



Kenya

Market Watch



Figure 1: Markets Monitored

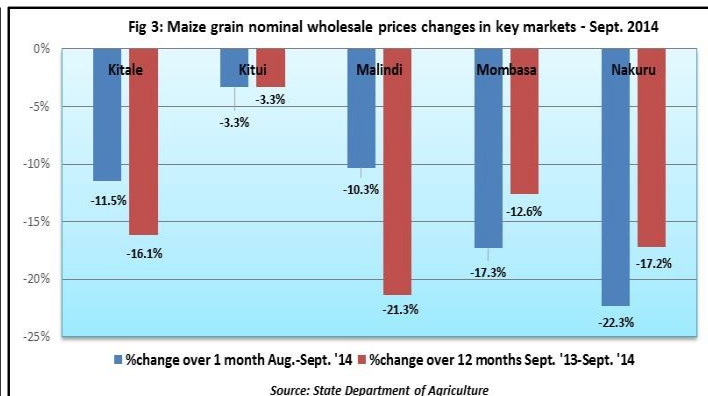
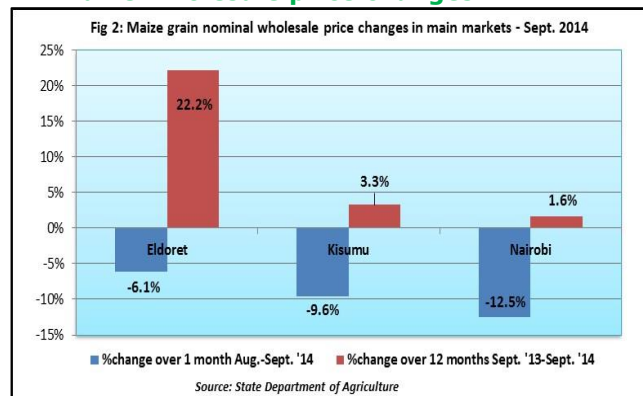
The Kenya market watch report is produced by the VAM unit of the World Food Programme Kenya on a monthly basis. Retail price data collected by staff at WFP sub/field offices in Kakuma, Daadab, Lodwar, Eldoret, Mombasa, Nairobi, Isiolo, Marsabit, Garissa, Wajir and Mandera, as well as wholesale price 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 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 August 2014. In other key markets, maize wholesale prices decreased by 11.5, 3.3, 10.3, 17.3 and 22.3 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 the increased cross-border flows from neighbouring Tanzania and Uganda.
- The Kenya National Bureau of Statistics (KNBS) reported that, the inter-annual overall inflation rate stood at 6.60 percent - even though the inflation rates are comparatively high - the overall cost of living for Kenyans has slightly eased as compared to the same time last year; driven by falling food and fuel prices. The inter-annual food inflation rate stood at 8.40 percent.
- The KNBS report further states that, between August and September 2014, the national average price of diesel marginally fell by 0.6 percent, while that of gasoline (super petrol) fell by 3.1 percent; leading to an overall marginal decrease of 0.41 percent, in the month on month Transport Index.

