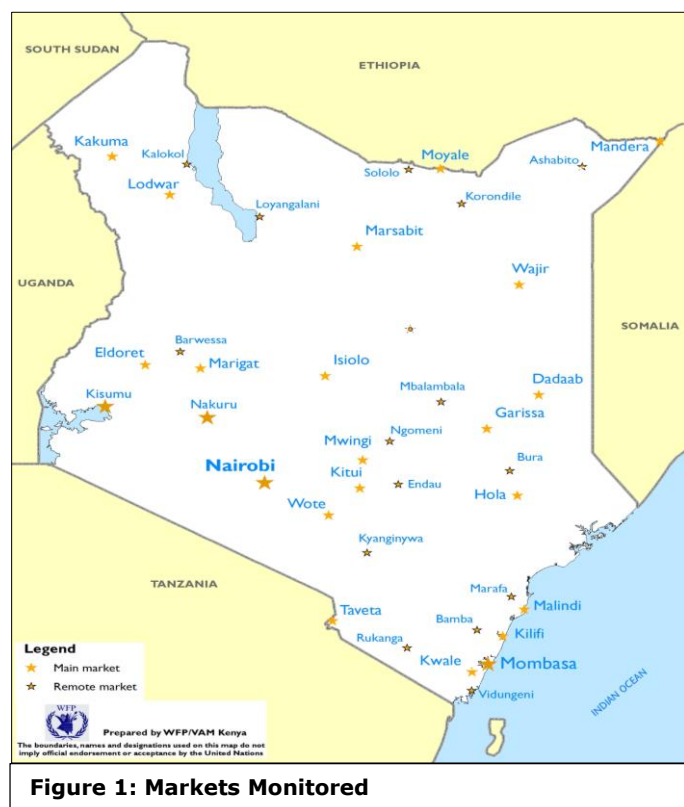




Kenya

Market Watch



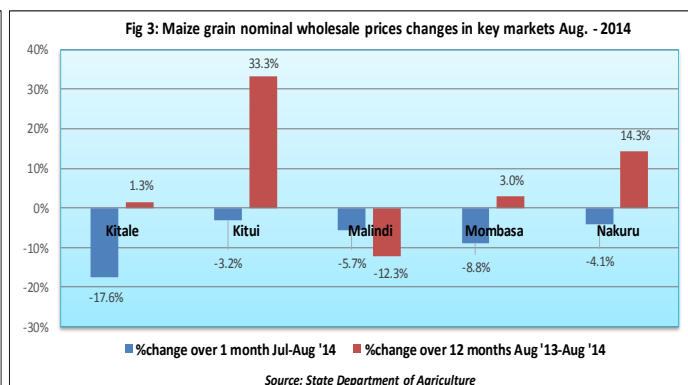
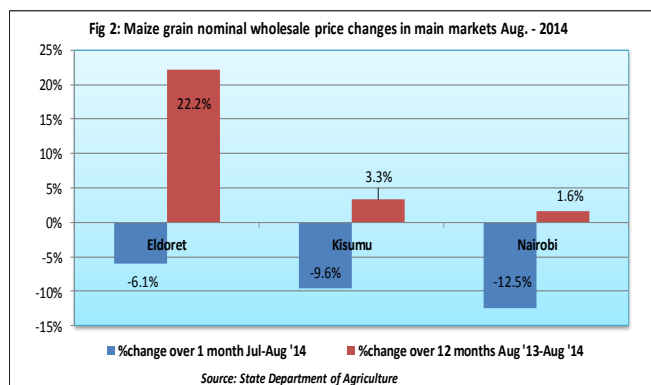
The Kenya market watch report is produced by the VAM unit of the World Food Programme Kenya on a monthly basis. Retail price data collected by staff at WFP sub/field offices in Kakuma, Daadab, Lodwar, Eldoret, Mombasa, Nairobi, Isiolo, Marsabit, Garissa, Wajir and Mandera, as well as wholesale price data for maize - which is Kenya's staple - and beans from the State Department of Agriculture (SDA) for Eldoret, Kitale, Nairobi, Kisumu, Mombasa, Nakuru, Kitui, Malindi and Taveta are analysed. 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 producing areas and located in the western Kenya grain 'basket' zone. Kitui, Malindi and Taveta markets are located in south-eastern and coastal marginal agricultural zones which are also 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 update is divided into three sections: price trends analysis, production and import situation, and other issues including: Inflation, fuel pump prices and policy news.

