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Kenya

Retail Foods

2012 Kenya's Retail Food Sector Report

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Report Highlights:

FAS/Nairobi projects Kenya’s consumer-ready food imports to exceed $270 million in calendar year 2013, because of increased urbanization, increased ‘consumerism’ driven by a fast-growing middle class, and continuous expansion of the leading retailers into neighboring countries. Supermarkets and hypermarkets offer the best distribution channel for U.S. consumer-ready food products in the Kenyan food retail market.

Post:
Nairobi

Executive Summary:

	2009	2010	2011	2012[E]	2013[F]	2014[F]
ECONOMIC TRENDS						
Inflation (%)[1]	10.5	4.1	14	9	7	5
GDP growth rate (%)[1]	2.7	5.8	4.4	4.7	4.8	5.1
GDP per capita($)[2]	762	809	874	965	1,050	1,144
AGRICULTURAL, FISH AND SEAFOOD PRODUCTS IMPORTS ($ Millions)[3]						
Total Agricultural, Fish, and Seafood Products imports from the World	1,591	1,486	1,991	2,100	2,300	2,500
Total U.S. Agricultural, Fish, and Seafood Products Exports to Kenya	193	97.6	81	100	110	120
Consumer-Oriented Agricultural Products ($ Millions)[3]						
Total Consumer-Oriented Food Products Imports from the World	151	186	227	240	270	290
Total Consumer-Oriented Food Products Imports from the United States	16.3	29.3	8.8	21	23	25
Major Competitors (US$ Millions)[3]						
European Union (EU)	55.3	60.5	100.5	94.5	100	110
South Africa	18.1	25.5	26.3	29.6	32.7	35.8
Uganda	4.2	10.5	19.4	18.9	22.3	25.7
Egypt	8.5	10.1	12.8	13.8	15.5	17.1
Tanzania	7.2	9.4	9.7	10.7	11.3	11.9
India	5.7	5.9	6.6	7.5	8.3	9
China	3.6	4.6	5.1	5.8	6.4	7
Brazil	1.2	3	4.5	3.8	4.1	4.4
Total Fish and Seafood Products Imports from the World (US$ Million)[3]	**6.1**	**7.3**	**11.4**	**10.0**	**10.7**	**11.4**
Total Fish and Seafood Products Imports from the United States(**$1,000**)[3]	0	29.6	1.4	9.3	8.9	8.5
Major competitors ($ Millions)[3]						
EU	0.2	0.4	0.5	0.6	0.62	0.7
Seychelles	3.5	1.2	5.2	3.2	3.2	3.2
Singapore	1	2.2	1.5	2	2.3	2.7
China	0.01	0.42	0.8	0.73	0.9	1
Japan	0	0.3	0.8	0.47	0.49	0.5
Korea South	0.5	0.4	0.6	0.7	0.8	0.9

Data Sources: [1]Kenya National Bureau of Statistics [KNBS] -2012 Economic Survey, [2]IMF World Economic Outlook 2011, [3]Global Trade Atlas (GTA), [E,F]FAS/Nairobi Estimates and Forecasts

Summary of Kenya's retail food sector:

- Kenyan retail sales rose on average 5.5 percent from calendar year (CY) 2005 through CY2010, but *Euromonitor International* (May 2011, Edition) forecasts a slower growth of 2.2 percent over the next five year forecast period (CY2010-2015). Hypermarkets will be the fastest growing segment of the retail, with projected growth of 12 percent during the forecast period,

followed by other grocery retailers at 2 percent.
- Hypermarkets and supermarkets offer product varieties and convenience (24-hour operations, one-stop-shop concept, and competitive pricing) that largely entice the growing middle class customers.
- Reportedly, combined turnover by the top six leading supermarket chains is estimated at between $1.2 billion and $2.4 billion.
- Currently, no global retail chains are present in the Kenyan market. However, Walmart (through its South African subsidiary Massmart), Games Stores, Jet, and Edgars are set to establish outlets in the country by 2014.
- Imported food products account for between 15 and 45 percent of total food products stocked by supermarkets and hypermarkets, according to leading retail chains' management.

