

PRICE UPDATE FOR JANUARY, 2014

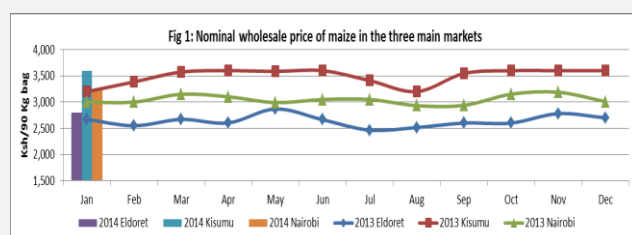
This report analyses three main grain markets (Nairobi, Eldoret and Kisumu) and other key maize trade markets (Kitale, Nakuru, Kitui, Mombasa, Malindi and Taveta). Key commodities covered are maize (which is Kenya's staple food), beans and sorghum. The Nairobi, Mombasa and Nakuru markets are indicative for urban consumers. Kisumu is a large urban market located in a deficit area with marginal agricultural productivity. Eldoret and Kitale markets are in high potential areas and located in the western Kenya grain basket zone. Kitui, Malindi and Taveta markets are also located in south-eastern and coastal marginal agricultural zones which are deficit areas. Taveta is a crucial cross-border trade point (Kenya-Tanzania). There are large regional differentials in prices of all commodities across Kenya, with the highest prices experienced in the marginal arid and semi-arid lands of Kenya. The five year long term monthly average is the average of the prices for the years 2009 to 2013.

KEY HIGHLIGHTS

- The National Cereals and Produce Board (NCPB) are still purchasing maize for the Strategic Grain Reserve (SGR) from the high potential areas. According to the Kenya food security technical working group - January to June 2014 - food security outlook report, available national maize stocks are likely to be sufficient through June 2014 or later, depending on the total size of the short rains harvests.
- During the reporting period, the average wholesale price of maize remained constant in Kisumu and Taveta- as compared to December 2013. Prices fell in Kitui and Kitale. There was a price increase in Nairobi, Eldoret, Mombasa, Malindi and Nakuru, due to the reduced supply and the high demand by the NCPB, millers and households. The January to June 2014 food security outlook report attributes the reduced supply to the below average long rains harvest in the high potential areas.
- The average wholesale price of beans fell in Kisumu and Eldoret by 2 and 0.5 percent respectively. Prices remained constant in Nairobi.
- Diesel, gasoline (super petrol) and kerosene prices increased as compared to the previous trading period.

1.0 PRICE TREND ANALYSIS

1.1 Maize prices in the three main markets:

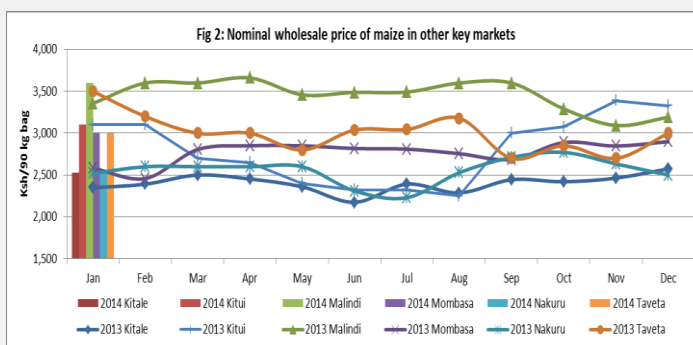


more maize for the SGR; the board is currently buying a 90 kilogram bag of maize at KES 3,000.

During the period under review, the average wholesale price of maize remained constant in Kisumu. Nairobi and Eldoret recorded increase in prices by 7.2 and 3.5 per cent respectively, as shown in table 1 and figure 1. In Eldoret the price increase is attributed to the increased purchases and the high prices offered by the NCPB. The Kenyan cabinet had earlier approved KES 2.9 billion for purchases of

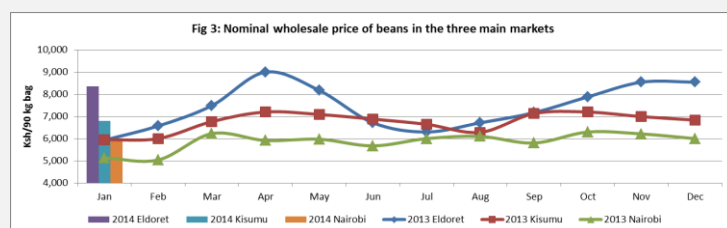
1.1.1 Maize prices in other key markets:

The average wholesale price of maize remained constant in Taveta. In Kitale and Kitui prices fell by 2.0 and 6.9 percent respectively. Prices increased in Malindi, Mombasa and Nakuru by 12.8, 3.5 and 1.4 per cent respectively. See table 1 and figure 2. The price increase in Nakuru is also attributed to the high competition, due to increased purchases by the NCPB. In the coastal region markets of Mombasa and Malindi price increase is due to the reduced supplies from the high potential 'grain basket' region in Western Kenya have reduced



due to competition from millers and the NCPB. The cross-border flows from Tanzania – which normally fill the supply gap – have been reducing since October 2013.

