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Exporter Guide

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Report Highlights:

This guide serves as a resource for U.S. companies seeking to export high value consumer-oriented products to Kenya and the greater East and Central African region. Kenya's geographical location, industrial development and regional economic integration make it a major gateway to trade. This guide provides practical tips on local business practices, consumer characteristics, food standards and regulations, import and inspection procedures. It also highlights opportunities and best high-value product prospects.

Includes PSD Changes: No
Includes Trade Matrix: No
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Section I. Market Overview

Structure of the Economy: Kenya's gross domestic product (GDP) in 2005 was \$16.3 billion - small by world standards, but a heavyweight in the region. The economy remains predominantly agricultural (25% of total GDP), but is diverse by regional standards. Transport and communications, propelled by an ongoing boom in cellular telephony and related services, now account for 11% of the economy. Manufacturing and wholesale/retail trade also account for about 11% each. Government accounts for 14% of the economy.

Recent Economic Performance: Kenya's economy continues an encouraging recovery that began in 2003. The economy grew by 5.8% in 2005, up from 4.9% the previous year. Growth was broad-based, but was especially strong in telecommunications, tourism, and horticulture. Overall inflation rose to 10.3% in 2005, driven by higher oil prices and higher drought-related food prices. The economy is expected to grow in 2006 by as much as 6%. Inflation is expected to drop sharply to around 5% thanks to lower food prices.

General Trade: Kenya's overall trade deficit grew 81% from \$1.6 billion in 2004 to \$2.9 billion in 2005, and the current account deficit also worsened to \$1.6 billion, up from \$375 million in 2004. Tea, horticulture (including fresh cut flowers), coffee, and textiles are Kenya main exports. Tourism, foreign assistance, and remittances are other large sources of foreign currency earnings and inflows.

Key Trade Partners: Kenya's biggest collective trading partner is the European Union (EU), which accounted for over 37% of Kenya's total external trade in 2004. Common Market for Eastern and Southern African (COMESA) countries came second with over 23% of total trade. The U.S. accounted for almost 5% and China 3.6%.

Regional Trade: Kenya is a member of both the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC). In January 2005, the EAC launched a customs union, and there are plans for harmonization of policies in investment, services, food standards, and other areas. Under the EAC Customs Union's Common External Tariff (CET), tariffs on almonds, a U.S. export to the region, increased from 5 to 25 per cent.

U.S. Market Position

U.S. agricultural and food exports over the last five calendar years (2000-2004) have averaged \$32.2 million. The most important exports in dollar terms are wheat, corn and vegetable oils, averaging nearly 80 percent of U.S. agricultural shipments over the same period. A significant portion of U.S. exports to Kenya is food aid and monetized shipments under Food For Progress, Title II, P.L. 480 and/or Section 416(b). U.S. imports of agricultural and food products from Kenya have averaged \$44.0 million over the same period. Coffee, tea and tree nuts account for over 60 percent of these imports.

Consumer Market

Kenya has a relatively well-educated population estimated at 33.5 million (2004 est.) and a strong entrepreneurial tradition. With 44% of its population under the age of 15 years, Kenya has a high dependency ratio. Nairobi, the capital, is the largest city and has the highest population density. Most of the population in Nairobi is young - 18 to 37 years. Socio-economic surveys have categorized urban consumers based on their monthly earnings:

- Lower Income - monthly earnings below Kshs. 10,000 (US \$ 125); 29% of the total urban working population.

- Middle Income - monthly earnings between Kshs. 10,000 and Kshs.40, 000 (US \$ 125-500); 59% of the total urban working population.

· Upper Income - monthly earnings of Kshs. 40,000 (US \$ 500) and above; 12% of the total urban working population. The growing middle class (5-10% of the total population) and the large expatriate community account for the relatively high demand for high value consumer-oriented food items.

