

Export market prices this year illustrate the advantage of diversification. Avocado prices apparently reached an all-time low in June, whilst prices are still climbing for macadamia nuts. In the vegetable markets, beans are down whilst chilli has been in high demand since February. Fortunately our biggest exporters are well-established with supermarket contracts for prepared vegetables, which protect them to some extent from the vagaries of the wholesalers. On the domestic market, prices consistently vary by up to 300% for the same products between the major urban markets. This shows clearly how enterprising growers, using market information, could increase their profits substantially. Our featured product this month is passion fruit, a crop with great potential for smallholders, but in danger of moving into over-supply unless it is well promoted on export markets and processing capability is developed.

International Prices

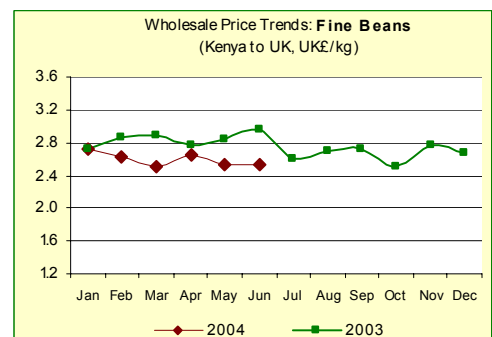
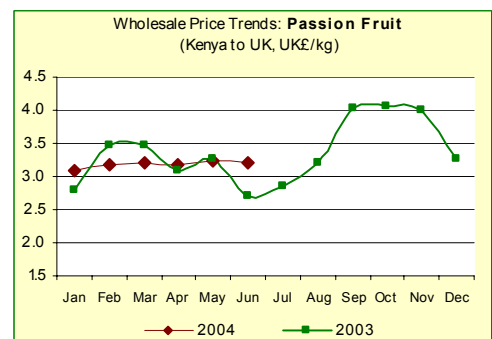
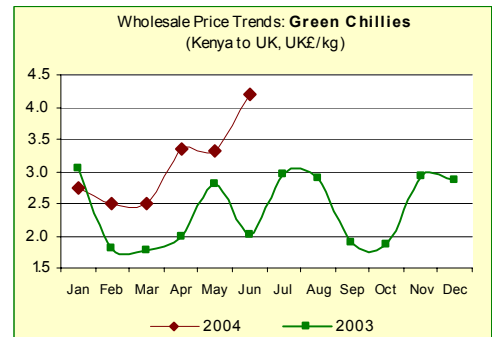
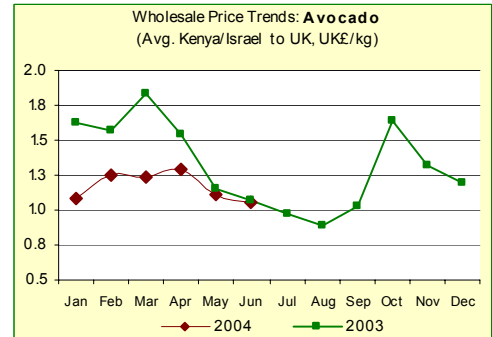
Fresh Fruits and Vegetables

Food Surveys UK & Fresh Produce Journal UK

Market	Supplier	Variety	May	June	% change
Average Wholesale Prices UK£/Kg					
Avocado					
UK	Kenya	Fuerte	1.07	1.01	-6%
	Israel	Fuerte	1.16	1.09	-6%
Green Chillies					
UK	Kenya	green	3.33	4.20	26%
	Egypt	green	3.00	3.00	0%
	Gambia	green	2.00	2.00	0%
Fine Beans					
UK	Kenya		2.52	2.54	1%
	UK	<i>Bobi</i>		1.00	
	Egypt	<i>Bobi</i>	2.02		
Mangetout					
UK	Kenya		3.21	3.00	-7%
	Guatemala		2.83	3.00	6%
Sugarsnap Peas					
UK	Kenya		2.98	3.20	7%
	Guatemala		2.92	3.10	6%
Okra					
UK	Kenya		3.00	2.88	-4%
	India			3.00	
	Gambia			2.75	
	Brazil		3.63	3.63	0%
	Thai		3.25	3.25	0%
Passion Fruit					
UK	Kenya		3.23	3.20	-1%
	Colombia			3.23	
	Zimbabwe		3.05	3.00	-2%
Karella					
UK	Kenya		2.95	2.75	-7%

