

## MARKET WATCH FOR MARCH, 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

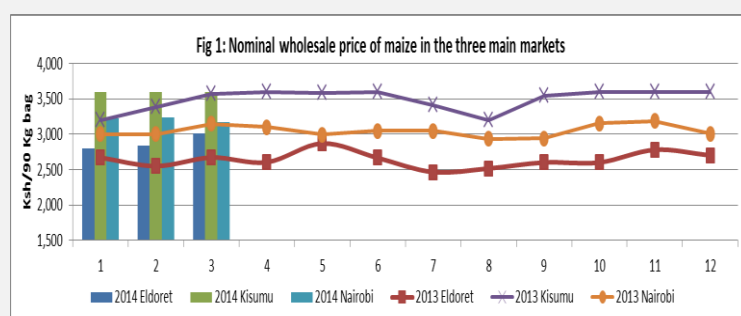
- During period under review, the average wholesale price of maize remained constant in Kisumu, Kitale, Mombasa, Nakuru and Taveta – as compared to February 2014. Prices fell in Nairobi and increased in Eldoret Kitui and Malindi, due to the reduced supply and the exhaustion of household stocks. The recently released Kenya Food Security Steering Group (KFSSG) Short Rains Assessment (SRA) report, attributes the increase in maize prices to the expected below average maize availability, due to the below average short rains harvest.
- The average wholesale price of beans increased in all three main markets of Eldoret, Kisumu and Nairobi, mainly attributed to low supply.
- Sorghum prices fell in Eldoret and Kisumu mainly due to low demand from the brewing industry. Prices increase in Nairobi, is attributed to the unstable supply in the market.
- Diesel, gasoline (super petrol) prices decreased as compared to the previous trading period, as kerosene prices increased within the period under review.

### NEWS HIGHLIGHTS FROM THE COUNTRY

- The current maize planting season has been hampered by delays in supply of certified maize seeds and fertilizer. Tegemeo institute, a research branch of Egerton University in Kenya reported that despite anticipated adequate rainfall, poor supply of the planting material is likely to impact on harvests. Farmers are likely to resort to use of local uncertified seeds, poor quality seeds, and varieties unsuitable for their agro-ecological zones<sup>1</sup>.

## 1.0 PRICE TREND ANALYSIS

### 1.1 Maize prices in the three main markets:



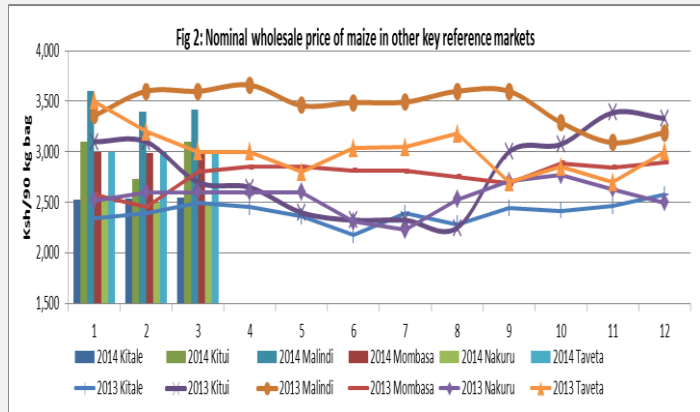
During the period under review, the average wholesale price of maize remained constant in Kisumu, and reduced in Nairobi by 2 percent. Eldoret recorded an increase in prices by 5.9 percent, as shown in table 1 and figure 1. In Nairobi and Kisumu the increase comparing with March 2013 is only 1 percent, Eldoret recorded a 13 percent inter-annual increase.

<sup>1</sup> Wahome, W. (2014, March 26). Inadequate supply of maize seed during this season to have an effect on harvests, says Egerton's Tegemeo. *The Daily Nation*, Nation media group, Nairobi.

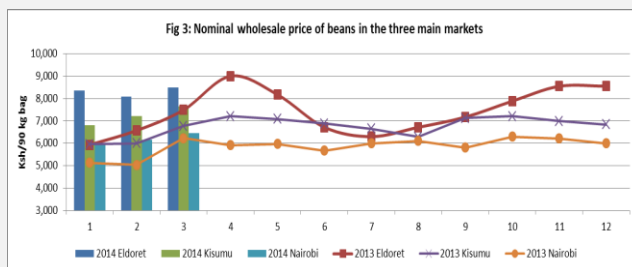
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### 1.1.1 Maize prices in other key markets:

The average wholesale price of maize remained constant in Taveta, Nakuru, Mombasa and Kitale and increased in Malindi and Kitui by 1 and 13 percent respectively. See table 1 and figure 2. Compared to March 2013, prices were above their level in all other markets except Malindi and Nakuru, as they remained constant in Taveta. According to the Kenya Food Security Steering Group (KFSSG) SRA report, the increase in maize prices is a result of the expected below average maize availability, due to the below average short rains harvest.