General Consumer Tastes and Preferences

The Kenyan market is very sensitive to price. Most of the consumers base their buying decisions more on price than quality. A big share of the food items (over 70 per cent) in the retail and food service sectors are locally manufactured, though there are some imported foodstuffs (refer to HRI and Retail Food Sector Reports). Consumers have a limited awareness of U.S. brands and product range.

Commercial Environment

Good prospects exist for U.S. food and agricultural 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.

Advantages	Challenges
On going restructuring of the Kenyan economy and encouraging economic recovery could enhance free 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 Eastern 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 have a positive image in the local market. U.S. food products are associated with high quality. There is a growing expatriate community and middle class in Kenya.	Long distance to the Kenyan market keeps U.S. shipping costs high, resulting in high product pricing. There are no direct flights or shipping routes to and from the U.S.
U.S. producers offer quality and a wide range of high value consumer oriented food products	Kenyan consumers, importers and retailers are not aware of the wide range of U.S. high value products. Likewise, U.S. exporters have limited knowledge of the Kenyan/East African market and its potential.
An expanding modern retailing food sector (supermarkets and hypermarket) due to a growing urban population and exposure to the western lifestyle.	High tariff rates and bureaucracy involved in clearing imported foodstuffs discourage importers interested in U.S. food products
Progressive and experienced business leaders, 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.	Relative proximity of South Africa and Europe to the East African market increases competitive posture vis a vis U.S.

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 exporting 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

Imported foodstuffs must comply with standards stipulated by Kenya Bureau of Standards (KEBS). In absence of these, Codex Alimentarius (international) standards apply.

In relation to the retail and food service sectors, the most important standards are the "Labeling of prepackaged Foods-KS -05-40 Parts 1-4", which has guidelines on nutritional requirements and claims. The standards are available from KEBS at a cost. **According to the guidelines, labeling must show manufacture and expiry dates, brand/trade name and country of origin, among other requirements.** The label must be in English and/or Kiswahili language. Weights and measure indicators must be in metric and imperial forms.

KEBS is currently reviewing all food standards and harmonizing with other standards in the East African region. Imported foods with non-nutritive sweeteners (e.g. aspartame, potassium cyclamate, sodium saccharine etc.) are restricted. If imported, KEBS must be informed.

There is no current requirement to label foodstuffs that may contain genetically modified ingredients. A draft policy on biotechnology and related aspects is in place and under discussion by relevant stakeholders.

*For further details on Kenya's food and agricultural import regulations, refer to **FAIRS Report KE5011**.*

Container Sealing Requirements

Sealing of full container loads is required during physical inspection. Exporters are required to give advance notice to SGS of container stuffing arrangements.

General Import Procedures

Agricultural goods and products imported into Kenya from overseas countries are all subject to Government regulations as implemented by the Kenya Revenue Authority (KRA) Customs and Excise Department, Kenya Bureau of Standards (KEBS), Kenya Plant Health Inspectorate Service (KEPHIS) and Department of Veterinary Services (DVS).

The Customs and Excise Department collects taxes including import duty, excise duty (both on imports and locally manufactured products), and value added tax (VAT) on imports. KEBS

inspects all imported processed foods and non-food items, while KEPHIS certifies all exports and imports of bulk, raw agricultural products and planting materials to ensure that they are free from pests and diseases. DVS is the regulatory institution that certifies imports of meat and livestock related products among other duties.

There is no import licensing except for a few items restricted for security, health or environmental issues detailed in the Imports, Exports and Essential Supplies Act (Cap 502).

All imports procured by Kenyan based importers must be insured with companies licensed to conduct business in Kenya.

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 system has replaced pre-shipment inspection for imported goods. The government through KEBS, appointed Societe Generale de Surveillance (SGS) and Intertek to run the PVoC program. The Americas (North, Central & South) & the Caribbean fall under SGS'es zone of responsibility. Exporters should ensure that food products meet regulations and quality requirements as stipulated by Kenya before shipment by carrying out tests and/or obtaining the necessary certification from the appointed PVoC partners. SGS is the appointed inspection company for the U.S.

