

Horticulture is booming in Kenya in 2004 and smallholders are major beneficiaries. This is the conclusion of the HDC team based upon provisional export figures for the January-August period and interviews with exporters, local brokers and fruit processors. Overall exports of fruits and vegetables are up 16% and this goes up to 22% if we include flowers.

We estimate that smallholders will earn at least \$40 million (Ksh3.2 billion) this year from exported fruits, vegetables and flowers, with five times this amount coming from local market sales. And the prospects for further growth are good.

International Prices

Fresh Fruits and Vegetables

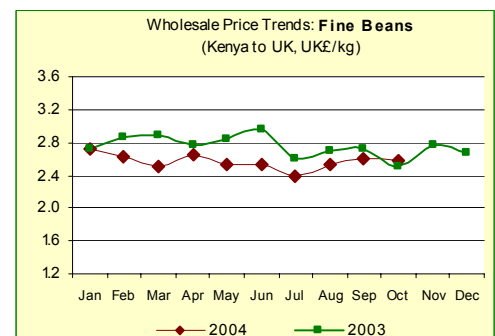
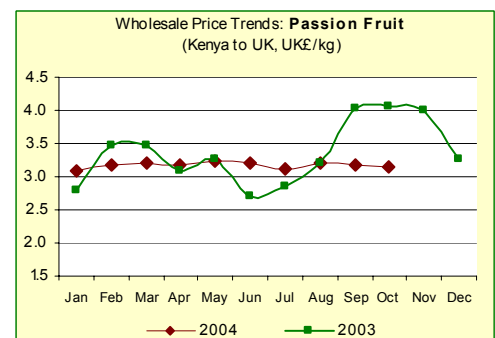
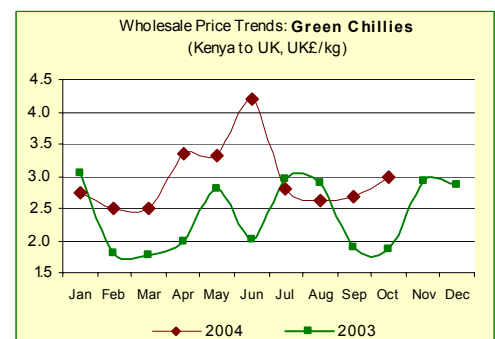
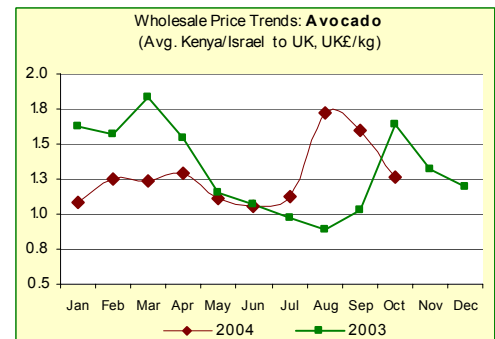
Food Surveys UK & Fresh Produce Journal UK

Market	Supplier	Variety	Sept	Oct	% change
Average Wholesale Prices UK£/Kg					
Avocado					
UK	Kenya	Fuerte	1.50	1.28	-15%
	<i>Israel</i>	Fuerte	1.69	1.26	-25%
Green Chillies					
UK	Kenya	green	2.69	3.00	12%
	<i>Holland</i>	green	2.86	3.05	7%
	<i>Gambia</i>	green	2.00	2.00	0%
Fine Beans					
UK	Kenya		2.61	2.57	-2%
UK		<i>Bobo</i>	1.57		
	Egypt	<i>Bobo</i>	2.25		
Mangetout					
UK	Kenya		3.39	3.64	7%
	Guatemala		3.48	3.88	11%
Sugarsnap Peas					
UK	Kenya		3.78	3.94	4%
	Guatemala		3.81	3.76	-1%
Okra					
UK	Kenya		3.00	3.00	0%
	India		3.10		
	Gambia		2.75	3.25	18%
	Brazil		3.70	3.63	-2%
	Thai		3.18	3.25	2%
Passion Fruit					
UK	Kenya		3.17	3.14	-1%
	<i>Colombia</i>		3.13	3.03	-3%
	Zimbabwe		3.00	2.95	-2%
Karella					
UK	Kenya		2.95	3.00	2%

