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KENYA

Horticultural Development Program

Marketing News - November/December 2006

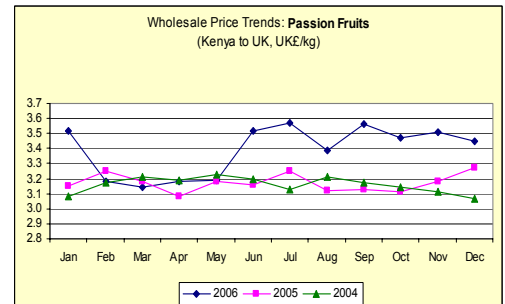
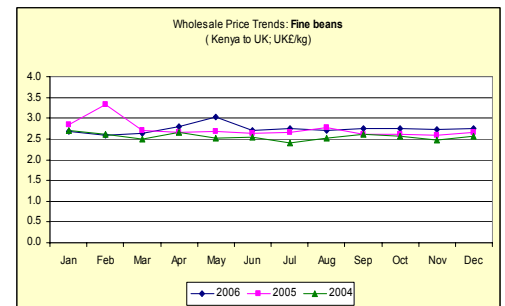
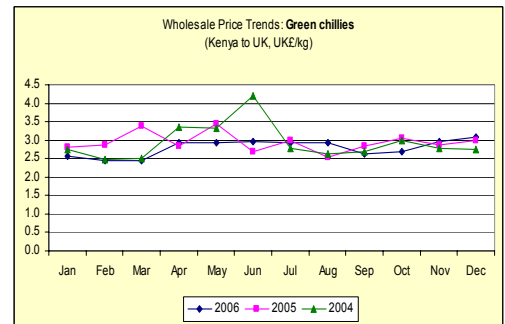
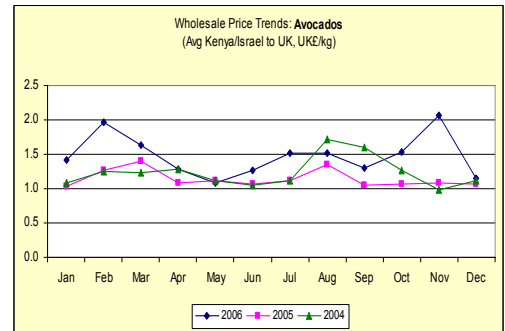
Overall, 2006 was a reasonable year for fresh produce growers and exporters. Unusual weather in Europe and around the world has made supplies to the market less predictable, and Kenya is often more reliable than other sources. Exporters and their outgrowers, big and small, have responded well to market demands for food safety and traceability. EurepGAP has generally had a positive effect on production and incomes. Nevertheless, costs are going up at a faster rate than the provision of support services and infrastructure for the industry. Strategic issues such as roads, energy costs and sea freight need to be addressed urgently to maintain growth and diversification. The domestic market is the main outlet for most growers and the MOA has been working hard throughout 2006 to improve their data collection and advisory systems for horticultural growers. This is already having a positive impact. *Steve New, Director, KHDP*

International Prices

Fresh Fruits and Vegetables-UK Market

Food Surveys UK & Fresh Produce Journal UK					
Market	Supplier	Variety	Nov.	Dec.	% Change
Average Wholesale Prices UK£/Kg					
Avocado					
UK	Kenya	Fuerte			
	Israel	Fuerte	1.08	1.15	6%
	SA	Fuerte	3.06		
Green Chillies					
UK	Kenya	green	2.95	3.08	4%
	Gambia	green		2.00	
	Holland	green	2.98	3.27	10%
Fine Beans					
	Kenya		2.73	2.76	1.1%
UK	Egypt		3.27		
Mangetout					
UK	Kenya		3.47	3.98	15%
	Guatemala		3.72	3.89	5%
Sugarsnap Peas					
UK	Kenya		3.43	3.71	8%
	Guatemala		3.46	3.64	5%
Okra					
UK	Kenya		1.72	1.94	13%
	Thai		3.50	3.50	0
	India		1.94	1.57	-19%
Passion Fruit					
UK	Kenya		3.51	3.45	-1.7%
	Colombia		3.03	3.34	10%
	Zimbabwe		3.00	3.08	3%
	Brazil			1.56	
Karella					
UK	Kenya		1.92	1.92	2.3%
	Dominican Republic		1.82	1.82	18%

