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Horticultural Development Program

Marketing News-July/August 2006

The impressive growth in horticultural exports which has taken place over the past two decades has been largely due to air-freighted flowers and fresh vegetables. With the exception of avocado, fruit sales have been relatively insignificant and have actually declined in recent years. This neglect of the tropical fruit market could be a big mistake. A recent feature article in one of the UK's leading newspapers, The Independent, focused on "soaring sales" of exotic fruit, with major supermarkets reporting sales of mangoes up 450% in the past year, and passion fruit up 135%. Since Kenyan exports of passion fruit to UK actually dropped in 2005 (see back page) we must be "losing out" to the competition. Current sales of exotic fruit in UK, most of which grow (or can be grown) in Kenya, are estimated at £62 million (Ksh8 billion). Of course most fruit must be sea-freighted to be competitive in price, and the relative inefficiency of sea compared with air transport is one of the key reasons why exporters have concentrated on vegetables and flowers in the past. However, the same article highlights the environmentalists' concern about "food miles" (energy used and carbon dioxide produced) associated with flying fruits around the world. Sea freight must form part of Kenya's long-term marketing strategy since it is a good way to reduce both the monetary and the food mile cost and make Kenyan produce more environmentally and market friendly - and more competitive, in future. Steve New ,Director, KHDP

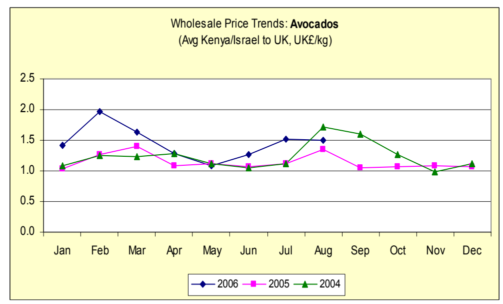
International Prices

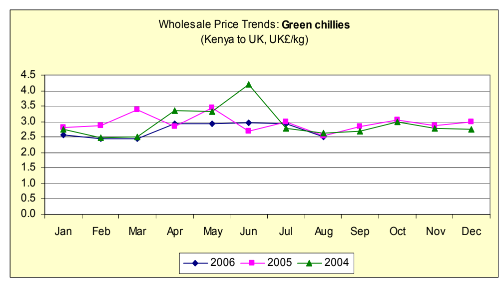
Fresh Fruits and Vegetables-UK Market

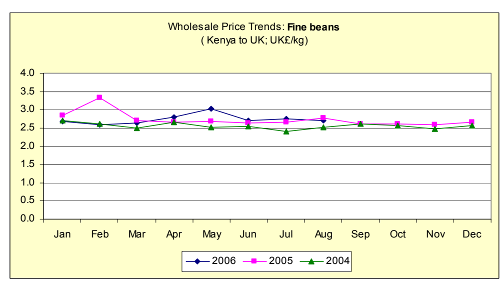
Food Surveys UK & Fresh Produce Journal UK

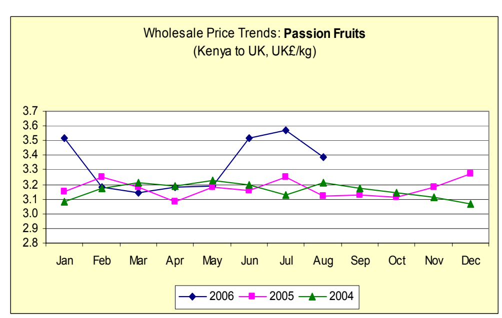
Market	Supplier	Variety	July	August	% Change
Average Wholesale Prices UK£/Kg					
Avocado					
UK	**Kenya**	Fuerte	1.52	1.50	**-1%**
	Peru	Fuerte	1.51	1.50	**-1%**
	SA	Fuerte	1.61	1.46	**-9%**
Green Chillies					
UK	**Kenya**	green	2.92	2.52	**-14%**
	Gambia	green	2.00	2.00	**0%**
	Holland	green	2.79	2.69	**-4%**
Fine Beans					
	Kenya		2.76	2.71	**-2%**
UK	*Egypt*				
Mangetout					
UK	**Kenya**		3.37	3.07	**-9%**
	Guatemala		3.28	3.21	**-2%**
Sugarsnap Peas					
UK	**Kenya**		3.38	3.11	**-8%**
	Guatemala		3.30	3.31	**0%**
Okra					
UK	**Kenya**		3.20	3.08	**-4%**
	Thai		3.50	3.53	**1%**
	Brazil		3.45	3.63	**5%**
Passion Fruit					
UK	**Kenya**		3.57	3.39	**-5%**
	Colombia		1.81	3.13	**73%**
	Brazil		1.66		
	Zimbabwe		3.00	3.00	**0%**
Karella					
UK	**Kenya**		3.05	3.38	**11%**

