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Kenya

Food Service - Hotel Restaurant Institutional

2011 Annual Update

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Report Highlights:
Kenya's hotel, restaurant and institutional (HRI) sector will likely continue growing, mid-to-long term, faster than any other economic segment in the Kenyan economy. The Government of Kenya (GOK) established a goal of, and has undertaken activities to double the 1.5 million calendar year 2010 tourist visits to three million by 2030. The HRI sector's projected growth relies on a vibrant tourist sector but depends as well on strong growth of Kenya's middle class, where increasing numbers and disposable incomes will likely lead to more restaurant and hotel visits.

Post:
Nairobi

SECTION I. MARKET SUMMARY

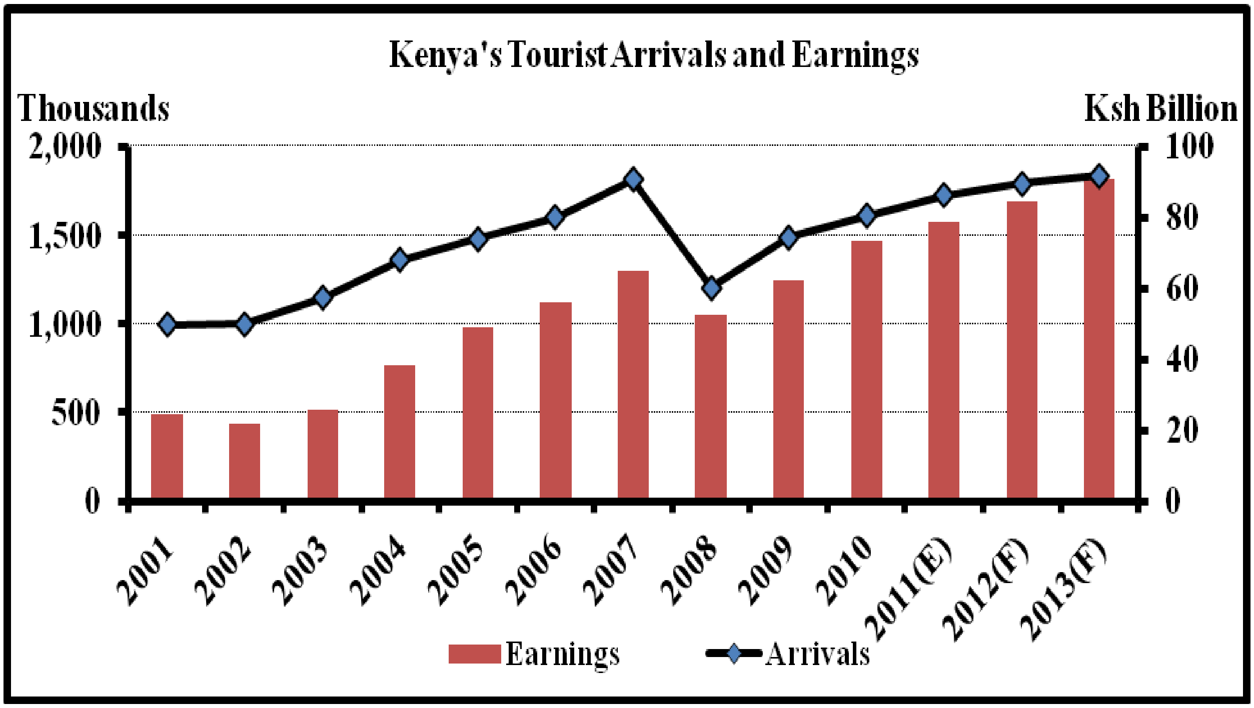
	2007	2008	2009	2010	2011(E)	2012(F)	2013(F)
Economic Indicators[1]							
Population (millions)	36.9	37.9	38.6	39.5	40.5	41.5	42.6
Population growth rate (%)	2.8	2.76	2.46	2.46	2.46	2.46	2.46
Labor force (millions)	17	17	17	18	18	19	19
Total GDP ($ billion)	27.2	30.5	30.6	32.2	36	41	46
GDP per capita ($)	727	794	775	795	840	870	880
GDP growth rate (%)	7.1	1.7	2.5	5.6	4	6	5
Inflation	9.6	17.8	5.3	4.5	19	5	6
Exchange rate (Ksh/$)	67.3	69.2	77.4	79.2	89	95	99
Agricultural Products Imports[2]							
Total Agricultural, Fish and Seafood products imports from the world ($ millions)	1,138	1,470	1,633	1,547	2,000	2,200	2,400
Total U.S. Exports of Agricultural, Fishery, and Seafood products ($ millions)	86	77	193	99	100	140	150
Major Competitors							
South Africa	46	112	341	109	80	100	120
EU	81	108	111	117	150	150	200
Uganda	84	70	50	85	90	100	100
Egypt	79	41	21	92	40	50	50
Total Fish and seafood Products Imports from the World ($ millions)	8.2	6.3	6.1	7.3	10	10	10
Total U.S. exports of Fish and Seafood Products ($1,000)	9.4	8.6	0	29.6	20	20	20
Major Competitors ($ millions)							
Seychelles	3.1	2.8	3.5	1.2	5	5	5
Singapore	0.5	1.3	0.0	2.2	2	2	2
Tanzania	0.5	0.4	0.4	0.5	1	1	1
EU	0.2	0.6	0.3	0.4	1	1	1

