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Kenya

Agricultural Situation

Kenyan Horticultural Situation

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Approved by:

Fred Kessel

U.S. Embassy

Prepared by:

Mary Onsongo

Report Highlights:

The Kenyan horticultural sector has grown substantially with the year 2000 recording 99,000 mt of fresh produce exported to various destinations. Efforts to take advantage of AGOA have not been very successful mainly due to the conditions of acquiring a Pest Risk Assessment for the fresh produce. Overall the sector remains vibrant and growth forecast to continue. The proposed Horticultural Bill still remains contentious and its future uncertain as the players feel the sector is self regulating.

Includes PSD changes: No
Includes Trade Matrix: Yes
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Executive Summary

The Kenyan horticultural sector has grown substantially in the last twenty years to become one of the largest agricultural income earners bringing in over ksh 10 billion per annum. The year 2000 recorded export of about 99,000 mt (exported) of various categories of fresh horticultural produce, valued at about Ksh 14 billion. The increase in export performance is attributed to Kenya's reputation as a reliable supplier of good quality vegetable and flowers, improved marketing and improved variety. Kenya also has climatic advantages, labor availability, air cargo availability and major private sector investments. The main outlet for Kenyan flowers is the Dutch auction.

The proposed Horticultural Bill still remains contentious and its future uncertain. The industry has initiated a Code of Practice (COP) for self regulation geared to attaining compliance in line with the local laws and more stringent market requirements of export destinations.

Exchange rate 78 ksh = 1 USD

Production

It is estimated that horticulture presently occupies about 10 percent of total arable land, ranking third after dairy, maize and beans. This compares with 2.9 percent and 1.7 percent for coffee and tea respectively. The sub sector currently commands a total annual area (of assorted fruits, vegetables, herbs, spices and flowers) of about 250,000 hectares with a total annual production of about 3 million mt of vegetables, fruits, herbs, spices and flowers. About 2.6 million are processed into fruit juices, sauces and canned products both for export and local consumption.

The bulk of the horticultural crops for export are grown principally in Central, Eastern and parts of the Rift Valley provinces. Major horticultural crops grown in Kenya are:

1. Fruits - these include bananas, citrus, mangoes, avocados, passion fruits, pineapples, pawpaws, apples, plums pears watermelons and macadamia nuts.
2. Vegetables - these include cabbages, tomatoes, kales, onions, carrot, brinjal, french beans, dudhi, okra, karelia, turia, capsicum, spinach, cucumber, cauliflower, leeks, courgette, lettuce, and some traditional vegetables
3. Herbs and Spices - in this category there are arum, arabicum, mollucella, caladium, roses, chrysanthemum, asters, alstromeria, eryngium, tuberose, ornithogalums, solidasters, orchids, gladiolus, gypsophila etc.

Due to the variety of the agro ecological zones found in the country, different horticultural crops are produced both for export and local consumption, under both irrigated and rained connotations.

Consumption

An estimated 95 percent of Kenya's total horticultural production is consumed locally. Of this about 60 percent is consumed in the urban areas and the rest in the rural areas. The supply of horticultural produce to the domestic market depends on the quantity produced as well as the ability of the traders to get to the markets.

Quantity fluctuates with weather conditions, since most of the production is rainfed. For the local market smallholders predominate. Market intermediaries commonly known as brokers play a big role in the movement of the produce to the consuming areas.

Trade

Figures obtained from HCDA give export statistics for the year 2000 at 99,000 mt, (valued at ksh 14 billion). Horticultural Crops Development Authority (HCDA) recorded about 70,000 mt (September 2001) of various categories of fresh horticultural produce, valued at approximately ksh 20 billion (Dec 2001). The sector is forecast to grow to about 120,000 mt by the year 2002. The sub sector has in the last twenty years become one of the fastest growing in Kenya, and one of the most important foreign exchange earners. The sector has continued to attract and to create employment on farms and related agro-industries.

