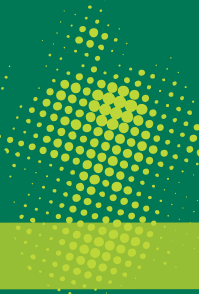




www.hcda.or.ke

Horticultural Crops Development Authority

Serving the Horticulture Industry



Freshfel to launch produce initiative.....	pg 1
Upcoming Trade Event- Fruit Logistica 2011.....	pg 2
Flower Auctions' Notes.....	pg 2
The Flowers in British Supermarkets	pg 2
Role of Supermarkets in Flower Sales	
Overestimaed.....	pg3
Ethiopia Plans Tripling of Flower	
Exports in Five Years.....	pg3
Kenyan Flower Firms Radiant despite	
Earnings Drop.....	pg 4
Analysis-January 2011.....	pg 5
Market trends (European Markets	
January 2011).....	pg 7



Freshfel to launch produce initiative

European Fresh Fruit and Vegetable Association Freshfel Europe has announced that it is to launch several initiatives over the coming months that would highlight the value of fresh produce as well as the expertise of the industry behind fruit and vegetables.

The communication campaign will focus on the complexity behind the availability of fresh produce and the journey from field to fork which, the Association said, is often overlooked by the public and is in fact the basic guarantee for consumers that products on offer are of the highest quality and greatest diversity. According to the president of Freshfel Europe it is important to increase the visibility of the sector and communicate about industry skills and professionalism as well as about the wealth of assets and benefits that fresh fruit and vegetables provide to consumers.

The European fruit and vegetable sector weighs in at more than 100m tons of produce per year, representing an important part of the European economy, and various segments play an essential role in the value chain. While providing more factual information about the sector, the Freshfel campaign also aims at setting the record about fresh produce and its perception by consumers with several surveys indicating that fruit and vegetables are considered to be too expensive. According to Freshfel there is a misperception from this point of view which needs to be clarified: a simple comparison with other food categories might convince the biggest sceptic that this assertion is incorrect.

Freshfel explained that consumers should be better aware of the intrinsic values of fresh produce and its variety of tastes and textures advantages that it can be difficult to get across to shoppers; even when these benefits are communicated, they are not always recognized as being valuable commercially. It is important that the organization raises the profile of the sector and of its produce to policymakers, the market and consumers. The market is underestimating the value of fresh produce, a product which has many attributes and that should be better rewarded by consumers.

Freshfel is considering several actions to move ahead and change the collective unconsciousness: with consumption of fresh produce 'stagnating at best' below World Health Organization recommendations in many member states, consistent actions - mostly in public-private partnership - need to be taken. This will be highly ranked in Freshfel's priorities in 2011 and the communication campaign should contribute to this effort.

Source: Fruitnet

VISION:

A globally competitive horticulture sector in Kenya.

MISSION:

To develop, promote, facilitate and co-ordinate growth of a commercially oriented horticulture industry through appropriate policies and technologies to enhance and sustain socio-economic development.

CHIEF EDITOR:

EDWARD MAINA

EDITORS:

ANNE GIKONYO

AGNES WAINAINA

Design/layout & Print:
Diverse Links Enterprises
diverslinks@gmail.com

Upcoming Trade Event-Fruit Logistica 2011.

The Fruit Logistica fair will be held in Berlin from 8 to 10 February, this year. With a comprehensive market overview, the presence of all key industry decision-

makers and a record number of exhibitors and visitors the event hosted in 2010 more than 50.000 trade visitors from 130 countries.



The international character (with 89% of exhibitors and 80% of visitors coming from outside Germany last year), the attendance of top decision-makers and the high level decision-making authority of the industry representatives make of the event the world's leading trade fair for the fresh produce industry.

Freshconex 2010, the only European trade fair for the fresh produce convenience sector, will take place for the third time in conjunction with Fruit Logistica. Key objectives for exhibitors at Fruit Logistica includes company presentation/image build-

ing, new business development, fostering customer relations and providing information to industry professionals.

