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Kenya

Exporter Guide

Annual

2008

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Report Highlights:
In spite of setbacks in the Kenyan economy during calendar year 2008 (post-election violence and a 30 percent current inflation rate), and non-tariff barriers that complicate imports of U.S. food products and commodities, Kenyan importers continue to show a keen interest in importing U.S. high-value, consumer-oriented and a more limited No. of U.S. intermediate products.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Nairobi [KE1]
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SECTION I. KENYA MARKET OVERVIEW

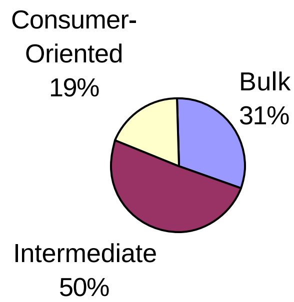
KENYA ECONOMIC TRENDS

KENYA ECONOMIC TRENDS						
	Actual				**Estimate**	**Forecast**
	2004	**2005**	**2006**	**2007**	**2008**	**2009**
Social Indicators						
Population (Millions)	34.2	35.1	36.1	37.2	38.3	39.4
Population Growth Rate (%)	2.54	2.5	2.85	2.9	2.9	2.8
Formal Sector employment ('000s)	1763.7	1807.7	1859.7	1907.3	2400	2500
Informal Sector Employment ('000s)	6168.2	6628.4	7048.7	7475.6	7954.6	8400
Public Sector Employment ('000s)	658.2	654.2	649.9	625.3	600.3	580
Unemployment rate (%)	30	30	35	40	45	44
Economic Trends						
Total GDP (US $ Billion)	16	19	22	27	24	28
GDP per capita (US$)	470	535	622	724	700	730
GDP growth rate (%)	5.1	5.7	6.4	7	4.5	7
Inflation (%)	11.62	10.31	14.45	11	27	15
Exchange Rate (Kshs/US$)	79.28	75.55	72.1	67.32	71	67
Agricultural Products Imports						
Total Agricultural Imports ($000s)	528,784	559,948	740,573	1,068,252	1,550,000	2,000,000
Total US Agricultural Products(US$ 000s)	33166	36944	31367	77425	77249	77500
Total US Agricultural,Fish, Forestry (US$ 000s)	33267	36979	31414	77620	77358	77800

Sources:
Economic Survey 2008
Central Bank of Kenya Reports
Global Trade Atlas (GTA)
BICO
Estimates: FAS Office

Kenya Market for U.S. Agricultural Products

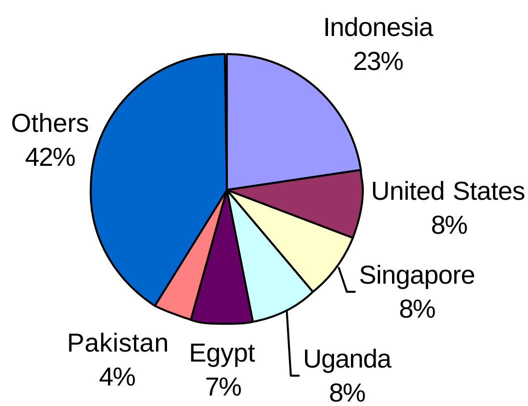
U.S. exports of agricultural products to Kenya in 2007
Valued at US $ 77 million



