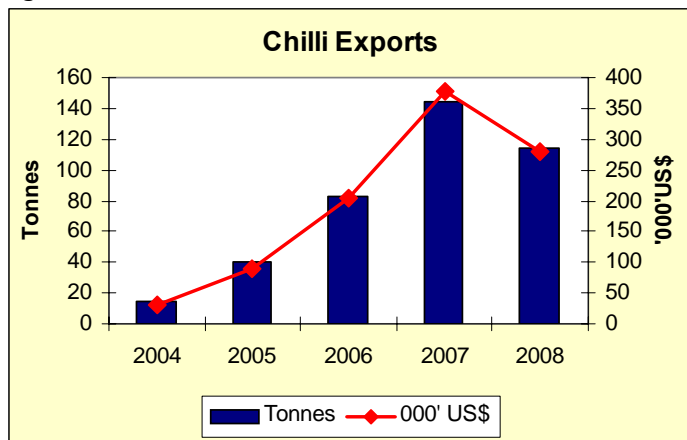


Smallholders are providing more than 14 varieties of flower for fresh bouquets and additional varieties for drying and preservation (Figure 2). Their incomes from flowers have increased 54% from \$6.4 million to \$10.0 million over the past two years. The potential for growth is high since consumers are continuously looking for different flower arrangements, including new types of flower and foliage from the coast where tropical flowers and ferns can thrive in the heat and humidity.

Chilli Products

Kenya has been exporting various types of fresh chilli since the sixties. At the same time, the food processing industry has been importing chilli powder products. Since 2004 KHDP has been working with Mace Foods and other processors to grow and dry chilli for local and export markets. This has been a slow process since the chilli is being grown by thousands of inexperienced growers in Western, Rift Valley and Coastal areas. Nevertheless, production is increasing and Kenya has become one of the recognised suppliers of African Birds Eye chilli to the European market. Exports have grown from less than 20 tonnes in 2004 to 350 tonnes in 2007 (Figure 3). Production dropped slightly in 2008 due to increased local demand and very dry weather, but is expected to recover this year.

Figure 3

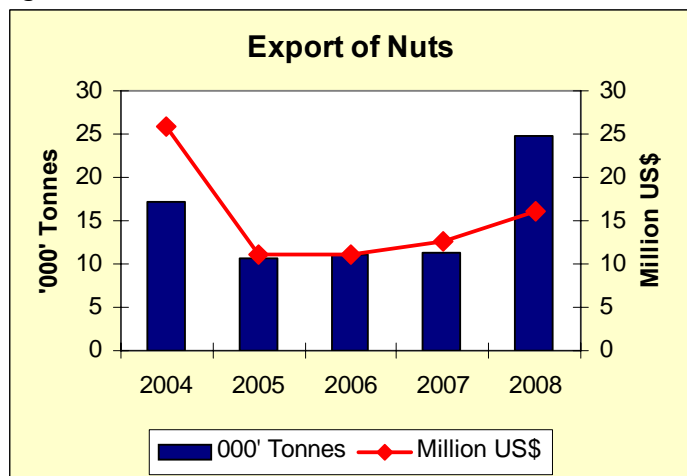


Source: KRA Customs

Nuts

Kenya has been producing macadamia and cashew nuts in small quantities (by global standards) for many years but the nut industry has failed to match the dynamic growth of vegetables and flowers. Since 2004 KHDP has been working with Bayer (East Africa), KARI and other stakeholders to raise production of both cashew and macadamia. In 2008, nut production and export reached the highest level for five years (Figure 4). Since demand for nuts is growing in local, regional and export markets, this could be the start of a major expansion.

Figure 4

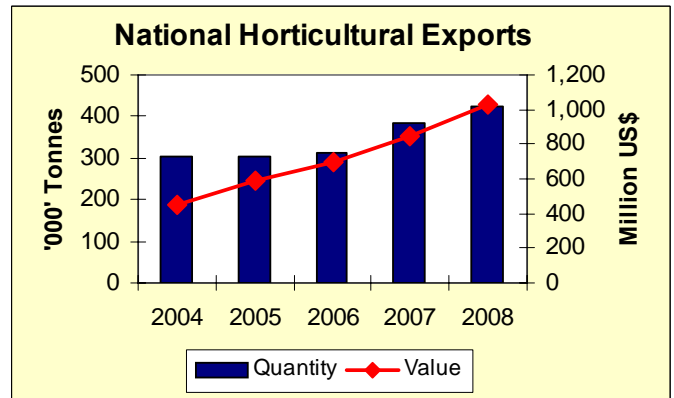


Source: KRA Customs

3. Prospects for 2009

As we all know, statistics can be deceptive. Figure 5 shows the healthy performance of the horticulture industry since 2004. It suggests that everything is rosy with 2008 showing a healthy 28% growth over 2007.

Figure 5



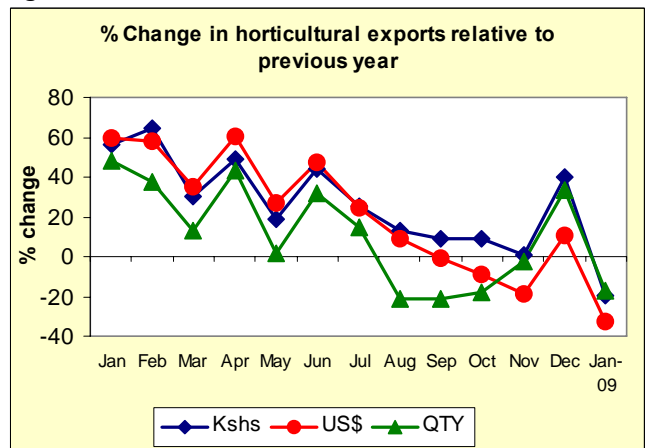
Source: KRA Customs

So is horticulture immune from the reduction in global market demand and credit which is affecting every other industry? The answer is no!

Figure 6 gives the true picture. It compares the monthly variation in exports between January 2007 and January 2009. The trend is clear. It shows that exports were up by an impressive 40-60% in the first half of 2008. However, from August onwards they started to decline in both quantity and value. By November 2008, growth had dropped to zero. There was a slight recovery in December partly due to exchange rate changes and reduction in fuel prices which reduced air freight rates.

But in January 2009, the value of horticultural products exported fell 30% below the level for January 2008. The worst affected category was fresh vegetables (37% down) followed by flowers (35% down). The indications are that February and March look no better, with both prices and market demand falling.

Figure 6



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