Insert Grocery sales Pie Chart

Advantages and Challenges Facing U.S. Products in the Kenya Market

Advantages	Challenges
• A growing middle class and expatriate community in Kenya provide a niche market for imported food products • Increased urbanization and infrastructure development • A growing hotels and restaurants (food service) industry will demand quality food products • Kenyans perceive U.S. food as high in quality, packaging, and variety • Continuous expansion of the leading retailers into neighboring countries (Uganda, Tanzania, and Rwanda)	• Limited purchasing power for most consumers in cities and towns • Higher prices for U.S. food products relative to local market and/or imports from Europe, South Africa, Egypt, and neighboring countries • Unpredictable inflation and volatile exchange rate

Section II. Road Map for Market Entry

Entry Strategy

Kenyan importers source U.S. products from consolidators in the United States, United Arab Emirates (Dubai), Europe and South Africa. Many of these importers see U.S. food products at trade shows in Dubai, Europe and the United States. That contact appears to be the most effective approach with regards to getting U.S. food products into the Kenyan and east Africa markets.

U.S. consolidators should work with local importers to meet retailers' requirements (orders smaller than normal, small pack sizes, mixed products in one shipment, share a shipment with other U.S. suppliers) and Kenya's food import requirements.

Market Structure

The Kenyan food retailers rely on local importers for their products needs. The chart below shows how U.S. consumer-oriented food products reach Kenyan food retailers.

Insert chart

A. Super Stores and Supermarkets

Retail Name and Outlet Type	Ownership Type	2011* Food Sales	No. of Outlets	Locations	Purchasing Agent Type
Nakumatt Holdings Ltd Hypermarkets (14) Supermarkets (17) Convenience stores (5)	Local	$270 million	37	Kenya (30); Uganda (4); Rwanda (2) ; and Tanzania (1)	Local suppliers and importers
Tuskys Ltd Hypermarkets (7) Supermarkets (20) Convenience Stores (9)	Local	$169 million	36	Kenya (32); and Uganda (4)	Local suppliers and importers
Uchumi Ltd Hypermarkets (9) Supermarkets (15)	Local	$104 million	26	Kenya (20); Uganda (5); and Tanzania (1)	Local suppliers and importers
Naivas Ltd Hypermarkets (5) Supermarkets (15) Convenience Store (1)	Local	$106 million	21	All stores are in Kenya	Local suppliers and importers
Ukwala Ltd Supermarkets (14)	Local	$45 million	14	All stores are in Kenya	Local suppliers and importers

<u>Data Source/Notes</u>: Direct Communication with the retail chains' management
*Annual Food Sales figures account for Kenyan outlets only, operational in 2011 calendar year

B. Convenience Stores, Gas Marts and Kiosks

Retailer Name & Market Type	Ownership Type	*2011 Food Sales (Estimate)	No. of Outlets	Locations	Purchasing Agent Type
Chandarana Supermarkets Ltd.	Local	$22 million	8	All outlets are in Kenya	Local suppliers and importers
Other independent stores and mini-supermarkets	Local	N/A	Less than 11	All outlets are in Kenya	Local suppliers and importers
Convenience Stores/Gas Marts	Local & foreign	N/A	20**	All outlets are in Kenya	Local suppliers

Data Source/Notes: Direct communication with Chandarana supermarket management; **Oil Libya Gas Mart convenience stores only (Data not available for other gas mart convenience stores)

C. Traditional Markets

Traditional retailing is dispersed over the country with the highest concentration in kiosks/dukas, open-air markets, and street hawking. Reportedly, it remains the largest segment of the market, with an 80-percent market share. These shops commonly sell locally-manufactured food, beverages, fresh fruits and vegetables, pulses, and grains.

