



Marketing News

December 2005

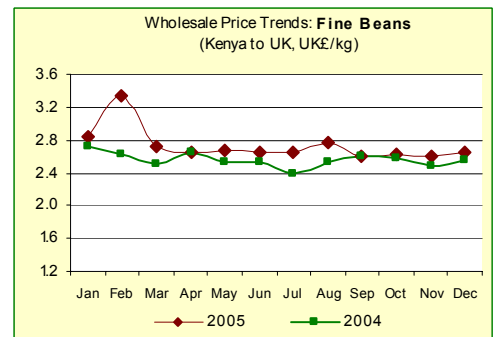
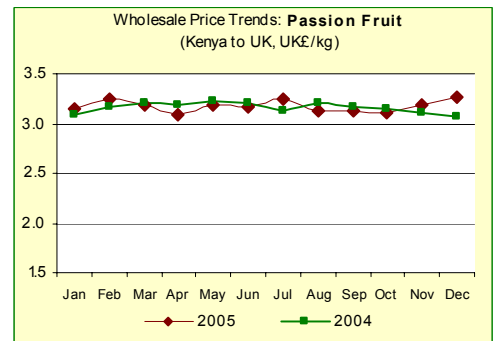
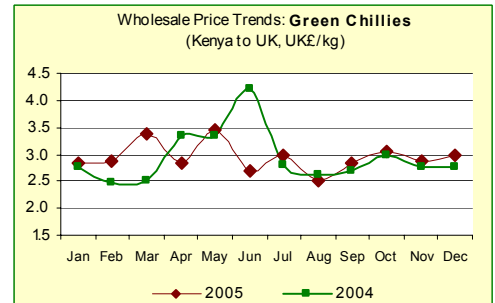
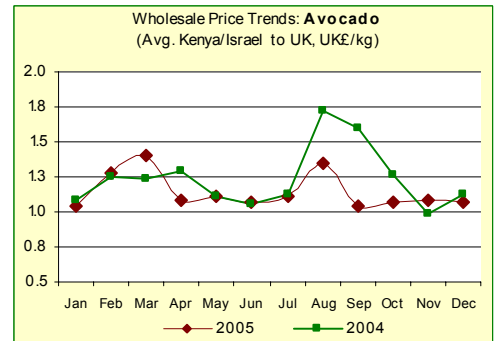
Despite increasing competition from countries in Africa and Asia, and ever greater market demands for higher quality products, usually without any corresponding increase in price, 2005 was another good year overall for Kenyan exports. Sales of the major product categories, particularly flowers, showed significant increases over the previous year, although margins on fresh fruits and vegetables are approaching zero. However much we object, the new commercial and statutory regulations are here to stay, and Kenya is making good progress in complying EurepGAP and other changes in market entry conditions. On local and Regional markets, there also appears to be a growth in demand for fresh and processed products, particularly fruit juices. Kenyan horticulture provides income for literally millions of small-scale growers and employees in large export-oriented companies, so it is essential to maintain this growth in 2006. We wish all of our readers a happy and prosperous 2006. Steve New, Director, KHDP.

International Prices

Fresh Fruits and Vegetables – UK Market

Table with columns: Market, Supplier, Variety, Nov, Dec, % Change. Rows include Avocado, Green Chillies, Fine Beans, Mangetout, Sugarsnap Peas, Okra, Passion Fruit, and Karella.

Monthly price surveys carried out in the UK market for KHDP by Food Surveys (FSL), suggest that average wholesale prices for Kenyan produce did not increase significantly during 2005 (see graphs right). Since the Ksh appreciated by more than 10% during the year and air freight rates and other costs have also increased, it is clear that margins are being squeezed. Prices did show some improvement in December compared with 2004, but the highest increase was £0.69/kg (23%) for sugar snaps, which were in short supply. Fine beans, the highest volume product, were being sold at £2.66/kg, only 4% over the December 2004 price. Companies supplying produce to wholesale markets will face major challenges in 2006, unless prices increase, which seems unlikely at present. In the six major supermarkets, Kenya maintained a high presence during the year, with sales of mixed vegetable packs apparently increasing. FSL reported that in November 2005, Kenyan fine beans, shelled peas and runner beans were present in 5 out of 6 supermarkets visited, mangetout and sugar snaps in 3 out of 6, and passion fruit in one supermarket only (Morrisons). Mixed packs were present in all stores, containing various combinations including fine beans, baby carrot, spring onions, tender stem broccoli, baby corn, sliced runner beans and other products.