Most of the trade visitors to Fruit Logistica use to visit the fair to establish contacts or meet new suppliers, find out about new products, monitor the market and the competition and are primarily interested in fresh produce as well as packaging and packing machines. Although business contracts are not always among the top priorities, nearly 50% of all exhibitors managed to conclude new orders in 2010.

Source: ITC's Market News Service

Cut Flowers Market in Europe The Netherlands Flower Auctions'Notes

The cut flowers turnover in December has decreased by 12.8% when compared to the same month of last year, realized with a supply decrease of 7.4%, resulting in a total average price for all flowers together, of 22 Eurocents per stem (last year 24cents). Lower prices were for nearly all cut-flowers products, except for: tulips, cymbidium orchids and ilex.

The last month of the past year did not turn out to be so good for the cut-flowers business. Due to the extremely severe and cold winter weather, with snow and ice, the street sales were nearly dead. Also transport was extremely difficult and in many cases even impossible. The

roads in all the European countries were difficult to drive on.

In many cases and in several countries it was even forbidden to drive with trucks for several days. All those problems made the buyers very reluctant to buy. They rather preferred not to buy, than to be stuck somewhere and to lose money. As of the very beginning of the New Year the weather became milder and snow and ice disappeared in most of the countries.

However, during the first week of the month prices in the auctions did not improve very much; throughout the second week of the month they did. Compared to last year, when the severe winter took place in January, all was already much

better. Prices were highest for all the so-called bulb flower products, such as: anemones, tulips, narcissus, lilies and ranunculus, mainly due to the relatively lower supplied quantities, as a result of the very cold weather throughout the whole month of December.

During the third week of the month the general price level remained very similar to the level of week number two. However, throughout the fourth week prices slowed down again, probably just temporarily. Still, prices were higher than last year during the comparable week, except for some product such as: ammi majus, hypericum and spray roses. It can be expected that all will improve a lot during the coming weeks, when Valentine's Day approaches.

The Flowers in British Supermarkets

The Dutch Horticultural Marketing Board (PT) has produced a report about supermarkets in the UK. In the UK, supermarkets have the biggest share in flower sales (52%) compared to other outlets. The second place is for florist shops (29%).

Tesco has the biggest share (35%) of the flower sales at supermarkets in the UK, followed by Asda (19%), Sainsbury's (14%) and Morrisons (13%). In 2008 and 2009, the total market share of Tesco went from 30.9% to 30.4%.



In these years of economic recession, consumers were cutting down costs, which worked out in favour of discount stores like the Aldi. However, in the beginning of 2010, the share of Tesco increased again. Asda is a daughter of Walmart and located mainly in north England. The share of Asda grew in 2009 to 17.0% but went slightly down in the beginning of 2010. This year, the share of Sainsbury's went up to 16.3%. This chain is positioned in the luxury segment and focused on local and organic products.

Source: FlowerFocus.info
15/12/2010

Role of Supermarkets in Flower Sales Overestimated

Supermarkets are less dominant in the Dutch export of flowers and plants than people often think. This is one of the conclusions in the Dutch trade report, made by the Dutch trade association VGB, the industry board HBAG and the research institute LEI. The share of supermarket, in the sale organized by Dutch exporters, increased by +2.2% to 20.3% between 2005 and 2009. The VGB does not believe that in the coming years, supermarkets will dominate the market; like for example, in case of fruits and vegetables.

However, a recent survey concluded that tulips are mostly sold through supermarkets. From 40% of the tulips in Holland, up to 80% of them in Switzerland are sold

through this channel. Importing wholesalers are still the most important client group of Dutch exporters. But from 2005 to 2009 their share went down by 3.2% to 36.7%. In the same period, the number of traders, of flowers and plants, in the Netherlands declined by 20%.

The number of small traders specially decreased, through mergers, or because they got incorporated by another trader. According to the report, specialization is the only way for smaller traders to survive. Specialization is a general trend that the traders follow on foreign importers, supermarkets or florists.



