USAID | KENYA Horticultural Development Program

FROM THE AMERICAN PEOPLE

Marketing News –May/June 2008

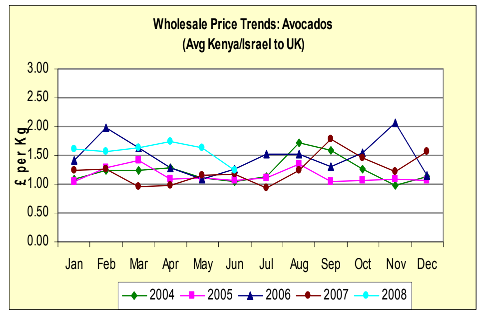
Horticulture is the leading export sub-sector in Agriculture and one of Kenya's top three FX earning industries as well as providing income for many thousands of rural families supplying local markets. In this issue we report on a new comprehensive baseline study of horticultural production and export data. The study will be welcomed by all stakeholders in the industry as a platform for improving the statistical analysis needed for important investment decisions. *Steve New – Director, KHDP*

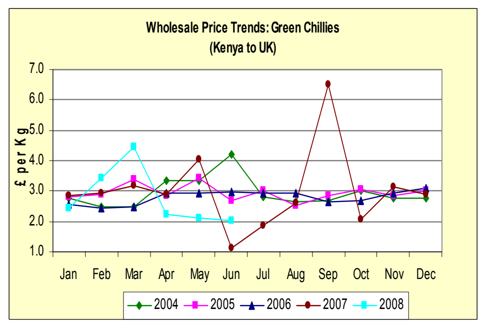
International Prices

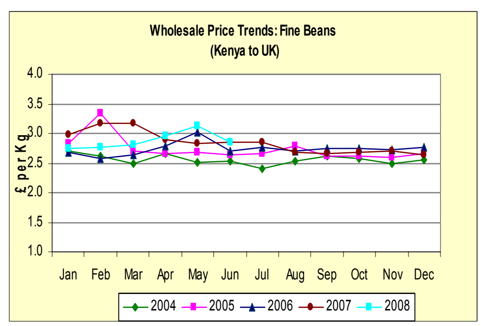
Fresh Fruits and Vegetables-UK Market

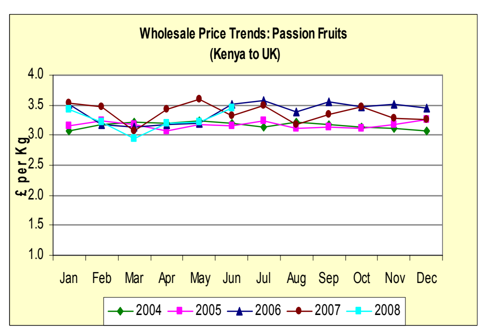
Food Surveys & Fresh Produce Journal, UK

Market	Supplier	Variety	May 08	Jun 08	% Change
Average Wholesale Prices UK£/Kg					
Avocado					
UK	**Kenya**	Fuerte		1.25	
	Israel	Fuerte	1.63		
	Peru	Fuerte	1.58	1.41	-10.8%
	SA	Fuerte	1.64	1.45	-11.6%
Green Chillies					
UK	**Kenya**	green	2.09	2.04	-2.4%
	Ghana	green	1.53		
	Gambia	green			
	Holland	green	3.83	3.08	-19.6%
Fine Beans					
	Kenya		3.13	2.85	-8.9%
UK	Egypt			3.29	
Mangetout					
UK	**Kenya**		3.59	3.17	-11.7%
	Guatemala		3.65	2.73	-25.2%
	Egypt		3.40	3.15	-7.4%
Sugarsnap Peas					
UK	**Kenya**		3.82	3.29	-13.9%
	Guatemala		3.72	2.76	-25.8%
Okra					
UK	**Kenya**		2.15		
	Thai			3.58	
	India		1.78	1.80	1.1%
	Jordan				
Passion Fruit					
UK	**Kenya**		3.21	3.46	7.8%
	Colombia		3.50	3.50	0.0%
	Brazil		3.25	1.69	-48.0%
	Zimbabwe		3.15	3.16	0.3%
Karella					
UK	**Kenya**		2.15	1.50	-30.2%
	Dominican Republic		2.10	1.59	-24.3%
	India		2.00	1.14	-43.0%









Traders reported continued slowed sales, with consumers apparently short of money. As a result, prices of most fresh produce items fell in May and June even though the quality of Kenyan products was reported as good.