Export performance

The major importing countries of Kenya's cutflowers are the Netherlands, Germany, and the United Kingdom. Kenya's long history of trade relations with the U.K has enabled Kenyan exporters to develop a strong foothold with buyers of vegetables and fruits. Kenya is the largest supplier from the African continent.

Flower exports

In 1999 Kenya for the first time became the leading exporter of floricultural products into the EU market followed by Israel, Costa Rica, Colombia, USA, Ecuador and Zimbabwe. The sub sector has undergone major changes during the 1990s moving from a rather limited assortment of low value open field crops to a wide assortment of high value/high tech greenhouse crops.

Vegetable exports

Fresh vegetable exports have also experienced an increase during the 90s, a trend expected to continue. Beans and peas make the bulk of the exports (about 60 percent in value per annum). Asian vegetables (brinjal, okra, dudhi, karelia etc) have also become increasingly important, a trend expected to continue.

Fruit Exports

The fruit sub sector has remained unchanged unlike the vegetable and flower sectors. The major issue has been competition from Israel and Central America, which countries have access to cheap sea freight. Recently Kenya has obtained a direct connection for reefer containers into Marseilles, France and is hoped to strengthen the sub sector. The major export products are avocado (about 60 %), mango (about 26 percent) and passion fruit (about 6 percent).

Kenya Export Statistics to all Destinations

Year	Product	Volume (kg)	Value (Kshs)
1994	Fruits	13,078,777	536,634,122
	Vegetables	24,959,323	1,674,320,199
	Herbs/Spices	2,018,652	123,137,772
	cutflowers	25,121,131	3,637,718,755
	Total	65,177,883	5,971,810,848
1995	Fruits	13,859,636	616,781,189
	Vegetables	26,946,959	2,127,717,668
	Herbs/Spices	1,571,657	86,913,123
	cutflowers	29,373,539	3,642,318,836
	Total	71,751,791	6,473,730,816
1996	Fruits	16,869,366	768,869,688
	Vegetables	30,768,881	2,486,285,150
	Herbs/Spices	1,939,203	107,730,858
	cutflowers	35,212,247	4,366,318,566
	Total	84,789,697	7,729,204,262
1997	Fruits	17,454,736	8,035,464,369
	Vegetables	291,933,821	294,225,386
	Herbs/Spices	166,819	112,112,977
	cutflowers	35,853,008	4,900,038,032
	Total	345,408,384	13,341,840,764
1998	Fruits	11,352,100	819,528,360
	Vegetables	35,391,005	3,968,426,240
	Herbs/Spices	1,408,822	83,794,337
	cutflowers	30,221,351	4,856,933,831
	Total	78,373,278	9,728,682,768
1999	Fruits	15,595,204	1,258,817,671
	Vegetables	44,953,146	5,579,060,722
	Herbs/Spices	1,423,444	106,282,630
	cutflowers	36,919,300	7,411,598,336
	Total	98,891,094	14,355,759,359
2000	Fruits	15,415,796	1,091,277,006
	Vegetables	43,720,543	5,385,753,110
	Herbs/Spices	1,318,188	88,406,666
	cutflowers	38,756,657	7,327,213,399
	Total	99,211,184	13,892,650,181
2001*	Fruits	16,981,054	1,559,794,798
	Vegetables	24,060,415	8,034,502,804
	Cutflowers	29,980,693	10,626,892,348

	Total	71,022,162	20,221,189,950
* Volume figures are up to September 2001			
Value is for the whole year			

Source: Ministry of Agriculture/HCDA

Policy

The sub sector has experienced relatively less governmental interference in production or marketing than have other agricultural commodity sub sectors.

Horticulture Bill

The proposed Bill still remains contentious and its future uncertain. The Bill proposes to empower HCDA through an Act of Parliament to provide for the development and promotion of the industry. According to the Bill the Authority will draw additional financing from the sector. The industry has resisted as it will add costs to the final product. The players feel that there is adequate coverage by market driven organization i.e KEPHIS. The sector reckons it does not need additional legislation by the way of the proposed Bill.