In general, monthly average prices during 2006 were slightly better than in 2005 for most crops, with periodic shortages of some (beans, peas and passion fruit) forcing up prices. With so many exporters supplying the market from Kenya, these higher market prices are almost immediately translated into better farmgate prices for growers. Between October and December 2006, Kenyan avocado was out of season. The market was short from all sources in November but over-supplied by Israel in December causing the highest (80%) decline in price level (from £ 2.07 to £ 1.14 / Kg) over the past two years. Fine beans have maintained stability in wholesale price levels over the past three years ranging between £ 2.5 and £ 3.0/Kg but with occasional brief shortages providing price bonuses to some growers. Since May 2006, the price for passion fruit was 10% above the three-year average. The price difference for supermarket buyers was even higher, providing a good market opportunity for any growers with EurepGAP-certified passion fruit. Moving into January 2007 the prospects look good with exporters reporting sustained demand for Kenyan produce.



Domestic Prices - Fruits

Fresh Fruits

Ministry of Agriculture, Market Information Office & HDP

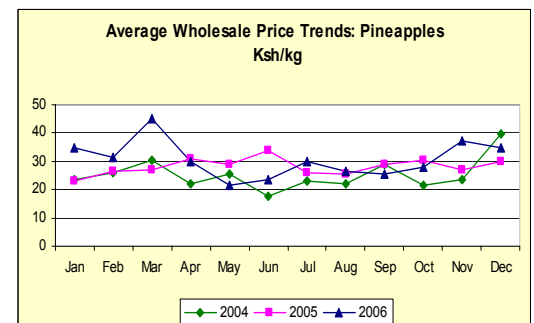
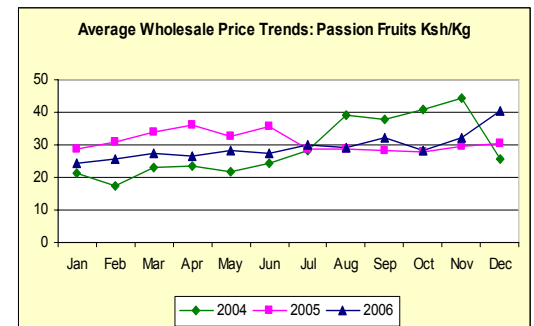
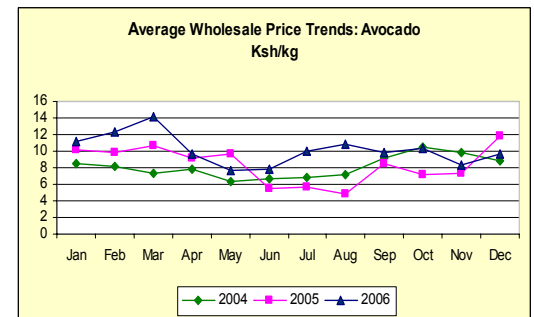
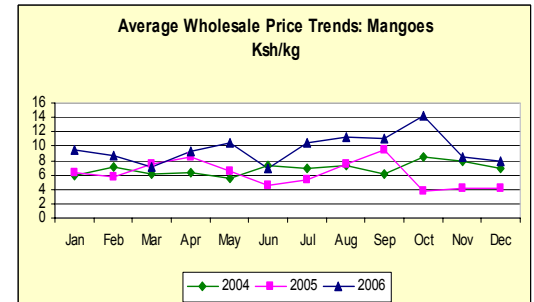
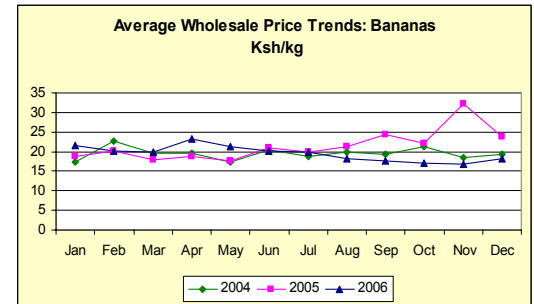
Market	Sept.	Oct.	Nov.	Dec.	Average
Average Wholesale Prices, KSh per kg					
Bananas					
Nairobi	29.6	26.1	25.8	28.6	27.5
Mombasa	20.7	20.5	18.7	19.3	19.8
Nakuru	11.4	12.1	10.7	12.6	11.7
Kisumu	11.7	11.1	10.7	12.5	11.5
Eldoret	14.6	15.9	18.3	17.9	16.7
Mango					
Nairobi	37.6*	38.9*	48.0*	11.9	34.1
Mombasa	4.8	5.0	5.1	4.0	4.7
Nakuru	11.0	12.7	12.4	11.9	12.0
Kisumu	9.2	9.3	8.4	4.0	7.7
Eldoret	12.9	8.9	7.9	7.9	9.4
Avocado					
Nairobi	10.6	10.7	10.6	12.2	11.0
Mombasa	15.0	17.2	11.1		14.4
Nakuru	12.7	14.4		13.3	13.5
Kisumu	6.2	3.5	3.2	3.8	4.2
Eldoret	5.1	5.8	8.7	8.9	7.1
Passion Fruit					
Nairobi	22.6	22.4	23.0	23.8	23.0
Mombasa	26.3	17.5	26.3	47.1	29.3
Nakuru	37.5	35.6	35.1	39.5	36.9
Kisumu	37.7	21.6	20.9	32.5	28.2
Eldoret	37.5	45.0	55.0	60.0	49.4
Pineapple					
Nairobi	35.5	44.0	46.1	39.6	41.3
Mombasa	40.6	37.1	44.1	52.3	43.5
Nakuru	17.5	20.7	29.5	21.7	22.3
Kisumu	12.5	13.1	12.7	37.5	18.9
Eldoret	22.0	25.6	54.6	23.4	31.4