Since October 2007, Kenyan avocado has been very scarce in the markets. Prices for Israeli avocado were 7% down in May compared to April but still the highest May price in five years. No Israeli avocados were available in June.

Kenyan Green chilli was in plentiful supply in the market and of good quality though the prices declined slightly. June prices for fine beans were 9% lower than those of May, which were 6% above those of April. Sugar snaps and mangetout also suffered with prices declining by 14% and 12% respectively.

Passion fruit was the only product doing well with prices rising by 1% in May followed by an 8% increase in June. This is the only Kenyan product for which demand increases in the European summer, since consumers use the fresh pulp as a flavor ingredient in fruit salad which is more popular in hot weather.

Domestic Prices - Fruits

Fresh Fruits

Ministry of Agriculture, Market Information Office & HDP					
Market	**Mar 08**	**Apr 08**	**May 08**	**Jun 08**	**Average**
Average Wholesale Prices, KSh per kg					
Bananas					
Nairobi	18.8	30.8	26.6	23.7	**28.8**
Mombasa	16.2	20.3	25.7	26.8	**22.6**
Nakuru	22.7	26.2	33.6	29.6	**27.8**
Kisumu	9.1	15.5	14.9	19.6	**15.7**
Eldoret	12.5	16.9	18.6	19.3	**18.0**
Av. W/S P	15.9	22.0	23.9	23.8	
Mango*					
Nairobi	39.0	39.1	56.7	29.5	**41.1**
Mombasa	13.5	13.6	12.9	10.1	**12.5**
Nakuru	20.0	20.0	18.6	18.0	**19.2**
Kisumu	60.0	52.5	56.4	52.7	**55.4**
Eldoret	42.0	50.0	50.0	15.0	**39.3**
Av. W/S P	34.9	35.1	38.9	25.0	
Avocado					
Nairobi	14.2	17.5	18.2	19.1	**17.3**
Mombasa	20.6	21.1	19.7	16.2	**19.4**
Nakuru	17.8	15.7	16.4	15.7	**16.4**
Kisumu	7.8	5.9	4.0	4.4	**5.5**
Eldoret	8.9	8.7	8.9	9.1	**8.9**
Av. W/S P	13.8	13.8	13.4	12.9	
Passion Fruit					
Nairobi	27.2	27.7	29.6	28.9	**28.4**
Mombasa	36.7	38.0	36.8	35.5	**36.7**
Nakuru	40.0	42.1	42.1	38.0	**40.6**
Kisumu	69.8	45.0	27.0	20.8	**40.6**
Eldoret	30.0	30.0	45.0	38.6	**35.9**
Av.W/S P	40.7	36.6	36.1	32.4	
Pineapple					
Nairobi	39.8	46.9	54.3	50.5	**47.9**
Mombasa	36.7	36.0	38.6	37.5	**37.2**
Nakuru	26.2	20.7	19.6	19.9	**21.6**
Kisumu	39.1	58.3	59.5	62.9	**54.9**
Eldoret	26.9	30.9	25.1	24.2	**26.7**
Av. W/S P	33.7	38.6	39.4	39.0	

