USAID | KENYA Horticultural Development Program

Marketing News - June 2006

As the figures below show, there has been no increase in UK market prices for Kenya's fresh produce exports over the past three years. Since fuel prices have increased and the Kenyan shilling has strengthened during this period, margins have reduced significantly. Some exporters have been able to add value through pre-packing for supermarkets, but others have gone out of business or are operating on the borderline of profitability. Since the importers are unlikely to increase their prices, it is time for the public and private sector to look at ways to reduce the cost of doing business in Kenya, in order to keep our fresh produce exports competitive. Unless this happens we can expect to see a decline in the fresh produce industry and reduced incomes for small-scale vegetable growers in years to come.

Steve New, Director, KHDP

International Prices

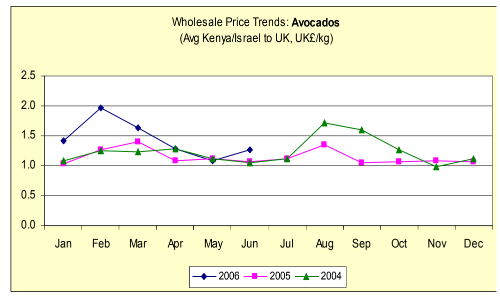
Fresh Fruits and Vegetables-UK Market

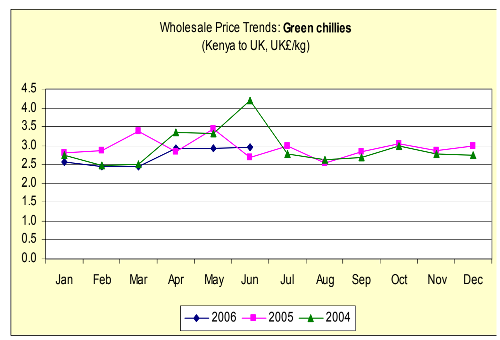
Food Surveys UK & Fresh Produce Journal UK

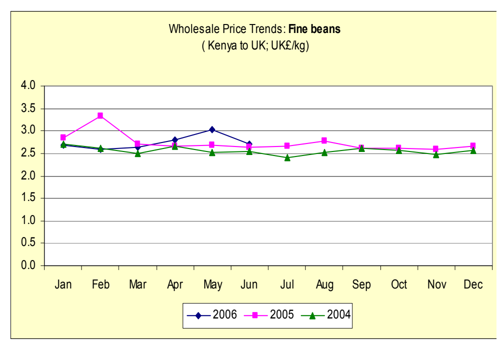
Market	Supplier	Variety	May	June	% Change
Average Wholesale Prices UK£/Kg					
Avocado					
UK	**Kenya**	Fuerte	0.94	1.15	22%
	Israel	Fuerte	1.22	1.38	13%
	SA	Fuerte	1.31	1.37	5%
Green Chillies					
UK	**Kenya**	green	2.94	2.96	1%
	Gambia	green	2.00	2.00	0%
	Holland	green	3.39	2.81	-17%
Fine Beans					
	Kenya		3.02	2.70	-11%
UK	*Egypt*				
Mangetout					
UK	**Kenya**		3.75	3.60	-4%
	Guatemala		3.77	3.44	-9%
Sugarsnap Peas					
UK	**Kenya**		3.88	3.34	-14%
	Guatemala		3.87	3.60	-7%
Okra					
UK	**Kenya**		3.20	3.10	-3%
	Thai		3.00	3.20	7%
	Brazil		3.50		
Passion Fruit					
UK	**Kenya**		3.19	3.52	10%
	Colombia		3.17	1.96	-38%
	Brazil		1.62	1.73	7%
	Zimbabwe		3.00		
Karella					
UK	**Kenya**		2.90	3.00	3%

