AFFA 3rd Quarter e-news Bulletin (January-March 2016)

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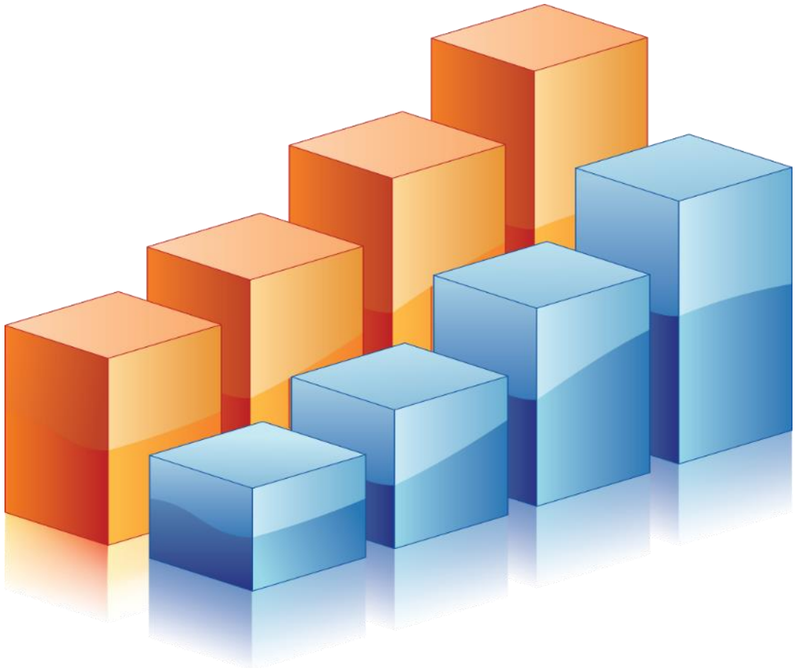


3rd Quarter e-news Bulletin (January- March 2016)

This is the Fourth (4) e-news quarterly publication of the Agriculture and Food Authority. It gives insights into how the period (January – March 2016) performed, focusing on the economy, agricultural performance & innovations as well as commodity price indicators.

Economy

His Excellency President Uhuru Kenyatta has waived, with immediate effect coffee licensing fees and levies in an effort to improve farmer incomes as well as make the coffee sub-sector more lucrative. It is expected that the waiving of coffee licensing fees and levies will boost the farmer earnings of by 4 per cent.

"Agriculture is the mainstay of our people. It is from farming revenue that school and health fees are paid. My administration has (therefore) undertaken measures to address burdensome licensing fees and levies. These remain a bottleneck particularly in sugarcane, tea and coffee farming," he said in explanation to his directive during the State of the Nation address.

Other efforts by the government to put Kenya back on the agricultural world map include the subsidizing of fertilizer costs and a shift toward value addition for more competitive pricing.

Agriculture Innovation

The introduction of a hybrid sweet potato tuber developed by KALRO, Embu station is expected to enhance food security. The tuber is fast maturing (2 - 3 months), pest resistant and produces edible leaves rich in vitamin C. The number of hybrid vines needed per hectare is 1,300 which will yield 40 bags unlike the traditional ones which requires 10,000 vines per hectare with a yield of 20 bags.

Increased nutritional consciousness and information available to consumers, is likely to see a shift to increased consumption of traditional vegetables hence the higher potential in uptake of this hybrid.

This hybrid is rich in carotenoids and has varieties displaying various colours which include red, purple, orange and white.

Agricultural Performance

1. Sugar

In the period January - March 2016, the Sugar industry reported a reduction of 4 per cent in sugar production to attain 180,757 metric tonnes compared to 188,350 metric tonnes produced in the same period last year. The drop in sugar production was witnessed in the month of March 2016 compared to the same month the previous year.

The Sugar Directorate, in compliance with COMESA Council Directive No. 1 of 2007, has begun the construction of Cane Testing Units in all sugar mills in a bid to transit from a weight based to quality based cane payment system. This initiative is aimed in boosting competitiveness of the sugar sector. Sucrose based cane payment is expected to create incentives for farmers to grow good quality cane and millers to enhance sugar extraction in the mill.

Total sugar sales for the period January - March 2016 were 170,797 metric tonnes compared to 161,397 metric tonnes sold in the same period in 2015, representing a 5 per cent increase. The increase is attributed to improved sugar prices and increased consumption in table sugar as well as increase in the exports of sugar and sugar by products.

Under the review period, increased sugar sales had a direct opposite effect on the closing stocks of sugar held by the factories. As at the end of March 2016 the closing stocks were 16,492 metric tonnes, a decrease of 8,744 metric tonnes compared to 25,236 metric tonnes recorded at the end of March 2015. The reduction in closing stocks held by the millers was due to the increased demand of sugar in the country and a decline in sugar imports during the period.

