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Horticultural Development Program

Marketing News-September/October 2006

European market demand and prices for vegetables have generally improved in the second half of the year, but the fact remains that the markets are now well supplied from many sources with Kenya's traditional range of fresh produce and flowers – fine beans, Asian vegetables, avocado, roses. Companies have realised that diversification of products and markets is the only way forward. Exports of fresh cut vegetables in multiple packs, and mixed flower bouquets continue to grow and new export crops such as sweet potato and butternut squash, which can be shipped by sea, either fresh or frozen, are attracting interest. New initiatives have also started to identify opportunities for Kenyan products in the US, a market at least as large as the whole of Europe. Our back page profile this month provides information on these initiatives which are paving the way for transatlantic export growth in 2007. *Steve New, Director, KHDP*

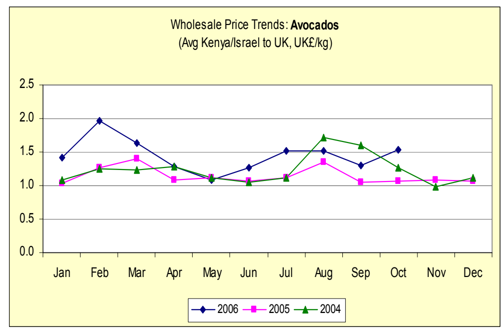
International Prices

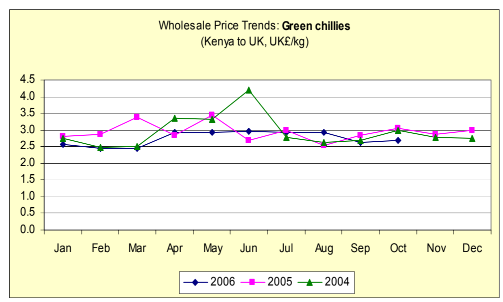
Fresh Fruits and Vegetables-UK Market

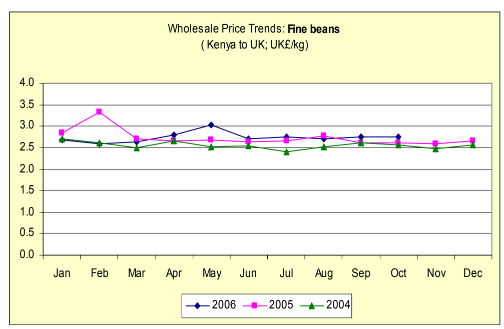
Food Surveys UK & Fresh Produce Journal UK

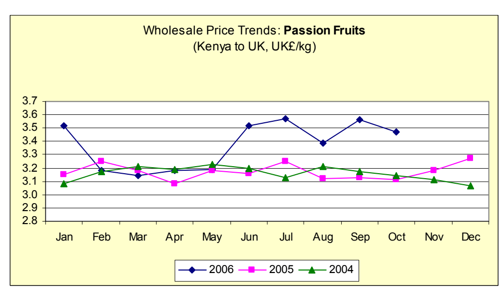
Market	Supplier	Variety	Sept.	Oct.	% Change
Average Wholesale Prices UK£/Kg					
Avocado					
UK	**Kenya**	Fuerte	1.33		
	Peru	Fuerte	1.25		
	SA	Fuerte	1.26	1.54	**22%**
Green Chillies					
UK	**Kenya**	green	2.64	2.68	**2%**
	Gambia	green	1.89	1.89	**0%**
	Holland	green	2.72	2.83	**4%**
Fine Beans					
	Kenya		2.75	2.73	**-0.73%**
UK	*Egypt*		2.50		
Mangetout					
UK	**Kenya**		3.55	3.16	**-11%**
	Guatemala		3.28	2.86	**-13%**
Sugarsnap Peas					
UK	**Kenya**		6.64	3.28	**-51%**
	Guatemala		3.30	3.55	**8%**
Okra					
UK	**Kenya**		6.00	4.48	**-25%**
	Thai		4.00	3.50	**-13%**
	Brazil		3.63	3.83	**6%**
Passion Fruit					
UK	**Kenya**		3.56	3.47	**-2.53%**
	Colombia		3.19	3.13	**-2%**
	Brazil				
	Zimbabwe		3.30	3.13	**-5%**
Karella					
UK	**Kenya**		1.71	1.62	**-5%**