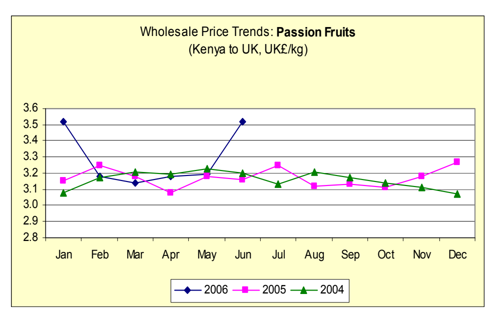
Avocado prices declined sharply between March and May, bringing them in line with previous years in June. This decline was due to improved supply of good quality avocadoes seen in all markets - especially from SA. Prices for other crops either increased or remained stable. There was no significant change in the prices for Chilli, Passion fruit and Karella. Average prices for Fine beans, Mangetout, Sugarsnap peas and Okra went down by 3-15% this month. This was due to good availability and good quality from various sources. However, demand was generally low.

Whilst the relatively good price performance of Chilli, Okra and Passion fruit relative to other suppliers was encouraging, exporters and importers of these products, which are grown predominantly by small-scale farmers, are still cautious about the future. They see air freight rates and other costs in Kenya rising faster than in competing countries such as Ghana, India and the Dominican Republic.









Domestic Prices

Fresh Vegetables

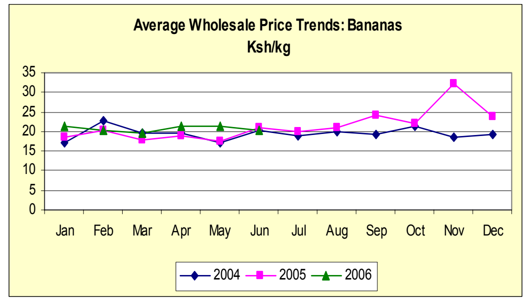
Ministry of Agriculture, Market Information Office & HDP

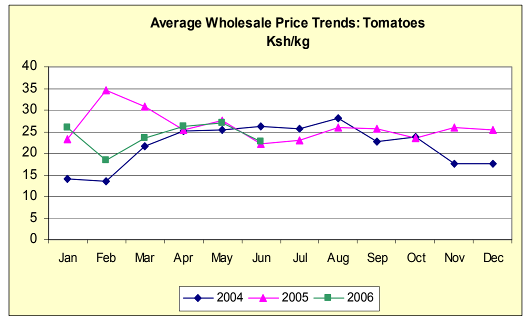
Market	Mar	Apr	May	June	Average
Average Wholesale Prices, Ksh per kg					
Bananas					
Nairobi	25.9	26.4	27.3	35.7	28.8
Mombasa	22.5	26.0	25.4	20.0	23.5
Nakuru	13.4	15.9	16.0	17.9	15.8
Kisumu	-	-	-	12.9	12.9
Eldoret	17.3	17.3	16.3	15.0	16.5
Tomatoes					
Nairobi	32.5	33.2	34.7	30.6	32.8
Mombasa	30.2	35.9	39.3	29.2	33.7
Nakuru	12.6	13.8	14.8	15.0	14.1
Kisumu	-	-	-	20.3	20.3
Eldoret	18.8	21.9	19.4	18.0	19.5
Cabbage					
Nairobi	19.8	12.4	10.2	7.5	12.5
Mombasa	24.6	18.8	22.3	18.8	21.1
Nakuru	8.3	5.2	6.7	9.0	7.3
Kisumu	-	-	-	12.9	12.9
Eldoret	5.3	5.6	3.9	5.0	5.0
Onions					
Nairobi	30.8	50.6	49.4	33.3	41.0
Mombasa	61.2	57.7	52.3	47.3	54.6
Nakuru	19.2	21.2	25.0	26.0	22.9
Kisumu	-	-	-	40.4	40.4
Eldoret	34.6	36.2	37.4	36.5	36.2
Kales					
Nairobi	43.9	27.3	15.6	12.3	24.8
Mombasa	26.8	21.6	21.3	10.0	19.9
Nakuru	11	10.3	5.7	5.0	8.0
Kisumu	-	-	-	5.5	5.5
Eldoret	10.3	7.5	3.2	8.5	7.4