Section III: Competition

[1]Product (Quantity and Value in 2011)	[1]Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Snack Foods Imports: 8,107 tons $19 million	1. Egypt : 16% of the value and 17% of the volume 2. South Africa: 14% of the value and 7% of the volume 3. India: 11% of the value and 18% of the volume	Egypt has preferential tariff advantage under the COMESA trade agreement. South Africa and India have freight advantages compared to the United States due to their relative proximity	Local brands are well-recognized in the market and supply is consistent, though, limited by rising production costs
Breakfast Cereals/Pancake Mix Imports: 7,128 tons $6 million	1. U.S.: 54% of the total value and 77% of the volume 2. U.K.: 18% of the value and 6% of the volume 3. South Africa: 10% of the value and 3% of the volume	The United States, United Kingdom, and South Africa supply high quality products appreciated by Kenya's high income earners, the growing middle class, and expatriates.	Insufficient capacity and high cost of local production
Red Meats (Fresh/Chilled/Frozen Imports: 523 tons $1.6 million	1. Brazil:53% of the value and 68% of the volume 2. Canada: 33% of the value and 29% of the volume 3. Italy: 7% of the value and 9% of the volume	Brazil supplies red meats at competitive prices	The government of Kenya (GOK) protects local producers
Red Meats (Prepared/Preserved) Imports:136 tons $294,308	1. Italy: 67% of the value and 23% of the volume 2. Brazil: 21% of the value and 71% of the volume 3. South Africa: 3% of the value and 2% of the volume	Italy and Brazil supply meat products at competitive prices	The government of Kenya (GOK) protects local producers
Dairy Products excludes Cheese Imports: 10,710 tons $21 million	1.Uganda: 69% of the value and 84% of the volume 2. New Zealand: 12% of the value	Uganda benefits from preferential tariff advantage under East African Community (EAC) trade agreement; New Zealand and the Netherlands export quality, well-	The government of Kenya (GOK) protects local producers

	and 7% of the volume 3. Netherlands: 4% of the value and 1% of the volume	known products	
Eggs & Products Imports: 248 tons $300,345	1. Uganda: 35% of the value and 40% of the volume 2. South Africa: 31% of the value and 37% of the volume 3. Zimbabwe: 22% of the value and 30% of the volume	Relative proximity to Kenya gives Uganda and South Africa freight advantages	The government of Kenya (GOK) protects local producers
Fresh fruits Imports:16,953 tons $10.6 million	1. South Africa: 56% of the value and 46% of the volume 2. Egypt: 21% of the value and 12% of the volume 3. Tanzania: 2% of the value and 16% of the volume	Relative proximity to Kenya gives South Africa freight advantages; Preferential tariff advantage under COMESA gives Egypt and Tanzania a competitive advantage	Kenyans can produce most fruits but haven't developed the sub-sectors to their fullest capacity
Fresh Vegetables Imports: 17,946 tons $9 million	1. Tanzania: 51% of the value and 65% of the volume 2. Uganda: 24% of the value and 20% of the volume 3. China: 19% of the value and 14% of the volume	Tanzanian and Ugandan exporters have zero tariff advantage under EAC trade agreement; these countries also neighbor Kenya	Continuous production of vegetables most of the times
Processed Fruits & Vegetables Imports: 13,083 tons $20 million	1. Denmark: 53% of the value and 26% of the volume 2. Uganda:2% of the value and 22% of the volume 3. China: 6% of the value and 4% of the volume	Relative proximity of Denmark to Kenya; Uganda benefits from EAC preferential tariff advantage	Limited Kenyan fruit and vegetable processing
Fruit & Vegetable Juices	1. Egypt: 29% of the value and	No tariffs for Egypt and Ugandan exporters because of	Limited fruit and vegetable processing