Source: BICO

Competition for Kenya Market for Imported Agricultural Products

Kenya's agricultural product imports
By country of origin in 2007



Source: BICO

ADVANTAGES AND CHALLENGES FACING U.S. PRODUCTS IN KENYA

Advantages	Challenges
On going restructuring of the Kenyan economy and the encouraging economic recovery could enhance trade. Kenya's geographical location, industrial development and being a member of regional trading blocs (EAC and COMESA), makes it a major gateway for trade in East and Central African region.	Erratic and unpredictable policy shifts pose major challenges to the traders. Kenyan government officials are constantly revising import standards. Imported products must have a certificate of conformity (CoC) issued by SGS before shipment. This is a big challenge for the importers who source an assortment of products and an added cost to business.
U.S. food products are associated with high quality and have a positive image in the Kenyan market.	Long distance to the Kenyan market keeps U.S. shipping costs high, resulting in high product pricing (no direct flights or shipping routes to and from the United States).
A growing expatriate community, middle class and tourism industry in Kenya provide a niche market for U.S. high-value food items.	Kenyan consumers, importers, retailers and processors are not aware of the wide range of U.S. agricultural and food products. Likewise, U.S. exporters have limited knowledge of the Kenyan/East African market and it's potential.
Kenya has an expanding modern retailing food sector (supermarkets and hypermarkets) due to a growing urban population and exposure to the western lifestyle.	High tariff rates, bureaucracy and corruption involved in clearing imported foodstuffs discourage importers interested in U.S. food products
Kenya has progressive and experienced entrepreneurs, thriving sales through established and informal market channels, strong interest in business innovation, product development and a desire to network, form linkages, and alliances with U.S. businesses. Demand for critical raw materials (e.g. cereals, industrial sugar, edible oils) used as ingredients for the manufacture of other products (juices, bakery products, refined oils etc.) exists. Most of the producers are operating under installed capacity.	Relative proximity of South Africa, United Arab Emirates (UAE) and Europe to the East African market increases competitive posture vis a vis the United States.

CONSUMER MARKET

Kenya has a relatively well-educated population estimated at 38.3 million (2008 est.) and a strong entrepreneurial tradition with 42.7% of its population under the age of 15 years, 54.7 % between 15 and 64 years, and 2.6 % over 65 years and over. Nairobi, the capital, is the largest city with a population of about three million. Socio-economic surveys have categorized urban consumers based on their monthly earnings as follows:

- Lower Income - monthly earnings below Kshs. 10,000 (US $ 150); 29% of the total urban working population.
- Middle Income - monthly earnings between Kshs. 10,000 and Kshs.40, 000 (US $
- 150-600); 59% of the total urban working population.
- Upper Income - monthly earnings of Kshs. 40,000 (US $ 600) and above; 12% of the total urban working population.

The growing middle class (5-10% of the total population), the large expatriate community and a growing tourism industry, account for the relatively high demand for high value consumer-oriented food items.

CONSUMER TASTES AND PREFERENCES

High-end consumer has become more sophisticated demanding quality and exceptional service. Compared to the low-end consumer whose buying decisions are based on price, the high end consumer's buying decision is to an extent driven by brand awareness. With the modest growth in the economy over the last three years, consumer spending is expected to increase.

Imported food items account for 30 per cent of the retail and food service sector market.

COMMERCIAL ENVIRONMENT

Good prospects exist for U.S. agricultural commodities and high value products in the East African market. There is a growing supermarket industry and competition is intense. Agents and distributors remain the key to developing export of U.S. consumer-oriented food items. The dominant supermarket chains in Kenya (Nakumatt, Uchumi, Tusker Mattresses and Ukwala) are offering American high value products (nuts, snack foods, salad dressings, soups and sauces, canned and pet foods, etc.).

Establishment of a personal relationship with importers is essential to selling food products in Kenya. There is no established direct presence of American distribution companies in Kenya. Appointing a sole distribution agent in Kenya may be a good strategy for some products. Currently, some Kenyan companies buy from U.S. suppliers and handle all the details of importing. It is important to have a knowledgeable Kenyan company involved on the import side to address the special characteristics of the Kenyan market.

SECTION II. EXPORTER BUSINESS TIPS

The principles of customary business courtesy, especially replying promptly to request for price quotations and orders, are a prerequisite for export success.

In general, Kenyan business executives are relatively informal and open. The use of first or surname name at an early stage of a business relationship is acceptable. Friendship and mutual trust are highly valued and once this trust is earned, a productive working relationship can be expected.