Sources: FlowerFocus.info 25/01/2011 => VGB/HBAG/LEI
+ Vakblad vd Bloemisterij 01/02/2011

Ethiopia Plans Tripling of Flower Exports in Five Years

The efforts of the Ethiopian government to develop the horticulture industry over the past years have proved to be working well. "Now the government has a development and transformation strategic plan for the next five years", says Tsegaye Abebe (pictured), Chairman of the **Ethiopian Horticulture Producer and Exporters Association (EHPEA)**. Like in the past, there are tax benefits, including an income tax holiday for five years and duty free imports of inputs.

Other benefits are a low interest loan for along period from the governmental Development Bank. The government's plan gives special attention for diversification of products, with other cut flowers than roses, with cuttings, and other ornamentals products. **The goal is to double the production area to 3,000 ha. The revenues are expected to be over US\$ 500 million, in five years.**

The export of fruit, vegetables and herbs is expected to cover around 15,000 ha with a value of over \$200 million. This is three times the current value. According to Abebe, government support makes the goals achievable. The national export committee chaired by the Prime Minister meets every month for an evaluation of exports.



The committee solves existing problems and gives guidance to make sure exports develop in the right direction.

The flowers export value (including cuttings) from Ethiopia in the season 2009-2010 was \$ 160 million. For the 2010-2011 season the country expects an increase of 15-20%. Specifically, there will be expansion in the production of cuttings like Poinsettia, Geranium and Chrysanthemum.

There will also be a reasonable expansion for roses. The current rose area is 1,400 ha and the total flower and cutting production area is 1,600 ha. The main markets for Ethiopian flowers are the Netherlands, Germany, the UK, Scandinavia, Japan, Middle East, Russia and other African countries.

The fourth position of Ethiopia in the 2009 flower imports for Japan is a remarkable achievement. The country expects to be third in Japan in 2010. While airfreight capacity was not always sufficient in the past, these problems are over now. Ethiopian Airlines is operating two Boeing 747-200 freighters, and two MD11 planes. Besides the national airline, passenger planes of Lufthansa, KLM, Emirates and Turkish Airline also freight flowers.

Source: www.flowerfocus.info 11/01/2011

Kenyan Flower Firms Radiant despite Earnings Drop

The flower industry last year raked in Sh30.6 billion (+/- US\$ 378 million), marking a 15 percent drop in earnings compared to 2009. The decline was attributed to the unusually cold conditions in Europe just before Christmas, and the Iceland volcanic ash cloud in April last year. Kenya Flower Council (KFC) Chairman Erastus Mureithi however said that despite these challenges, volumes estimated at 100,000 tones were not affected. "Eight months later, I am persuaded now more than ever that indeed the industry is resilient after weathering an enormous loss of 400-500 tones of cut flowers worth between \$1.5 to \$2 million dollars a day," he said of the major blow dealt to the industry last year.

The sector has been facing tough times since 2008 when Kenya experienced civil unrest that saw thousands of workers lose their jobs. This was followed closely by the global financial crisis, whose impact was especially felt in 2009, and which affected Europeans' purchasing power.



Kenya is the second largest supplier of cut flowers to Europe after Netherlands. The industry has however proved its resilience and its ability to rebound as demonstrated by the 2.2 percent growth in exports in 2008, when the country was reeling from the effects of the post election violence. For this reason, the industry has projected a six to seven percent growth this year, driven largely by the ongoing initiatives to improve its performance.

However, players are wary of the competition posed by Ethiopia, which has the fastest growing horticultural sector and which is threatening to overtake Kenya as a major producer of cut flowers. Incentives offered by the Ethiopian government to investors in the sector including provision of water and land, faster processing of permits and the construction of bypasses to ease transportation of the produce to the airport have seen several flower producers relocate to the neighbouring country.

"The biggest grower, Sher Agencies, who was in Kenya but moved to Ethiopia now has land that is equivalent to what all of us (producers) in Kenya have. This shows that if we become too tough on this industry, we have competitors who are willing to take over," Mr Mureithi cautioned. However, he said that industry players were forming partnerships that should help them address the challenges they face.