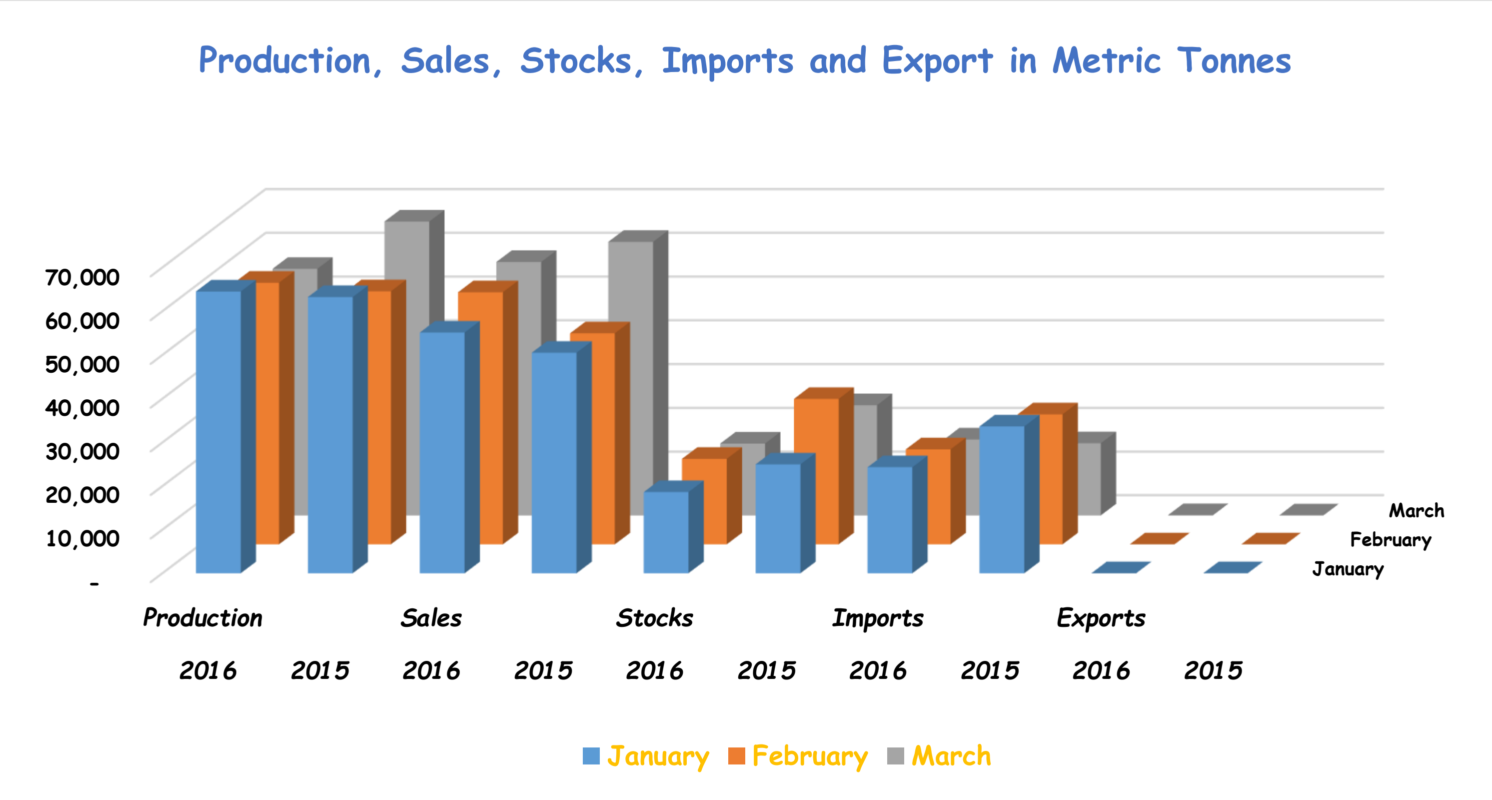
For more details refer to Table 1 and Figure 1 respectively.

Table 1: Sugar Production, Sales, Closing Stocks, Imports and Exports from January – March 2016 and 2015 in Metric Tonnes

	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	Production		Sales		Stocks		Imports		Exports	
January	64,499	63,227	55,123	50,509	18,632	24,985	24,343	33,676	2.25	6.19
February	59,863	57,917	57,697	48,316	19,624	33,321	21,795	29,800	0.35	9.20
March	56,395	67,206	57,978	62,572	16,492	25,236	17,418	16,556	55	4.84
Total	**180,757**	**188,350**	**170,797**	**161,397**	**16,492**	**25,236**	**63,556**	**80,031**	**57.60**	**20.23**

Source: AFA - Sugar Directorate

Figure 1: Sugar Production, Sales, Stocks, Imports & Exports in Metric Tonnes



Source: AFA - Sugar Directorate

Sugar Imports and Exports

A total of 63,556 metric tonnes of sugar were imported during the period January – March 2016, representing a 20.7 per cent drop compared to 80,031 metric tonnes imported during same period last year.

Also during the quarter, there was an increase in sugar exports from 20.23 metric tonnes exports in 2015 compared to 57.60 metric tonnes exported in 2016. This represents 185 per cent increment.

Table 2; Ex-factory, wholesale and Retail Sugar prices

	Ex-factory price per 50kg bag in kshs.				Wholesale price per 50kg bag in kshs.				Retail price per kg in kshs.			
	2015		2016		2015		2016		2015		2016	
	Range	Mean	Range	Mean	Range	Mean	Range	Mean	Range	Mean	Range	Mean
January	3500-4250	3935	3800 -4800	4332	3850-4150	4050	4200-5300	4529	85-130	110	95-155	112
February	3400-4100	3689	3500-4400	3971	3600-4000	3950	4000-4750	4432	78-130	100	85-148	107
March	3200-4000	3451	3800-4400	3976	3550-3900	3691	3900-4600	4145	78-130	99.4	85-145	106
Overall	***3200-4250***	***3692***	***3500-4800***	***4093***	***3550-4150***	***3897***	***3900-5300***	***4369***	***78-130***	***103***	***85-155***	***108***

Source: AFA - Sugar Directorate

Sugar Prices

(i) Ex-factory Sugar prices

During January - March 2016 the Ex-factory sugar prices ranged between Kshs. 3,500 - 4,800 giving a mean price of Kshs. 4,093 per 50 -kg bag compared to an average of Kshs. 3,692 per 50 kg bag in the same period in 2015 thus representing an 11 per cent increase.