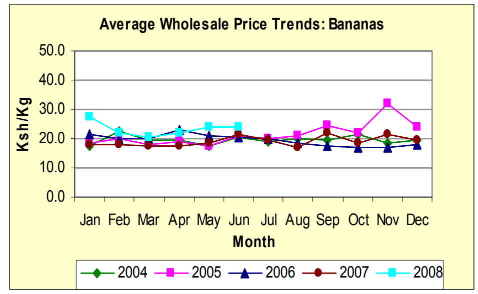
*NB: *From 2007 Mango prices and trends indicated are for the Ngowe Variety*

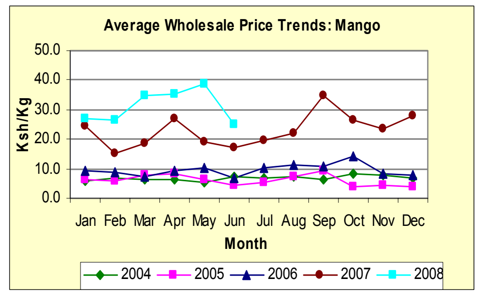
Month-on-month inflation rate hit the highest level in May since the early 1990's after climbing from 26.6% in April to 31.5% in May. In June, the rate declined slightly to 29.3% while the underlying inflation that excludes food items, but affects purchasing power, rose from 10.5% in May to 11.2% in June.

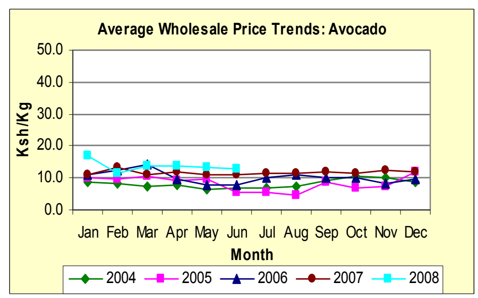
On average, banana prices were up by 9% from Kshs 22 in April to Kshs 23.9/kg in May and Kshs.23.8/kg in June. Nakuru recorded the highest price in May and the highest price increase in June. Nairobians paid 14% less for the commodity in May compared to April which reduced further in June by 11%.

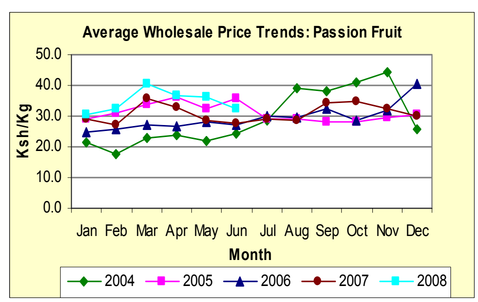
June prices for mangoes and passion fruit were lower by 37% and 10% respectively compared to May with all the markets reporting plentiful supplies.

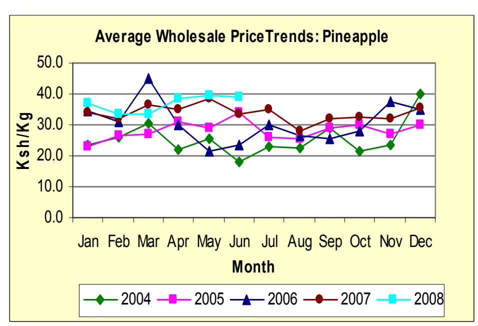
Avocado prices have been on the decline since April dropping by 3% in May and another 4% in June. In Nairobi, Kisumu and Eldoret, prices were up by between 2 and 10%. Pineapples' prices have been fairly stable in the last three months ranging between Kshs. 38.6/kg and Kshs.39/kg.