Data Source Notes: [1] CIA World Factbook and the March 2011 Economist Intelligence Unit Report; (e) and (f)=FAS/Nairobi estimates and forecasts, respectively; [2] Global Trade Atlas (GTA)

Kenya's tourism sector earnings will likely reach almost $ one billion by the end of calendar year (CY) 2013. The recent annual growth rate has averaged about 14 percent, even including the dramatic downturn due to December 2007 and early 2008 politically-incited violence.

Many of the tourism operators prefer imported HRI products for use in their hotels and camps. They reportedly site consistent quality, brand familiarity and good shelf life as reasons to purchase imported products.

Kenyans and tourists currently choose from over 70,000 restaurants, cafes, and coffee/tea houses to buy prepared foods and drink. The reputation and respectability of each has to be built every day with good and consistent foods and drink for tourists and the evermore-discerning and more affluent Kenyan middle-class. As a result, owners and operators look to find the best, most consistent and most consistently-available products in the market that satisfy their current and future customers.



Data Source Notes: Kenya National Bureau of Statistics, and (E) and (F) FAS/Nairobi's estimates and forecasts, respectively.

Characteristics of Kenya labor force (aged 15-64+), by income groups, 2007-2013

	2007	2008	2009	2010	2011(E)	2012(F)	2013(F)
Population (1,000) [1]	36,914	37,954	38,610	39,560	41,000	42,000	43,000
Labor Force (1,000)[2]	17,000	17,000	17,000	18,000	18,000	19,000	19,000
Income Groups [2]							
$150,001+	8	8	7	8	10	10	10
$70,001-80,000	3	3	3	3	3	3	3
$30,001-40,000	16	16	15	16	20	20	20
$7,501-10,000	86	83	82	83	90	90	100
$1,501-2,500	3,522	3,470	3,453	3,519	3,600	3,800	4,000
Other Income bands[3]	13,365	13,421	13,440	14,372	14,000	15,000	15,000

Data Source Notes: [1]CIA World Factbook; [2]The Euromonitor International (March 2011 Edition); [3]FAS/Nairobi defines "Other Income bands" as incomes not elsewhere included and/or specified in the Euromonitor's classification; and FAS/Nairobi estimates (E) and forecasts (F).