(ii) Wholesale Sugar prices

Under the review period, wholesale sugar prices ranged between Kshs. 3,900 - 5,300 with a mean price of Kshs. 4,369 compared to a range of kshs. 3,550 - 4,150 and mean price of kshs. 3,897 per 50 kg bag observed in the same period in 2015, representing a 12 per cent increase.

(iii) Retail Sugar prices

The year 2016 opened at a monthly average of Kshs.112 per kg and took a downward trend to end March at an average of kshs.106 per kg. During the period under review, sugar was retailing between Kshs. 85 - 155 per kg with a mean price of kshs. 108 per kg, a 5 per cent increase compared to a range of kshs. 78 - 130 and a mean price of kshs. 103 per kg observed in the same period in 2015.

For more information refer to Table 2 above

WORLD SUGAR MARKET IN MARCH 2016

World sugar prices demonstrated a strong rise on the back of expectations of a growing statistical deficit in 2015/16. However, on March 24th world sugar prices began to retreat. The **ISA daily price** started the month at 14.34 cents/lb (USD 316.05/T) and reached a 17-month high at 16.65 cents/lb (USD 366.97/T) on March 23rd. Then, prices drifted down to 15.47 cents/lb (USD 340.96/T) by the end of the month, resulting in a monthly average of 15.44 cents/lb (USD 340.30/T) up 16.3% stronger than February (13.28 cents/lb/USD 292.69/T).

White sugar prices (**The ISO White Sugar Price Index**) followed a similar scenario. The index improved from USD 406.10/tonne (18.42 cents/lb) at the beginning of the month to a 20-month high of USD 463.10/tonne (21.01 cents/lb) on March 23rd. Then, white values fell and finished the month at USD 442.45/tonne (20.07 cents/lb). This resulted in a monthly average of USD 436.29/tonne (19.79 cents/lb), up 12.3% or USD43.90/tonne from February.

The nominal white sugar premium (the differential between the ISO White Sugar Price Index and the ISA daily price) remained practically unchanged in March at USD 95.98/tonne as against USD 95.62/tonne in February. The premium remains considerably higher than the three-year average (USD 82.58/tonne).

2. Coffee

A total of 15,487 metric tonnes of coffee valued at $ 69,814,476 were bought at the Nairobi Coffee Exchange in the period under review compared to 17,599 metric tonnes, valued at $ 81,052,186 bought in the same period the previous year. This represents a 12 per cent drop attributed to low production of coffee and many buyers have embraced direct selling thus taking advantage of coffee's robust market as opposed to the traditional auction sale.

Table 3: Coffee Volume and Values

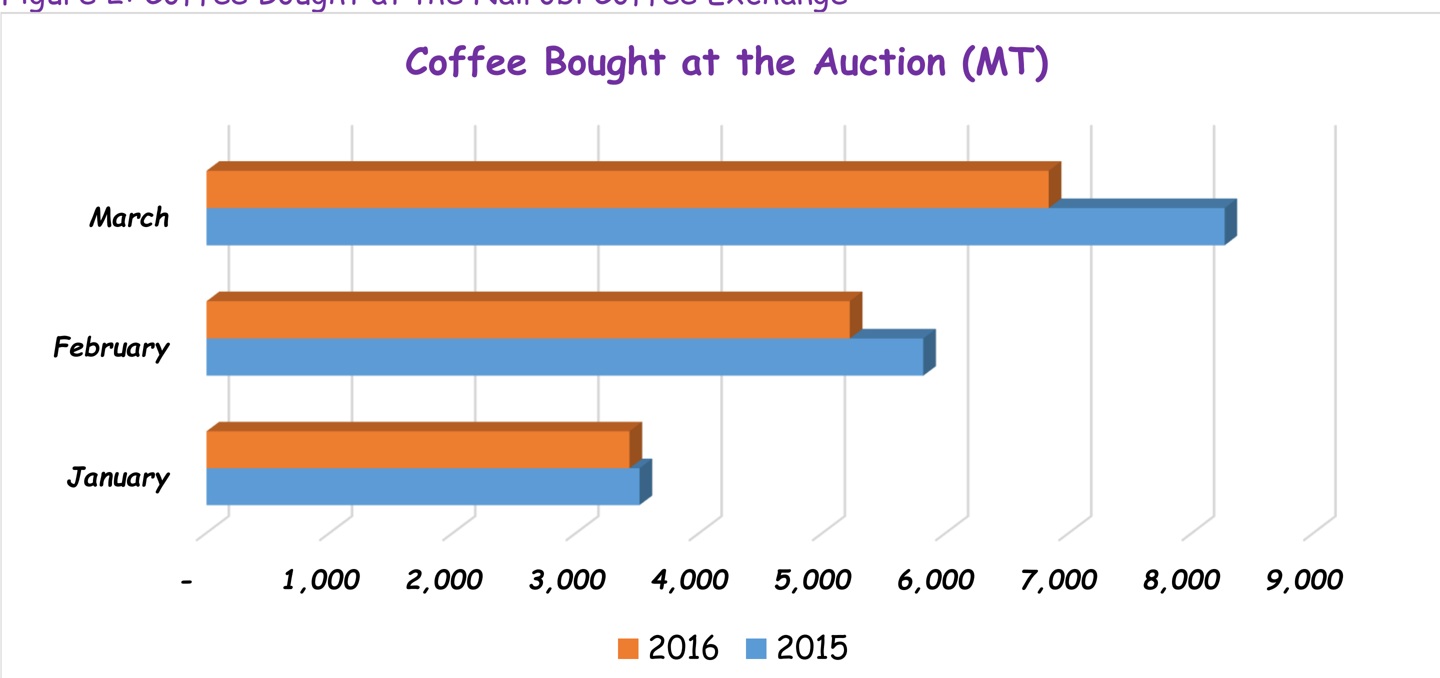
Month	Coffee bought at Auction (MT)		Value of coffee Auctioned ($)		Average Price ($/kg)	
	2015	2016	2015	2016	2015	2016
January	3,514	3,432	15,810,123	15,490,239	4.5	4.5
February	5,817	5,220	30,890,895	24,872,325	5.3	4.8
March	8,268	6,835	34,351,168	29,451,912	4.2	4.3
Total	17,599	15,487	81,052,186	69,814,476	4.7	4.5