Domestic Prices - Vegetables

Fresh Vegetables

Ministry of Agriculture, Market Information Office & HDP

Market	Mar 08	Apr 08	May 08	Jun 08	Average
Average Wholesale Prices, KSh per kg					
Potatoes					
Nairobi	27.2	29.3	24.2	15.1	**24.0**
Mombasa	31.0	28.5	23.9	19.3	**25.7**
Nakuru	20.9	25.5	18.3	12.0	**19.2**
Kisumu	45.7	45.0	34.7	18.3	**35.9**
Eldoret	11.8	20.2	18.5	10.4	**15.2**
Av. W/ SP	27.3	29.7	23.9	15.0	
Tomatoes					
Nairobi	36.9	53.6	63.5	48.8	**50.7**
Mombasa	21.3	28.7	40.3	20.1	**27.6**
Nakuru	28.7	43.7	53.4	33.8	**39.9**
Kisumu	18.8	44.5	60.6	42.0	**41.5**
Eldoret	20.3	27.3	30.7	31.6	**27.5**
Av. W/ SP	25.2	39.6	49.7	35.3	
Cabbage					
Nairobi	21.8	22.7	19.4	22.3	**21.5**
Mombasa	26.7	27.1	27.8	28.0	**27.4**
Nakuru	8.9	9.3	11.6	12.0	**10.5**
Kisumu	12.8	12.6	5.8	7.8	**9.7**
Eldoret	5.6	4.0	4.5	5.0	**4.8**
Av W/ SP	15.2	15.1	13.8	15.0	
Onion					
Nairobi	31.2	39.8	40.2	26.4	**34.4**
Mombasa	37.7	41.3	35.7	28.3	**35.7**
Nakuru	50.0	50.0	47.1	35.1	**45.6**
Kisumu	38.5	60.5	56.5	44.4	**50.0**
Eldoret	118.4	40.2	32.1	31.1	**55.4**
Av. W/ SP	55.2	46.4	42.3	33.1	
Kales					
Nairobi	36.7	17.5	20.7	18.0	**23.2**
Mombasa	28.5	15.8	20.7	24.8	**22.4**
Nakuru	27.0	15.5	16.9	12.7	**18.0**
Kisumu	30.0	21.8	20.2	15.2	**21.8**
Eldoret	15.8	10.4	7.3	7.4	**10.2**
Av. W/SP	27.6	16.2	17.2	15.6	

The food and non-alcoholic drinks' index was up by 4.6% from 377.6 in April 2008 to 395.1 in May, mainly due to increases in the price of major food items. Vegetable prices decreased in June, contributing significantly to the 1.2% drop in the index to 390.5 in the month. Despite this drop, tomatoes and cabbages recorded the highest June price in five years.

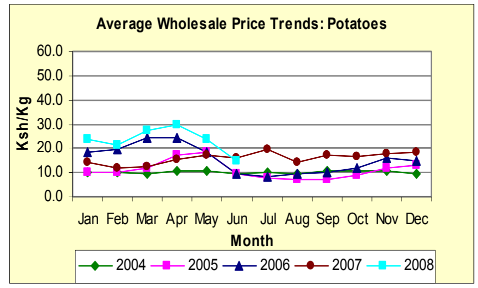
In May, tomato prices were 26% higher than for April but fell back by 29% in June. Mombasa prices were 41% up in May compared to April then dropped by 50% from Kshs 40/kg to Kshs 20/kg in June.

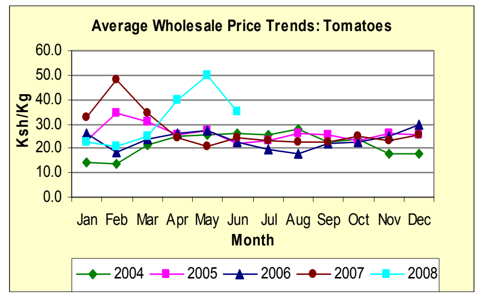
Potato availability increased so prices continued to decline, 19.5% in May compared to April followed by a 37% drop in June. All the markets recorded lower prices in both May and June.

