

Export and local markets have been in the news during November. Although exports are up by 22% this year, the newspapers are giving more coverage to the "threat" of EUREPGAP. Just in case any of our readers are confused by this, we can assure you that *there is no January 1st deadline for EUREPGAP compliance*. The press is confusing it with new EU regulations on traceability and food safety. These come into effect on January 1st, 2005 but, as the EU Delegation in Nairobi has stated publicly on several occasions, Kenyan exporters will have no immediate problems with compliance. Meanwhile there is a renewed interest in the domestic market, which we are covering in this month's market profile. *From everyone at HDC, we wish you a joyful Christmas and prosperous 2005. Steve New, Director HDC*

International Prices

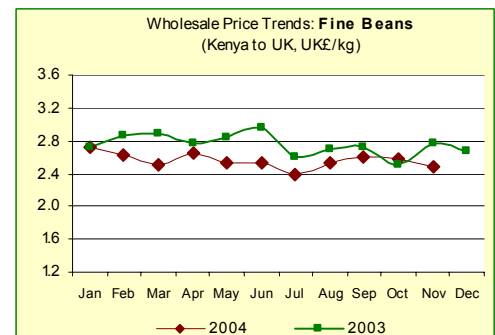
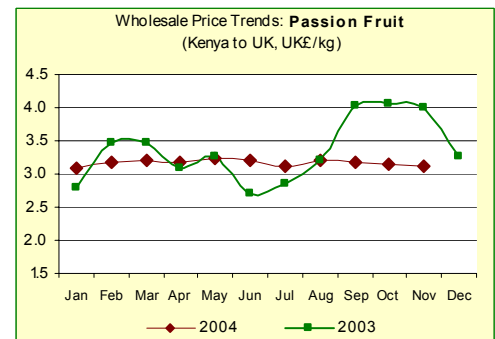
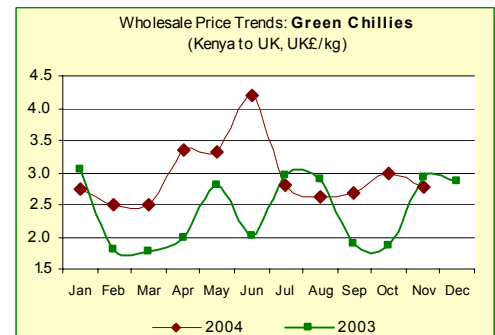
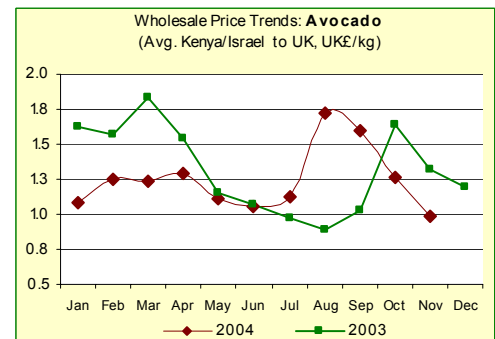
Fresh Fruits and Vegetables

Food Surveys UK & Fresh Produce Journal UK

Market	Supplier	Variety	October	November	%Change
Average Wholesale Prices UK£/Kg					
Avocado					
UK	Kenya	Fuerte	1.28		
	Israel	Fuerte	1.26	0.98	-22%
	Spain	Fuerte		0.81	
Green Chillies					
UK	Kenya	green	3.00	2.78	-7%
	Holland	green	3.05	3.53	16%
	Gambia	green	2.00	2.00	0%
Fine Beans					
UK	Kenya		2.57	2.48	-4%
	Zimbabwe			2.75	
Mangetout					
UK	Kenya		3.64	3.16	-13%
	Guatemala		3.88	3.22	-17%
Sugarsnap Peas					
UK	Kenya		3.94	3.25	-18%
	Guatemala		3.76	3.28	-13%
Okra					
UK	Kenya		3.00	3.25	8%
	India		3.10	2.75	-11%
	Gambia		3.25		
	Brazil		3.63	3.50	-4%
	Thai		3.25	3.25	0%
Passion Fruit					
UK	Kenya		3.14	3.11	-1%
	Colombia		3.03	3.13	3%
	Zimbabwe		2.95	3.00	2%
Karella					
UK	Kenya		3.00	2.95	-2%

Provisional figures from HCDA suggest that the *FOB* value of fresh fruit and vegetable exports should increase by more than 17% in 2004 and by 22%, if flowers are included. This means that the foreign exchange contribution to the economy by fresh horticultural exports will be at least Ksh34 billion (\$425 million). If processed exports and nuts are also included, horticulture could be a bigger contributor than tea. We will give more data on this in the next issue. Prices in 2004 have remained steady. In general, Kenyan produce has been competitive in terms of price and quality in the wholesale markets. We cannot collect detailed information for supermarket contract sales, but reports from our UK consultants, Food Surveys Ltd, suggest that Kenyan exporters are performing well in fresh cut vegetables, fine and runner beans in all the main supermarket chains.