Source: AFA - Coffee Directorate

The price of coffee at the auction in the January - March 2016 averaged $4.5 per kg compared to $4.7 per kg in the same quarter the previous year thus representing a 4.3 per cent decrease.

Under the review period, the lowest coffee auction sales was observed in the month of January while the highest was recorded in the month of March.

Figure 2: Coffee Bought at the Nairobi Coffee Exchange



Source: AFA - Coffee Directorate

3. Food Crops

(a) Dry Maize

During the review period, there was a 6.6 per cent increase in the average wholesale prices of dry maize from kshs. 2,442 observed in 2015 to an average kshs. 2,603 recorded in 2016. In 2015 the wholesale price of a 90 kg bag ranged between Kshs. 1,700 - 4,500 while in 2016 the price ranged between kshs. 1,500 - 4,500.

(b)Green Maize

In the period January - March, the average price of a 115 kg bag of green maize was wholesaling between Kshs. 1,080 - 11,500 thus giving an average price of Kshs. 2,372 in 2016 representing 18 per cent drop in price as compared to an average of Kshs. 2,895 recorded in 2015.

(c) Wheat

Under the review period there was a 1.8 per cent increase in the average wholesale price of a 90 kg bag of wheat from Kshs. 3,626 observed in 2015 to Kshs. 3, 691 recorded in 2016. The wholesale price was ranging between Kshs. 3,000 - 7,200 in 2016 and between Kshs. 3,000 - 6,300 in 2015.

For more information refer to Table 4

Table 4: Monthly Wholesale Average Prices of Scheduled Food Crops January - March 2016 & 2015 in Kshs.

Monthly Wholesale Average prices of Scheduled Food Crops January - March 2016 & 2015 in Kshs.									
				January		February		March	
	Commodity	Unit	Kg	2016	2015	2016	2015	2016	2015
FOOD CROPS	Dry Maize	Bag	90	**2,592**	2,435	**2,641**	2,417	**2,575**	2,473
	Green Maize	Ext Bag	115	**2,485**	3,237	**2,184**	2,653	**2,447**	2,795
	Finger Millet	Bag	90	**6,361**	6,868	**6,323**	6,906	**6,362**	6,916
	Sorghum	Bag	90	**3,770**	3,756	**3,694**	4,202	**3,753**	4,183
	Wheat	Bag	90	**3,723**	3,477	**3,643**	3,662	**3,709**	3,739
	Beans Canadian	Bag	90	**6,116**	6,277	**6,128**	6,151	**6,362**	6,525
	Beans Rosecoco	Bag	90	**6,279**	6,111	**6,282**	6,484	**6,519**	6,850
	Beans Mwitemania	Bag	90	**5,638**	5,871	**5,641**	6,269	**5,578**	6,321
	Mwezi Moja	Bag	90	**5,542**	5,349	**5,558**	4,783	**5,740**	5,382
	Dolichos (Njahi)	Bag	90	**12,291**	7,042	**11,790**	8,023	**11,820**	8,228
	Green Gram	Bag	90	**9,840**	11,143	**9,746**	11,535	**9,255**	11,315
	Cowpeas	Bag	90	**6,126**	6,764	**6,646**	7,208	**6,723**	7,436
	Fresh Peas	Bag	51	**3,242**	2,461	**2,777**	2,511	**2,755**	3,015
	Groundnuts	Bag	110	**13,255**	11,559	**12,423**	11,926	**12,137**	12,288
	Red Irish Potatoes	Bag	110	**2,463**	2,490	**2,376**	2,761	**2,639**	2,686
	White Irish Potatoes	Bag	110	**2,584**	2,515	**2,432**	2,690	**2,754**	2,556
	Cassava Fresh	Bag	99	**2,043**	1,753	**1,951**	1,893	**2,052**	1,940
	Sweet Potatoes	Bag	98	**2,927**	2,677	**2,679**	2,541	**2,735**	2,687

Source: MOALF, State Department of Agriculture, Agribusiness Department

(d) Cassava

There was an 8.2 per cent increase in the average wholesale price from kshs. 1,862 recorded in Quarter 3 of 2015 to Kshs. 2,016 recorded in the same period in 2016. In 2015 the 99kg bag was wholesaling between Kshs. 990 - 2,500 as compared to kshs. 1,000 - 3,000 recorded in 2016.