For approximate calculation of fob value in Kenya, subtract the importer's commission and other costs (estimated at 20%) from the selling price. Then subtract an average cost of £0.85/Kg for air freight and £0.30/Kg for sea freight to derive an fob value (£1.00 = Ksh145)

The best performing "vegetable" so far in 2004 is chilli. Wholesale prices for green chilli (and other types) in June were double the 2003 level. Demand is being driven mainly by processors in Europe, who are using increasing amounts of chilli in prepared meals, chutneys and sauces. Because of very strict HACCP requirements they prefer to buy fresh produce and use their own high care facilities for processing. Avocado prices continued to decline in June and some exporters were forced to dump whole container loads. The underlying problem is that supermarkets will not accept the Kenyan *Fuerte* variety when *Hass* is available from other sources, but wholesalers also commented that Kenyan avocado is often of "mixed quality" showing anthracnose spotting and variable maturity. It seems also that consumer demand for avocados in general may have peaked. Passion fruit prices held firm and with the exception of okra and avocado, Kenyan produce performed well relative to supplies from elsewhere.



Domestic Prices

Fresh Fruits and Vegetables

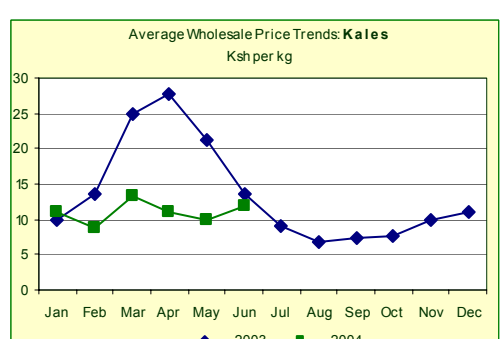
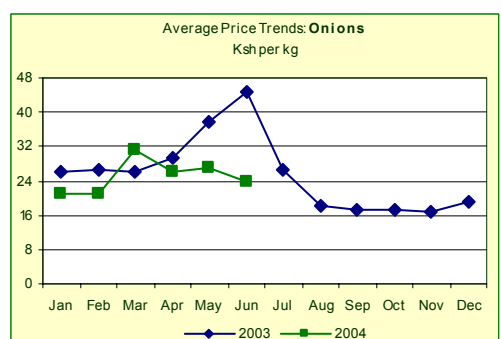
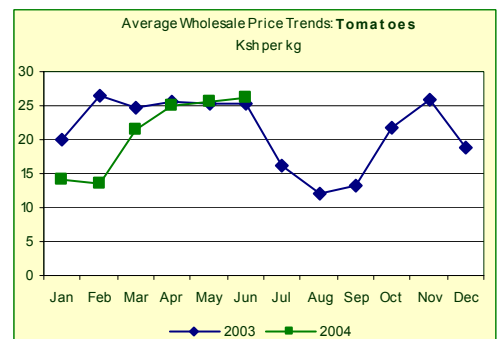
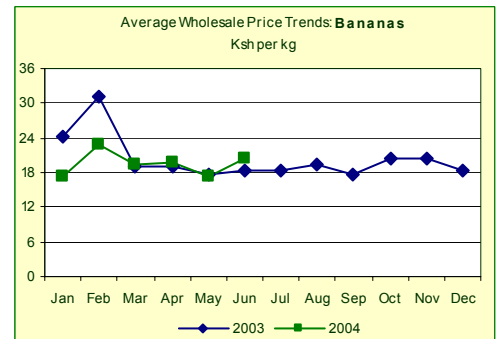
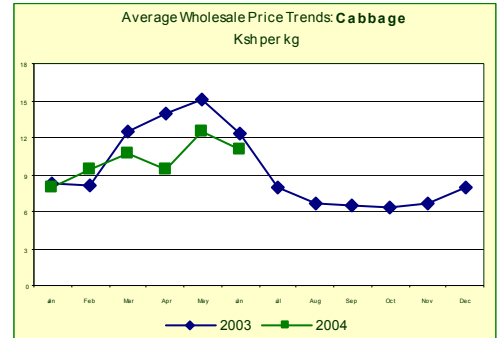
Ministry of Agriculture, Market Information Office & HDC