* No common mango available – price is for named varieties such as Ngowe

Prices for most fruits remained fair and stable for the better part of 2006. Banana prices were the most stable in 2006 at Ksh 16-20/Kg. Although between June and December prices were higher than during the same time in 2006, a fair annual average price of about Ksh 20/Kg has been maintained for the last three years. The best prices (as high as Ksh 30/Kg) were observed in Nairobi where demand is strong from urban consumers with no access to "home grown" produce, while the lowest prices were evident in more rural areas such as Nakuru and Kisumu.

Mango prices were higher in 2006 (Ksh 10/Kg) than average for the previous two years (about Ksh 6). With a greater range of grafted varieties (Apple, Tommy Atkins, Kett and others) now coming into the market from new orchards, prices ranged from Ksh 10/Kg to about Ksh 35/Kg, with the traditional "common" mango selling at the bottom end. Avocado prices on average were higher in 2006 than in previous years due to persistent rain in some production areas. Passion fruit prices have been increasing steadily from about Ksh 20/Kg in January to about Ksh 45/Kg in December both during 2004 and 2006.

Pineapple price on average stabilized around Ksh 30/Kg for the last three years except in March 2006 when price rose to as high as Ksh 45/Kg.



Domestic Prices - Vegetables

Fresh Vegetables

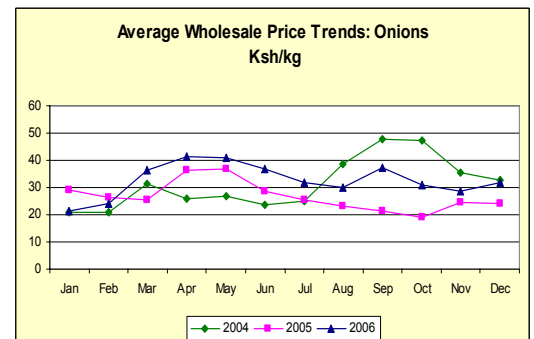
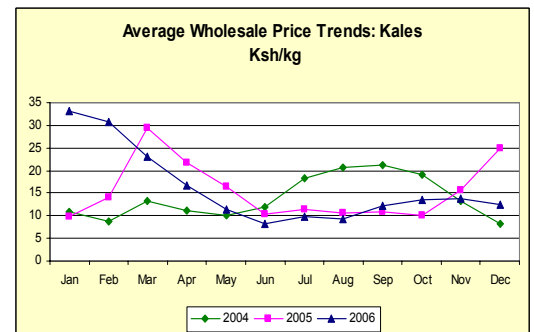
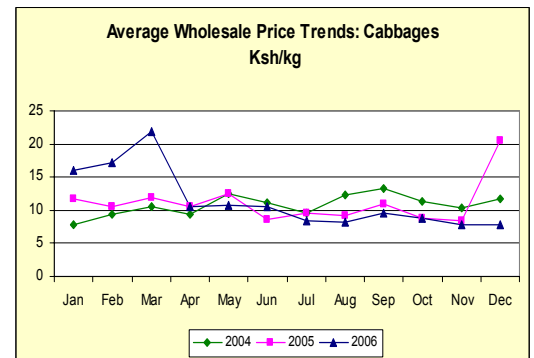
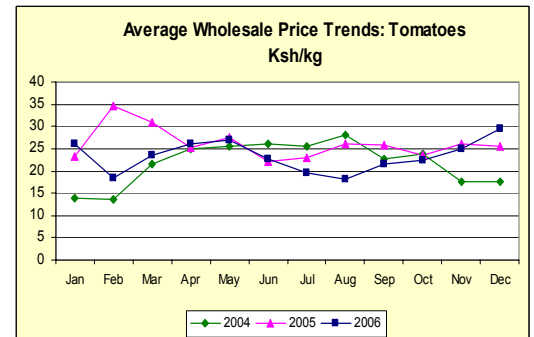
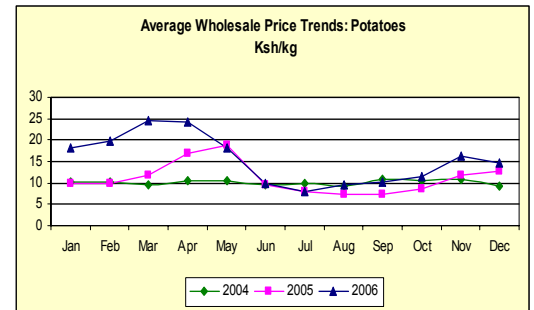
Ministry of Agriculture, Market Information Office & HDP