KEY HIGHLIGHTS

- The Ministry of Agriculture's projections indicate that national long rains maize production will be up to 20 percent less than last year and also lower than the five-year average of 2.7 million metric tons. The production short fall is mainly attributed to crop losses and very low production in the grain basket areas of the Rift Valley due to the extended dry spell in April and May and the effects of the Maize Lethal Necrosis Disease (MLND).
- The average monthly nominal wholesale price of maize - in the three main markets - fell by 6.1, 9.6 and 12.5 in Eldoret, Kisumu and Nairobi respectively, as compared to July 2014. In other key markets, wholesale prices decreased by 17.6, 3.2, 5.7, 8.8 and 4.1 percent in Kitale, Kitui, Malindi, Mombasa and Nakuru respectively. The decrease is attributed to the ongoing harvests in the western, rift-valley, central and south-eastern regions of Kenya, as well as cross-border flows from neighbouring Tanzania and Uganda.
- The Kenya National Bureau of Statistics (KNBS) reported that, the inter-annual inflation rate stood at 8.36 percent; the overall cost of living for Kenyans has thus increased since last year. The inter-annual food inflation rate also increased by 10.85 percent from August 2013.
- The KNBS report further states that, the average national average price of diesel fell by one percent, while that of gasoline (super petrol) marginally increased by 0.5 percent, as compared to July 2014; leading to an overall marginal increase (0.73 percent) in the month on month Transport Index.

1.0 PRICE TREND ANALYSIS

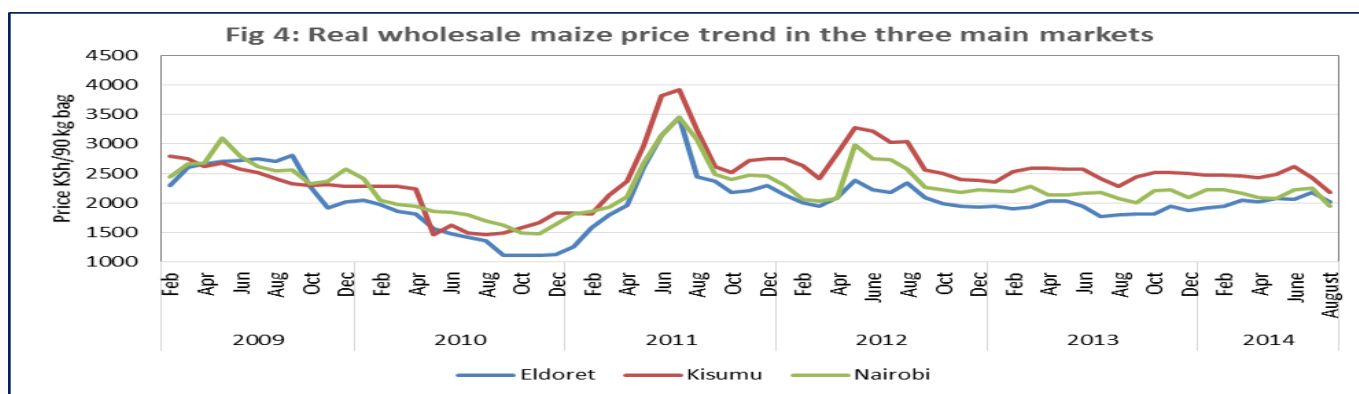
1.1 Maize wholesale price changes



During the period under review, the average wholesale price of maize decreased in all the three main markets; as compared to July 2014, see figure 2 and table 2. In other key markets, prices decreased in Kitale, Kitui, Malindi, Mombasa and Nakuru, see figure 3 and table 1. As compared to August 2013, prices in most markets were on an upward trend.