(e) Sweet Potato

The average wholesale price of a bag of sweet potato in quarter 3 of 2016 was Kshs. 2,780, an increase of kshs. 145 as compared Kshs. 2,635 recorded in the same quarter in 2015.

(f) Sorghum

The average wholesale price of a 90 kg bag of sorghum was Kshs. 3,739 8 per cent down from kshs. 4,047 recorded in the same quarter in 2015.

(g) Beans Canadian

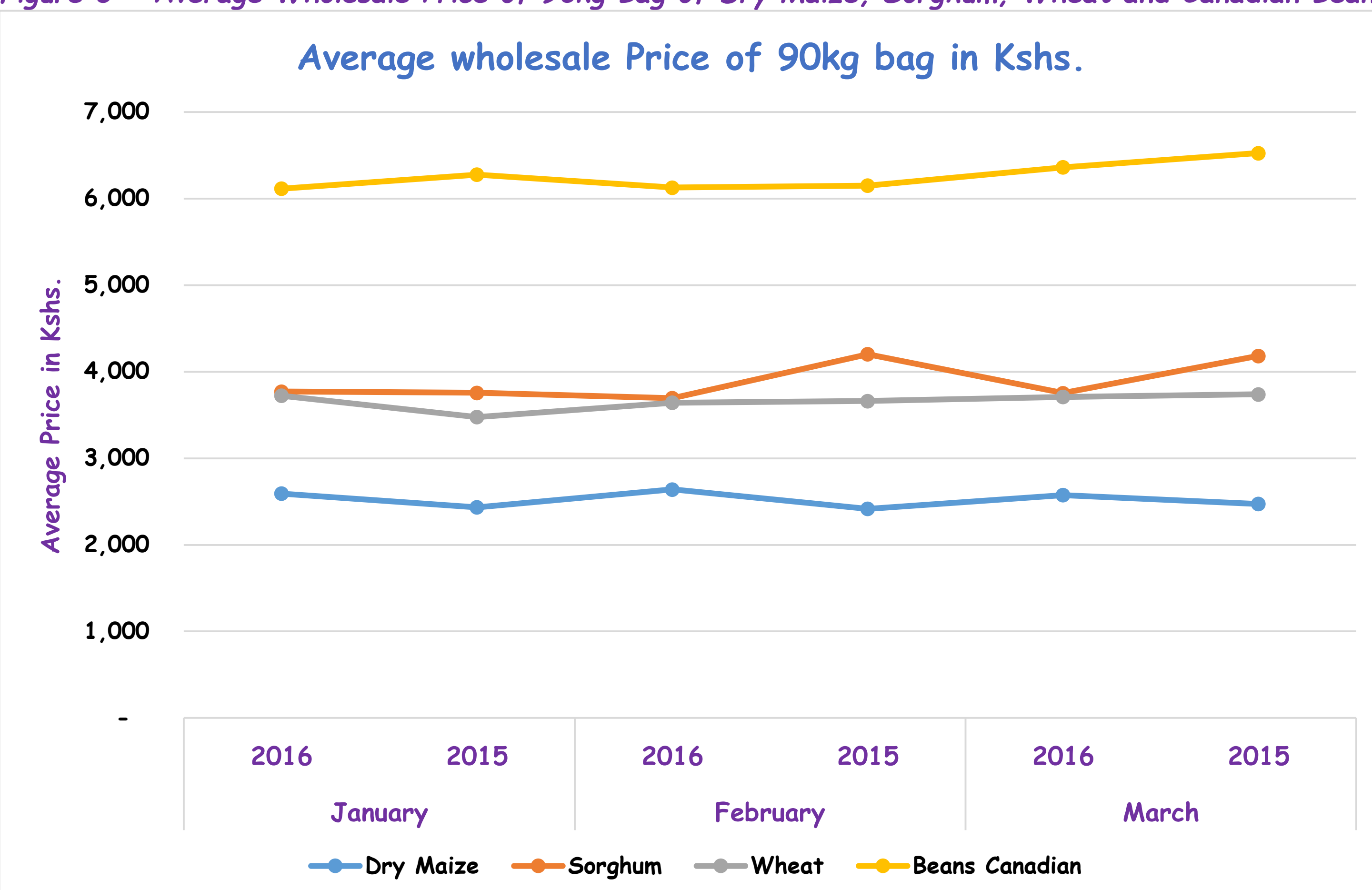
Kshs. 6,202 was the average wholesale price for a 90kg bag of Beans Canadian in the quarter representing 2 per cent drop from an average of kshs. 6,317 recorded in the same quarter in 2015.

(h) White Irish Potatoes

The average wholesale price of a bag of sweet potatoes in Quarter 3 of 2016 was Kshs. 2,590, an increase of kshs. 3 compared Kshs. 2,587 recorded in the same quarter in 2015.

For more information refer to Table 6

Figure 3 - Average Wholesale Price of 90kg Bag of Dry Maize, Sorghum, Wheat and Canadian Beans



Source: MOALF, State Department of Agriculture, Agribusiness Department

4. Horticultural Crops

(i) Domestic market

(a) Cabbages

The average wholesale price of a bag of cabbages was kshs. 1,767 down by 27 per cent from kshs. 2,421 recorded in the same period in 2015. The wholesaling price was ranging between Kshs. 800 - 8,200 and kshs. 750 - 5,040 in 2015 and 2016 respectively.

(b) Onion Dry

An increase of 22.5 per cent was recorded in the average price of a 13 kg net of dry onions during the review period from kshs. 876 recorded in 2015 to kshs. 1,073 in 2016.