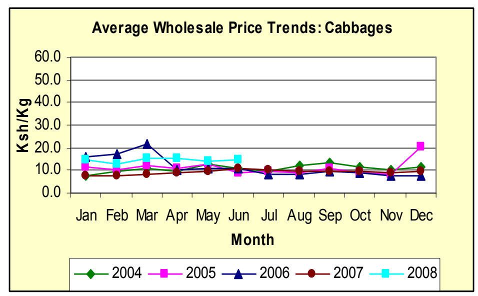
Cabbage prices decline from Kshs 15.1/kg in April to Kshs 13.8/kg in May then up 9% in June to Kshs 15.0/kg. The highest price was from Mombasa while the highest price increase was from Kisumu (34%). In Nairobi, the price went down by 15% to Kshs 19.4/kg in May then rose by 15% in June. Nakuru recorded the highest price increase of 25% in May. Kales were up 6% in May then down 9% in June. Mombasa prices rose by 31% in May followed by a 20% increase in June.

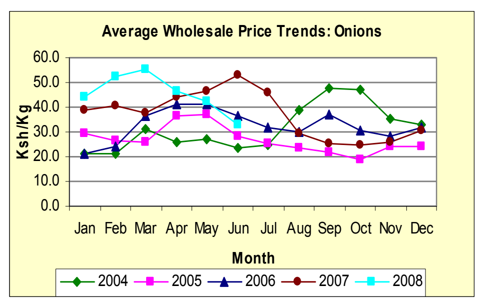
The average price for onions dropped by 9% to Kshs 42.3/kg in May and further by 22% in June. All the markets recorded reduced prices in the two months except Nairobi which gained marginally (1%) in May.

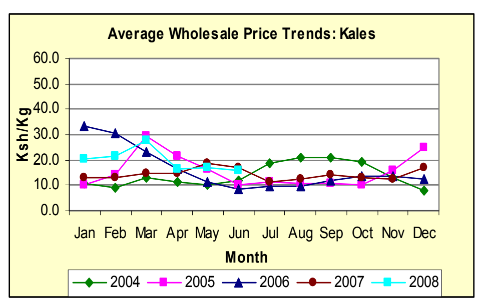
The generally high and fluctuating prices reflect rising cost of living and economic insecurity affecting both farmers and consumers. Prices are likely to stay high for the foreseeable future until farmers develop strategies to cope with higher input costs and the economy recovers.









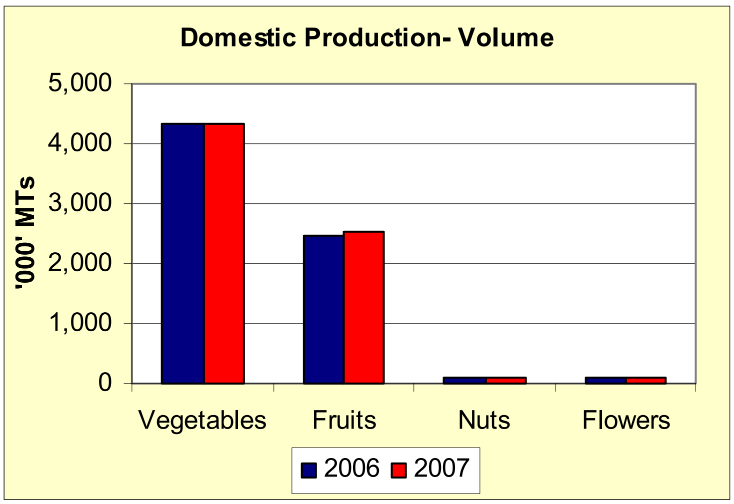


THE DOMESTIC MARKET - 1

Background
For the past six months, KHDP has been part of a technical team from various agencies preparing a "Horticulture Data 2005-07 Validation Report". Some of the key data from the report are utilized below to summarize the current performance and status of the industry. We shall provide more summaries over the next few months.