1.0 PRICE TREND ANALYSIS

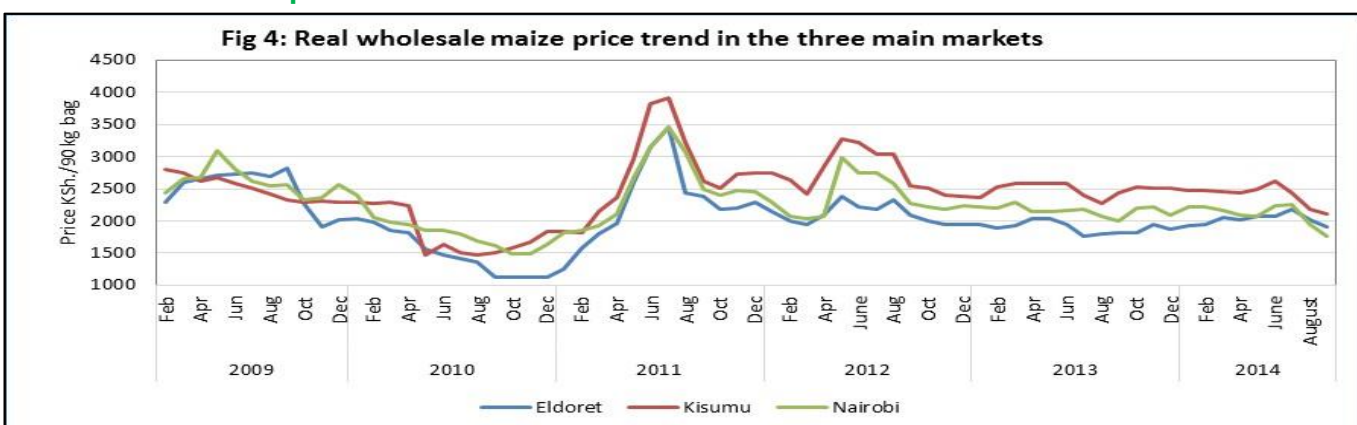
1.1 Maize wholesale price changes



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

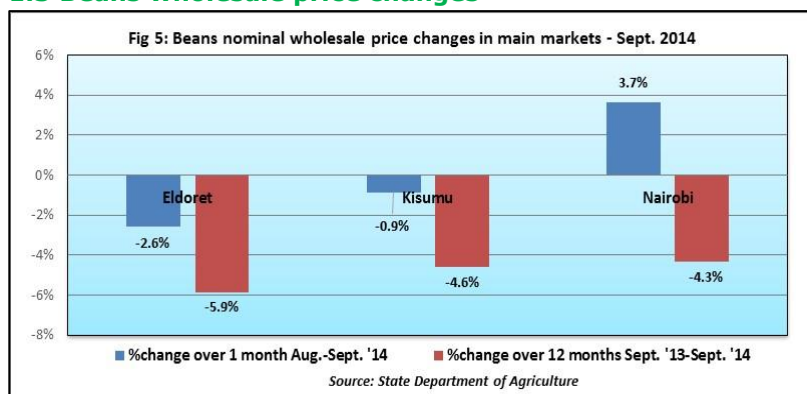
The seasonally decreasing prices trends are due to the on-going harvesting from parts of the Rift Valley, Lake Victoria basin, Western Kenya and south-eastern marginal areas, as well as the continued increase in imports from neighbouring countries of Tanzania and Uganda. Even though the imports have stabilised prices, local market supplies will 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, prices normally start falling as from August through January/February. The fall is normally attributed to the increased supplies from harvests in the producing areas of the country. Despite the expected below average harvests, increased cross-border trade flows are expected to fill in the supply gaps, thus stabilizing prices during the August through December 2014 season, before the short rains harvest reach the market as from January 2015.

1.3 Beans wholesale price changes



The average wholesale price of beans decreased in Eldoret and Kisumu, as they increased in Nairobi - as compared to August 2014. Prices in the three main markets were lower than in September 2013. See figure 5 and table 1. 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 still 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.

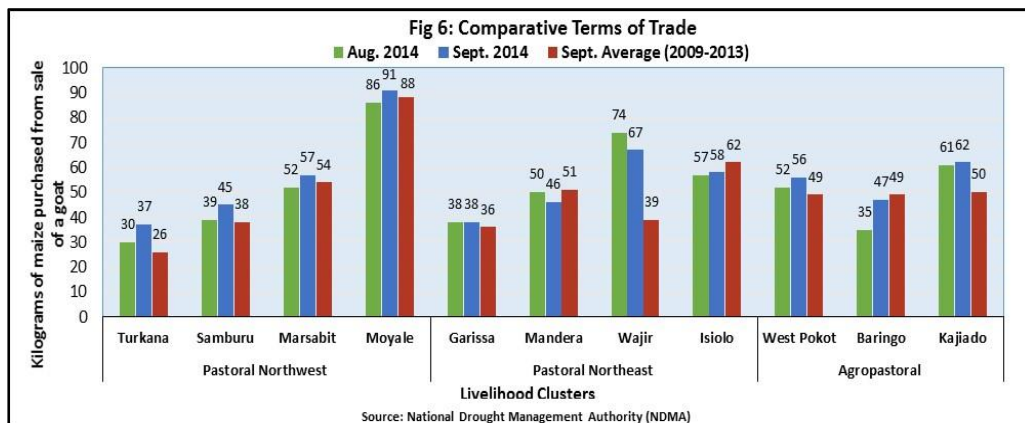
¹ Source: Kenya Food Security Steering Group (KFSSG) August 2014 Long Rains Season Assessment Report

1.4 Terms of Trade (ToT)

Goat and maize (ToT): The Terms of Trade (ToT) between sale of a goat and cereals (maize grain/flour²) 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 sub-county had the most favourable ToT; where the sale of a medium sized goat would purchase 91 kilograms of maize compared to 86 kilograms (August 2014) and the long term average (LTA) of 88 kilograms. Turkana and Garissa Counties had the least favourable ToT; sale of a goat would purchase 37 and 38 kilograms of maize respectively,

compared to 30 and 38 kilograms (August 2014) and the LTA of 26 and 36 kilograms respectively. See figure 6. The low values of ToT are attributed to high maize prices. ToT were above the LTA in all the Counties in the clusters, except in Mandera, Isiolo, and Baringo Counties, which despite recording increased goat prices, had a corresponding higher increase in maize prices (compared to LTA); thus a lower ToT.