Like anywhere else in the world, negotiation is paramount. Early Indian and Arab influences in Kenya introduced haggling at retail level refined into bargaining at wholesale and distribution levels. Thus, Kenyan businessmen usually drive a hard bargain.

Business gifts are not common but business entertainment like lunches; golf and cocktails help finalize major deals and agreements. Kenyan businessmen appreciate quality and service and are ready to pay extra if convinced of a product's overall superiority. The market is very price sensitive, however, care must be taken to assure that the delivery dates are closely maintained and that after-sales service is promptly honored. While there are numerous factors that may interfere with prompt shipment, the U.S. exporter should allow for additional shipping time to Kenya and ensure the Kenyan buyer is continuously updated on changes in shipping schedules and routing. It is better to quote a later delivery date that can be guaranteed than an earlier one that is not completely certain. Since Kenyan importers generally do a lower volume of business than the U.S. exporters, U.S. exporters should be ready to sell smaller lots than is the custom in the U.S.

The U.S. exporter should maintain close liaison with the importer to exchange information and ideas. The importer should serve as a good source of market information and as appraiser of product market acceptance. In most instances, mail, fax or telephone Calls are sufficient but understanding developed through periodic personal visits is the best way to keep the importers apprized of new developments and to resolve problems quickly.

Prompt acknowledgment of correspondence by fax or email is recommended.

As is the case in most markets, vigorous and sustained promotion is often needed to launch new products.

FOOD STANDARDS REGULATIONS

For details on Kenya's food and agricultural import regulations, please refer to **Food and Agricultural Import Regulations (FAIRS) and FAIRS Export Certificate Reports for Kenya at http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp**

GENERAL INSPECTION PROCEDURES

Effective September 29th, 2005, Kenya Bureau of Standards (KEBS) implemented the Pre-Export Verification of Conformity (PVoC) to standards program, as a conformity assessment and verification procedure applied to imported products. The government through KEBS, appointed Societe Generale de Surveillance (SGS) and Intertek Testing to run the PVoC program. Food products from North America, South and Central America, and the Caribbean are inspected and certified by SGS before shipment. Upon satisfactory inspection and testing SGS will issue a certificate of conformity (CoC).

REQUEST FOR CERTIFICATION BY SGS

The importer may trigger off the process by submitting the IDF and Proforma invoice to SGS Kenya or the SGS office in the U.S. may contact the exporter and provide him with a Request for Certification Form (RFC). The exporter must send the form completed together with the pro-forma invoice providing details about date and place of inspection.

With the new system exporters have three routes for certification:

Route A: Consignment Inspection and Testing

Upon satisfactory inspection and testing SGS will issue a certificate of conformity (CoC). The CoC is valid only for one consignment and lasts for a maximum of 90 days from the date of inspection.

Route B: Product Registration, Inspection and Random Testing

This route is recommended for frequent exporters of homogenous products. Involves self-declaration of compliance supported by substantiated evidence (test reports, ISO certificates etc). With successful completion of the registration process, a Statement of Registration is issued for the product range/products, valid for 1 year.

Route C: Product Licensing

Applicable to manufacturers (Diamond Mark Holders are eligible) who have registered their products and demonstrated consistent shipment compliance. The manufacturing facility is audited; however, random inspection and testing is done to monitor continued compliance.

PVoC Charges

Route A: 0.475 % of FOB value subject to a minimum of USD 180
Route B: 0.425 % of FOB value subject to a minimum of USD 180
Route C: 0.25 % of FOB value subject to a minimum of USD 135

For more details visit: http://www.kenyapvoc.com

IMPORT TAXES

Effective January 2005, the East Africa Community (EAC) adapted a three-tier system for assessing duties (raw materials 0%, processed or manufactured inputs 10%, and finished products 25%). However, a number of food items are considered sensitive and are subject to higher duties. These include milk and dairy products (60%), corn (50%), rice (75%), sugar (35%), wheat (35%) and wheat flour (60

In addition to import duty is a 16% Value Added Tax (VAT).

