



**HDC**  
horticulture  
development  
centre

# Monthly Update

September 2004

## *"Keeping Smallholders in Business"*

***The HDC is a USAID-funded programme, managed by the agribusiness firm Fintrac Inc. Our mission is to increase and sustain smallholder sales and incomes through crop diversification, improvements in production and postharvest technologies, and market linkages.***



Claire Starkey, Fintrac President, admiring ABE chilli in Thika District



## **This month**

Various studies recently completed by HDC and the Tegemeo Institute highlight the importance of the local market for horticultural produce as a source of income for smallholders. Because Kenya is a major player in global floriculture and fresh produce markets, there is a tendency to concentrate on the many challenges (Eurepgap, MRLs etc) which growers face in overseas markets. Important as these issues are to rural incomes and the national economy, the new studies show that less than 10% by weight of fruits and vegetables produced are actually exported. More than 90% are consumed at home or sold on the local market. This means that relatively small changes in local market demand and produce supply patterns can have a massive effect on incomes in rural areas. Since HDC is also guilty sometimes of giving more attention to export crops, this month we have changed the layout of our Update to provide detailed information on key findings from the reports, with only brief comments on export crops!

HDC is the head office for the USAID-funded Kenya Horticultural Development Project (KHDP). Like all USAID projects, KHDP is managed under contract by a specialist firm - in this case the Washington DC-based Fintrac Inc. This month we were pleased to welcome Claire Starkey, President of Fintrac who came on a one-week management visit to review progress on the project. As well as meeting with USAID, Claire visited client farmers in Eldoret, Central and Coast areas and held meetings with some of our public and private sector partners. Feedback was generally very positive, with a healthy input of constructive suggestions for future project activities.

Congratulations to everyone who contributed to the success of the Agricultural Society of Kenya/ Nairobi International Trade Fair, with its theme "Building an Agricultural and Industrial Working Nation". Horticulture was well represented in displays provided by the MOA, HCDA, KEPHIS and KARI as well as input supply companies and other private sector agribusiness firms. The award-winning display stands and demonstration plots, showing various new and high-yielding varieties of fruits, vegetables and flowers attracted much attention. Our congratulations also go to Dr Wilson Songa, and Mr S.P. Gachanja, formerly CEOs of the Pest Control Products Board (PCPB) and Horticultural Crops Development Authority (HCDA), respectively, who have just swapped jobs! We wish you continued success in your new positions, which are central to the future growth and success of horticulture in Kenya.

## **Local Market Fruits and Vegetables**

An HDC study of "Kenya's Domestic Market for Fresh Fruits and Vegetables" was completed in September, in conjunction with consultant Stanley Karuga and his company Market Economies Development.



Two HDC studies have confirmed that the value of the local market for flowers is at least \$5 million and growing fast. Most flowers sold on the local market are grown by small-scale growers.

Some key findings were:

- There are more than 250,000 growers deriving some income from horticultural crops in Kenya
- There are at least 2 million employees earning all or part of their income from horticulture
- About 3.2 million tonnes of fruits and vegetables are produced annually for local consumption, with an estimated market value of Ksh 45 billion
- 94% by weight of fresh produce grown is consumed within Kenya
- Fruits (mainly banana, pineapple, citrus, mango, pineapple and paw paw) account for 66% by value of fresh produce grown for the local market
- Vegetables account for 33%, with kales, cabbage and tomato making up 79% by weight of production
- High value products including flowers, spices and other minor crops account for up to 4% by value of local sales
- There has been a strong increase in demand and production of African indigenous vegetables (AIVs) in recent years
- The market for fresh produce is growing but is constrained by unhygienic, congested and poorly-managed market outlets
- Market information is rarely used by growers to plan production or make investment, leading to irregular supplies of key products, unstable supplies and unnecessary imports

These findings were consistent with the results of long-term studies recently completed by the Tegemeo Institute, in conjunction with Michigan State University. These found that 88% of vegetable production is either retained on farm for home consumption or sold on the local market. They also found that:

- Yields in Kenya for some of the main local market vegetables are amongst the lowest in the world
- Production and marketing of banana, kales and tomatoes has increased significantly over the past 10 years, relative to cabbage, onion and other fruit
- Supermarkets are growing but are still relatively insignificant retailers of fresh produce, accounting for only "one out of every fifty shillings" of spending on a national level.

Tegemeo have compared this last statistic with data from other countries, to project that supermarket sales in Kenya will not exceed 20% of total local market sales of fresh produce over the next 10 years. Their conclusion, endorsed by the HDC study, is that "...the efficiency and cleanliness of wholesale and retail markets in Kenya will have major impacts on the real incomes of farmers and on the real cost of food to urban consumers for many years to come" and that "...the dominant focus of government and donor agencies must be on dramatically improving the efficiency, cleanliness, and progressiveness of the traditional marketing system". HDC and Tegemeo will be holding a stakeholders' workshop during November to discuss the implications of these findings on future policies in the horticulture sub-sector.



Cabbage and onion are major local market crops which generate millions of shillings of income for smallholders, yet average yields are still very low compared to other countries.

Horticulture Development Centre  
MPPS Building  
Mombasa Road  
P.O. Box 3074-00506  
Nyayo Stadium, Nairobi

Phone: 20-556728/556807  
Fax: 20-556804  
Email: [hdc@fintrac.com](mailto:hdc@fintrac.com)

Field Offices:  
Thika, Kisumu, Eldoret, Mombasa



## Passion Fruit

Kenya's export share of fresh fruit in the EU remains strong. Global prices are good for passion fruit juice and demand is growing. Increased production of high quality fruit remains the priority for HDC, the MOA, HCDA, KARI and exporters. To facilitate these efforts, HDC is focusing on improving private sector capacity to produce high quality plants; training of farmers in production methods; and preparation of a feasibility study on passion fruit processing to assist potential investors.

## Chilli Products

In September, farmers continued to transplant African birds eye (ABE) chilli, bringing the total figure for HDC clients to about 92,000 plants. This is expected to increase in October, with the onset of the short rains. Picking should start in October in coastal, central and western areas.

## Vanilla and Spices

Small-scale vanilla trials are doing well in several areas, but growers are finding that this is a crop which requires patience and careful management. At HDC we are satisfied that vanilla can be grown in Kenya, but only in specific micro-climates, and that it should be just one of a basket of spices which have good potential for the local market as well as long-term export potential. Global market prices have fallen dramatically from \$400/kg last year to current offers of \$80-100 for top quality Ugandan vanilla.

## Smallholder Flowers

The HDC report on smallholder flowers is currently being reviewed by various partners. We have received enthusiastic feedback from growers and overseas buyers, and hope to hold a stakeholders' workshop before the end of the year to develop a long-term strategy and action plan.

## Tree Crops

The HDC, in conjunction with various stakeholders, has produced a draft Integrated Pest Management (IPM) protocol for extension workers in the cashew industry. September saw the launch of a new cashew trade association, the Cashew Nut Processors and Exporters Association of Kenya, whose focus will be on the promotion of domestic processing of the crop.

## EUREPGAP

The first wave of outgrowers assisted by HDC went through pre-audits in September to assess their readiness for external auditing. The results were encouraging and final work is being carried out in preparation for full audits in October/November. Our preliminary data suggest that it will cost at least \$20,000 to achieve certification for the average smallholder group of 45 growers. This means that the cost to the industry of certifying 50,000 small-scale export growers would be at least \$20 million. We are currently working with three major export companies to certify more outgrowers over the next six months and validate these costs.