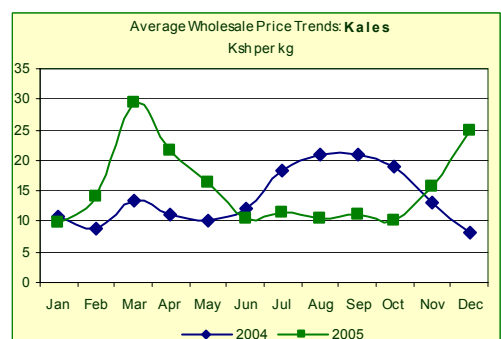
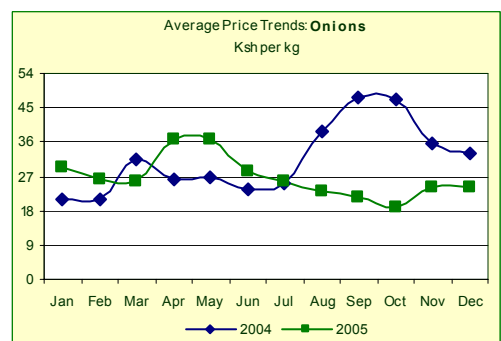
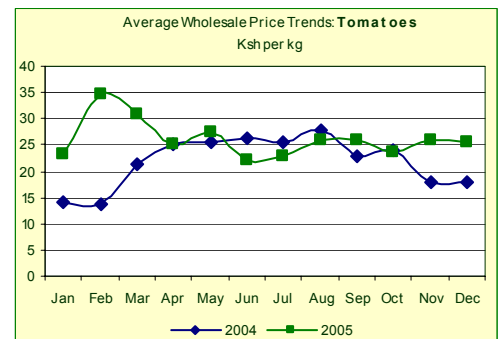
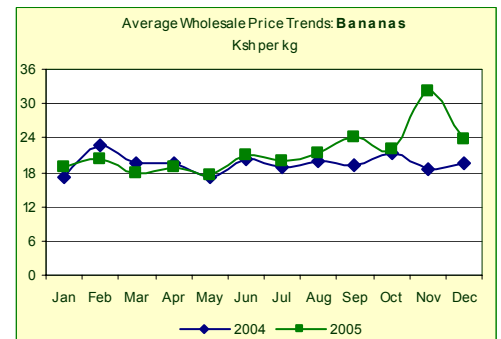
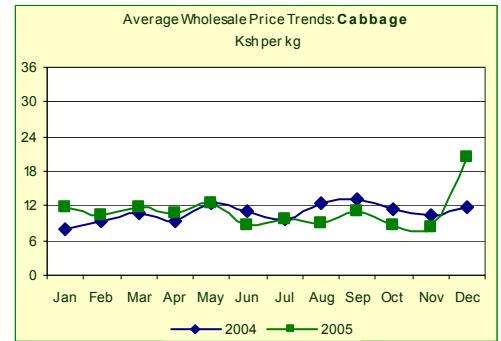


Domestic Prices

Fresh Fruits and Vegetables

Ministry of Agriculture, Market Information Office & HDC

Market	Sep	Oct	Nov	Dec	Yearly Average
Average Wholesale Prices, Ksh per kg					
Bananas					
Nairobi	24.3	22.1	32.1	35.7	28.28
Mombasa	-	-	-	-	19.05
Karatina	-	-	-	12.1	16.10
Kisumu	-	-	-	-	12.16
Eldoret	-	-	-	-	16.85
Tomatoes					
Nairobi	26.9	25.0	31.3	33.4	30.99
Mombasa	24.7	26.6	28.1	-	24.64
Karatina	-	18.8	18.8	17.6	22.75
Kisumu	-	-	-	-	25.70
Eldoret	-	-	-	-	27.82
Cabbage					
Nairobi	11.0	14.3	13.5	30.6	12.38
Mombasa	-	-	-	-	19.29
Karatina	-	3.2	3.2	10.5	7.78
Kisumu	-	-	-	-	9.05
Eldoret	-	-	-	-	3.59
Onions					
Nairobi	21.5	19.2	29.2	25.4	27.48
Mombasa	-	22.3	23.8	-	27.58
Karatina	-	15.4	20.0	23.1	27.51
Kisumu	-	-	-	-	30.42
Eldoret	-	-	-	-	26.64
Kales					
Nairobi	-	-	12.0	25.0	16.83
Mombasa	-	-	30.0	-	19.02
Karatina	11.0	10.0	5.0	-	11.31
Kisumu	-	-	-	-	23.41
Eldoret	-	-	-	-	12.29



CASHEW NUT PRICES

FOB India Prices Week 52

GRADE	PRICE US \$/lb
W180	3.00 – 3.10
W210	2.70 – 2.80
W240	2.45 – 2.50
W320	2.00 – 2.05
W450	1.90
SW320	1.90
SW360	1.85
SSW	1.65 – 1.70
FS	1.70
FB	1.60
LWP	1.70 – 1.80
SS/ SB	1.55
SP	1.45

Kenyan cashew growers have suffered from the decline in world market prices in the last quarter of 2005. Growers who received Ksh50/kg for their first crop of raw nuts were selling for Ksh30/kg or less in December.