Hot weather and holidays combined with peak local production in Europe tend to reduce demand for imported produce in June-August. However the very dry weather followed by heavy rain in August reduced yields in UK and created a "bonus" demand in August for Kenyan beans and other vegetables. Prices remained generally stable and similar to previous years although passion fruit prices were forced up by insufficient supplies to meet growing demand (see above). New health and safety regulations were introduced at Spitalfields market, which have not been popular with the traders. This suggests that the wholesalers will also have no choice in future but to follow the supermarkets in tightening controls on food safety and traceability.







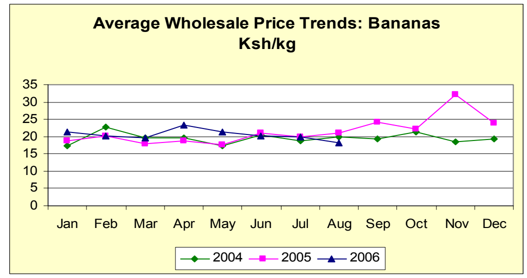


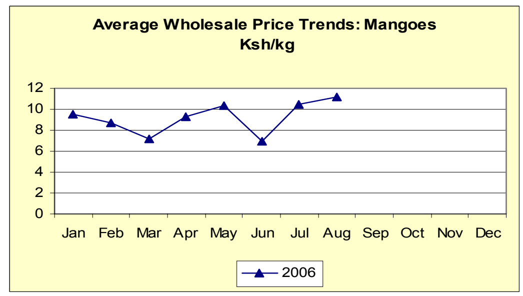
Domestic Prices-Fruits

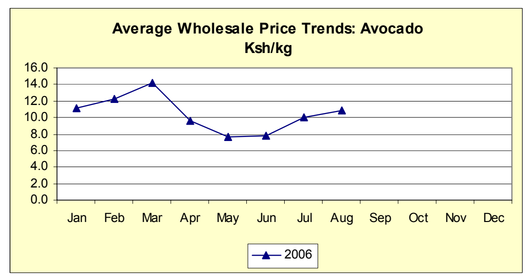
Fresh Fruits

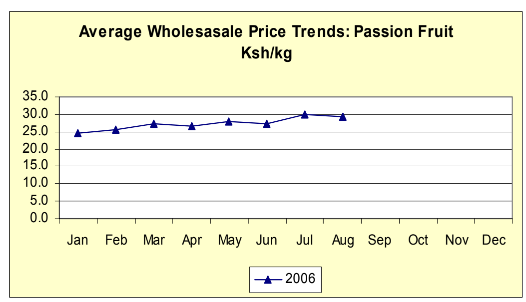
Ministry of Agriculture, Market Information Office & HDP