Request for Certification

The Electronic Import Declaration Form (IDF) data is obtained from KEBS. 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:

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

For frequent exporter of homogenous products.

Involves self-declaration of compliance supported by substantiated evidence (test reports, ISO certificates etc)

Issuance of Statement, which is valid for 1 year.

Route C:

Only for manufacturers (Diamond Mark Holders are eligible).

Audit of the manufacturing facility; however, random inspection and testing will 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

Testing fee on a case-by-case basis

Product registration yearly fee

USD 375 per Statement of Registration per category (1-15 line item)

USD 20 for each line item above 15 line items

Product licensing yearly fee: on a case-by-case basis

Import Taxes

The East African Community (EAC) trading block, comprised of Kenya, Tanzania, and Uganda has approved a Customs Union Protocol, which sets zero duty on most goods traded between member nations. The Protocol took effect January 1, 2005. In addition, the Protocol established a Common External Tariff (tariffs on goods imported from markets outside the block), which has resulted in a harmonization of import tariffs for all three countries and a significant tariff reduction for most goods. However, import tariff rates for some key agricultural products have increased considerably.

A three-band tariff of 0 percent, 10 percent and 25 percent has been established with the rates applying as follows:

Raw Materials	0%
Processed or Manufactured Inputs	10%
Finished Products	25%

TARIFFS ON SELECTED PRODUCTS

Year/Commodity	2004 (%)	2005 (CET – (%))
Maize/Corn	25	50*
Corn Flour	35	50
Hard Wheat	35	35*
Wheat Flour	60	60
Soya beans	5	10
Soya Bean oil	5	10
Rice	35	75
Rice Flour	15	25

*Corn seed – 25 %

*Durum Wheat – 0 %

CET – Common external Tariff

Value Added Tax (VAT) is levied on goods imported into or manufactured in Kenya, and taxable services imported or provided. The standard VAT is 16%. Restaurant services are also taxable at 16%.

Excise duties are 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 \$ 0.875).

Import Documentation

- Suppliers invoice; the invoice provides the details of the goods such as description of the goods, price and quantity.
- Packing list; provides the details of the contents of a particular package. Also, provided by the supplier.
- Bill of Lading/airway bill; document evidencing a contract of carriage of goods between a shipper and a carrier of goods (ship or airline). The supplier will send the
- importer the document after s/he has passed the goods onto the carrier for shipping and they have acknowledged receipt.

- Import Declaration Form (IDF – Form C-61) – Issued by KRA – Customs Services offices and is required of all imports. A processing fee of Kshs 5,000 minimum or 2.75 per cent of CIF value is paid. 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.
- Declaration of Customs value (Form C-52) – Issued by KRA Customs Services Department. The importer is required to complete and sign it to show true and accurate value declaration of the imported goods.
- Certificate of Compliance – Processed as required by different authorities such as KEBS, KEPHIS, Department of Veterinary Service (DVS) e.g. certificate of conformity, phytosanitary certificate etc. Competent authorities in the supplier's country issue these after inspecting the goods. The supplier will then send you the relevant certificate to show that the goods comply with the local requirements.
- 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.

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 US 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.

Food service is a very important sector in the Kenyan tourism industry. In 2005, Tourism was the country's leading foreign exchange earner at \$647 million. An estimated 1.6 million visitors toured the country and this number is expected to increase by 10 percent in 2007. The growth is attributed to aggressive marketing campaign to tap new markets especially, targeting the Far East. The industry has experienced a boom reminiscent of the early 1990s and currently hotels are fully booked for the December holiday season.

With the economic growth rate estimated at 6 percent in 2006, a positive growth is also expected in the food industry.

NOTE: Please refer to Kenya's Retail Food Sector Reports **KE4014** and **KE6006**.