Kenyan Market Demographics and Lifestyle Statistics

	2007	2008	2009	2010	2011(E)	2012(F)	2013(F)
Urban population (‘000)	8,028.2	8,354.3	8,699.1	9,063.4	9,000	10,000	10,000
Urban population (%)	21.3	21.6	21.9	22.2	20	20	20
Population aged 0-14 (%)	42.7	42.8	42.8	42.8	40	40	40
Population aged 15-64 (%)	54.6	54.6	54.6	54.5	60	60	60
Population aged 65+ (%)	2.7	2.7	2.6	2.6	3	3	3
Consumer expenditure ($ millions)	21,811.9	24,218.5	25,204.7	26,365.6	29,000	30,000	40,000
Annual gross income ($ millions)	23,719.6	26,472.8	27,522.5	28,856.2	32,000	36,000	40,000
Annual disposable income ($ millions)	20,552.9	22,892.8	23,811.5	24,965.1	28,000	32,000	38,000
Internet users (1,000)	3,001.5	3,361.0	3,996.1	4,515.2	5,000	6,000	6,000
Tourism receipts ($ millions)	917	752	800.1	831.5	900	900	900
Tourism spending ($ millions)	265	266	292.3	311.3	300	300	400

Data Source: *Euromonitor Internationa;* (E) and (F) FAS/Nairobi estimates and forecasts, respectively

Advantages and Challenges Facing U.S. products in the Kenyan market

Advantages	Challenges
• Growing tourism and hospitality sectors will demand quality HRI products • Tourists and Kenyans alike recognize U.S. food products as high quality • Kenya will increasingly provide gateway services to regional markets	• Higher prices for U.S. food products relative to local market and/or imports from Egypt, South Africa, and EAC neighboring countries

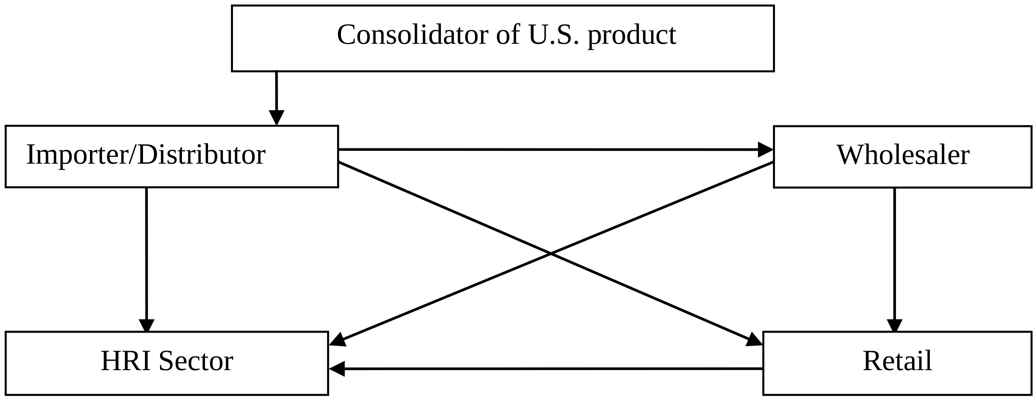
SECTION II. ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

Most consolidators/importers source U.S. products in the United States, United Arab Emirates (Dubai), Europe and South Africa. Many of these consolidators become familiar with U.S. food products at trade shows in Dubai, Europe and the United States. That trade-show contact may, reportedly, be one of the most positive factors in familiarizing Kenyan consolidators with U.S. food products.

B. Market Structure

The HRI sector relies largely on local importers, distributors, agents/wholesalers, and supermarkets for their product needs. Most of the hotels and restaurants have central purchasing departments that handle food and beverage purchases.



Sub-Sector Profiles

1. Hotels

More and better - Kenyan and international entrepreneurs continue constructing new hotels and improving long-standing structures. Reportedly, Kenya has more than 500 licensed hotels, with ratings from one-to-five stars. Additionally, there are many new hotels under construction and "on paper." Many of the new hotels will address the structural deficit in Nairobi where, rooms during February 2012, for example, are in short supply.