Excise duties are also levied on fruit juices, beer, tobacco products, matches, spirits, wines, mineral water and biscuits. The rates vary for different products; for example, for fruit juices are 10%, biscuits are Kshs.70 per kilogram (US $ 1 per kilogram).

IMPORT DOCUMENTATION

- Certificate of Conformity issued by SGS.
- Phytosanitary certificate for bulk commodities (wheat, corn, rice etc.).
- Bill of Lading/airway Bill; document evidencing a contract of carriage of goods between a shipper and a carrier of goods (ship or airline).
- Suppliers/Commercial invoice which provides a description of the goods, price and quantity.
- Packing list; provides the details of the contents of a particular package as provided by the supplier.

- Import Declaration Form (IDF – Form C-61) – Issued by Kenya Revenue Authority [KRA] – (Customs and Excise Department) is required of all imports at a cost of 2.25 per cent of C.I.F. The clearing agent who enters information such as the importers and exporter's names and contacts, invoice details, description and quantity of goods, etc completes the IDF. The IDF is a summary of the information contained in the supporting documentation.
- Customs Declaration Form (Form C-52) – Issued by KRA (Customs and Excise Department). The importer is required to complete and sign it to show true and accurate value declaration of the imported goods.
- Release Order – issued by the port authority. This document allows the goods to be released to the importer or the agent after verification and payment of the storage and other charges that may have accrued. Only licensed clearing agents are authorized to lodge clearance/export documents with Customs.

To avoid inconvenience, clearance documents should be lodged prior to arrival of goods.

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

Kenya's food retail, food service and food processing sectors are simple but diverse.

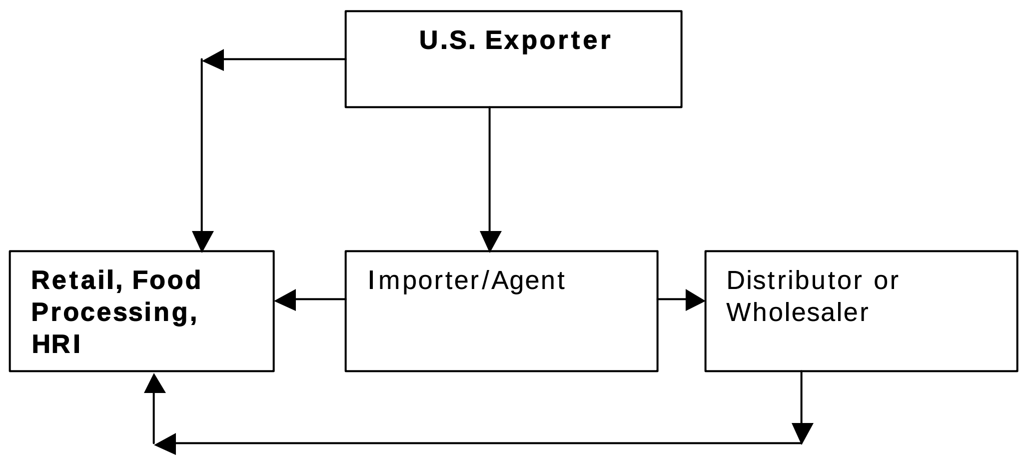
Food wholesaling and distribution is relatively simple and direct. There is limited direct importation from the United States. Most high value food products from the United States are imported via consolidators in Dubai (United Arab Emirates) or suppliers in South Africa and Europe.

Importing companies or agents sell the goods directly to the supermarkets and hotels and/or through appointed distributors/wholesalers. In contrast to local manufacturers, importers do limited promotional activities.

Locally manufactured goods are sold either directly to the supermarkets and the food service sector and/or through appointed distributors.

Tourism is the dominant sector in the food service sector accounting for nearly 50 per cent of GDP. Earnings, both domestic and international, rose 16.4 per cent in 2007 to KSH 65.4 billion (about $1 billion). The volume of international visitors grew by 13.5 per cent from 1,600.6 thousand in 2006 to 1,816.8 thousand in 2007. U.S. tourist arrivals surpassed Germany for the second year running to become second to Britain with over 100,000 American tourists. However, due to political crisis experienced in the first quarter of 2008, tourist arrivals declined markedly and it is unlikely 2007 levels will be achieved in 2008.