Section IV. Best Consumer Oriented Product Prospects

Generally, a wide range of the dry groceries. Specifically,

- Breakfast cereals
- Snack foods (popcorn, sweets, etc.)
- Confectioneries (candies)
- Canned foods
- Nuts and dried fruits (almonds, peanuts, hazelnuts, walnuts).
- Salad dressings

- Soups and sauces
- Rice (brown long grain US rice and parboiled)
- Bread Spreads (jams, jellies, marmalade, and butter)
- Specialty wines
- Energy Drinks
- Processed fruit and energy juices
- Infant Foods
- Pet Foods
- Frozen food products
- Baking mixes and supplies

Section V. Key Contacts and Further Information

US Embassy, Nairobi

Office of Agricultural Affairs
Unit 64114
APO AE 09831
Tel: 254-2-363 6340
Fax: 254-2-363 6349
Email: AgNairobi@usda.gov
Website: <http://www.fas.usda.gov>
Contact: Kevin N Smith, Agricultural Counselor

Foreign Commercial Service
Unit 64100
APO AE 09831- 4100
Tel: 254-2-363 0000
Fax: 254-2-363 6065
Email: nairobi.office.box@mail.doc.gov
Contact: Edward Yagi, 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>
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>

Kenya Plant Health Inspectorate Service (KEPHIS)
P.O.Box 49592
Nairobi. Kenya

Tel: 254-20- 884545, 882933, 882387

Fax: 254-20- 882265

Email: kephisinfo@kephis.org

Website: www.kephis.org and www.kenyapvoc.com

Contact: Dr. C.J. Kedera, Managing Director

Department of Veterinary Services

P.O. Private Bag. 00625, Kabete.

Tel: 254-20- 631383/2231/1287

Fax: 254-20-631273

Email: cvfovetlabs@kenyaweb.com

Contact: Dr. Joseph Musaa, Director

APPENDIX - STATISTICS**Table A: Key Trade and Demographic Information**

	2002	2003	2004	2002	2003	2004
Agricultural Imports From All Countries(\$Mil)/ U.S. market share(%)-1	404	N/A	472	3%	0%	4%
Consumer Food Imports From All Countries(\$Mil)/ U.S. market share(%)-1	42	N/A	61	2%	0%	1%
Edible Fishery Imports From All Countries(\$Mil)/ U.S. market share(%)-1	2	N/A	5	0	3%	4%
Total Population (Millions) - / Annual Growth Rate(%)-2005 est.	33.5				2.57%	
Urban Population(Millions) / Annual Growth Rate(%)-3	6				3.2%	
Number of Major Metropolitan Areas - 2	3					
Size of Middle Class(Millions)/Growth Rate (%) -3	58%				3.0%	
Per Capita Gross Domestic Product (U.S. \$M) -2005 est.	1100					
Unemployment Rate (%)*	30					
Per Capita Food Expenditures (U.S. \$)-5	240					
Per cent of Female Population Employed -4	30%					
Exchange Rate (US \$1 = Kshs.)- Average Rate 2005	72.9					

Footnotes

1/ FAS' web-enabled UNTrade database(HS 6-digit option; Import Market Share BICO 3-Yr Format)

2/ Population in excess of 1,000,000

3/Urban working population earning a monthly income of US \$ 125 and above
as 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

1994 Data on Urban Household Budget Survey

* Data Source- Central Bureau of Statistics-GOK

Other analysts estimate the rate to be over 50% (15 - 64years old)