The reason is that processors and distributors over-bought raw nuts at the beginning of 2005, expecting a shortage which never occurred. Consequently they are using up old stock before buying more raw materials in 2006. There is no indication that market demand is dropping significantly.

Prices for processed W320/450 nuts are down 25-30% from the 2005 peak (2.55-2.60), below the historical average (2.20-2.25) and close to historical low (1.70-1.75). Consumption growth in all markets has been reasonable but imports into the USA in 2005 were lower than in 2004. Slow movement of lower grades has been a problem in the last few months but with lower prices, these too have started moving.

All tree nut prices are lower than they were in the first half of 2005. For Indian processors, the possibility of wage increases is another cause for concern as this will affect their competitive advantage, but will increase the viability of processing in Africa.

The outlook for 2006 is unclear but unless something dramatic happens, a steady market is expected with some potential for small price increases during the year. Large price movements are not expected.

PINEAPPLE JUICE

Kenya has been one of the world's leading pineapple producers for many years and is currently ranked 9th in total production. The biggest source of fruit is at Del Monte's farm in Thika, but small-scale growers are also increasing their production for the local market, with pineapple from Coast Province reported to be particularly sweet. Processors and importers report that consumption of pineapple and other juices is also increasing rapidly both in Kenya and in neighboring countries.

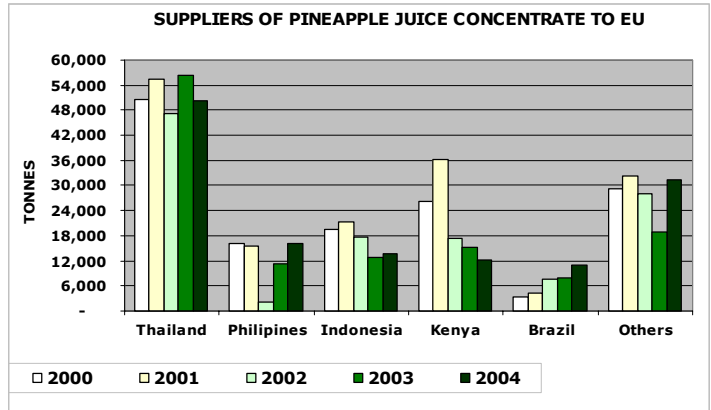
WORLD PINEAPPLE PRODUCTION (TONNES)

COUNTRY	2003	2004
Thailand	1,700,000	1,900,000
Philippines	1,650,000	1,759,290
Brazil	1,400,190	1,435,190
China	1,316,280	1,420,000
India	1,100,000	1,300,000
Nigeria	889,000	889,000
Costa Rica	725,224	725,244
Mexico	720,900	720,900
Kenya	600,000	600,000
Indonesia	467,395	463,063
Others	4,047,090	4,075,331
Total	14,616,079	15,288,018

Source: FOODNEWS

Demand for natural juices on the world market is also increasing, since they are seen as healthy products which count as one of the "five-a-day" items of fruits and vegetables which children and adults in the USA and Europe are being encouraged to consume. Citrus, apple and grape account for the biggest volume by far, but pineapple is the most popular of the tropical juices.

Most fresh juice for export is concentrated 4-5 times by evaporating off excess water. This reduces its weight and brings down transportation costs. Buyers in major markets use specialized facilities for adding back water and re-packaging the bulk juice into consumer products. However the demand for "natural single strength" juice (NFC) is increasing.



Kenya (Del Monte) was the fifth largest supplier of pineapple concentrate to the EU in 2004 and a major supplier to other global markets. Del Monte employ about 6,500 staff in the production and processing of pineapple concentrate and slices. They produced an estimated 260,000 MTs of fresh fruit as raw material for processing in 2005. World market prices for pineapple concentrate have been relatively stable in recent years at \$1,100-1,400/MT. The potential is good for Kenya to increase foreign exchange earnings, employment and income from pineapple products on local, regional and export markets.