Key among these is the campaign to promote local consumption of flowers; an initiative that the council said is bearing fruit.

At the same time Mr. Mureithi said a section of growers especially those operating around Lake Naivasha were still implementing measures to ensure the efficient and equitable use of water.

With the help of government agencies, such as the Kenya Plant Health Inspectorate Service, they have also been monitoring the lake levels and physical parameters such as pH and EC. "Farms have put in place strict measures to ensure the prevention of pollution of the environment where waste water is treated before disposal through acceptable means as outlined in the Environment Management and Coordination Act and monitored by the National Environment Management Authority," he added.

Nonetheless, recent reports indicate that this year some 200 ha of new rose greenhouses would be built in Kenya. This would bring the total area to some 2,400 ha, cultivated by some 110 various farms. Most of the extension this year is planned by Kenyan and Asian companies, while the European growers in Kenya hardly extend.

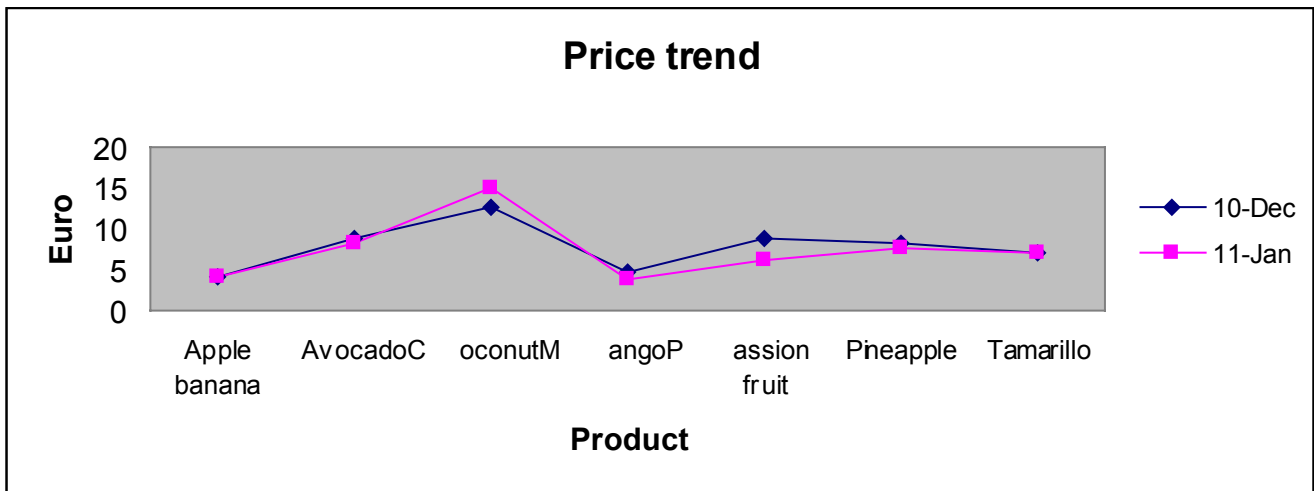
Sources: Capital Business 19/01/2011 + Vårblad vd Bloemisterij 01/02/2011

Analysis January 2011

Fruits

Price trend for fruits in Euro

	Dec-10	Jan-11
Apple banana	3.975	4.142
Avocado	8.75	8.32
Coconut	12.75	14.947
Mango	4.64	3.83
Passion fruit	8.935	6.07
Pineapple	8.15	7.75
Tamarillo	7.025	7.16