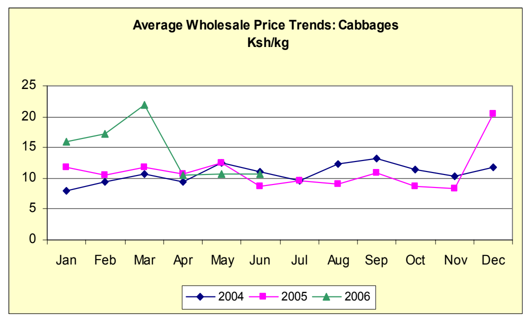
Banana prices have been fairly stable over the past three years. In the first five months of this year prices did not fluctuate by more than Ksh3/kg. This is good news for consumers and banana producers who generally seem satisfied with the prices.

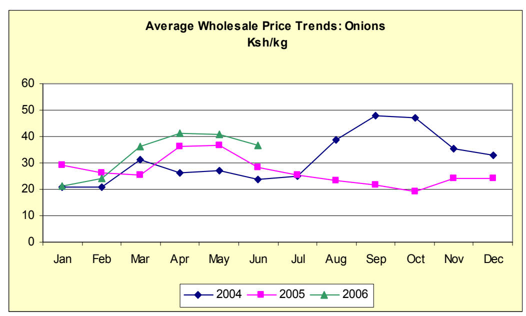
In previous years, tomato prices have tended to fall in January and February and recover by April/May. This is attributable to two reasons: low purchasing power after much expenditure by consumers during the Christmas season and good supply following heavy rains in November followed by dry weather in December/January. In 2006, February recorded the highest price (Ksh 35/kg) mainly due to the wet weather experienced during November/December 2005 which in turn raised the costs associated with disease control.

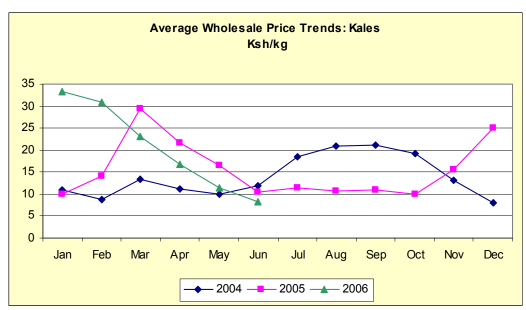
The prices for Kales were relatively high between December 2005 and March 2006 because of localised drought experienced in various parts the country. However, prices returned to normal levels in May 2006 due to ample supply as a result of the good long rains between March and May. For the past year, prices for onions have been slightly above the average of previous years. Since most onions are sourced from Tanzania, high transport costs were probably a factor. Increasing production costs in Tanzania will also provide an opportunity for Kenyan growers to compete more effectively in onion production in future. KHDP will be targeting onions during the next year especially on issues to do with post harvest management.











KENYA–US TRADE: CURRENT SCENARIO AND FUTURE PROSPECTS

The growth of the Kenyan horticulture industry to a value of more than half a billion dollars over the past decade is undoubtedly an "African success story". However, it is largely dependent on one market, the United Kingdom, and a few specific products - roses, fine beans and avocado. Future growth will depend on both product and market diversification.

The size of United States' (US) market for fresh produce, flowers and nuts is very similar to total European demand. However, it is currently a very minor market for Kenya, accounting for less than 2% of horticultural exports. Not surprisingly, commercial companies, government, USAID and other donors are looking closely at the potential of the US market for Kenyan growers, processors and exporters. The tables below show the main products exported to the US in recent years as reported by the Kenya Revenue Authority (KRA) and US Customs. Although the total quantities are small, the relative importance of various product categories is completely different from European exports. Nuts (macadamia and cashew) are the biggest export, followed by a small amount of cut flowers and cuttings. Fresh fruits and vegetables, the basis for Kenya's success in Europe, and still ahead of flowers in volume, are not shipped at all from Kenya to the US.