Kenyan produce continued to perform well on the UK wholesale markets in October. Prices were generally in the top range relative to other suppliers, with the exception of okra and avocado, although there was not much Kenyan avocado on the market. Overall prices have been relatively good in 2004 compared with the previous year, with the exception of fine beans. Wholesalers interviewed by Food Surveys for HDC mentioned again that Kenya did not really stand out any more, and was gradually losing some competitive edge in the wholesale market. Dominican Republic and Guatemala were quoted as examples of other countries which have improved their quality and can offer more competitive prices for some products.

The "big six" supermarkets in UK were surveyed for the availability of Kenyan produce in the last week of October (Tesco, Asda, Sainsbury, Safeway, Waitrose and Marks and Spencer). Fine beans, mangetout (snowpea) and runner beans from Kenya were on sale in all six supermarkets in various forms and pack sizes. Kenyan quality was generally better than the alternative sources.

Kenyan passion fruit, although available through wholesale sources, was not being sold in any supermarkets. Green chilli was only present in Tesco although Kenya has been a leading supplier to the ethnic market for many years. Some examples of added value products on sale in the supermarkets were: baby carrots and sliced runner beans (£1.26 x 200g in Tesco), shelled peas + fine beans + sugar snap (£1.29 x 150g in Waitrose) and shelled peas (£0.80 x 100g in M&S). Food Surveys commented "Kenyan products continue to have very good supermarket impact this yearKenyan products noted in every major retailer".