Imports: 5,805 tons $4.3 million	44% of the volume 2. Netherlands: 19% of the value and 6% of the volume 3. Uganda: 15% of the value and 14% of the volume	COMESA and EAC preferential trade agreements; Egypt has a very competitive fruit and vegetable processing sectors	
Tree Nuts Imports: 4,392 tons $2.5 million	1.Tanzania: 20% of the value and 69% of the volume 2. Uganda: 41% of the value and 23% of the volume 3. U.S.: 22% of the value and 2% of the volume	Tanzanian and Ugandan proximity and tariff advantage under EAC preferential trade agreement, and U.S. production of almonds	Kenya's macadamia and cashew nut sectors remain strong processors and exporters, likely importing Tanzanian and Ugandan products for further processing
Wine and Beer Imports:11,777,996 Liters $19.6 million	1. South Africa: 39% of the value and 32% of the volume 2. Tanzania: 13% of the value and 18% of the volume 3. Netherlands: 10% of the value and 15% of the volume	South Africa and Tanzania benefits from close proximity to Kenya; in addition, Tanzania gains from preferential tariff advantage under the EAC trade agreement	Kenyan brewers compete well in the marketplace
Nursery Products & Cut Flowers Imports: N/A $11 million	1. Netherlands: 50% of the total value 2. Germany: 11% of the total value 3. Chile: 9% of the total value	Netherlands and Germany's relative proximity to Kenya and hence, lower freight rates than from the United States	Limited local production
Pet Foods(Dog & Cat Food) Imports: 994Tons $1.6 million	1. South Africa: 48% of the value and 41% of the volume 2. U.K: 24% of the value and 23% of the volume 3. Italy: 12% of the value and 12% of the volume	Proximity and low freight rates	Insufficient local production
Other Consumer-Oriented Products Imports: N/A	1. Ireland.: 18% 2. France: 11% 3. Germany: 8%	Proximity and low freight rates	Insufficient local production

$100 million			
Fish & Seafood Imports: 16,070 tons $11.4 million	1. Seychelles: 45% of the value and 49% of the volume 2. Singapore: 13% of the value and 13% of the volume 3.China: 7% of the value and 1% of the volume	Competitive Price	Strong Tilapia production but little else

Data Source: GTA

Section IV: Best Product Prospects

Category A: *Products Present in the Market That Have Good Sales Potential*

Product Category	2011** Market Size	2011 Imports	5-Yr. Avg. Annual Import Growth (2007-2010)	Import Tariff Rate (percent)	Key Constraints Over Market Development	Market Attractiveness for USA
Snack foods	8,107 MT	$19 million	17%	25%	High landed costs	Good growth potential. U.S. brands perceived as high quality, premium brands e.g. Frito Lay, Pringles brands
Tree Nuts	4,392 MT	$2.5 million	(6)%	25%	High landed costs	Good growth potential. The United States supplied 100% of almonds sold in Kenya, in 2011 calendar year.
Sauces, Mixed Condiments and Seasonings	814 MT	$1.7 million	4%	25%	Competition from low cost suppliers such as South Africa and the UK	Good growth potential.
Jams, Fruit Jellies, Fruit/Nut Puree & Paste	234 MT	$251,423	14%	25%	Competition from India, Egypt, and the United Kingdom.	Good growth potential. The United States supplies 2% of imported jams, fruit jellies, fruit/nut puree and pastes in 2011 calendar year.
Vinegar and Substitutes for Vinegar Obtained from Acetic Acid	93,517Litres	$166,791	13%	25%	Competition from Australia and Italy	Good growth potential. Average annual growth rate for U.S. exports stood at 13% between 2007

						and 2011 calendar years.
Mustard	51 MT	$85,021	11%	25%	Competition from Egypt, the Netherlands, and UK	Strong growth potential. The United States supplied 50% of mustard and mustard products in 2011 calendar year.

Data Source/Notes: GTA; ** Reflects import volumes only

Category B: *Products Not Present in Significant Quantities but That Have Good Sales Potential*

Fruit juices; energy drinks; dog and cat foods; baby foods; and pasta and pasta sauces

Category C: *Products Not Present Because They Face Significant Barriers*

- Milk Powder; need for government approval and an import tariff of 60 percent limits imports
- Lentils must be free from contamination with darnel seed
- Peas must be split to reduce risk planting and spread of pests and diseases

Section V. Post Contact and Further Information

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