Although some exporters have been forced to segregate produce for particular supermarkets, we have seen no overall negative impact from the introduction of EUREPGAP. At HDC we speak regularly to buyers and trade organizations in Europe, who see Kenya as better positioned than the competition to meet market requirements over the long term. Of course there is a lot of work to do with small-scale growers, but our very provisional estimate of the cost is not more than \$25 million, which is less than the *increase* in the value of exports for 2004.

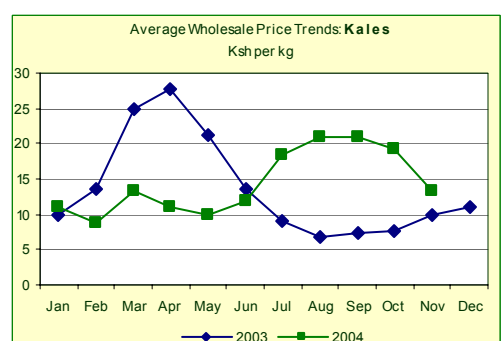
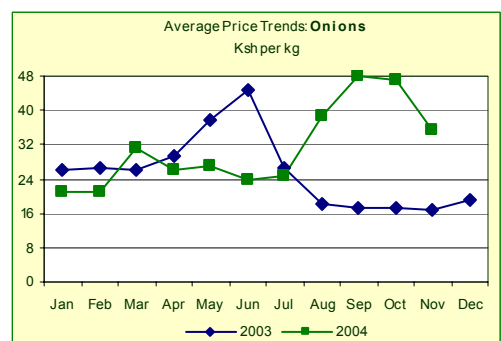
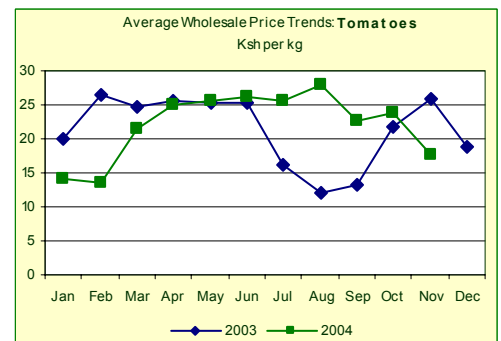
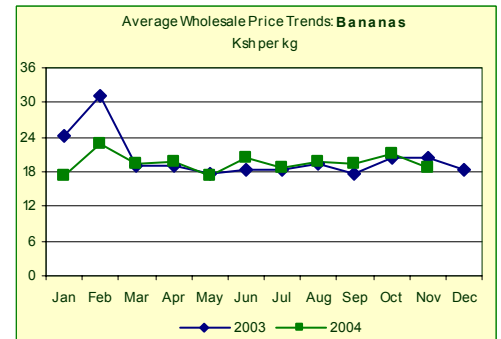
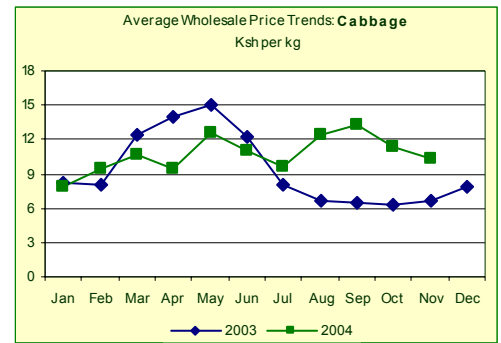