Domestic Prices

Fresh Fruits and Vegetables

Ministry of Agriculture, Market Information Office & HDC

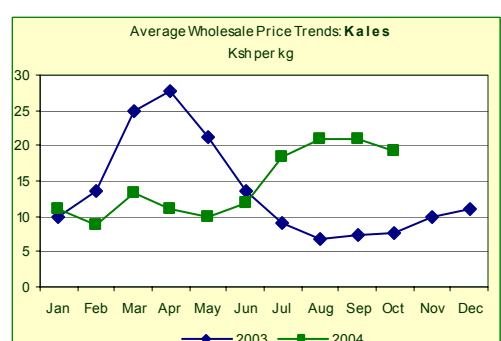
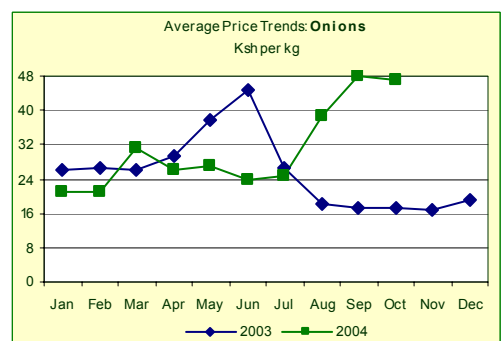
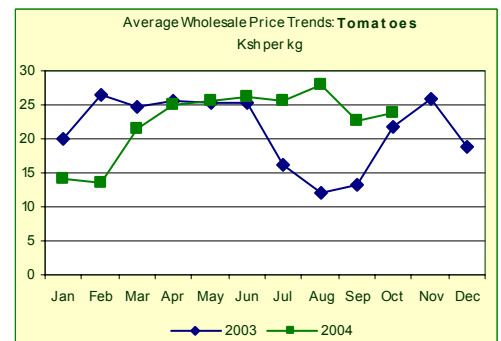
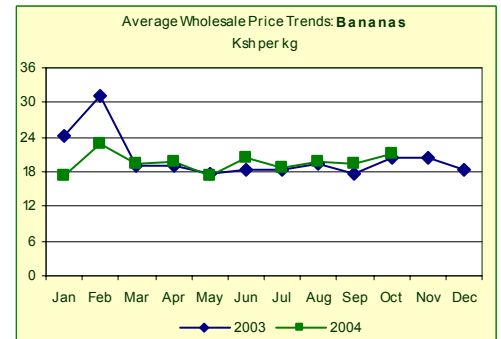
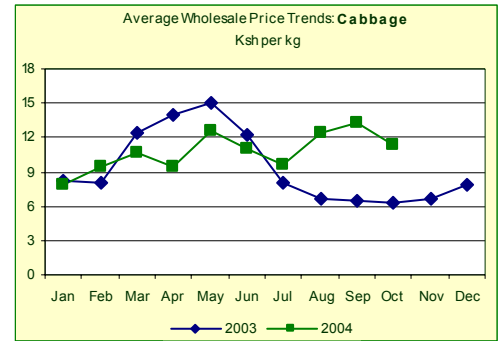
Market	Jul	Aug	Sep	Oct	Yearly Average
Average Wholesale Prices, Ksh per kg					
Bananas					
Nairobi	25.1	23.3	22.9	25.0	24.42
Mombasa	21.7	18.8	19.8	21.4	20.04
Nakuru	17.4	25.7	19.1	25.7	24.36
Kisumu	10.0	11.8	13.6	12.1	10.94
Eldoret	19.8	19.3	21.6	22.1	18.25
Tomatoes					
Nairobi	25.9	31.5	27.0	25.0	27.99
Mombasa	27.0	19.3	16.4	19.5	19.95
Nakuru	22.4	28.3	27.0	25.0	22.36
Kisumu	28.7	34.8	22.7	26.6	23.82
Eldoret	24.3	25.9	20.4	23.4	18.86
Cabbage					
Nairobi	13.3	14.9	14.1	12.3	11.91
Mombasa	19.8	23.5	25.0	19.8	21.34
Nakuru	7.2	7.9	10.3	9.1	7.50
Kisumu	3.8	10.6	10.9	9.5	7.63
Eldoret	3.9	4.8	5.8	6.3	4.55
Onions					
Nairobi	20.8	34.7	46.7	38.5	30.23
Mombasa	22.9	43.8	42.1	37.7	28.97
Nakuru	25.7	42.3	46.3	46.2	30.23
Kisumu	32.9	43.1	52.5	59.2	35.43
Eldoret	22.3	30.2	51.2	53.8	29.35
Kales					
Nairobi	20.0	22.2	27.0	26.0	16.90
Mombasa	24.0	22.4	32.5	31.0	18.34
Nakuru	12.0	14.3	16.0	12.6	10.88
Kisumu	20.0	24.1	15.0	11.0	13.86
Eldoret	16.0	21.1	14.8	15.0	12.77

Local Market prices and Demand

Prices for major products on the local market were high in September and October compared to 2003, because of irregular rainfall in some key production areas. This tends to confirm the information provided to HDC by brokers, that their business is constrained more by supply and infrastructure problems than by consumer demand.

Strategies to maximise the potential of the local market are urgently required. Recent surveys by HDC and Tegemeo show that the domestic market for fresh fruits and vegetables is worth as much as Ksh 45 billion and is supplied almost entirely by smallholders. Total income generated by growers supplying the local market is 4-5 times higher than export market earnings (of course in many cases the same growers are supplying both). Brokers insist that this could grow rapidly if supplies could be maintained with consistency year-round, and if urban market infrastructure could be improved. HDC and Tegemeo will be holding a "stakeholders' workshop" at the Safari Park Hotel on November 17th to discuss these issues.

HDC has also been talking to local processors (there are more than we thought) and they have the same complaint – "demand is great, particularly for passion fruit and mango products, but supplies of raw material are difficult to get."



HDC Product Profile

Passion Fruit Juice

Introduction

Passion fruit juice is sold to juice manufacturers and other processors as a single strength aseptic juice (14-16 °brix) or frozen concentrate (50 °brix). Brix refers to the strength of the concentrate; the higher the brix, the greater the concentration of juice. Many buyers prefer to source concentrate over single strength form, as this can save money in terms of shipping costs (provided they possess the facilities for managing frozen product). The juice is used in ice cream, syrup, tropical cocktails, and juice blends, and is rich in carotene, vitamin C and A, and potassium.