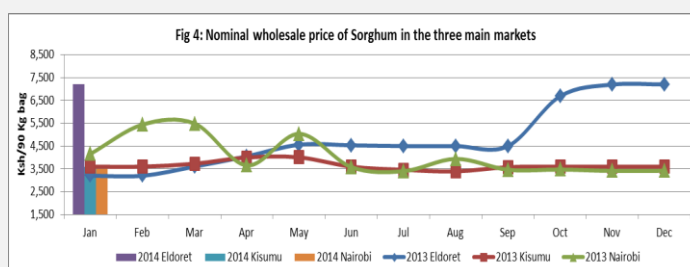
1.2 Bean prices in the three main markets:



The average wholesale price of beans fell in Kisumu and Eldoret by 2 and 0.5 percent respectively. Prices remained constant in Nairobi. See table 1 and figure 3. The supply of beans to the market has satisfied the current demand thus the stable prices.

1.3 Sorghum prices in the three main markets:

The average wholesale price of sorghum remained constant in Eldoret and Kisumu. Prices increased in Nairobi by 1.9 percent as shown in table 1 and figure 4. The atypical price increase in Eldoret – starting September 2013 to the period under review – has been attributed to the high demand by the brewing industry especially in Uganda.



2.0 PRODUCTION AND IMPORT SITUATION

2.1 Maize production: According to the high- and medium-potential rainfall areas (HMPA) assessment conducted by the Food Agricultural Organization of the United Nations (FAO) and the Government of Kenya in November 2013, the available maize stock at that time was 1.2 million metric tons (MMT), which was nearly 30 percent below the five- year average and almost 26 percent below November 2012 stock levels. The stocks were lower primarily due to below average long rains production. Land preparation and planting were delayed in many areas. Also, yields were reduced due to poor rainfall distribution and the late arrival by up to a month of subsidized fertilizer, which in some cases, did not arrive until June after crops were too developed to benefit from its application. The below average yields were concentrated in maize and beans. However, in the high- and medium-potential areas, production of rice, wheat, and other food crops, especially tubers, was higher than usual¹.

According to the Kenya food security technical working group - January to June 2014 - food security outlook report, available national maize stocks are likely to be sufficient through June 2014 or later, depending on the total size of the short rains harvest. In the South-eastern and coastal marginal agricultural areas, the short rains harvest will start shortly. The HMPA assessment report of November 2013 further states that, the short rains maize harvest is currently estimated to total only 360,000 metric tons (MT). This amount will be 23 percent below the five-year average. Legumes are expected to perform much nearer to average. The availability of other food crops including rice, sorghum, Irish and sweet potatoes, finger millet, and bananas will provide opportunities for some labour, crop sales, and food to consume in February and March.

2.2 Maize imports: Imports have been flowing into Kenya and are likely to continue between February and June, primarily from Tanzania. There is also likely to be some maize export from Uganda to both Kenya and Tanzania. Ugandan maize exports to Kenya are likely to increase as maize initially destined for South Sudan from Uganda may get diverted to Kenya due to political instability in South Sudan. This will be most prevalent to the areas of south-western Kenya, which often import maize from Uganda and have existing trade connections².

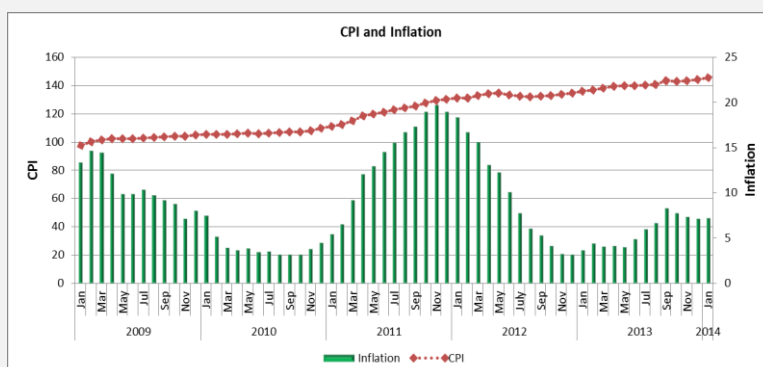
¹ Source: Agriculture Sector Working Group: High and Medium rainfall areas food situation assessment report, November 2013.