2.0 PRODUCTION SITUATION

The Kenya Meteorological Department (KMD) latest forecast for the **October to December short rains** suggests rainfall amounts will be near normal. The short rains season has started in many parts of the country and planting is being done in most parts of the eastern and coastal marginal agricultural areas.

3.0 OTHER ISSUES

3.1 Inflation (September 2014)

According to the [Kenya National Bureau of Statistics \(KNBS\) September 2014 report](#), the inter-annual inflation rate stood at 6.60 percent; lower than 8.36 percent (August 2014) and 8.29 percent (September 2013). Though the inflation rate is comparatively high – having risen from a low of 3.20 percent in December 2012 – the overall cost of living for Kenyans has slightly eased as compared to the same time last year. The inter-annual food and non-alcoholic drinks' inflation stood at 8.40 percent; lower than 10.85 percent (August 2014) and 12.55 percent (September 2013), see table 2.

Between August and September 2014, Food and Non-Alcoholic Drinks' Index increased by 0.58 per cent. The aggregate rise resulted from observed increases in the prices of some fresh vegetables which outweighed some notable falls in the prices of other food items – especially cereals³.

3.2 Fuel pump prices (September 2014)

The KNBS report further states that, between August and September 2014, the national average price of diesel marginally fell by 0.6 percent, while that of gasoline (super petrol) fell by 3.1 percent; leading to an overall marginal decrease (0.41 percent) in the month on month Transport Index. See table 3. Price of kerosene and a four kilogram packet of charcoal – which are common cooking fuels for many low-income urban households – fell by 2.0 and 0.2 percent. The marginal decrease in prices of the different fuels is likely to have some positive impact on transport cost, and household food utilization.

² Maize is the staple food in Kenya and in most clusters is converted to posho (locally milled flour). The ToT computations for Samburu are based on goat: maize flour while those of other counties are based on goat: maize grain ratio.

³ For instance, the retail price of one kilogram of dry maize grain, maize flour, onions and Kale (sukuma wiki) fell by 4.1, 2.6, 4.0 and 0.6 percent respectively, while that of one kilogramme of carrots, cabbage and potatoes (Irish) rose by 3.5, 6.3 and 2.9 percent respectively.

3.3 Policy News

3.3.1 Highlights of the revision/rebasing of National Accounts

The Kenya National Bureau of Statistics (KNBS) initiated the process of rebasing⁴ and revision of the National Accounts Statistics in 2010 and launched the report in October 2014. Also presented in the same report were the preliminary revised Growth Domestic Product (GDP⁵) estimates.

Key findings: The revised GDP estimates translate to 20.5 percent increase, from old (KSh. 2,376.0 Billion) to new (KSh. 2,863.7 Billion) estimates, in the level of 2009 GDP and rises to 25.3 percent in 2013, from old (KSh. 3,798 Billion) to new (4,757.5 Billion). The new estimates put Kenya among the **lower middle income nations** as its GDP per capita is above World Bank's benchmark of **US Dollar 1,036** (the revised Kenyan GDP per capita is USD 1,246). Real estate, agriculture and manufacturing account for most of the change. Despite this, there are no dramatic differences in the structure of the economy in broadly defined categories. In contrast to many countries, the share of agriculture to GDP has remained relatively unchanged over the period. Agriculture is still the backbone of the economy (5 years average 2009 to 2013 share of GDP was 24.1 to 25.4 percent). The agriculture sector's contribution to the growth of the country (GDP) was measured at 19.9 percent.

Implications for social development: According to the KNBS, rebasing does not necessarily imply that the country has become richer. Instead, it provides an up to date measurement of the economy, putting into consideration the relevant fundamentals. Rebasing the GDP does not imply the existing social economic challenges (e.g. poverty or unemployment) no longer exist. Instead the rebasing gives estimates that are a reflection of the current situation. It has the advantage of attracting investors which can result in more job creation thereby improving the social economic situation of the citizenry. Further, the outcome of the exercise is used by the government to formulate evidence based policy decisions that will eventually improve the living conditions for all⁶.

Kenya will still qualify for concessional loans and general access funding, even though the size of the economy has been revised upwards. According to Armando Morales, the International Monetary Fund (IMF) resident representative for Kenya, the economy may be larger than before but it is still vulnerable to large shocks – such as declining tourism revenue because of heightened security concerns and high public sector wage bill – making a low-interest loan programme vital. The government of Kenya had said that the economy needed access to an “insurance-type” credit facility to expand its buffers against shocks. The proposed general access loan would however be a “bit pricier” than borrowing at concessional rates and cheaper than commercial lending, said Morales⁷.