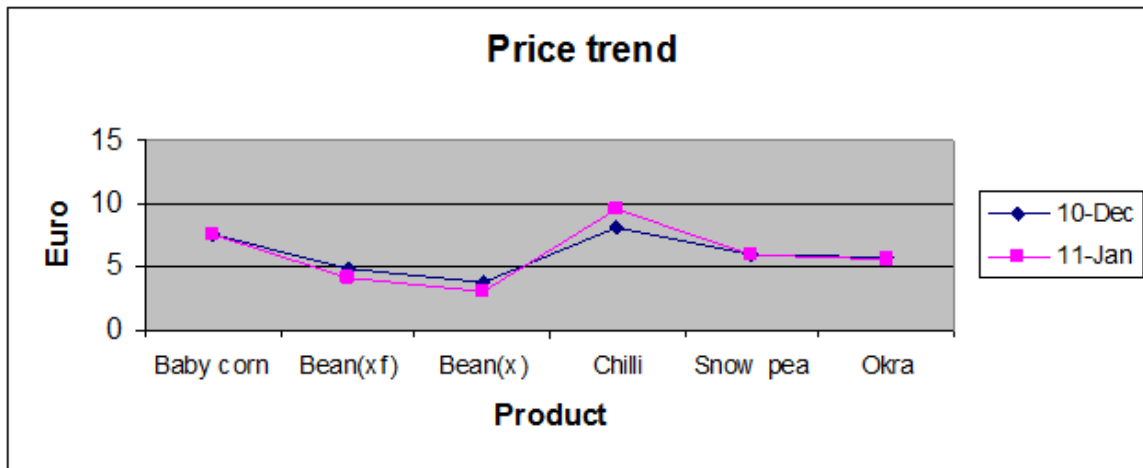
The weight of export of product is packaging of 9*330 for apple banana, 4kg ctn by sea for avocado, 4kg ctn by sea for mango, 2kg ctn passion fruit, 2, 5 kg ctn

Fruits prices has had slight changes with the beginning of the year 2011. Avocado prices decreased by 0.43 Euro i.e. -4.914%, this was the same case with mango which saw a reduction of price by 0.81 Euro i.e. -17.456% in January 2011 from December 2010 and passion fruit reduced by 2.865 Euro i.e. -32.0649%.

Vegetables

Price trend for vegetables in Euro

	Dec-10	Jan-11
Baby corn	7.51	7.62
Bean(xf)	4.9	4.17
Bean(x)	3.83	3.13
Chilli	8.05	9.535
Snow pea	5.92	5.965
Okra	5.75	5.67



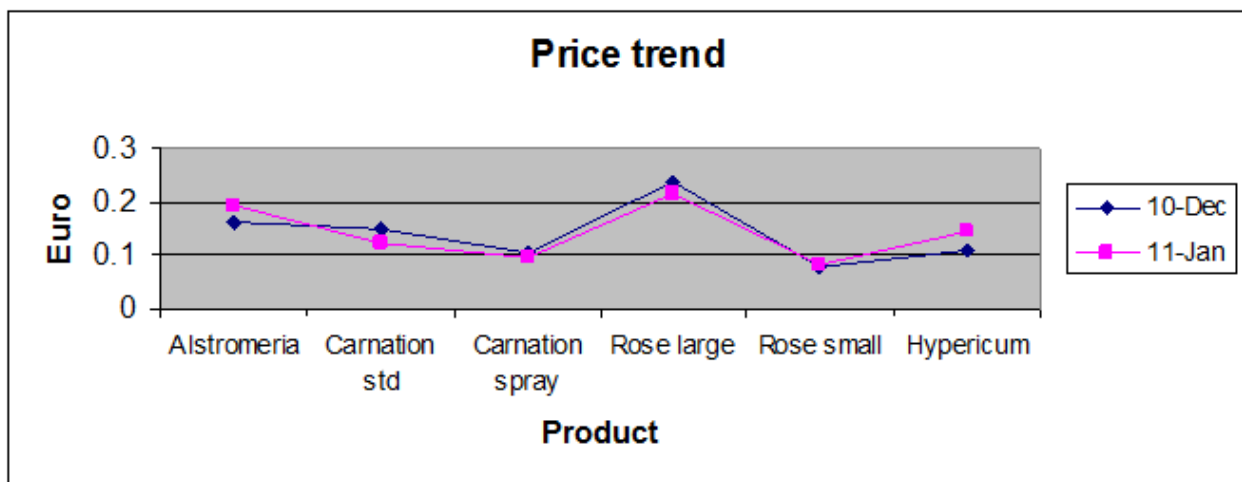
The weight for export are packaging of 12*125 for baby corn,2.0-2.5kg ctn with prepacks of 12* 250 for beans(xf) and beans(f),for chili packaging is 12*100,snow pea 2kg ctn and okra is 1.8-2kg ctn.