Table 5: Monthly Wholesale Average Prices of Scheduled Horticultural Crops January - March 2016 & 2015 in Kshs

Monthly Wholesale Average prices of Scheduled Horticultural Crops January - March 2016 & 2015 in Kshs.									
				January		February		March	
	Commodity	Unit	Kg	2016	2015	2016	2015	2016	2015
Horticulture	Cabbages	Ext Bag	126	2,292	2,245	1,458	2,335	1,551	2,684
	Cooking Bananas	Med Bunch	22	497	473	526	527	504	553
	Ripe Bananas	Med Bunch	14	561	568	570	615	588	571
	Carrots	Ext Bag	138	2,907	2,840	2,783	3,134	2,787	3,634
	Tomatoes	Lg Box	64	5,901	4,097	5,119	4,455	5,047	4,504
	Onions Dry	net	13	1,062	813	1,199	840	958	975
	Spring Onions	Bag	142	2,066	1,836	2,044	1,585	1,955	1,792
	Chillies	Bag	38	2,185	2,624	2,224	2,816	2,282	3,019
	Cucumber	Bag	50	1,583	1,810	2,066	2,568	2,197	2,384
	Capsicums	Bag	50	2,458	2,978	2,400	2,922	2,523	3,009
	Brinjals	Bag	44	1,702	1,786	1,752	2,126	1,574	2,072
	Cauliflower	crate	39	2,287	2,091	1,878	2,566	1,959	2,913
	Lettuce	Bag	51	2,508	2,192	2,062	2,555	2,219	2,585
	Passion Fruits	Bag	57	4,191	4,037	4,238	4,008	4,557	4,137
	Oranges	Bag	93	2,878	3,795	3,098	3,384	3,456	3,357
	Lemons	Bag	95	2,336	2,540	2,319	2,452	2,353	2,443
	Mangoes Local	Bag	126	2,267	1,963	2,200	2,201	2,495	2,525
	Mangoes Ngowe	Sm Basket	25	918	1,170	1,219	1,051	1,072	1,055
	Limes	net	13	813	648	1,215	688	870	757
	Pineapples	Dozen	13	784	796	791	751	824	756
	Pawpaw	Lg Box	54	1,477	1,563	1,484	2,005	1,646	1,922
	Avocado	Bag	90	2,370	2,379	2,168	2,204	2,125	2,155
	Kales	Bag	50	1,093	1,227	1,007	2,076	1,124	2,359

Source: MOALF, State Department of Agriculture, Agribusiness Department

(c) Mangoes local

During the review period, the average wholesale price of a bag of local mangoes was kshs. 2,321 up by 4 per cent from kshs. 2,230 recorded in the same period in 2015.

(d) Kales

There was a 43 per cent decrease in the average wholesale price of a 50kg bag from kshs. 1,075 recorded in Quarter 3 of 2015 to Kshs. 1,887 recorded in the same period in 2016.

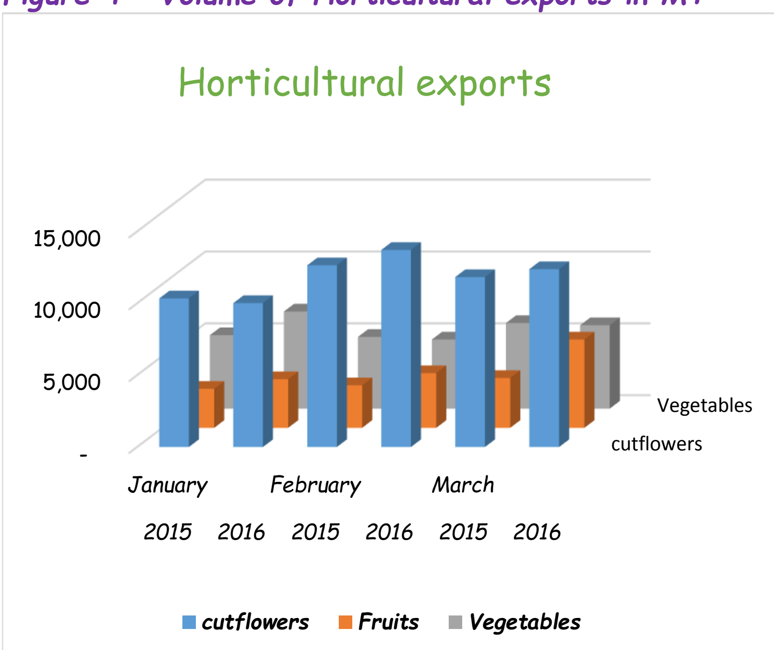
(e) Oranges

In 2016 there was 10.5 per cent decrease in the average wholesale price of a bag of oranges from kshs. 3,512 observed in 2015 to kshs. 3,144 recorded in 2016 between January - March.

For more information refer to Table 5

(ii) Export market

Figure 4 – Volume of Horticultural exports in MT



Source: AFA – Horticultural Crops Directorate

(a)Cut-Flowers

Under the review period, there was an increment of 11 per cent in the exports of cut flowers to reach total of 36,110 MT valued at Kshs. 24.9 billion up from 34,827 MT valued at kshs. 19 billion exported in the same quarter of 2014/15. The month of February saw the highest volume of cut flower exports at 13,715 MT, followed by March 12,379 MT and the least volume of exports was recorded in January with 10,016 MT.