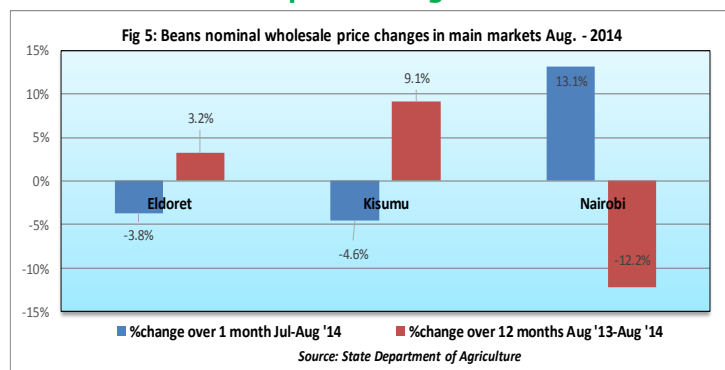
The seasonally decreasing prices trends are due to the on-going harvesting from parts of the Rift Valley, Lake Victoria basin, Western Kenya and south-eastern marginal areas, and the continued imports from neighbouring countries of Tanzania and Uganda. Market supplies will however remain tight and prices elevated due to the below average last season's production and the expected below average harvest from the recent long rains¹.

1.2 Maize wholesale price trends



Maize prices in the three main markets followed the normal seasonal trend; as at this time of the year, price normally start falling from the high rates recorded in May, June July season. The fall is normally attributed to the increased supplies from harvests in the producing areas of the country. Despite the expected below average harvests, cross-border trade flows are expected to fill in the supply gaps, thus stabilizing prices during the August through October 2014 season.

1.3 Beans wholesale price changes



The average wholesale price of beans decreased in Eldoret and Kisumu - as compared to July 2014. Prices in the two markets were however higher than in August 2013. Prices in Nairobi increased compared to July 2014, but decreased as compared to August 2013. See figure 5 and table 2. The price decrease is attributed to supply from early harvests from the western region and south rift as well as cross border flows from especially Uganda, which have had an effect in stabilising prices in the country. The atypical increase in Nairobi is attributed to the high demand for supplies especially to parts of south-eastern

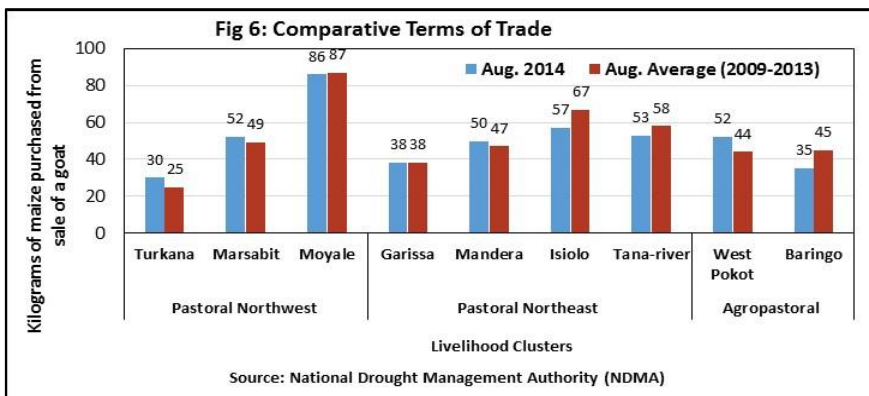
region; where households stocks are reported to have been depleted; leading to increased reliance on markets.

¹ Source: Kenya Food Security Steering Group (KFSSG) August 2014 Long Rains Season Assessment Report

1.4 Terms of Trade (ToT)

Goat and maize (ToT): The Terms of Trade (ToT) between sale of a goat and maize is a proxy indicator of the purchasing capacity of households relying on sale of goats as main income, and purchase of maize in the market. This ToT reveals how many Kilograms of maize can be purchased by selling a medium sized goat, but do not say how many goats a livestock holding household can sell to cover the household food needs.