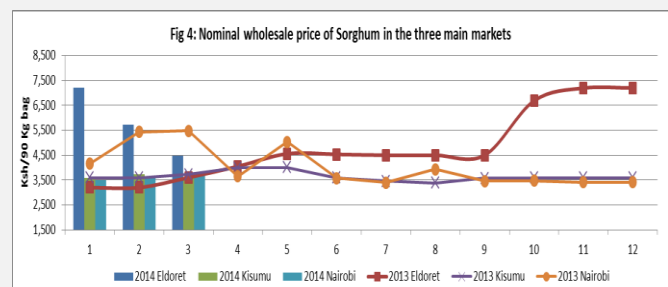
### 1.2 Bean prices in the three main markets:



The average wholesale price of beans increased in Eldoret, Kisumu and Nairobi by 5, 6 and 5 percent respectively. See table 1 and figure 3. Prices were above the level recorded in March 2013. There is reportedly low supply of beans to the market – especially from Uganda, compared to the high demand in Kenya thus the rise in prices. The low supply in Kenya is also attributed to the below average short rains harvest as earlier alluded to.

### 1.3 Sorghum prices in the three main markets:

The average wholesale price of sorghum decreased in Eldoret and Kisumu by 21 and 4 percent. Prices increased in Nairobi by 2 percent as shown in table 1 and figure 4. Prices in Eldoret have been on a downward trend since February after an earlier atypical increase which had started in September 2013. This had been attributed to the high demand by the brewing industry especially in Uganda; however the demand is currently low.



## 2.0 PRODUCTION AND IMPORT SITUATION

**2.1 Maize production:** Projected maize availability at the end of March 2014 was estimated at close to 2.0 Million MT; according to the Kenya Food Security Steering Group (KFSSG) assessment report. Slightly more than half of the available maize by March 2014 was to be consumed between January and March 2014 leaving less than one million MT for consumption from April onwards. The previous year's below average production was attributed to poor rainfall distribution, delayed distribution of fertilizers, the crop-out (non-planting) maize production season; which was made to break the cycle of the Maize Lethal Necrotic Disease (MLND), and the increasing negative effects of acidity of soils in the high potential areas. Spread of the Maize Lethal Necrotic Disease (MLND) in South Rift and parts of Nyanza region was estimated to have affected 18,000 ha. Considering a constant consumption rate and that, a possible harvest to replenish maize stocks will be realized in August 2014, for plausibility reasons, the available maize will last for at most three months taking the country through June 2014<sup>2</sup>.

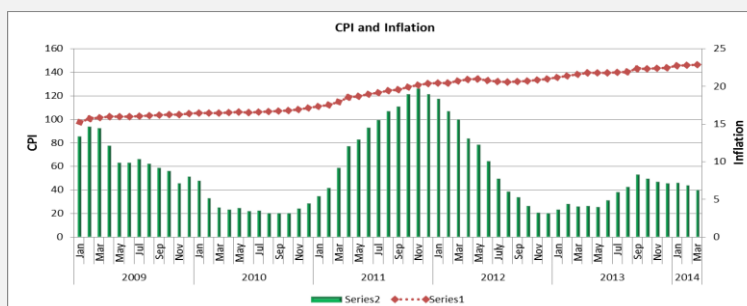
**2.2 Maize imports:** Kenya is currently importing maize from Uganda and the United Republic of Tanzania, to fill the deficit before the March-May long rains harvest from the medium potential areas start hitting the market.

<sup>2</sup> Source: Kenya Food Security Steering Group (KFSSG), October to December 2013 short rains season assessment report.

## 3.0 OTHER ISSUES

### 3.1 Inflation (March 2014)

According to the Kenya National Bureau of Statistics, the month on month consumer price index (CPI) increased by 0.45 per cent from 145.95 in February to 146.61 points in March 2014. The overall inflation rate stood at 6.27 per cent in March, this was a drop from 6.86 percent recorded in February 2014, and higher than the inflation rate of 4.11 recorded in March 2013.



During the review period, the month on month food and non-alcoholic drinks' Index increased by 0.56 per cent compared to February 2014; this was as a result of aggregate rises in prices of several food items outweighing notable falls in prices of others<sup>3</sup>. See table 2. Compared to March 2013, the index increased by 8.29 per cent.