Marginal Residue Levels (MRLs)

The Kenyan horticultural sector has met the requirements of pesticide residue levels for the EU. The Code Of Practice is directly responsible for this achievement. The COP emphasizes the application of Good Agricultural Practice (GAP) which in themselves promote limited use of chemicals and encourages the use of Integrated Pest Management (IPM) production methods.

Code of Practice (COP)

The industry has initiated a COP for self regulation geared to attaining compliance in line with the local laws and the more stringent export market requirements. In efforts to establish COP the industry has called upon external and international verifiers such as SGS, Bureau Verita etc. The COP is a management tool aimed at regulating and guiding growers in adhering to responsible production and ethical trading practices.

Marketing

Promotion of the sub sector

Efforts to promote the sub sector to enable its rapid expansion include planned construction of cold storage facilities in strategic horticultural crops producing zones of the country. The Fresh Produce Exporters Association of Kenya (FPEAK) and the Kenya Flower Council (KFC) assist exporters in exporting their produce, adopt modern methods of horticultural production and advising the GoK on any other incentives needed to accelerate growth in the sub sector. FPEAK and KFC mainly focus on vegetables/fruits and flowers respectively.

Marketing Structure

The floriculture export sector is dominated by five large companies with a well developed vertically integrated system of producing, transporting and marketing flowers through their own chartered cargo space and their own marketing organizations in Europe. The introduction of rose exports in the late 80s opened up possibilities for small/medium sized companies to invest in production, transporting and marketing.

The vegetable sub sector is dominated by ten exporters who control almost 80 percent of the total exports. The ever increasing issues of label program, MRLs, traceability, etc, from the EU and from individual markets within EU coupled with high investment costs of pre-packing facilities have led to a decline in smallholder export. In order to meet the EU requirements there is a likelihood of contracting more large farmers and less of the traditional small out growers.

The fruit sector is dependent on broker/agents and the outgrower system and is controlled by a few major vegetable exporters.

Market outlets

U.S. Market

Efforts to take advantage of African Growth Opportunity Act (AGOA) have not been very successful in the fresh produce sector. Efforts in floriculture have been made but are still not successful due to high freight charges coupled with other regulations. The fresh produce sector has lately commenced Pest Risk Assessment (PRA) tests for the U.S. market.

EU Market

The EU is the major market for Kenyan horticultural exports. However the market is becoming competitive and saturated leading to lower profit margins for non-EU suppliers of fresh horticultural products. The ever expanding conditionalities and regulations for non-EU suppliers are making market access more difficult and resulted in new costs imposed on the suppliers. These measures include quarantine issues, MRLs, traceability, packaging recycling, safety and human welfare among others.

Flower marketing in the EU was traditionally based on sales through the Dutch auction system but some exporters have developed a combination of direct and auctions sales. This has resulted in higher revenues, a trend expected to continue.

Middle East and other regions

The Middle East is a major market for Kenyan mangoes. The market is however still very small and more marketing efforts are needed to expand exports.

The main outlet for the Kenyan flowers still remain the Dutch auction. Efforts for direct export in order to expand the assortment and value added segments are being explored. Fruits and vegetables are sold on fixed export contracts. The exporter is aware of the available margins unlike the auction system. The fruit market has

been under pressure from competing countries due to lack of up to date functioning seaport facilities and lack of adequate sea connections to the EU markets.

Kenya's Competitive advantage

- Suitable climate for a large variety of species
- Well organized private sector and minimum GOK interruptions
- Access to cargo handling facilities and airport services
- Adequate cargo space to major destinations
- Workable documentation procedure

Constraints and threats

- Lack of adequate water and irrigation facilities
- Shortage of skilled labor and qualified staff
- High airfreight rates and inadequate cargo space to London, Paris and Frankfurt.
- Poor infrastructure(rural roads in bad shape, power supply)

Overall the sector remains vibrant and growth is forecast to continue.