The vegetables saw stable prices in January 2011 from December 2010.The major increase of prices was in chili with increase of 1.485Euro i.e. 18.4472% while the vegetable with the major decrease was in beans(xf) with reduction of 0.73Euro i.e.14.898% in January 2011 from December 2010.

Flowers

Price trend for flowers in Euro

	Dec-10	Jan-11
Alstromeria	0.165	0.195
Carnation std	0.15	0.125
Carnation spray	0.105	0.095
Rose large	0.24	0.215
Rose small	0.08	0.085
Hypericum	0.11	0.145



The price of flowers is in stems

There has been a reduction in price for flowers for the month of January 2011 for most flowers from the December 2010 prices.

Market trends (European Markets January 2011)

Market activity in the Christmas and New Year period has been regular but the usual sales peak has not happened due to the weather conditions (rains, snow and even floods in some cases) and due to the fact that in most European countries this year, festivities took place over the weekends. Prices were stable overall with few exceptions; for some products, prices increased slightly but returned to average values at beginning of the month. Markets in January are calm and difficult for practically all products in all European markets.

Avocado: prices strengthened for hass because of smaller volumes (caused by the Chilean season declining and season-end for Mexico) but, even if demand is low, prices should remain firm because supply should decrease further. The situation in the green segment is par-



ticularly difficult because of the oversupplied market and low demand; the first volumes of fuerte from Kenya are on the market.

Mango: prices are satisfactory but the market is confused. The Brazilian season is declining while volumes from Peru, although consistent, are essentially large quantities of small-sized mangoes which sometimes present quality problems. As a result, the price range



is wide depending on quality and sizes; quotations are, in some cases, very low. Air-freighted fruits, particularly those from Peru, are scarce with price quotations above average. Ecuador is also on the market (probably with much smaller volumes if one considers the number of occurrences registered). As for India, the harvest will be delayed because of the weather.

Pineapples:



the market did not experience price peaks during the festivities unlike previous years. Prices tended to decrease at the beginning of the year but are now satisfactory. However, demand remains low. In the Netherlands, prices are low because of new arrivals.

Ginger: prices tended to decrease but the market continues undersupplied with prices above the yearly average.



Limes: volumes from Brazil and Mexico are very small. The prices rocketed for both sea-freighted and air-freighted fruits. Demand is low, although the supply should nevertheless increase and prices are expected to normalize soon.



Lychees: fruits from Madagascar, of uneven quality and supplied in consistent volumes, were traded over a wide price range but was followed with difficult market conditions where prices were low; some lots had been rejected because they exceeded the maximum residual limits (too high fumigation). Good prices and easier market for lychees from South Africa. The trade of air-freighted

fruits remains well oriented but demand is low.

Grapes:

demand for white grapes is good since available volumes are small because of late harvest in Argentina (rains and strikes in the peak-harvest period) and late shipments from South Africa (cold weather and late harvest too). Market for red grapes is poor.



Beans:

high prices for beans from Western Africa (Burkina Faso, Senegal) at the beginning of the month; but decreased supply and regular prices over the month of January for beans from these origins and from Morocco.



Strawberries: the first volumes of Spanish strawberries are on the market, prices will probably tend to decrease.





HORTICULTURAL CROPS DEVELOPMENT AUTHORITY

P.O. Box 42601-00100, Nairobi, Kenya

Tel: +254 (20) 2088469, 2131560. Fax: +254 (20) 3532898.

Email: md@hcda.or.ke Website: www.hcda.or.ke