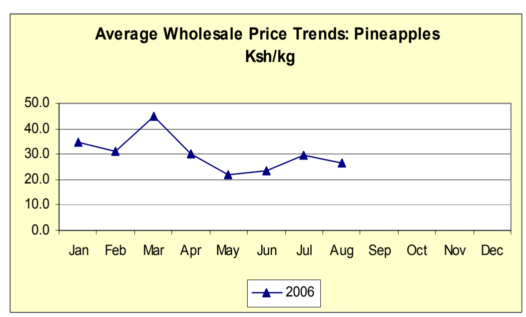
Market	May	June	July	Aug	Average
Average Wholesale Prices, KSh per kg					
Bananas					
Nairobi	27.3	35.7	26.9	26.0	**29.0**
Mombasa	25.4	20.0	18.9	20.3	**21.1**
Nakuru	16.0	17.9	18.1	14.8	**16.7**
Kisumu	-	12.9	17.2	10.7	**13.6**
Eldoret	16.3	15.0	19.1	19.6	**17.5**
Mango					
Nairobi	14.3	6.4	6.9	-	**9.2**
Mombasa	3.6	4.8	4.5	4.5	**4.4**
Nakuru	11.9	-		11.5	**11.7**
Kisumu	11.9	9.5	9.8	7.7	**9.7**
Eldoret	-	-	20.6	21.1	**20.9**
Avocado					
Nairobi	8.7	11.1	9.2	10.4	**9.8**
Mombasa	11.1	-	15.5	15.6	**14.1**
Nakuru	3.9	8.9	10.8	14.0	**9.4**
Kisumu	6.8	3.3	3.8	3.0	**4.2**
Eldoret	7.6	-	10.7	11.0	**9.8**
Passion Fruit					
Nairobi	22.9	26.4	22.6	22.6	**23.6**
Mombasa	26.3	26.3	25.8	29.2	**26.9**
Nakuru	36.8	35.1	37.2	37.7	**36.7**
Kisumu	26.3	21.1	22.0	20.6	**22.5**
Eldoret	-	-	41.3	36.3	**38.8**
Pineapple					
Nairobi	30.3	30.9	31.6	34.0	**31.7**
Mombasa	54.2	36.9	37.2	40.5	**42.2**
Nakuru	13.9	12.3	-	13.6	**13.3**
Kisumu	18.5	13.9	13.9	11.2	**14.4**
Eldoret	-	-	36.7	32.3	**34.5**











Banana prices remained stable throughout July and August. This trend makes banana production attractive for small-scale risk-averse farmers who see banana as a reliable crop. It seems that the average market price of around Ksh20/kg is providing a profitable return to the growers. This of course could change if production starts to outstrip demand.

Mango prices were low (KSh 4.5/kg) at the Coast in May-August because of high supply while in Eldoret prices were as high as KSh 21/Kg, reflecting the high transport cost and wastage incurred. Planting and production of mango is increasing rapidly in eastern Province and other areas. This is likely to drive prices down eventually unless the surpluses can be diverted to processing facilities. For this to be achieved it is necessary to plant varieties suitable for processing (such as Ngowe). At the moment growers are planting many varieties with no real information on future market demand.

Local avocado prices recovered slightly in July-August from the depressed June level caused by over-supply and weak export demand. Since domestic consumption of avocado is relatively low, prices are largely dependent on export demand. This means that growers have to focus more on quality and preferred export varieties if they want to achieve good average prices.

Passion fruit prices increased gradually from January some times going as high as KSh 40/Kg in Eldoret mainly due to competing buyers from neighbouring Uganda. Price varied widely depending on quality, but demand was strong from both fresh fruit traders and processors. Processors are unable to obtain enough raw material to produce and market straight juice so are blending with other juices, particularly pineapple.

For all fruit, the variation in prices throughout the country is striking. It reflects the high cost in vehicle fuel and maintenance and the high wastage levels caused by the poor quality of roads.

Domestic Prices-Vegetables

Fresh Vegetables

Ministry of Agriculture, Market Information Office & HDP

Market	May	June	July	Aug	Average
Average Wholesale Prices, KSh per kg					
Potatoes					
Nairobi	16.7	10.2	8.2	10.4	**11.4**
Mombasa	14.5	15.8	10.3	13.2	**13.4**
Nakuru	22.1	8.4	6.8	8.5	**11.4**
Kisumu	28.2	7.3	9.0	9.9	**13.6**
Eldoret	10.2	7.3	6.5	6.6	**7.6**
Tomatoes					
Nairobi	34.7	30.6	20.0	20.7	**26.5**
Mombasa	39.3	29.2	23.1	20.3	**28.0**
Nakuru	14.8	15.0	19.7	17.2	**17.7**
Kisumu	-	20.3	18.4	18.8	**19.2**
Eldoret	19.4	18.0	16.2	13.9	**16.9**
Cabbage					
Nairobi	10.2	7.5	9.2	10.1	**9.2**
Mombasa	22.3	18.8	18.2	15.7	**18.8**
Nakuru	6.7	9.0	7.3	7.9	**7.7**
Kisumu	-	12.9	4.3	3.5	**6.9**
Eldoret	3.9	5.0	3.1	4.2	**4.0**
Onion					
Nairobi	49.4	33.3	28.4	29.3	**35.1**
Mombasa	52.3	47.3	29.4	30.5	**39.9**
Nakuru	25.0	26.0	31.9	30.1	**28.3**
Kisumu	-	40.4	33.4	29.5	**34.4**
Eldoret	37.4	36.2	35.0	30.4	**34.8**
Kales					
Nairobi	15.6	12.3	15.3	14.3	**14.4**
Mombasa	21.3	10.0	9.2	9.3	**12.4**
Nakuru	5.7	5.0	7.6	8.5	**6.7**
Kisumu	-	5.5	12.2	8.3	**8.6**
Eldoret	3.2	7.4	5.5	6.8	**6.0**