Market	March	April	May	Jun	Yearly Average
Average Wholesale Prices, Ksh per kg					
Bananas					
Nairobi	21.3	25.3	21.4	23.4	24.65
Mombasa	24.1	20.1	21.4	19.6	19.77
Nakuru	26.2	26.4	26.4	25.9	25.94
Kisumu	7.3	6.9	7.1	13.4	10.32
Eldoret	18.6	19.3	10.0	19.6	16.62
Tomatoes					
Nairobi	30.2	33.0	31.3	32.2	28.43
Mombasa	30.6	23.8	14.8	27.6	19.53
Nakuru	16.4	24.5	28.1	26.6	20.18
Kisumu	18.0	25.6	28.1	23.5	20.91
Eldoret	12.2	18.8	25.0	20.8	15.76
Cabbage					
Nairobi	14.3	11.2	11.1	12.4	10.75
Mombasa	21.6	21.2	26.2	21.0	20.87
Nakuru	5.8	6.4	7.9	8.1	6.74
Kisumu	7.1	4.6	4.8	9.8	6.91
Eldoret	4.3	3.6	-	4.1	4.01
Onions					
Nairobi	57.5	20.8	21.5	21.2	26.94
Mombasa	18.9	28.5	30.8	24.5	23.86
Nakuru	19.8	22.9	28.8	29.8	23.63
Kisumu	36.7	32.5	32.3	19.0	27.76
Eldoret	23.7	25.8	20.9	23.5	22.65
Kales					
Nairobi	16.4	12.2	12.0	12.7	12.30
Mombasa	13.8	10.1	10.0	11.9	12.24
Nakuru	11.9	10.2	8.0	12.4	8.98
Kisumu	16.3	11.3	10.0	12.4	11.41
Eldoret	8.0	12.0	10.0	10.5	10.14

TREE CROPS

Last month we commented on nuts but, since they are important to smallholders, we think it is worth returning to the general subject of tree crops to highlight some of the relevant marketing issues.

- The future for Kenyan avocado, our major export tree crop, does not look promising unless a large proportion of the trees can be converted to *Hass* and quality can be improved. Efforts to do this have been started by the Ministry of Agriculture, growers and exporters, but we also need to focus on some of the other tree crops.
- Cashew is in high demand, but we still export a major part of the crop as raw nuts to India. India has an over-capacity of processing plants but their costs are increasing and it is likely that Kenyan processors will become competitive in the near future. Yields need to be improved to achieve this.
- Kenya is already the fifth biggest supplier of macadamia to the world market. A new market report by Global Trading and Agency BV in the Netherlands forecasts that demand and prices will continue to increase for the foreseeable future. Kenyan growers can take advantage of this.
- Although the fresh market for mango is static, world prices and demand for mango juice are 20% up on previous years. India, the main supplier is unlikely to be able to cover this shortfall. In Kenya we have ample mango available for processing but not enough appropriate processing facilities. Investment is needed.



HDC Product Profile:

Passion fruit

Introduction

Although sales of fresh and processed passion fruit are generally regarded to be increasing in Europe, it is still officially classified as a minor tropical fruit, and grouped with several other minor fruits for customs classification. This means that market figures can only be estimated by approximate disaggregation of customs data combined with estimates provided by major importers.



Most passion fruit enters the international markets as processed concentrate and single strength juice, for sale to juice manufacturers and other food processors. It is used in ice cream, syrup, jelly, tropical fruit cocktails and other juice blends, but rarely as a stand alone juice. Higher yielding yellow varieties are normally used for processing, whilst purple varieties are primarily marketed fresh, although they can be used for both purposes. This is important as far as Kenya is concerned because, to be price competitive, growers may have to plant more yellow passion fruit specifically for processing. Although purple varieties are less acidic, which is why they are preferred as fresh fruit, the flavour of the higher-yielding yellow varieties is perfectly acceptable for most processing applications and juice blends.