(b)Fruits

13,344 MT of fruits were exported in the 3rd quarter of 2015/16 against 9,139.2 MT of fruits exported in the same quarter of 2014/15. The highest exports of fruits were observed in the month of March amounting to 6,151 MT while the lowest during the review period amounted to 3,386 MT in the month of January.

(c) Vegetable

Vegetables exported in the quarter under review amounted to 17,375 MT valued at Kshs. 5.3 billion as compared to 16,061.1 MT valued at Kshs. 4.4 billion exported in the same quarter in 2014/15 FY. This represented an acceleration of about 8.2 per cent in the volume exported. The month of January recorded the highest export quantities amounting to 6,758 MT while February and March reported 4,812 MT and 5,804.6 MT respectively.

5. Tea

A total of 136.5 million kgs of Tea was produced in Q3 2015/16 FY compared to 81.7 million Kgs produced in the same quarter in 2014/15 FY representing a 67 per cent increase. The significant increase in production is largely attributed to increased temperatures, a key characteristic of the quarter that is usually experienced in most tea growing zones.

Total exports for the period under review was 128.21 million kgs compared to 119.2 million Kgs observed in the same quarter of 2014/15 FY, representing 7.6 per cent increase.

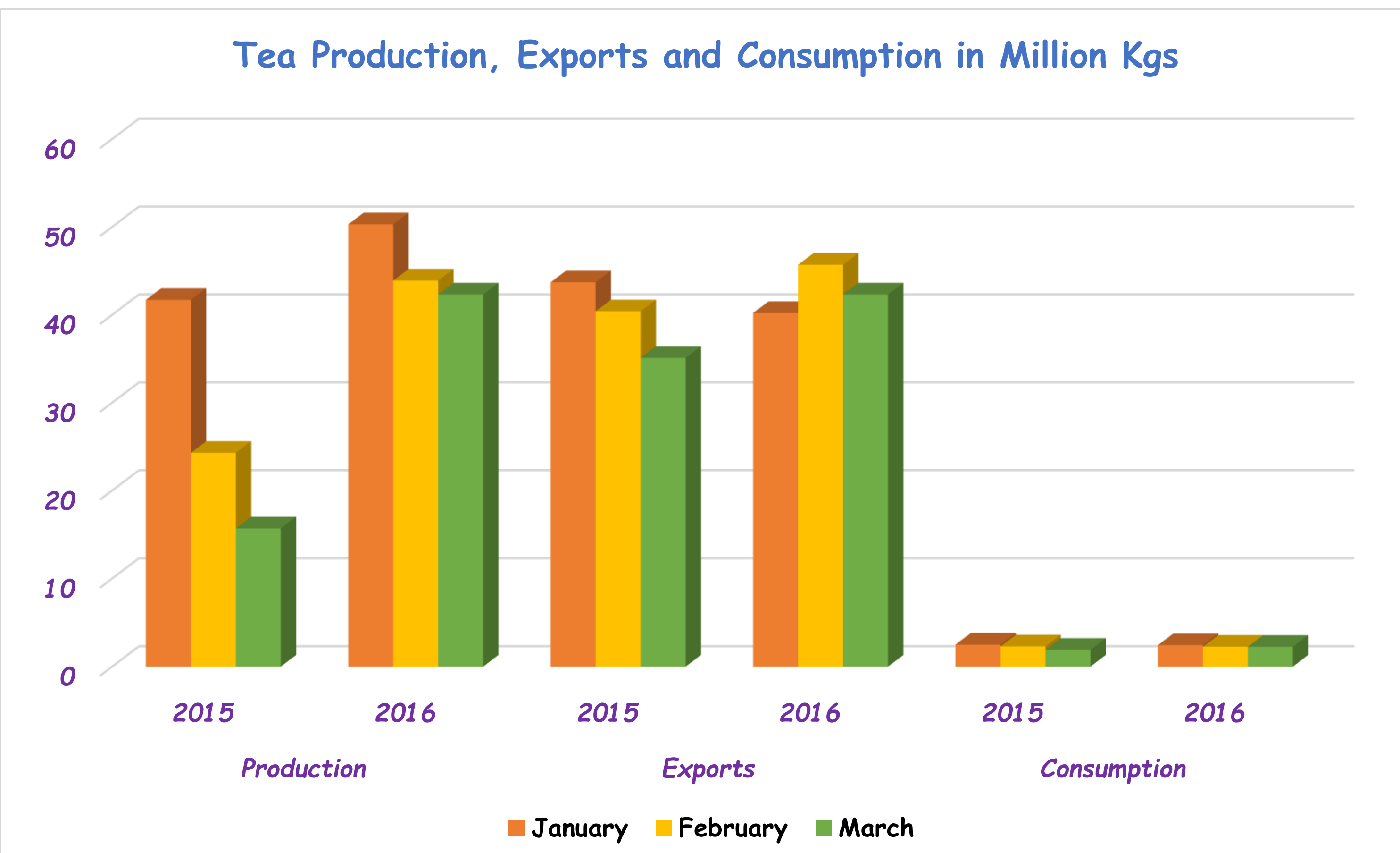
For more information refer to Table 6

Under the review period domestic tea consumption increased marginally by 0.25 million kgs to reach 6.95 million kgs down from 6.7 million kgs recorded in the same quarter of 2014/15. This increase is attributed to the awareness creation on the importance of drinking tea as a health beverage by AFA`s Tea Directorate.