3.3.2 The proposed duty on paper packaging materials may increase food prices.

Consumers could soon be forced to pay more for products if the Kenyan government implements a proposed increment of duty on packaging materials imported from outside East Africa. Manufacturers have, however, sounded the alarm that the move could do more harm than good to consumers who will be forced to shoulder the extra cost by paying higher prices for goods. In a statement on its website, the Kenya Association of Manufacturers said implementation of the proposed charge would trigger an increase of between five per cent and seven per cent on the final cost of products. Traders said introduction of high duty on imported paper puts Kenyan products at a disadvantage compared with other East African countries. It means that the country would be importing the product at 25 per cent duty, while her counterparts charge 10 per cent⁸.

⁴ Rebasing of national accounts series means replacing the old base year used for compiling the constant price estimates to a new and more recent base year; **the base year was changed from 2001 to 2009**. Rebasing is essentially done to ensure that the principal measure of economic growth yields good estimates over the medium term following the base year. It is desirable to periodically rebase, to update the production structure; structural changes in relative prices of various products and; incorporate product changes due to developments and innovations. In addition, changes on the demand side like consumption patterns, utilization and acquisition of capital goods are all also updated through such a process. Rebasing is used to account for these changes, so as to give a more current snapshot of the economy.

⁵ GDP is the monetary value of all the final goods and services produced within a country in a specific time.

⁶ Source: http://www.knbs.or.ke/index.php?option=com_phocadownload&view=category&id=17&Itemid=597

⁷ Source: <http://www.bloomberg.com/news/2014-09-29/imf-says-kenya-should-agree-to-new-loan-even-as-gdp-to-climb-1-.html>

⁸ Source: <http://www.nation.co.ke/business/Consumers-might-pay-more-for-products/-/996/2496158/-/k3uqmlz/-/index.html>



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

Market	Price (KES per 90 Kg bag)		Sept. 2014 Price (USD/Mt)	% Change on last month	% Change on same month last year.	% Change on 5 Year LTA	Prices Trend	
	Aug. 2014	Sept. 2014					Change over	
							1 month	1 year
MAIZE								
Eldoret	3,080.00	2,904.00	364.88	-6.06%	22.22%	16.71%	↓	↑
Kisumu	3,306.25	3,208.00	403.08	-9.59%	3.32%	13.52%	↓	⇒
Nairobi	2,962.50	2,696.00	338.75	-12.46%	1.63%	0.95%	↓	⇒
Kitale	2316.67	2,050.00	257.58	-11.51%	-16.14%		↓	↓
Kitui	3,000.00	2,900.00	364.38	-3.33%	-3.33%		↓	↓
Malindi	3,158.33	2,832.00	355.84	-10.33%	-21.33%		↓	↓
Mombasa	2,840.00	2,348.00	295.02	-17.32%	-12.61%		↓	↓
Nakuru	2,890.00	2,245.00	282.08	-22.32%	-17.19%		↓	↓
BEANS								
Eldoret	6,930.00	6,750.00	848.13	-2.60%	-5.86%	21.33%	↓	↓
Kisumu	6,858.33	6,800.00	854.41	-0.85%	-4.61%	8.57%	↓	↓
Nairobi	5,356.25	5,552.00	697.60	3.65%	-4.31%	3.75%	⇒	↓

Source: State Department of Agriculture. 1 USD to KES 88.43 (September 2014 UN Dollar rate)

Table 2: Inflation – September 2014**February 2009 = 100**

CPI/Inflation	Average price Sept. 2013	Average price Aug. 2014	Average price Sept. 2014	% Change on last month
Consumer Price Index (CPI)	142.82	152.02	152.24	0.15
Overall Inflation	8.29	8.36	6.60	
Food and Non-Alcoholic Drinks Inflation	12.55	10.85	8.40	

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

Table 3: National average fuel prices - September 2014

Commodity	Sept. 2013 KSh./Litre	Aug. 2014 KSh./Litre	Sept. 2014 KSh./Litre	% change on last month	% Change on same month last year	Trend: Change over	
						1 Month	1 Year
Diesel	105.97	105.45	104.82	-0.6	-1.1	↓	↓
Gasoline (Super Petrol)	114.27	117.30	113.7	-3.1	-0.5	↓	↓
Kerosene	86.39	83.97	82.33	-2.0	-4.7	↓	↓
Charcoal (4 Kgs Packet)	70.97	73.52	73.39	-0.2	3.4	↓	⇒

Source: Kenya National Bureau of Statistics (KNBS) – September 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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