Wholesalers reported generally good business, mainly attributable to mild weather experienced across the UK during October. Overall prices for the year have remained relatively stable and comparable to previous years, with the exception of passion fruit which has been in short supply and high-priced since May. The main reason for this seems to be that, following MRL problems on passion, suppliers are unwilling to send fruit which is not EurepGAP-certified or from a very reliable source. Kenyan shippers could not take advantage of the shortage of avocado in October with South Africa being the major source. This translated into a 22% increase in prices. Shortages of peas and okra in September were followed by a surge of exports from Kenya in October. Consequently the price of Sugar snaps dropped by 51% (from £6.64/kg to £3.28/kg) and okra by 25% (from £6.00/kg to £4.48 /kg). Prices for green chilli and other Asian vegetables decreased slightly in September and October, and this market category remains depressed. Market traders say that the new generation of "British Asians" is not keen on traditional vegetables! Uptake by European consumers has increased but chilli, okra, karella and the other Asian vegetables are still minor products subject to cooking fashions.









Domestic Prices-Fruits

Fresh Fruits

Ministry of Agriculture, Market Information Office & HDP

Market	July	Aug	Sept	Oct.	Average
Average Wholesale Prices, KSh per kg					
Bananas					
Nairobi	26.9	26.0	29.6	26.1	**27.1**
Mombasa	18.9	20.3	20.7	20.5	**20.1**
Nakuru	18.1	14.8	11.4	12.1	**14.1**
Kisumu	17.2	10.7	11.7	11.1	**12.7**
Eldoret	19.1	19.6	14.6	15.9	**17.3**
Mango					
Nairobi	6.9	36.4*	37.6*	38.9*	**29.9**
Mombasa	4.5	4.5	-	-	**4.5**
Nakuru		11.5	11.0	12.7	**11.7**
Kisumu	9.8	7.7	9.2	9.3	**9.0**
Eldoret	20.6	21.1	12.9	8.9	**15.9**
Avocado					
Nairobi	9.2	10.4	10.6	10.7	**10.2**
Mombasa	15.5	15.6	15.0	17.2	**15.8**
Nakuru	10.8	14.0	12.7	14.4	**13.0**
Kisumu	3.8	3.0	6.2	3.5	**4.1**
Eldoret	10.7	11.0	5.1	5.8	**8.2**
Passion Fruit					
Nairobi	22.6	22.6	22.6	22.4	**22.5**
Mombasa	25.8	29.2	26.3	17.5	**24.7**
Nakuru	37.2	37.7	37.5	35.6	**37.0**
Kisumu	22.0	20.6	37.7	21.6	**25.5**
Eldoret	41.3	36.3	37.5	45.0	**40.0**
Pineapple					
Nairobi	31.6	34.0	35.5	44.0	**36.3**
Mombasa	37.2	40.5	40.6	37.1	**38.9**
Nakuru	-	13.6	17.5	20.7	**17.3**
Kisumu	13.9	11.2	12.5	13.1	**12.6**
Eldoret	36.7	32.3	22.0	25.6	**29.1**

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

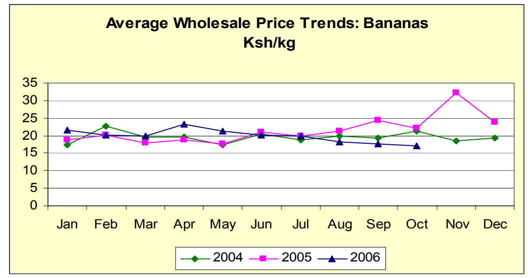
Generally, supplies of all fruit have been adequate for market demand, and prices for major fruits have been fairly stable and similar to previous years for the last four months. However, there is a suggestion that average banana prices may be declining due to the large volumes being over supplied into some markets especially Kisumu and Nakuru.