### 3.2 Fuel pump prices: March 15, 2013 to April 14, 2014 trading period

Nairobi recorded a decrease in diesel and gasoline (super petrol) prices by 0.9 and 1.7 percent respectively. Kerosene prices increased by 1 percent see table 3 below.

### 3.3 Policy News

#### 3.3.1 Negotiations on East African Community (EAC) trade deal with Europe

Negotiations for a new trade deal between Europe and East Africa have now been referred to the Council of Ministers from the two blocs for direction after technical teams yet again failed to agree on five sticky issues. The Council of Ministers is now expected to give a final word on the long-delayed signing of a preferential economic partnership between the blocs when it meets next month. The parties, however, remained deadlocked on five issues including export taxes, domestic support and export subsidies, tackling the proliferation of weapons of mass destruction, human rights and corruption as well as good governance<sup>4</sup>.

#### 3.3.2 East African protocol implementation as a way to boost food distribution

Industry experts are pushing for extensive implementation of the East African Community (EAC) Common Market protocol as a strategy that would boost the region's food security and improve the sector's competitiveness in the global markets. The argument is that allowing free movement of the agricultural commodities will ease distribution of food from areas that have plenty (e.g. Uganda) to food scarcity areas<sup>5</sup>.

<sup>3</sup> For instance, the retail price of one kilogram of beans, beef (with bones) and two kilogram packet of sifted maize flour increased by 2.97, 0.81 and 0.3 respectively; the price of a kilogram of sugar and two kilogram packet of wheat flour reduced by 1.98 and 0.74 per cent respectively.

<sup>4</sup> <http://www.theeastafrican.co.ke/news/Fate-of-EAC-trade-deal-with-Europe-in-ministers--hands/-/2558/2267058/-/135e6y7/-/index.html>

<sup>5</sup> Halima, A. (2014, March 31). East African Protocol to boost food distribution, *The East African*, Nation Media Group, Nairobi. <https://teamwork.wfp.org/203/teamwork.wfp.org.Public%20Information/Shared%20Documents/Forms/AllItems.aspx> (WFP Intranet)

**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	Feb. '14	Mar. '14						
MAIZE								
Eldoret	2,840.00	3,007.50	386.54	5.9%	13%	2,462.48	22%	▲ ▲ ▲
Kisumu	3,600.00	3,600.00	462.70	0.0%	1%	2,994.03	20%	▶ ▲ ▲
Nairobi	3,234.67	3,168.75	407.27	-2.0%	1%	2,751.90	15%	▼ ▲ ▲
Kitale	2,542.50	2,550.00	327.74	0%	2%			▶ ▲
Kitui	2,733.33	3,100.00	398.43	13%	15%			▲ ▲
Malindi	3,400.80	3,420.00	439.56	1%	-5%			▲ ▼
Mombasa	2,986.67	2,990.00	384.29	0%	7%			▶ ▲
Nakuru	2,500.00	2,500.00	321.32	0%	-4%			▶ ▼
Taveta	3,000.00	3,000.00	385.58	0%	0%			▶ ▶
BEANS								
Eldoret	8,094.00	8,481.25	1090.06	5%	13%	5,954.92	42%	▲ ▲ ▲
Kisumu	7,200.00	7,660.00	984.51	6%	13%	6,031.67	27%	▲ ▲ ▲
Nairobi	3,234.67	3,168.75	830.12	5%	4%	5,335.02	21%	▲ ▲ ▲
SORGHUM								
Eldoret	5,712.00	4,488.75	576.92	-21%	25%	3,657.52	23%	▼ ▲ ▲
Kisumu	3,748.00	3,600.00	462.70	-4%	-3%	3,110.55	16%	▼ ▼ ▲
Nairobi	3,600.00	3,668.75	471.53	2%	-33%	3,353.40	9%	▲ ▼ ▲

Source: State Department of Agriculture. 1 USD to KSH 86.43 (Mar. 2014 UN Dollar rate)

**Table 2: Consumer Price Index (CPI)**

CPI/Inflation	Previous Month (Feb. 2014)	Current Month (Mar. 2014)	Percentage Change from previous month	Change over one Month
Consumer Price Index	145.95	146.61	0.45	▲
Overall Inflation	6.86	6.27		▼

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

**Table 3: Fuel prices in Nairobi for the March 15<sup>th</sup> to April 14<sup>th</sup>, 2014 trading period**

Commodity	Previous period price (Feb/Mar. 2014 Ksh/Litre)	Current period price (Mar/Apr. 2014 Ksh/Litre)	Percentage change from Previous Period.	Change over one Month
Diesel	105.80	104.87	- 0.88	▼
Gasoline (Super Petrol)	115.55	113.61	- 1.68	▼
Kerosene	83.07	83.91	1.01	▲

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