Demand for passion fruit concentrate is estimated by industry sources to have grown to 16,000 MTs last year (for all markets including South America), driven in part by increased product availability and lower prices. Growth in the European and US markets is estimated at around 6-8 percent annually. However, production frequently exceeds or falls short of demand as a result of erratic weather patterns and price reactions in Ecuador, the world's largest exporter of passion fruit juice. The market is therefore subject to "boom and bust" production cycles: as shortages lead to higher market prices, farmers return to the crop eventually resulting in a production surplus, lower prices, and a repeat of the boom and bust trend.

Markets

US demand for passion fruit juice is currently estimated at around 2,300 MTs of 50 °brix concentrate (the equivalent of 7,600 MTs of single strength juice). Demand is slowly expanding, as passion fruit juice changes from a niche product consumed mainly by the Latin American community to one increasingly marketed through mainstream channels. Much of the growing demand for passion fruit juice as an ingredient in tropical juice blends.

The **European** market for passion fruit juice has been growing slowly but steadily in recent years, and traders believe that this trend will continue. Although statistics do not break out passion fruit juice as an individual commodity, sources indicate that major EU buyers import around 8,000 MTs of 50 °brix concentrate per year, with actual demand fluctuating widely with prices. The devaluation of the Dollar against the Euro has led to lower prices from Ecuador, the world's largest supplier (which trades in US dollars), and increased imports from this supplier in 2003 and 2004.

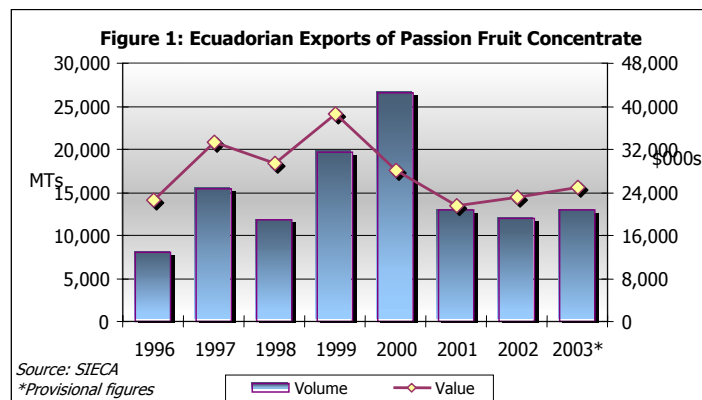
Traders also note that **Eastern Europe, Russia, and Asia** are seeing strong demand for passion fruit juice, with

demand growing 10-15 percent per year in these regions. The popularity of tropical juices in general, as well as shortages of varieties like pineapple has enabled other tropical juices to make inroads into markets such as China, Singapore and Korea. Domestic production of passion fruit juice in East Asia is also increasing, with China emerging as a major regional supplier.

Brazil produces roughly 350,000 MTs of passion fruit annually, and is the largest producer and consumer of passion fruit juice worldwide. The majority of Brazil's fruit is produced for the large factories that dominate the juice industry; hence the juice is imported only when necessary to meet the demand of domestic processors.

Suppliers

Ecuador is the largest exporter of passion fruit concentrate in the world, shipping around 13,000 MTs valued at \$25 million in 2003. It is the major supplier to the EU market, which takes around two-thirds of its exports, mainly via the Netherlands. Although official statistics for imports of passion fruit concentrate or juice as an individual product code are not available, estimates from available statistics are that Ecuador supplies roughly 75 percent of the market by volume.



Ecuador grows a yellow variety of passion fruit known as *maracuya*, with the majority of production used for juice processing. Growers are given to alternative switching crops when prices are low. Production is further complicated by the El Niño phenomenon, which hurt output severely in 2002. In the first half of 2004, Ecuador produced around 120,000 MTs of fruit, an increase of approximately 22 percent compared over the previous year.