Market	Sept.	Oct.	Nov.	Dec.	Average
Average Wholesale Prices, KSh per kg					
Potatoes					
Nairobi	11.3	12.4	21.4	12.7	14.5
Mombasa	15.2	16.9	22.3	24.3	19.7
Nakuru	9.0	9.9	15.2	14.2	12.1
Kisumu	9.2	11.6	10.5	13.6	11.2
Eldoret	5.9	7.3	12.1	9.1	8.6
Tomatoes					
Nairobi	22.2	25.1	27.6	31.4	26.6
Mombasa	27.2	22.4	35.3	43.0	32.0
Nakuru	19.1	21.0	22.6	27.9	22.7
Kisumu	20.2	18.6	19.5	29.7	22.0
Eldoret	19.7	24.5	20.7	15.6	20.1
Cabbage					
Nairobi	10.4	9.8	8.7	9.5	9.6
Mombasa	20.3	16.8	14.4	13.5	16.2
Nakuru	8.4	9.2	8.6	8.5	8.7
Kisumu	4.9	4.4	4.4	3.8	4.4
Eldoret	3.3	3.2	3.5	3.6	3.4
Onion					
Nairobi	32.4	27.8	26.3	27.1	28.4
Mombasa	28.0	26.1	24.5	41.8	30.1
Nakuru	35.1	29.9	26.9	31.8	30.9
Kisumu	53.7	32.3	32.3	26.9	36.3
Eldoret	36.5	38.1	32.5	32.3	34.8
Kales					
Nairobi	15.0	17.0	16.8	11.4	15.1
Mombasa	11.5	12.3	15.2	20.5	14.9
Nakuru	9.5	12.9	11.9	6.4	10.2
Kisumu	10.7	11.9	13.0	16.0	12.9
Eldoret	14.0	13.2	12.2	8.0	11.9

In general, most vegetables showed a lot of variation in price during 2006, caused by changes in weather patterns. Nevertheless, prices were relatively stable during November and December despite heavy rains. The difficult weather conditions and Christmas demand affected tomatoes more than other crops. Just like the fruit, vegetable prices in Mombasa were generally high followed by prices in Nairobi. The high prices in Mombasa were due to the related transport costs while high Nairobi prices can be attributed to high effective demand as well as transport costs.

Potato prices were relatively high in November and December 2006 compared to previous five months because of high demand towards the Christmas season. Prices were as high as Ksh 25/Kg in Mombasa, the farthest urban centre from the major producing areas, and as low as Ksh 10/Kg in other areas like Eldoret. Tomato prices have increased by over 50% since August (from Ksh 20/Kg to Ksh 30/Kg) with the highest increase (by over Ksh 5/Kg) being evident between November and December mainly due to high Christmas demand. Heavy rains also worsened the situation as most of the crop was affected by fungal diseases (except for the few green house growers who were able to cash in on the high prices).

Nairobi average prices for cabbage have stabilized at Ksh 10/Kg since April 2006 with the price reaching a low of Ksh 4/Kg in Kisumu and Eldoret. In December Kale price was 100% higher in Mombasa (Ksh 20/Kg) than in Nairobi (Ksh 10/Kg). The price of Onions stabilized at Ksh 30/Kg during November and December 2006.



What happened to EurepGAP?