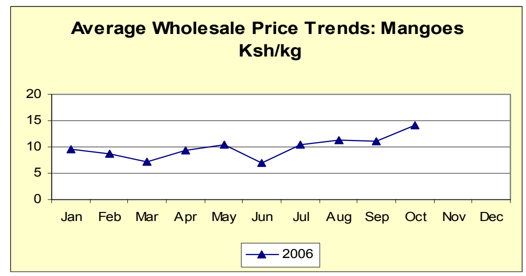
Heavy rains have reduced supplies of mango to Nairobi and kept average prices at over 9/- per kilo except in Mombasa where local growers have been supplying the coast market. The prices (in asterisks) for the Ngowe mango variety is by far better (over 70 percent higher) in comparison to the prices of other varieties.

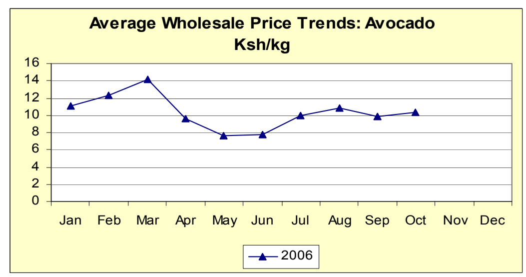
Avocado was in short supply in October (see UK market report) and recorded the highest price of the year in Mombasa (Ksh 17.2/kg).

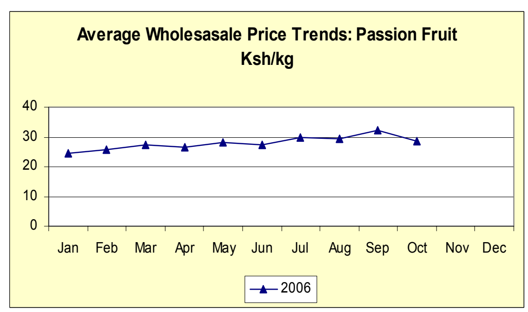
Passion fruit and pineapple remain the highest priced fruit, both recording average prices of around 30/- per kilo.

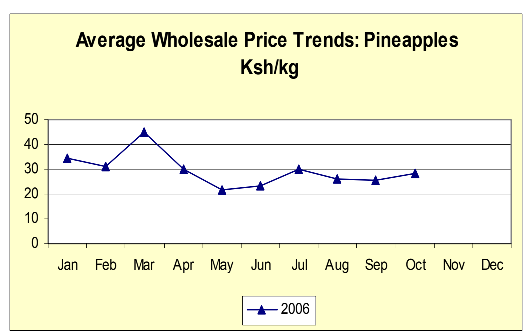
Prices in the Mombasa market were frequently at the top end, except for mango. The Kisumu market was generally the lowest priced.











Domestic Prices-Vegetables

Fresh Vegetables

Ministry of Agriculture, Market Information Office & HDP

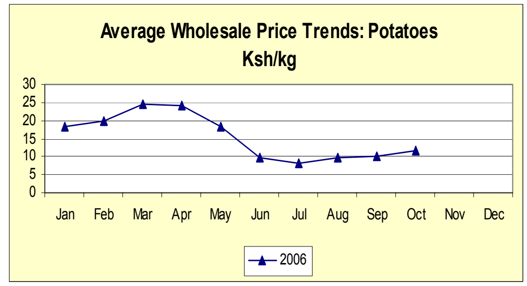
Market	July	Aug	Sept	Oct.	Average
Average Wholesale Prices, KSh per kg					
Potatoes					
Nairobi	8.2	10.4	11.3	12.4	**10.6**
Mombasa	10.3	13.2	15.2	16.9	**13.9**
Nakuru	6.8	8.5	9.0	9.9	**8.5**
Kisumu	9.0	9.9	9.2	11.6	**9.9**
Eldoret	6.5	6.6	5.9	7.3	**6.6**
Tomatoes					
Nairobi	20.0	20.7	22.2	25.1	**22.0**
Mombasa	23.1	20.3	27.2	22.4	**23.2**
Nakuru	19.7	17.2	19.1	21.0	**19.2**
Kisumu	18.4	18.8	20.2	18.6	**19.0**
Eldoret	16.2	13.9	19.7	24.5	**18.6**
Cabbage					
Nairobi	9.2	10.1	10.4	9.8	**9.9**
Mombasa	18.2	15.7	20.3	16.8	**17.7**
Nakuru	7.3	7.9	8.4	9.2	**8.2**
Kisumu	4.3	3.5	4.9	4.4	**4.3**
Eldoret	3.1	4.2	3.3	3.2	**3.5**
Onion					
Nairobi	28.4	29.3	32.4	27.8	**29.5**
Mombasa	29.4	30.5	28.0	26.1	**28.5**
Nakuru	31.9	30.1	35.1	29.9	**31.8**
Kisumu	33.4	29.5	53.7	32.3	**37.2**
Eldoret	35.0	30.4	36.5	38.1	**35.0**
Kales					
Nairobi	15.3	14.3	15.0	17.0	**15.4**
Mombasa	9.2	9.3	11.5	12.3	**10.6**
Nakuru	7.6	8.5	9.5	12.9	**9.6**
Kisumu	12.2	8.3	10.7	11.9	**10.7**
Eldoret	5.5	6.8	14.0	13.2	**9.9**