Moyale had the most favourable ToT; where the sale of a medium sized goat would purchase 86 kilograms of maize compared to the long term average (LTA) of 87 kilograms. Turkana had the least favourable ToT; sale of a goat would purchase 30 kilograms of maize compared to the LTA of 25 kilograms (figure 6); attributed to high maize prices. TOT were thus favourable for livestock keeping households, and above the LTA in all the Counties in the clusters, except in Isiolo, Tanariver, and Baringo Counties, which recorded reduced livestock prices against increasing maize prices thus a lower ToT.



2.0 PRODUCTION AND IMPORT SITUATION

The national maize stocks as at the end of July 2014 stood at 0.9 million metric tons, as shown in Table 1. Taking into consideration imports and expected harvests between August and end of October, projected national maize stocks will stand at 1.3 million metric tons. With the country's per capita consumption per month of 0.34 million metric tons, a total of 1.04 million metric tons of these maize will be consumed by end of October, leaving a surplus of 0.31 million metric tons for consumption after October, which can hardly last a month. However, continued imports coupled with the crop harvest from the high and medium potential areas and parts of the south-eastern marginal areas and the Lake Victoria basin will ensure continued supply on markets after October. Market supplies will however remain tight and prices elevated due to the below average last season's production and the expected below average harvest from the recent long rains. Already, the Ministry of Agriculture's projections indicate that national long rains maize production will be up to 20 percent less than last year and also lower than the five-year average of 2.7 million metric tons. The production short fall is mainly attributed to crop losses (post-harvest) and very low production in the grain basket areas of the Rift Valley due to the extended dry spell in April and May and the effects of the Maize Lethal Necrosis Disease (MLND). The disease caused total crop failure in Bomet, Narok, and Nyamira Counties. Equally it also affected crop production in the major grain basket areas of Trans Nzoia, Uasin Gishu, Nandi and Elgeyo Marakwet, resulting in reduced yields, and threatening food security and loss of income for the majority of Kenyans².

3.0 OTHER ISSUES

3.1 Inflation (August 2014)

According to the Kenya National Bureau of Statistics (KNBS) August report, the inter-annual inflation rate stood at 8.36, which was higher than 7.67 in the previous month (July 2014) and 6.67 reported in August 2013. The overall cost of living for Kenyans has thus increased since last year, see table 4.

During the review period, the month on month Food and Non-alcoholic drinks' Index increased by 1.75 percent from July to August, this rise in rate of food inflation came as a result of observed increases in the prices of several food commodities outweighing some notable falls in the prices of other food items – especially cereals³. The food index increased by 10.85 percent compared to August last year.

3.2 Fuel pump prices (August 2014)

The KNBS report further states that, the average national average price of diesel fell by one percent, while that of gasoline (super petrol) marginally increased by 0.5 percent, as compared to July 2014; leading to an overall marginal increase (0.73 percent) in the month on month Transport Index. See table 5. Price of a four kilogram packet of charcoal – which is widely used cooking fuel by many low-income urban households - marginally rose by 0.6 percent. The marginal increase of the different fuels is not expected to have a big impact on transport cost nor household food utilization.

² Source: Kenya Food Security Steering Group (KFSSG) August 2014 Long Rains Season Assessment Report

³ For instance, the retail price of one litre of fresh (unpackaged) and packaged milk rose by 1.3 and 0.4 percent respectively, while the price of one kilogram of mutton/goat meat and mangoes also rose by 0.4 and 5.4 percent respectively. The price of one kilogram of beans and sifted maize flour fell by one and 0.9 percent respectively.