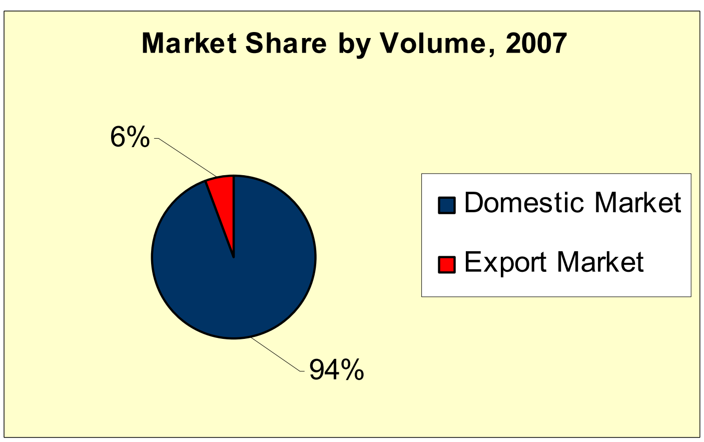
Total Production in 2007
National production of all horticultural crops increased marginally (1%) in 2007 compared to 2006 (Figure 1). Domestic market consumption for 2007 accounted for 94% of total production by weight (figure 2). This translates to a wholesale market value of Kshs 127 Billion ($2.0 billion), a 2.1% increase over 2006. The export market accounted for 6% of production, valued FOB at Kshs 57 billion ($852 million).

Figure 1



Overall Domestic Production/Consumption
Fruits and vegetables (including fresh herbs and spices) accounted for 99% of total domestic consumption in 2007 with the balance made up by flowers and nuts (Figure 3). Consumption of vegetables declined by 1% mainly as a result of decreased production of Irish potatoes. Consumption of fruits increased by 3%.

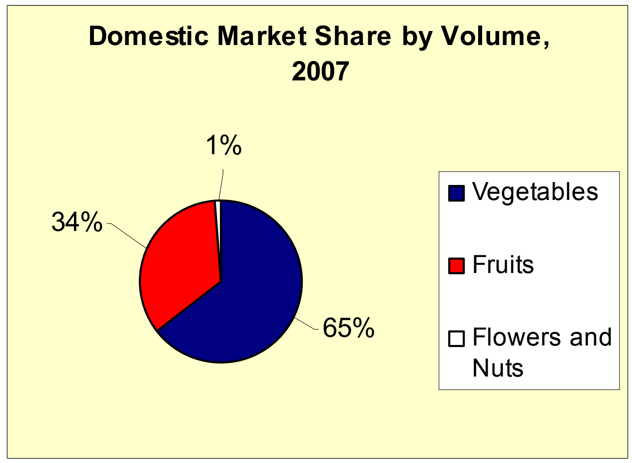
Figure 2



Vegetables
Production and consumption of most vegetables appears to be growing by at least 5% per annum. However, decline in production of Irish potato, which accounts for over 50% by weight of vegetables on the market, is a serious problem.

- Cabbage, tomato and onion production increased by 23%, 13% and 11% respectively compared to 2006
- Carrot, peas and spinach production increased by 51, 46, and 43% respectively
- Production of Irish potato, decreased by 10%. This was mainly due to unavailability of good seed potatoes for planting

Figure 3



Fruit
Overall production of fruit increased by 3% in 2007 compared to 2006 but this figure was depressed by anomalies in banana data and fluctuations in avocado and pineapple production for export.

- Mango and passion fruit production increased by 55% and 11% respectively
- Reported banana production declined by 4% but this was influenced by a significantly reduced area in the main production region, which could be a correction rather than a decrease (Kisii)
- Citrus production fell by 22% due to high levels of citrus greening disease

Forecast for 2008
Although underlying potential growth in domestic demand for fresh fruits and vegetables is probably at least 5% per annum, several factors may constrain potential growth.

- Market infrastructure is poor and consumers are tired of buying produce from unhygienic urban markets
- Produce quality is variable and there is no system for assuring the safety of produce on sale
- Escalating fuel and input costs, and post-election disruption will probably reduce the area under production in 2008

The KHDP is managed for USAID by Fintrac Inc., www.fintrac.com.