Domestic Prices

Fresh Fruits and Vegetables

Ministry of Agriculture, Market Information Office & HDC

Market	Aug	Sep	Oct	Nov	Yearly Average
Average Wholesale Prices, Ksh per kg					
Bananas					
Nairobi	23.3	22.9	25.0	25.6	24.52
Mombasa	18.8	19.8	21.4	22.4	20.25
Nakuru	25.7	19.1	25.7	14.6	23.48
Kisumu	11.8	13.6	12.1	12.5	11.08
Eldoret	19.3	21.6	22.1	17.9	18.22
Tomatoes					
Nairobi	31.5	27.0	25.0	19.5	27.22
Mombasa	19.3	16.4	19.5	15.6	19.56
Nakuru	28.3	27.0	25.0	15.6	21.75
Kisumu	34.8	22.7	26.6	17.6	23.25
Eldoret	25.9	20.4	23.4	20.3	18.99
Cabbage					
Nairobi	14.9	14.1	12.3	12.5	11.97
Mombasa	23.5	25.0	19.8	20.2	21.24
Nakuru	7.9	10.3	9.1	7.5	7.51
Kisumu	10.6	10.9	9.5	6.2	7.50
Eldoret	4.8	5.8	6.3	4.9	4.58
Onions					
Nairobi	34.7	46.7	38.5	33.3	30.51
Mombasa	43.8	42.1	37.7	25.6	28.67
Nakuru	42.3	46.3	46.2	32.2	30.40
Kisumu	43.1	52.5	59.2	32.3	35.14
Eldoret	30.2	51.2	53.8	53.8	31.58
Kales					
Nairobi	22.2	27.0	26.0	18.5	17.04
Mombasa	22.4	32.5	31.0	20.8	18.56
Nakuru	14.3	16.0	12.6	6.7	10.49
Kisumu	24.1	15.0	11.0	10.0	13.51
Eldoret	21.1	14.8	15.0	10.0	12.52



There is no doubt that Kenyan horticulture is a success story. We are one of the biggest suppliers to the EU market of roses, fresh beans, avocado and Asian vegetables.

On the local market, there is a wider range of fruits, vegetables and flowers than can be found in any other African country.

This large local market is increasingly getting the attention of the Government, Donors, Researchers and the private sector due to its size, growth potential and contribution to rural incomes. However, a major problem which we all face is the lack of reliable statistics on domestic market supply and demand for horticultural products.

On November 17th, two key market studies **“Improving Kenya’s Domestic Horticulture Production and Marketing Systems”** and **“The Domestic Market for Fruits and Vegetables”**, were presented at a workshop held jointly by Tegemeo Institute and HDC. These provide much valuable information on the local market. However, they also highlight weaknesses in data collection systems which need to be corrected if planners and investors are to solve some of the major constraints to growth identified in the studies. Some highlights are given below, but contact HDC if you need copies of the reports.

Kenya's Domestic Horticulture Market

Highlights from Tegemeo / MSU and HDC Market Studies

- **Local value of the horticulture sub-sector (2003)**
 - The Horticulture sub-sector generated about 4.35 million MT of fresh produce, with a local value of Kshs 37.8 billion, 3.5% of overall GDP (estimated at Kshs 1,091.6 billion)
 - Horticulture contributed 14.5% of agricultural gross domestic products, AGDP (estimated at Kshs 261 billion or 24% of overall GDP)
- **Employment (2003)**
 - Employment - 2 million people (direct and indirect)
 - Horticultural producers - about 250,000
 - Smallholder farmers - about 200,000 (or 80%)
 - About 50,000 largely depend on vegetable exports
 - About 30,000 largely depend on fruit exports
 - About 5,000 largely depend on floriculture exports
 - About 115,000 (60%) wholly depend on domestic markets
- **Horticulture in smallholder livelihoods**
 - Average share of FFV in total household income ranges from about 7% over 25% depending on region.
 - Top 20% of sellers is dominated 15% of population, which accounts for 80% of sales. Concentration is much higher for individual crops
 - Income share for the top group is only 22%. More specialization would be required to reduce assembly costs.
- **Kenya's Horticulture Regional Competitiveness**
 - Apparent import share for selected FFV in Kenya

- FFV export sector is internationally competitive however, FFV system lacks regional competitiveness.

- **Market Share of various retailing outlets of basic foods and FFV in Nairobi (2003)**

- Open-air market and Kiosk dominate the retailing market systems

Crops	Import Market Share	
	Lower Bound	Upper Bound
Bananas	1.5	6.9
Tomatoes	1.7	7.9
Oranges	5.0	20.8
Onions	19.1	54.0

Retailing outlets	Market share for basic foods	Market share for FFV
Supermarket chains	11.5%	4.4%
Small-sized super markets	4.8%	0.3%
Duka / Shop	28.7%	0.7%
Open Market	18.7%	56.4%
Kiosk	14.3%	35.7%
Butchery	16.7%	0.0%
Other Minor Outlets	5.4%	2.6%