The price trend for potato has been decreasing due to increased production at farm level and over-supply to the market. Within a span of three months, prices have dropped from Ksh25/kg to Ksh10/kg. Average prices were made worse by the high level of small and poor quality potatoes being supplied.

For the last three months, tomato prices have remained stable and similar to the same period last year. Prices in April-May have been consistently higher than Ksh25/kg in each of the past three years, suggesting that growers could benefit from "calendarized" production to target these months.

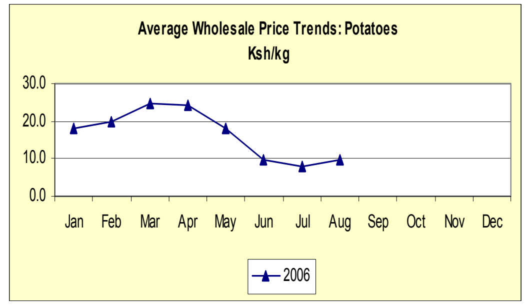
Cabbage price has been both fair and stable over the past three months at around KSh 11/kg. However, there was an oversupply of cabbages in some areas in July, slightly pushing the price level downwards.

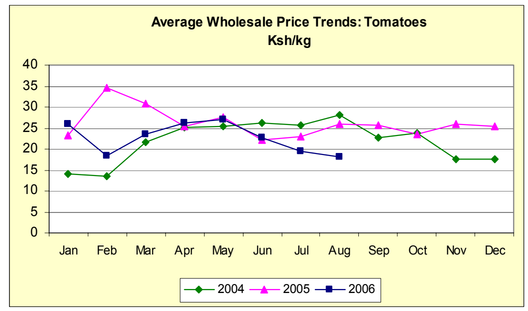
July is the season when Tanzanian onion arrives in Kenya in large quantities, depressing prices. KHDP is increasing the number of onion demonstrations and trials to see if Kenyan growers can compete more successfully in future. However, brokers insist that it is the longer shelf life of Tanzanian onions, as well as the price, which makes them more attractive, so harvesting and post-harvest techniques will be equally important.

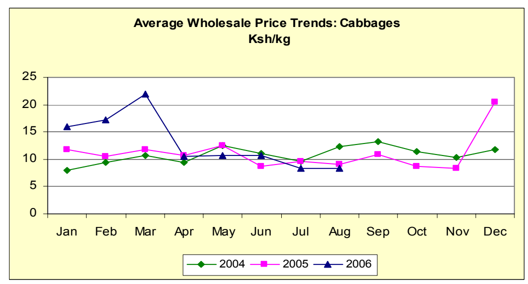
After a decline in the price level for Kales, from as high as KSh 34/kg in January to as low as KSh 7/kg in June, prices recovered slightly in July and growers are hoping this trend will continue in coming months.

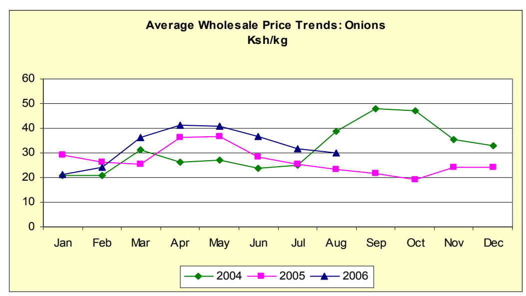
Demand for African traditional vegetables continues to grow, and there has been a surge in demand for butternut squash following successful demonstrations by KHDP and Seminis in 2004-05.

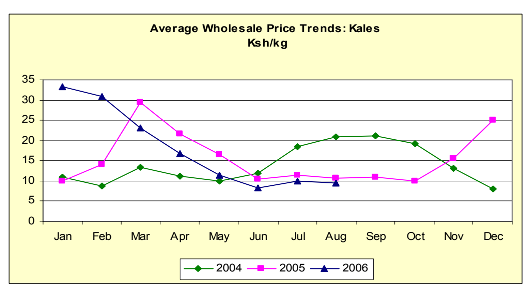
As with fruit (see above), prices of vegetables varied greatly between Mombasa and Eldoret, reflecting the high cost of potholes to consumers, traders and growers.