Kenyans voted to adopt a new constitution with the first scheduled elections coming in December 2012 or early 2013. Reportedly, almost all Kenyans understand the importance of transitioning into this improved political environment without discord. The progressing transition will feature devolution of powers and finances to the local level and the election of a President, replacing the current coalition Government. These political achievements, which appear to have helped propel investment in the hotel sector, will do much to underpin political stability that will engender future economic progress, including within the HRI sector.

Hotel Beds: Night Occupancy 2005-2012

	2005	2006	2007	2008	2009	2010	2011 (E)	2012 (F)
Total Occupied ('000)	4,476	5,922	6,939	3,699	6,243	6,662	7,000	7,000
Total available ('000)	10,846	13,004	14,712	14,234	17,125	17,162	18,000	20,000
Occupancy rate (%)	41	46	47	26	37	39	40	40

Data Source Notes: 2011 Economic Survey and FAS/Nairobi estimates (E) and forecast (F).

2. Restaurants

While the preponderance of Kenyan restaurants serve Kenyan staple foods, including corn meal and barbecued meat and chicken, consumers can experience Indian, Italian, French, Chinese, Ethiopian, Thai, Japanese, and U.S.-style food and restaurants in all major five major metropolitan areas. As an example, in August 2011, the KFC franchise out of South Africa opened two outlets in Nairobi, sourcing the chicken and most other food ingredients locally or from South Africa. Diners, reportedly, are very willing to tolerate long lines for the opportunity to buy the KFC food offerings. FAS/Nairobi forecasts KFC outlets at eight by the end of CY 2013 (please see table below). **Forecast of Kenya's**

Fast Food Restaurant Chain Outlets in CY2013

Company Name	Number of Outlets	Location	Purchasing Agent(s)
Kenchic Inns	220	Most major cities	Local suppliers
Innscor Kenya Limited (Creamy Inn, Pizza Inn, Nandos, Chicken Licken, & Galitos)	20	Nairobi and Mombasa	Local suppliers; and direct importation of spices from South Africa
Dormans Coffee House & Restaurants	15	Nairobi and Mombasa	Local suppliers
Java Restaurants & Coffee Houses	15	Nairobi	Local suppliers
Steers	10	Nairobi and Mombasa	Local suppliers and direct importation of spices from South Africa
Kengeles Bar and Restaurant	10	Nairobi	Local suppliers
Savanna Coffee/Tea House and Restaurant	10	Nairobi	Local suppliers
KFC	8	Metropolitan Kenya	Local and South African

Data Source Notes: FAS/Nairobi's estimates

3. Institutional

FAS/Nairobi will further explore this sector in future reports.

SECTION III. COMPETITION

European and South African suppliers of HRI foods form the major axis of competition in the Kenyan market. Consolidators supply U.S. product to the market when they find "good deals" on U.S. products warehoused on the Arabic Peninsula or sourced directly out of the United States.

SECTION IV. BEST PRODUCT PROSPECTS

The best product prospects include snack foods, fruit and vegetable products, and mixed condiments. In the table here below, FAS/Nairobi included trade by volume and value to highlight the product-quality differences by origin.

CY2010 Global Trade Atlas Data

[1]Product Category (Qt and Value – CY 2010)	[1]Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Snack Foods (Excludes Nuts) Imports: 6,895 tons $17 million	***1. Egypt***: 26% by value and 31% by volume ***2. South Africa***: 12% by value and 6% by volume ***3. India***: 12% by value and 16% by volume	Egypt has preferential tariff advantage under the COMESA trade agreement	Local brands are well-recognized in the market and supply is consistent, though quality can be problematic
Breakfast	***1. U.S.***: 54%* by	The UK and South	Insufficient capacity and high cost