Table 1: US Imports of Kenyan Products (US$ '000s)

Category	Calendar Year		
	2003	2004	2005
Macadamia	5,496	12,242	7,342
Cashew	491	1,363	1,518
Cut flowers & foliage	1,375	1,275	1,370
Processed fruit & nuts	1,152	1,335	1,327
Fruit juices	50	53	18
Totals	8,564	16,268	11,575

Source: US Customs

So what are the immediate prospects for Kenyan products in the US?

1. Nuts

US demand for nuts is growing at a rate of at least 5% per annum. Kenya is currently fourth in world production of macadamia but slipping fast because of variable quality. Nevertheless, as one of the few existing producers of macadamia, which is a slow-growing tree, Kenya has a comparative advantage. US exports could grow very fast with new investment and effective technical support to increase productivity and quality. Cashew is a lower value nut but demand is strong. India and Vietnam are the main suppliers of processed nuts to the US. Kenya and other African countries have traditionally exported raw nuts to Asian processors. The challenge in Kenya is to process more cashew efficiently so as to add value and hence increase returns.

2. Cut Flowers

There are no special restrictions on Kenyan flowers entering the US. At least five Kenyan companies have been shipping roses and bouquets to the US during the past year. This business has increased significantly following a professional display by exporters at a trade show in Miami in March. The flower industry thrives on variety and US importers are beginning to realize that they can get a wider range of high quality roses and other flowers from Kenya than from traditional suppliers in South America. Although the freight is expensive, our flowers tend to be smaller and cheaper per stem.

Rosavie's patented, "high-fashion" preserved flower arrangements also sell for very high prices through interior designers, mainly on the west coast of the US. Although Kenya may never compete on price delivering bulk flowers to Miami, there are immediate opportunities to sell flowers to specialized buyers throughout the US.

Table 2: Kenya-US Exports, 2005.

Category	KRA			US Customs
	MTs	Ksh millions	US$ '000	US$ '000
Macadamia	958	264	3,613	7,342
Cashew	288	31	422	1,518
Cut flowers & foliage	299	78	1,073	1,370
Processed fruit & nuts	55	2	30	1,327
Fruit juices	124	4	57	18
Seeds and cuttings	41	17	227	0
Others *	455	203	2,790	0
Totals	2,220	599	8,212	11,575

Source: KRA and US Customs

3. Fresh fruits and vegetables

The United States Department of Agriculture/Animal and Plant Health Inspectorate Service (USDA/APHIS) sets very high standards for fresh produce entering the US. This has in effect excluded Kenyan produce in the past since we have been unable to show complete "pest risk analyses" (PRAs) for any of the exportable vegetables. High shipping costs compared with Latin American suppliers have also been an obvious commercial factor preventing development of Kenya-US trade. This is however changing.

The first reason is that Kenyan companies have become market leaders in Europe for pre-packs of prepared and mixed vegetables. These have the value to absorb air freight charges to the US and have attracted the attention of up-market US buyers, particularly in northern States where we are at less of an air freight cost disadvantage than in the south.

Second, the USDA has reacted to the spirit of the African Growth Opportunities Act (AGOA) to review procedures for approving imports from African countries. Following visits of senior APHIS scientists to Kenya earlier this year, a fast-track request for approval to import Kenyan shelled peas has already been submitted. Another team will be visiting Kenya in August, 2006 to document Kenyan production and post-harvest systems prior to requesting approvals for more products. The advanced technology of our high care packhouses, together with widespread EurepGAP compliance and the global status of KEPHIS as an inspectorate service, should provide a strong case that Kenya produce is "safe" to enter the US.