It is now three years since EU supermarkets got serious about EurepGAP. In early 2004 there was a real fear that this new trade standard would be impossible for the thousands of Kenyan smallholders who grow export fruits and vegetables to achieve, and that many would be plunged into poverty. Since more than 50% of Kenya's exports of fresh produce are grown by smallholders, there was also a possibility that exports and foreign exchange earnings would fall drastically, with negative effects on employment and the economy in general. In 2004-05 the papers were full of doom and gloom, but more recently the "E" word has hardly been mentioned. What happened?

Fortunately, there has not been a EurepGAP-induced disaster – in fact exports of fresh produce have continued to increase since 2003, albeit at a reduced pace. Current industry concerns are more to do with freight, energy and labour costs, exchange rates and taxation policy, which are making Kenyan exports less competitive. So what has changed in response to EurepGAP? Are the big exporters growing more peas, beans and avocado on their own farms? Apparently not much. Have thousands of small-scale growers been EurepGAP certified? Not exactly, but there has been a massive private/public sector effort, supported by various donors, to raise smallholder production systems towards the standard.

In an attempt to quantify the impact of this national initiative, KHDP recently contracted Farm Produce Technology to conduct a survey of 1,020 growers in twelve Districts which account for more than 80% of smallholder export production. Initial findings suggest that overall, EurepGAP has had a significant positive effect on smallholder production across the twelve areas and that net average incomes have not dropped.

1. EurepGAP Status of Smallholders

In nine out of the twelve Districts more than 80% of growers interviewed were either certified (a small number) or "working towards" certification (the majority). In practice most of those "working towards" do not expect to be certified in the near future. However, in the key production aspects of MRLs, PHIs and approved chemicals, the training received has contributed to almost universal compliance. Although growers reported more than ten different providers of training and information on EurepGAP, it was clearly most effective and resulted more often in certification when it was provided by their export buyers (often in conjunction with a donor). Data provided by exporters indicated that a total of 1,511 small-scale growers are currently EurepGAP certified for fresh produce and a further 8,325 for processing.

2. Drop-outs versus New Entrants

One of the reasons for carrying out this survey was that there are no historical records of the numbers of active export growers which would allow pre and post-EurepGAP comparisons. However, growers' best estimates of neighbours who had stopped growing for export since 2003 indicated a maximum of 20%. And one of the most surprising findings of the survey is that more than 20% of growers interviewed had actually entered the business since 2003.

In some Districts – Nyandarua, Embu and Nakuru for example – more than 50% were relatively new export growers. So, although some growers have undoubtedly dropped out of the export industry, it seems that this number is matched and possibly exceeded by an equivalent number of new entrants. Furthermore, the reasons given for dropping out were frequently not related to EurepGAP, but included weather changes leading to lack of water, deterioration of roads and other market factors.

3. Production Levels

Average production levels per grower appear to have increased by 5-10% amongst the sample interviewed, although there was much variation between crops and geographical areas. For example passion fruit growers have suffered because of market concerns about residue levels, whereas peas have recently been in demand because heavy rains have seriously affected some traditional production zones. There seems no doubt that for the legumes, average area and quantities produced per grower have increased, particularly for those who are certified. These increased areas under production by successful growers provide new employment opportunities in rural areas. It highlights the fact that total production is more important than numbers of growers, in terms of rural income generation and contribution to local economies.

4. Effect on Incomes

For those growers able to comment on their gross returns and costs, there has been a significant increase in sales since they adopted "EurepGAP-type" production (most are not certified) but this was related to increased yields and areas rather than prices. In fact a universal complaint was that there is no price benefit to compensate for the considerable start-up costs involved in compliance and certification. Operational costs are also higher but yields and net margins seem to have improved. Consequently growers cited the initial costs of meeting EurepGAP requirements as the most significant barrier to certification.

5. Other benefits

The majority of growers interviewed said that they would continue implementing aspects of the EurepGAP standard because they could see health, hygiene and environmental benefits. Some also reported increased income from local market crops as a result of employing some of the EurepGAP recommendations. Some actually reported using the returns from tomatoes and cabbage to finance their export crop compliance. There has clearly been a significant local market spin-off in terms of food safety and crop production which is not widely recognized. This is not surprising since the best export market growers are usually also the best suppliers to the domestic industry.

The full report on the survey is still in preparation. However it is clear from the data collected that the two issues of EurepGAP certification and export production by smallholders must be de-linked. In other words, although a relatively small proportion of growers have achieved certification, the number of growers who have improved their practices sufficiently to stay in the export business does not appear to have dropped overall.