PASSION FRUIT EXPORTS (2004-2005)

In terms of export quantities and value, passion fruit is the third most important export fruit crop in Kenya after the avocado and mango (Table 1).

Table 1: leading Export Fruits

Fruit	2004		2005	
	MT	Value (KSh '000)	MT	Value (KSh '000)
Avocado	17,453	774,720	13,686	792,686
Mango	3,228	311,932	3,271	273,574
Passion	729	165,460	1,157	97,081
Total	21,410	1,252,112	18,114	1,163,341

In 2004, UK took the largest share (30%) of Kenya's passion fruit exports followed by Netherlands (24%) and France (19%). In 2005, exports to the UK and other European countries dropped by 40% (Tables 2 and 3) due to MRL interceptions and subsequent fears over excessive residue levels. At the same time, recorded exports to Uganda jumped a remarkable amount, from less than 20 MTs to 716 MTs. The overall result was that total export quantity increased by 60% in 2005 to 1,157 MTs.

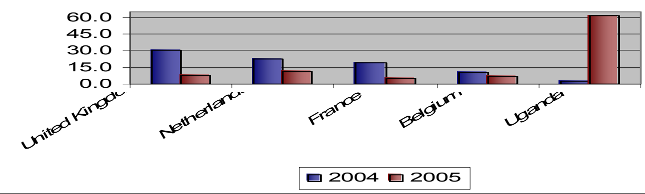
However, since the unit value of Ugandan exports was declared at an unrealistic average of Ksh11/kg compared with Ksh200-230/kg to European countries, the total value of 2005 exports apparently dropped by 40% to Ksh97,081. Since the average farmgate price for passion fruit was more than Ksh25/kg in 2005, it is clear that the true value of exports was closer to Ksh150,000, which was only slightly below the 2004 total.

Table 2: Passion exports, 2004

Destination	MT	%	Value (KSh '000)
United kingdom	219	30	46,727
Netherlands	165	24	49,400
France	135	19	35,444
Belgium	78	11	10,025
Aircraft and shipstores	32	4	3,332
Switzerland	26	3	3,967
United Arab Emirates	19	2	2,059
Other countries	47	7	11,801
Total	**721**	**100**	**162,755**

In recent years, Kenya has been one of the top three suppliers to Europe with competition mainly from Zimbabwe, Colombia and Brazil. Kenyan fruit has a reputation for good quality, and the purple variety is generally preferred over yellow varieties coming from South America. Zimbabwe has lost some of its main fruit producers due to political instability. This means that Kenya has a good opportunity to dominate the EU markets if EurepGAP-certified passion fruit can be grown in large enough quantities.

Figure 1: Share (%) of passion fruit exports to various destinations



Exact data on quantities of passion fruit imported by EU countries are not available since it is grouped with other exotics in official customs classification. However, since the EU market is growing fast (see front page), an annual export target of 2,000 MTs to Europe is probably achievable in the next two years, based on a reasonable extrapolation of 2004 figure.

Table 3: Passion exports, 2005

Destination	MT	%	Value (KSh '000)
Uganda	716	62	7,762
Netherlands	130	11	35,860
United Kingdom	95	8	20,197
Belgium	81	7	9,487
France	57	5	13,204
United Arab Emirates	32	3	3,245
Aircraft & Shipstores	21	2	2,321
Switzerland	13	1	2,311
Other Countries	13	1	2,693
Total	**1158**	**100**	**97,080**

There are no reliable records of imports or market demand in Uganda, Rwanda, DRC, Sudan and other East and Southern African countries but, based on the explosive increase in Ugandan demand, the African market may well have more potential than Europe.

The major fruit juice processors for East Africa are all based in Kenya and are also convinced from their market research that a massive market exists in East Africa for passion fruit juices. There is also a strong global market although this may require more production of yellow varieties which have higher juice yields and can compete with supplies from the established producers in South America and Asia.

Taking account of these different markets for fresh and processed passion fruit, it is likely that Kenyan growers could increase annual production up to 10,000 MTs without any danger of market saturation. And there is even a market for passion fruit seed oil!

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