Distribution Channel:



Section IV. BEST CONSUMER ORIENTED PRODUCT PROSPECTS

- Snack foods

Section V. KEY CONTACTS AND FURTHER INFORMATION

Office of Agricultural Affairs
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Fax: 254-20-363 6349
Email: AgNairobi@usda.gov
Website: http://nairobi.usembassy.gov/
Contact: Stephen Hammond, Agricultural Counselor

Foreign Commercial Service
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APO AE 09831- 4100
Tel: 254-20-363 0000
Fax: 254-20-363 6065
Email: nairobi.office.box@mail.doc.gov
Website: www.buyusa.gov/kenya
Contact: Jim Sullivan, Commercial Counselor

Government of Kenya

Kenya Bureau of Standards
P.O. Box 54974
Nairobi, Kenya.
Tel: 254-20-600034/66 or 69028201/401/410
Fax: 254-20-609660/503293
Email: info@kebs.org
Website: http://www.kebs.org and www.kenyapvoc.com
Contact: Eng. Dr. Mang'eli Kioko, Managing Director

Customs and Excise Department
Ministry of Finance
P.O.Box 30007
Nairobi, Kenya.
Tel: 254-20-715540
Fax: 254-20-718417
Website: http://www.revenue.go.ke and www.kra.go.ke

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APPENDIX I. STATISTICS

Kenya's Key Trade and Demographic Information

Agricultural Imports From All Countries($Mil)/U.S. Market Share – 2007 -1*	$1068/7.25%
Consumer Food Imports From All Countries($Mil)/U.S. Market Share -2007	$123 / 11.02%
Edible Fishery Imports From All Countries($Mil)/ US Market Share - 2007	$8 / 0.11%
Total Population (Millions)/Annual Growth Rate - Estimate 2007	37.2 /2.9 %
Urban Population(Millions) / Annual Growth Rate - Estimate 2007 – 3*	8/ 21.3%
Number of Major Metropolitan Areas – 2*	3
Size of Middle Class (Millions)/Growth Rate (%)	14/10%
Per Capita Gross Domestic Product (U.S. $M) -2007 est.	724
Unemployment Rate (%)	40
Per Capita Food Expenditures (U.S. $)- 5*	307
Per cent of Female Population Employed -4*	23
Exchange Rate (Kshs/US$) - 2007	67.32

Footnotes

1/ GTA
2/ Population in excess of 1,000,000
3/Urban working population earning a monthly income of US $ 125 and above as a percentage of total urban working population
4/ Employed Females/Total economically active Female population (15 - 64 years old)- formal employment
5/Food comprises the largest share of 42.4 per cent of total consumption expenditure