Markets

There seems to be a significant and growing local, and potentially a regional demand in East and Southern Africa for Kenyan passion fruit and processed juice, although no figures are available. Some juice manufacturers are currently importing concentrate from Asia and South America to meet this demand.

Fresh passion fruit sales in Europe have increased in recent years, although it remains a niche commodity. Major EU buyers estimate total imports of 2,500-3,000 tonnes per year with a C&F value of about \$12 million. The UK, Kenya's main market, imports about 10% of this directly, but also takes some re-exports from Holland. Middle-Eastern imports of passion fruit are estimated to be only a fraction of European volumes, although no import statistics exist.

Europe and the US are the major import markets for passion fruit juice, sold in largest volume either as a frozen concentrate (50° Brix); as an aseptically-packed concentrate; or a single strength juice. EU demand was estimated at around 7,000 MTs of 50° Brix concentrate in 2002 but has probably increased since then by at least 10%. So current demand requires 80,000 tonnes of fresh fruit as raw material, providing an effective market which is more than twenty times larger than that for fresh passion fruit.

Suppliers

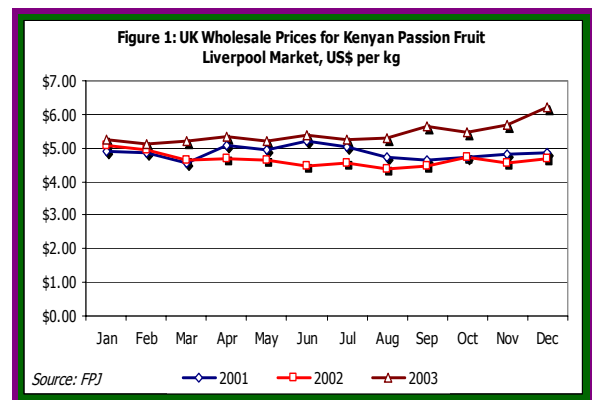
The European fresh market is supplied mainly from Africa. Zimbabwe was previously a major supplier but Kenya is now emerging as a market leader. South Africa, Rwanda, Burundi and other countries also supply small amounts at certain times of the year.

Kenya produces year-round with some seasonal fluctuations and ships almost exclusively to Europe and the Middle East. HCDA statistics show exports of 1,500 tonnes in 2003 which would give Kenya a 40-50% market share in Europe. If these estimates are correct then growers are at risk of over-supplying the market in the near future, unless local processing capacity is developed. A more detailed analysis of potential market demand for Kenyan passion fruit over the next 5-10 years would be very useful. The indications from buyers are that demand could be stimulated significantly by market promotion, if consistent supply and quality is guaranteed.

Ecuador is the second largest producer of passion fruit, with estimated production of around 180,000 MTs in 2003, up from 102,000 MTs produced in 2002. Most of Ecuador's production goes into juice processing, and it is the leading supplier of passion fruit concentrate on the world market. Other suppliers of passion fruit concentrate and juice include **Colombia, Peru, and Venezuela**. Brazil is the world's biggest producer but consumes everything on its domestic market.

Prices

Wholesale prices in Europe for fresh fruit have been fairly stable over the last three years, ranging from \$4.00 to \$6.00 per kg in the major wholesale markets. Prices in 2003 were slightly higher than in 2002 and 2001. Passion fruit from both Kenya and Zimbabwe have followed the same price range and trend over the period.



Since 2000, EU prices for concentrate have ranged from \$2,040 to \$4,500 per tonne depending on quality and demand. Since the conversion ratio from fresh fruit to concentrate is about 10:1, processing must be efficient and fruit prices relatively low, to maintain profitability. Processors in Ecuador typically pay farmers \$0.10-\$0.25 per kg for yellow passion fruit, with 2003 prices averaging \$0.17, equivalent to Ksh13/- per kg.