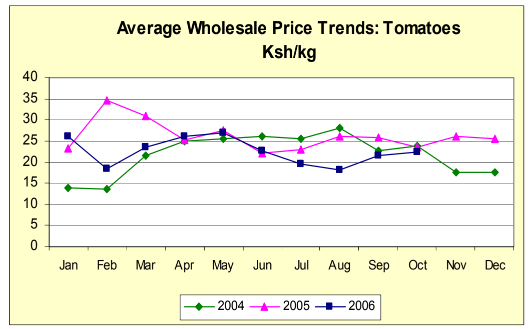
Prices across the country remained stable in September/October and in line with previous years. For all products except onion, prices in Nairobi and Mombasa tended to be higher than in other areas.

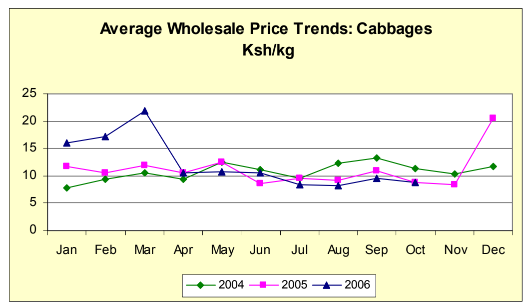
Potato was well supplied although quality was variable. Prices were highest in Mombasa (Ksh 14/kg) and lowest at Eldoret (Ksh 7.0/kg).

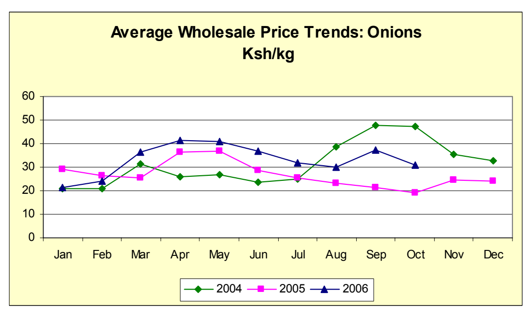
Prices for tomato have been gradually increasing since August due to high demand and some reduction in supply caused by heavy rains in some production areas. With the current rains, prices are expected to move even higher, reflecting the high cost of production specifically related to disease and pest control. Greenhouse growers should benefit from the situation.

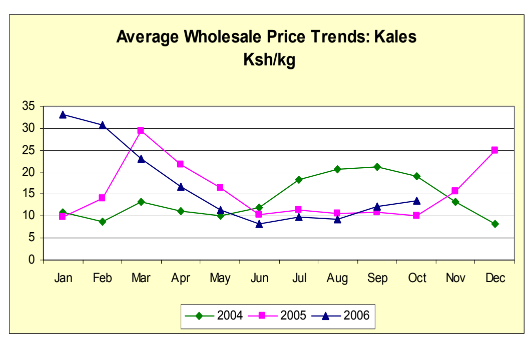
Onion prices went down slightly in October but were well above the price during the same period last year. This is mainly due to the influx of Tanzanian onion which is viewed by most consumers as of better quality than locally grown onions.
September and October were good months for Kale growers with prices (which had remained stable but low) going up by about Ksh 5/kg. If Kale price trends for the past three years are anything to go by, Christmas demand and variable weather make it difficult to predict November/December prices.











KENYA US TRADE

Kenyan exports to the US are dominated by textiles and apparels (78%) and agricultural products (15%) (Table 1). Of the $54 million agricultural exports recorded in 2005, about a quarter ($13 Million) were horticultural products (table 2) , with the rest being mainly coffee and pyrethrum.