Table 6 - Production, Exports and Local Consumption of Kenyan Tea Jan- March 2015 & 2016 in Million Kgs

	Production		Exports		Consumption	
	2015	2016	2015	2016	2015	2016
January	41.7	50.3	43.7	40.2	2.5	2.44
February	24.3	43.9	40.4	45.7	2.3	2.26
March	15.7	42.31	35.1	42.31	1.9	2.25
Total	*81.7*	*136.51*	*119.2*	*128.21*	*6.7*	*6.95*

Figure 5: Tea Production, Exports and Consumption in Million Kgs



Source: AFA - Tea Directorate

6. Pyrethrum

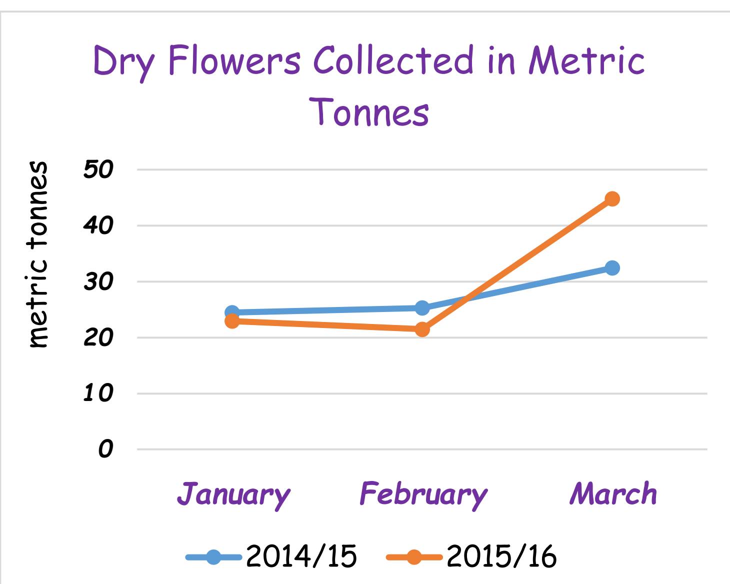
Table 7 - Dry Flowers collected in 2014/15 and 2015/16 in metric tonnes.

	2014/15	2015/16
January	24.466	22.942
February	25.287	21.48
March	32.432	44.8
Total	**82.185**	**89.222**

Source: AFA – Pyrethrum and Other Industrial Crops Directorate

A total of 89.2 metric tonnes of dry flowers were collected and delivered for processing in the period under review compared to 82.2 metric tonnes of flowers delivered in the same quarter in 2014/15 FY representing 8.5 per cent increase. The increase in production is largely attributed to the provision of planting materials (clonal material) to the pyrethrum farmers with a bid of increasing the area under production and the monthly advance payments to farmers for the flowers delivered. *For more information refer to Table 7*

Figure 6: Dry Flowers Collected in Metric Tonnes



Source: AFA – Pyrethrum and Other Industrial Crops directorate

7. Sisal

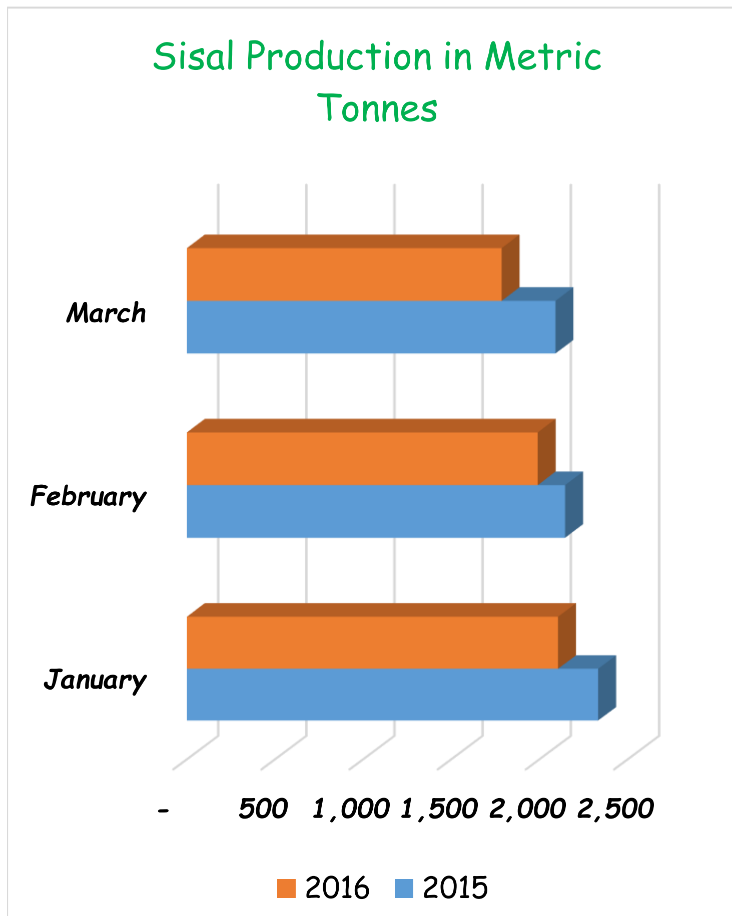
Under the review period, there was a decrease of 10.5 per cent in sisal production from a high of 6,569 metric tonnes recorded in 2015 to 5,882 metric tonnes recorded in 2016.

Table 8 – Sisal Production in Metric Tonnes

	January	February	March	Total
2015	2,333	2,145	2,091	**6,569**
2016	2,105	1,990	1,786	**5,882**

Source: AFFA – Fibre Crops directorate

Figure 7: Sisal Production in metric tonnes



Source: AFA – Fibre Crops directorate