Cereals/Pancake Mix Imports: 7,609 tons $6.1 millions	value and 78% by volume ***2. UK***: 18% by value and 7% by volume ***3. South Africa***: 10% by value and 3% by volume	Africa provide most by retail cereals to the Kenyan market	of local production
Red Meats (Fresh/Chilled/Frozen Imports: 250 tons $603,837	***1. Brazil***: 73% by value and 68% by volume ***2. Italy***: 13% by value and 22% by volume ***3. Germany***: 12% by value and 10% by volume	Brazil supplies red meats at low prices	The GOK protects Kenyan producers
Red Meats (Prepared/Preserved) Imports: 101 tons $232,272	***1. Italy***: 47% by value and 29% by volume ***2. Brazil***: 37% by value and 57% by volume ***3. Mauritius***: 8% by value and 8% by volume	Brazil supplies at low prices and Italy with known products	The GOK protects Kenyan producers
Dairy Products excludes Cheese Imports: 8,844 tons $14.8 millions	***1.Uganda***: 65% by value and 80% by volume ***2. New Zealand***: 15% by value and 9% by volume ***3. Switzerland***: 3% by value and 2% by volume	New Zealand and Switzerland export quality, well-known products	The GOK protects Kenyan producers
Eggs & Products Imports: 25 tons $28,084	***1. South Africa***: 78% by value and 98% by volume ***2. UK***: 14% by value and 0.2% by volume ***3. China***: 5% by value and 0.1% of the volume	South African proximity and freight advantage	The GOK protects Kenyan producers
Fresh fruits Imports:17,065 tons $9.2 millions	***1. South Africa***: 65% of the value and 48% of the volume ***2. Egypt***: 15% by value and 8% by volume ***3. Tanzania***: 5% by value and 30% by volume	South African processed products prominent in the Kenyan market	Kenyans can produce most fruits and juices but haven't developed the sectors to their fullest capacity
Fresh Vegetables Imports:	***1. Tanzania***: 63% by value and 80%	Tanzanian exporters don't pay tariffs	Kenyans still developing the vegetable sector

11,119 tons $4.5 millions	by volume ***2. China***: 25% by value and 15% by volume ***3. South Africa***: 7% by value and 0.4% by volume		
Processed Fruits & Vegetables Imports: 8,581 tons $10.7 millions	***1. Denmark***: 37% by value and 16% by volume ***2. China***: 10% by value and 19% by volume ***3. South Africa***: 8% by value and 4% by volume	Expatriate-driven products demanded from Europe	Limited Kenyan fruit and vegetable processing
Fruit & Vegetable Juices Imports: 5,542 tons $4.8 millions	***1**. **Egyp**t*: 24% by value and 39% by volume ***2. South Africa***: 21% by value and 13% by volume ***3. Uganda***: 16% by value and 18% by volume	No tariffs for Egypt and Ugandan exporters and very competitive fruit processing sectors	Limited Kenyan fruit and vegetable processing
Tree Nuts Imports: 3,549 tons $1.04 million	**1.Tanzania**: 43% of the value and 93% by volume ***2. U.S.***: 19% by value and 1% by volume ***3. Vietnam***: 8% by value and 2% by volume	Tanzanian proximity and U.S. production of almonds	Kenya's macadamia and cashew nut sectors remain strong processors and exporters, likely importing Tanzanian product for further processing
Wine and Beer Imports: 8,038,364 liters $13.1 millions	***1. South Africa***: 46% by value and 39% by volume ***2. Netherlands***: 10% by value and 13% by volume ***3. Chile***: 6% by value and 5% by volume	South African breweries strong in the Kenyan marketplace	Kenyan brewers compete well in the marketplace
Fish & Seafood Imports: 14,473 tons $7.3 millions	***1. Singapore***: 30% by value and 13% by volume ***2. Seychelles***: 17% by value and 44% by volume ***3.Tanzania***: 7% by value and 10% by volume	Price	Strong tilapia production, Red Snapper catch but little else

Data Source Notes: Global Trade Atlas (GTA) Full-year CY 2011 data not yet available--*Most U.S. cereals imports noted above consist maize meal and corn-soy blends distributed as food aid.

SECTION V. POST CONTACT AND FURTHER INFORMATION

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