Table 1: Kenya Exports to the US (Million USD)

Sector	2004	2005	% total
Textiles and apparels	277.43	270.84	77.88
Agricultural products	50.94	53.82	15.48
Other Sectors	23.8	23.09	6.64
All sectors	352.17	347.75	100.00

US customs statistics indicate that the overall value of horticultural exports to the US increased from 2003 to 2005 (table 4). However, provisional KRA data for the year to September 2006 do not suggest any significant growth in value this year (table 3), although quantities increased significantly from 2,220 MTs to 3,320 MTs (Table 3). This drop in unit value was apparently caused by a combination of dollar depreciation and lower prices due to variable macadamia quality and market over-supply at key periods when Kenyan exporters were shipping.

Although the potential US market for Kenyan products is at least as big as the whole of Europe, at $13.1 million it accounted for just 2.1% of Kenya's total horticultural exports in 2005 – compared with Europe with more than 95%. Nuts (macadamia and cashew) and cut flowers (mainly roses) were more than 80% of the US trade.

Table 2: Share of overall hort. Exports into the US, 2005

Product	Overall (M $)	To US (M $)	% of total exports
Flowers	298.62	1.33	0.44
Fruits, fresh	19.38	0	0
Fruits, processed	62.33	0.12	0.19
Vegetables, fresh	198.81	0	0
Vegetable products	33.06	2.79	8.45
Nuts	13.88	8.86	63.83
Total	626.08	13.1	2.09

Source KRA

In our June issue we looked at some of the constraints to Kenya-US trade. Since then we have spoken directly with leading export companies, met with US importers and held a round table with representatives from the Washington-based International Trade Commission (ITC) to assess the prospects in more detail.

Six Kenyan companies with multi-million dollar sales in Europe interviewed in October 2006 gave the following reasons for their lack of sales in the US market

- **Lack of market information** - even companies with multi-million sales in Europe have difficulty identifying appropriate US importers and distributors
- **Freight Costs** - freight charges to the US are higher particularly air freight
- **Prices** - offers often seem to be lower in the US although this varies and is mitigated by economies of scale
- **Exchange rates** - weak dollar has been a disadvantage in recent years
- **Regulations** - differences in regulations compared with traditional markets
- **Scale** - brokers often request large quantities even for initial orders
- **Historic** - American product preferences and business practices are not well known compared to the long association with European customers and consumers
- **Out of Africa??** - US buyers and consumers still seem to be wary of African products

Table 3: Volume and Value of Exports into the US, 2006

QTR	Overall Exports		To US		% to US	
	000 MTs	M $	000 MTs	M $	Qty	Value
Q4 05	82.95	153.9	0.90	3.0	1.09	1.95
Q1 06	80.88	172.6	0.85	3.3	1.05	1.91
Q2 06	83.56	162.7	0.69	2.3	0.83	1.41
Q3 06	80.77	160.9	0.88	3.4	1.08	2.11
Total	328	650	3.32	12.0	1.01	1.85

Source: KRA

US buyers interviewed at an AGOA meeting in South Africa were enthusiastic about the potential for the Kenyan products on display, but made a few key recommendations:

- Products from Africa will by definition be regarded as "specialty items" so target the $30 billion specialty market
- Do not target "the US market", it is just too large. Work with successful distributors in specific geographical areas
- "Have a story to tell" about each product and educate distributors and customers about Kenya

Table 4: 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

The ITC policy analysts on a visit to Kenya confirmed that increased trade with Africa will remain central to US development strategy in future. They recommended that Kenya, as a country with high levels of investment, a pool of successful export companies and many thousands of proven growers, should explore the range of US export incentives more aggressively.

Our conclusion from this "field work" is that Kenyan companies really do have major opportunities in the US despite the high freight costs. More specifically:

- Companies who are already selling in the US or who are successful in Europe have immediate prospects for growth. This includes flower, nut and processed vegetable companies who buy from many thousands of small-scale growers

- Market promotion is essential to educate importers, distributors and consumers on Kenyan products which have high market potential – flower bouquets, nuts, processed and mixed "English vegetable" packs (more APHIS approvals are expected in 2007)

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