The Ecuadorian Passion Fruit Processor's Association (EPPA) has stated that higher volumes in 2004 were anticipated by the industry, which is used to the oscillating production cycles. The EPPA attributes high volumes in 2004 to the initiation of new plantations. In addition, there has been a return to the crop on some traditional farms brought about by higher prices resulting from crop declines in 2001 and 2002. However, fewer rains and colder than normal weather in March 2004 has led

industry specialists to curtail their bumper forecasts, and supply is expected to decline somewhat in 2004 leading to tighter than normal prices. Industry insiders agree that the industry could be better organized. It is currently dominated by 6 major processors, who source product from a plethora of contract farmers with small plantations scattered throughout the country.

Brazil, the world's largest market for passion fruit juice, often imports concentrate to make up for domestic shortages. It is therefore not a major supplier to the world market, shipping concentrate only when surpluses are available.

Colombia, like Brazil, also possesses a strong domestic market for passion fruit juice, and produced around 73,000 MTs of the *maracuya* in 2002. However, its position in the world passion fruit juice market has fallen significantly, from nearly 1,800 MTs valued at around \$7.0 million in 1996, to around 600 MTs valued at \$1.5 million in 2002.

Other suppliers to the US and EU markets include **Venezuela, Peru, Thailand, Egypt** and **South Africa**.

Prices

Passion fruit juice prices are volatile and capable of changing greatly from year to year, due mainly to the unpredictability of Ecuadorian supply.

Since the mid-1990s, passion fruit juice prices have undergone regular boom and bust periods. Processors in Ecuador typically pay farmers \$0.10–\$0.25 per kg for yellow *maracuya* passion fruit, with 2003 prices averaging \$0.17 per kg. With prices changing year-to-year, based on supply and demand factors, growers are given to switching crops when prices are low as they did in the beginning of 2004.

Production in Ecuador is complicated by the El Niño phenomenon, which hurt output severely in 2002. In 2000, EU traders were paying processors around \$2,040 per MT c&f for concentrate (50 ° brix). This later jumped to \$4,500 in June 2002 due to El Niño-related production shortfalls. By late 2003, prices had receded again due to a

better production year, settling in around \$2,700, with Colombian and Peruvian product selling at similar prices. Exporters noted prices in October 2004 of around \$1,250 per MT (cfr) in the US and EU for single strength juice (14-16 °brix). Concentrate prices in Rotterdam in October 2004 were quoted at around \$3,000 per MT (cfr), up from \$2,500 in July and \$2,300-\$2,450 in February. These prices are artificially low due to the favorable US-Euro exchange rates, since Ecuadorian processors negotiate in Dollars.

Sources expect prices to increase through the end of 2004 and into 2005, possibly reaching \$3,500 per MT, depending on the extent of weather difficulties and final crop figures for this year, as well as farmer reluctance to plant the crop for next year based on the low prices received from processors in 2004.

Outlook

Global demand for passion fruit is estimated to be growing at a rate of 6-8 percent annually. The increased use of passion fruit juice in tropical juice blends is expected to continue. However, it should be noted that this increase in consumption is partially due to the availability of product at unusually low prices, a result of large production volumes and the strength of the Dollar in European markets, and is not likely to continue as rapidly.

As consumer tastes continue to evolve into more exotic flavors, traders believe that interest in tropical juices such as passion fruit will increase in the US and EU markets. Processors are also hoping that as interest in tropical juices grows, demand for passion fruit juice will continue to increase, thereby leading to stronger prices and greater incentive for their contract farmers to remain in the market.

Passion fruit juice buyers are interested in receiving offers from new suppliers provided they can offer a consistently high quality product at competitive prices, noting that the major juice manufacturers are reluctant to purchase product at the currently high levels (\$3,000 per MT for 50° brix concentrate). New processors are encouraged to develop local and regional markets until production and output volumes reach the critical mass necessary for shipments to Europe, the US and other markets.