² Source: Kenya food security technical working group; Food security outlook report – January to June 2014. <http://www.fews.net/east-africa/kenya/food-security-outlook/fri-2014-01-31-mon-2014-06-30>

3.0 OTHER ISSUES

3.1 Inflation (November 2013)

According to the Kenya National Bureau of Statistics, the month on month consumer price index (CPI) increased by 1.08 per cent from 143.85 in December 2013 to 145.40 points in January 2014. The overall inflation rate stood at 7.21 per cent in January 2014, up from 7.15 recorded in December 2013, depicting the increased cost of living in the start of 2014. This was much higher than the rate of 3.67 recorded in January 2013.



During the month of January 2014, the month on month food and non-alcoholic drinks' Index increased by 1.00 per cent compared to December 2013, being a net effect of increase in prices of some food items outweighing falls in prices of others³. See table 2. Compared to January 2013, the index increased by 10.14 per cent.

The month on month transport index increased by 1.95 per cent over the review period, mainly due to higher prices of petrol, diesel, parking charges in urban areas, as well as public transport fares. Further, observed rises in tuition fees pushed the education index upwards in the review period. Opening of schools in January translates in to increased household expenditure; to cater for school fees- especially for those joining secondary schools.

3.1 Fuel pump prices: January 15, 2013 to February 14, 2014 trading period

Nairobi recorded an increase in diesel, gasoline (super petrol) and kerosene prices by 0.2, 1.2 and 2.4 percent respectively, as shown in table 3. Other towns in Kenya also recorded increases in fuel prices.

³ For instance, the retail price of one kilogram of tomatoes, onions, Irish potatoes, sukuma wiki (kales), and beef (with bones) increased by 21.23, 6.12, 1.63, 2.71, and 0.44 per cent respectively; the price of a kilogram of mangoes reduced by 4.53 per cent.

Table 1: Nominal wholesale prices of maize, beans and sorghum in the main and other key markets

	Price (KES per 90 Kg bag)		Current Price (USD/MT)	% Change on last month	% Change on same month of last year.	5 Year LTA	% Change on 5 Year LTA	Change on last month, on same month of last year and over Five Years.
Market	Dec. '13	Jan. '14						
MAIZE								
Eldoret	2,700.00	2,794.00	361.19	3.48%	5%	2,462.48	13%	▲ ▲ ▲
Kisumu	3,600.00	3,600.00	465.39	0.00%	12.50%	2,994.03	20.24%	▶ ▲ ▲
Nairobi	3,009.00	3,225.00	416.91	7.18%	7.50%	2,751.90	17.19%	▲ ▲ ▲
Kitale	2,575.00	2,528.00	326.80	-2%	8%			▼ ▲
Kitui	3,330.00	3,100.00	400.75	-6.91%	0.00%			▼ ▶
Malindi	3,191.00	3,600.00	465.39	12.82%	7.24%			▲ ▲
Mombasa	2,900.00	3,000.00	387.82	3.45%	16.14%			▲ ▲
Nakuru	2,500.00	2,536.00	327.84	1.44%	0.60%			▲ ▲
Taveta	3,000.00	3,000.00	387.82	0.00%	-14.29%			▶ ▼
BEANS								
Eldoret	8,550.00	8,353.00	1079.83	-2%	41%	5,954.92	40%	▼ ▲ ▲
Kisumu	6,836.00	6,800.00	879.06	-0.53%	14.25%	6,031.67	12.74%	▼ ▲ ▲
Nairobi	6,000.00	6,000.00	775.64	0.00%	16.87%	5,335.02	12.46%	▶ ▲ ▲
SORGHUM								
Eldoret	7,200.00	7,200.00	930.77	0%	125%	3,657.52	97%	▶ ▲ ▲
Kisumu	3,600.00	3,600.00	465.39	0.00%	0.00%	3,110.55	15.74%	▶ ▶ ▲
Nairobi	3,418.00	3,483.00	450.26	1.90%	-16.11%	3,353.40	3.86%	▲ ▼ ▲

Source: State Department of Agriculture. 1 USD to KSH 85.95 (Jan. 2014 UN Dollar rate)

Table 2: Consumer Price Index (CPI)

CPI/Inflation	Previous Month (Dec. 2013)	Current Month (Jan. 2014)	Percentage Change from previous month	Change over one Month
Consumer Price Index	143.85	145.40	1.08	▲
Overall Inflation	7.15	7.21		▲

Source: Kenya National Bureau of Statistics (KNBS) – January 2014.

Table 3: Fuel prices in Nairobi for the January 15th to February 14th, 2014 trading period

Commodity	Previous period price (Dec. 2013/Jan. 2014 Ksh/Litre)	Current period price (Jan./Feb. 2014 Ksh/Litre)	Percentage change from Previous Period.	Change over one Month
Diesel	104.52	104.73	0.2	▲
Gasoline (Super Petrol)	109.28	110.59	1.2	▲
Kerosene	83.07	85.07	2.4	▲

Source: The Energy Regulatory Commission (ERC) – Kenya.