**Urban Population: 2004 Estimates

TABLE B. CONSUMER FOOD & EDIBLE FISHERY PRODUCT IMPORTS

Kenya Imports (In Millions of Dollars)	Imports From the World			Imports from the U.S.			U.S Market Share %		
	2002	2003	2004	2002	2003	2004	2002	2003	2004
CONSUMER-ORIENTED AGRICULTURAL TOTAL	42	NA	61	1	NA	1	2%	0	1%
Snack Foods (Excl. Nuts)	3	NA	4	0	NA	1	0	0	0
Breakfast Cereals & Pancake Mix	1	NA	1	1	NA	1	1%	0	0
Red Meats, Fresh/Chilled/Frozen	1	NA	1	0	NA	0	0	0	0
Red Meats, Prepared/Preserved	1	NA	1	0	NA	0	0	0	0
Poultry Meat	1	NA	1	0	NA	0	0	0	0
Dairy Products (Excl. Cheese)	3	NA	3	1	NA	1	0	0	0
Cheese	1	NA	1	0	NA	0	0	0	0
Eggs & Products	1	NA	1	0	NA	0	0	0	0
Fresh Fruit	2	NA	4	0	NA	0	0	0	0
Fresh Vegetables	7	NA	1	0	NA	0	0	0	0
Processed Fruit & Vegetables	2	NA	3	1	NA	1	1%	0	8%
Fruit & Vegetable Juices	1	NA	1	1	NA	0	1%	0	0
Tree Nuts	1	NA	1	1	NA	1	28%	0	23%
Wine & Beer	6	NA	7	1	NA	1	2%	0	0
Nursery Products & Cut Flowers	3	NA	9	1	NA	1	0	0	1%
Pet Foods (Dog & Cat Food)	1	NA	1	0	NA	0	0	0	0
Other Consumer-Oriented Products	18	NA	25	1	NA	1	2%	0	1%
FISH & SEAFOOD PRODUCTS	2	NA	5	1	NA	1	3%	0	4%
Salmon	1	NA	1	0	NA	0	0	0	0
Surimi	1	NA	1	0	NA	0	0	0	0
Crustaceans	1	NA	1	1	NA	1	61%	0	73%
Ground fish & Flatfish	1	NA	1	0	NA	0	0	0	0
Mollusks	1	NA	1	0	NA	0	0	0	0
Other Fishery Products	7	NA	4	0	NA	0	0	0	0
AGRICULTURAL PRODUCTS	404	NA	472	14	NA	19	3%	0	4%
AGRICULTURAL, FISH & FORESTRY TOTAL	412	N/A	490	14	N/A	19	3%	0%	4%

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

TABLE C: TOP SUPPLIERS OF CONSUMER FOODS AND EDIBLE FISHERY PRODUCTS

CONSUMER-ORIENTED AGRICULTURAL TOTAL - 400 Reporting: Kenya - Top 15 Ranking			
	Imports		
	2002	2003	2004
	Value 1000\$	Value 1000\$	Value 1000\$
South Africa	7515	0	9807
United Kingdom	5486	0	9059
Netherlands	3034	0	7038
United Arab Emirates	1648	0	3668
Italy	2997	0	2512
Egypt	1188	0	2460
Areas NES	19	0	2288
Tanzania, United Republic of	617	0	2287
France	1910	0	1531
Ireland	1350	0	1515
Switzerland	539	0	1451
Saudi Arabia	557	0	1314
Spain	696	0	1294
China (Peoples Republic of)	392	0	1254
Germany	2830	0	1218
Other	11303	0	11803
World	42088	0	60533
FISH & SEAFOOD PRODUCTS - 700 Reporting: Kenya - Top 15 Ranking			
	Imports		
	2002	2003	2004
	Value 1000\$	Value 1000\$	Value 1000\$
Spain	1414	NA	3909
United States	63	NA	180
United Kingdom	59	NA	174
Tanzania, United Republic of	197	NA	128
Namibia	98	NA	108
Oman	0	NA	53
Mauritius	0	NA	52
Norway	31	NA	50
United Arab Emirates	13	NA	37
Hong Kong	35	NA	26
India	14	NA	22
Italy	137	NA	16
Thailand	15	NA	16
Yemen (Sanaa)	0	NA	8
Singapore	6	NA	7
Other	220	0	4
World	2308	0	4788

Source: FAS Global Agricultural Trade System using data from the United Nations Office