Table 1: Maize balance sheet (1st August 2014 to 31st October 2014)

Maize balance sheet through October 2014	90 Kilograms bags	MT
Stocks as at 31st July 2014 in 90kg bags and MT	9,844,558	886,010
a) Total East Africa imports* (private sector cross border trade) expected between August to October 2014	1,800,000	162,200
b) Imports outside EAC between August 2014 to 31st October 2014	0	
c) Estimated harvest between August 2014 to October 2014	5,500,000	495,000
Total available stocks between August and October 2014	17,144,558	1,543,010
Post –harvest storage losses estimated at 10%	1,714,456	154,301
Amount used for manufacture of feeds and other industrial products (2% of stocks)	342,891	30,860
Amount used as seed (1% of household stocks)	163,000	14,670
Expected total exports to East Africa Community region	0	
Expected exports outside the EAC region	0	
Projected national availability as at 31st October 2014 (90kg Bags and MT)	14,924,211	1,343,179
CONSUMPTION at 3.84 million bags/month for 43 million people for 3 months (August to 31st October , 2014)	11,520,000	1,036,800
Balance as at 31st October 2014 (surplus/deficit)	3,404,211	306,379
Surplus	3,404,211	306,379
No. of Months the Available maize Stock can last from End of July 2014	Less than a month	

Source: Kenya Food Security Steering Group (KFSSG) August 2014 Long Rains Season Assessment Report

Table 2: Nominal wholesale prices of maize and beans in the main and other key markets

Market	Price (KES per 90 Kg bag)		Aug. 2014 Price (USD/Mt)	% Change on last month	% Change on same month of last year.	% Change on 5 Year LTA	Prices Trend		
	July 2014	Aug. 2014					Change over		
							1 month	1 year	5 Years
MAIZE									
Eldoret	3,278.57	3,080.00	390.00	-6.06%	22.22%	19.92%	↓	↑	↑
Kisumu	3,657.14	3,306.25	418.65	-9.59%	3.32%	8.45%	↓	⇒	↗
Nairobi	3,384.29	2,962.50	375.12	-12.46%	1.63%	1.96%	↓	⇒	⇒
Kitale	2810.00	2316.67	293.34	-17.56%	1.31%		↓	⇒	
Kitui	3,100.00	3,000.00	379.87	-3.23%	33.33%		↓	↑	
Malindi	3,349.17	3,158.33	399.92	-5.70%	-12.27%		↓	↓	
Mombasa	3,115.71	2,840.00	359.61	-8.85%	3.05%		↓	⇒	
Nakuru	3,014.55	2,890.00	365.94	-4.13%	14.32%		↓	↑	
BEANS									
Eldoret	7,200.00	6,930.00	877.49	-3.75%	3.22%	24.58%	↓	⇒	↑
Kisumu	7,188.57	6,858.33	868.42	-4.59%	9.14%	20.83%	↓	↗	↑
Nairobi	4,734.29	5,356.25	678.22	13.14%	-12.19%	3.86%	↑	↓	⇒

Source: State Department of Agriculture. 1 USD to KES 87.75 (August 2014 UN Dollar rate)

Table 4: Inflation – August 2014**February 2009 = 100**

CPI/Inflation	Aug. 2013	July 2014	Aug. 2014	% Change on last month	Trend: Change over one Month
Consumer Price Index	140.29	150.60	152.02	0.94	⇒
Overall Inflation	6.67	7.67	8.36		▲

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

Table 5: National average fuel prices - August 2014

Commodity	Aug. 2013 KSh./Litre	July 2014 KSh./Litre	Aug. 2014 KSh./Litre	% change on last month	% Change on same month of last year	Trend: Change over	
						1 Month	1 Year
Diesel	105.29	106.50	105.45	-1.0	0.2	↓	⇒
Gasoline (Super Petrol)	113.01	116.67	117.30	0.5	3.8	⇒	⇒
Charcoal (4 Kgs Packet)	71.68	73.11	75.52	0.6	2.6	⇒	⇒

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



KEY:

Change	Price trend	Sign
< 0%	Decreasing	↓
>= 0% and < 5%	Stable	→
>= 5% and < 10%	Slightly stable	↗
>=10%	Increasing	↑

Source: The WFP Global Market Monitor Report



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