	Imports from the World			Imports from the U.S.			U.S. Market Share %		
Kenya Imports									
($1,000)	2005	2006	2007	2005	2006	2007	2005	2006	2007
Consumer-oriented Agric. Total	**27,211,300**	**30,021,804**	**34,954,505**	**3484**	**10367**	**14614**	**0.01**	**0.03**	**0.04**
Snack Foods (Excl.Nuts)	1,826,998	1,996,565	2,272,270	476	348	159	0.03	0.02	0.01
Breakfast Cereals & Pancake Mix	602,443	624,257	659,824	45	60	0	0.01	0.01	0.00
Red Meats, Fresh/Chilled/Frozen	3,749,530	4,562,014	5,369,044	0	99	0	0.00	0.00	0.00
Red Meats, Prepared/Preserved	481,692	545,283	626,707	6	10	0	0.00	0.00	0.00
Poultry Meat	2,616,098	2,338,513	3,300,324	0	503	0	0.00	0.02	0.00
Dairy Products	1,660,868	1,873,499	3,018,804	1489	990	1238	0.09	0.05	0.04
Eggs & Products	249,910	258,267	317,597	272	46	0	0.11	0.02	0.00
Fresh Fruit	2,696,595	2,870,795	3,140,008	0	0	31	0.00	0.00	0.00
Fresh Vegetables	1,545,191	1,689,537	1,815,442	76	0	131	0.00	0.00	0.01
Processed Fruit & Vegetables	2,482,391	2,747,798	3,110,310	18	110	107	0.00	0.00	0.00
Fruit & Vegetable Juices	812,408	962,510	1106870	0	0	26	0.00	0.00	0.00
Tree Nuts	2,726,685	2,867,699	3,058,853	0	0	122	0.00	0.00	0.00
Wine & Beer	860,778	1,056,244	1,156,658	0	5	11	0.00	0.00	0.00
Nursery Products & Cut Flowers	294,808	322,412	362,718	100	30	14	0.03	0.01	0.00
Pet Foods (Dog & Cat Food)	907,183	1,070,871	1,137,781	19	0	0	0.00	0.00	0.00
Other Consumer-oriented Products	3,697,723	4,235,536	4,501,297	983	8167	12776	0.03	0.19	0.28
Fish & Seafood Products, Edible	**2,719,190**	**2,944,937**	**2,949,389**	**0**	**35**	**46**	**0.00**	**0.00**	**0.00**
Roe & Urchin (Fish Eggs)	550,062	525,263	506,258	0	19	0	0.00	0.00	0.00
Other Edible Fish & Seafood	2,169,128	2,419,674	2,443,131	0	16	46	0.00	0.00	0.00
AGRICULTURAL PRODUCTS TOTAL	**559,948**	**740,573**	**1,068,252**	**36,944**	**31,367**	**77,425**	**6.60**	**4.24**	**7.25**
AGRICULTURAL FISH & FORESTRY TOTAL	**574,398**	**770,917**	**1,114,310**	**31414**	**77620**	**77358**	**5.47**	**10.07**	**6.94**

Source: BICO

Kenya's Top 15 Suppliers

CONSUMER-ORIENTED AGRICULTURAL IMPORTS			
($1,000)	2005	2006	2007
South Africa	8,531,341	12,142,499	13,672,946
United States	1,352,926	5,911,854	13,638,452
Netherlands	9,949,750	12,280,567	11,875,729
Tanzania	3,206,962	4,618,858	10,239,409
Ireland	5,021,313	7,289,855	8,291,274
United Kingdom	8,371,482	6,365,837	7,218,730
Italy	2,607,961	3,352,273	5,434,968
Egypt	2,149,096	4,442,889	5,287,414
India	1,778,159	2,420,226	4,822,467
United Arab Emirates	3,796,410	3,891,003	4,408,765
France	2,037,029	2,706,075	4,026,361
Brazil	961,705	2,060,081	3,134,014
China	2,183,441	1,675,964	3,008,175
New Zealand	654,040	2,905,754	2,960,397
Uganda	161,386	276,904	2,408,922
Other	14,771,016	21,833,062	23,309,649
World	**67,534,017**	**94,163,701**	**123,737,672**

FISH & SEAFOOD PRODUCTS IMPORTS			
($1,000)	2005	2006	2007
Seychelles	139	4,438,176	3,154,668
Thailand	20,712	114,131	2,077,487
Japan	21	444,363	655,063
Tanzania	265,341	163,251	495,555
Singapore	3,629	5,625	443,473
Norway	92,141	122,521	229,090
Oman	197,572	137,795	222,989
Niger	-	-	183,053
India	-	37,816	158,460
Uganda	217,523	57,839	144,771
United Arab Emirates	58,538	63,634	111,151
Vietnam	-	-	95,902
Netherlands	5,427	1,763	93,788
United Kingdom	14,994	37,467	86,073
Indonesia	-	14,004	66,581
Other	4,932,391	372,447	97,128
World	**5,808,428**	**6,010,832**	**8,315,232**

Source: GTA