Market Survey in Kenya

Prepared by Enterprise Mauritius

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1.0 Background

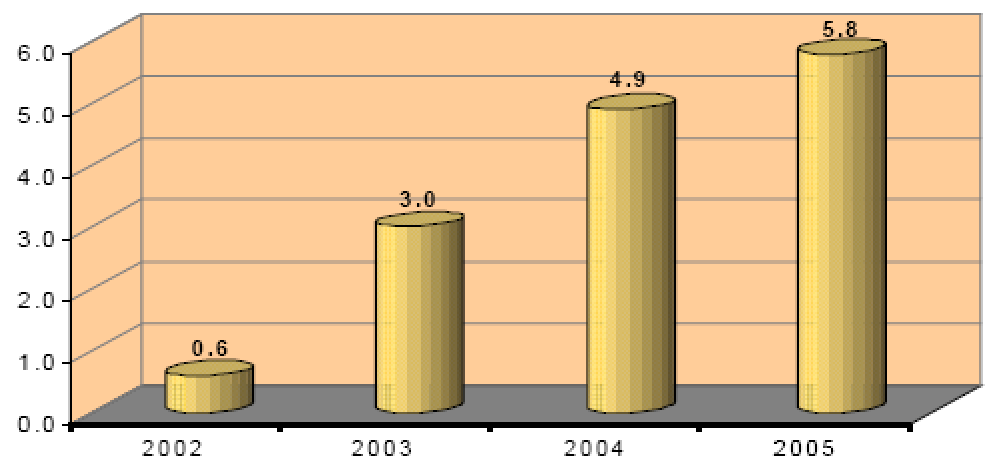
Kenya with a population of 33 m inhabitants is a key economic player in East Africa. Being a member of COMESA and the East African Community (EAC), Kenya has a relatively well developed infrastructure and enjoys political stability.

In terms of income distribution, it is estimated that around 10% of the population (i.e 3 million) have a relatively positive disposable income and which can be classified in the middle to upper middle income group.

1.1 Economic Overview

The economy grew by 5.8 percent in 2005, up from 4.9 per cent in 2004 as shown in Table 1.1. Outlook for 2006 and 2007 remains good with most sectors having good growth prospects. Growth in 2006 was mainly driven by tourism, agriculture, transport and communication, and construction sectors. Reforms initiated by the Government in the last few years encouraged growth in various sectors of the economy. The growth momentum is forecast to be sustained at 5.8 percent in the fiscal year 2006/07 on the backdrop of favourable weather conditions and stable macroeconomic environment.

Table 1.1 Real GDP Growth Rates : 2002-2005



Source: Economic Survey 2006 and Central Bank of Kenya

A recent report by the Economic Intelligence Unit, publishers of The Economist magazine, says the money is coming from transport, construction and telecommunication sectors of the economy. The report forecasts a gross domestic product growth of 5.5 per cent between now and next year, which is favourable compared to the European Union, which will grow by 2.4 per cent. Exports will increase as foreign debt decreases, which has been the trend since 2003.

Overall inflation declined further to 10.1 percent in July 2006 from 10.9 percent in June 2006, mainly due to a fall in food prices as supply improved.

The overall balance of payments had a US$ 696 million surplus from April 2005 to April 2006, compared with US$ 619 million nd US$ 516 million surplus in the year to March 2006 and February 2006, respectively. The improvement was largely attributed to capital and financial account which more than offset the widening current account deficit.

The current account deficit widened by US$ 366 million to US$ 891 million from April 2005 to April 2006 due to the widening of the trade deficit by US$ 916 million. The widened trade deficit in the year to April 2006 was due to 22.3 percent growth in merchandise imports to US$ 6,137 million compared with 6.9 percent growth in merchandise exports to US$ 3,159 million.

The Kenya shilling appreciated against the US dollar by the end of 2006 and it exchanged at Ksh 71 per US$ compared to Ksh73.7 per US$ in July 2006.

1.2 Manufacturing Sector

The manufacturing sector GDP grew by 5.0% in 2005 from a revised growth of 4.5% in 2004. The key features of the manufacturing sector are detailed in T able 1.2 below and are as follows:

• The value of output in the manufacturing sector rose by 12.8% from a revised value of KSh 445.1 billion in 2004 to KSh 502.1 billion in 2005.
• Key sub-sectors that performed well included; Tobacco, Beverages, Grain Milling, Paper and Paper products, and Plastic products. Sectors which performed badly include Wood products owing to more competitive supply of wood from West Africa.
• Number of enterprises under EPZ dropped from 74 in 2004 to 68 in 2005.
• Aggregate cumulative private investments in EPZ rose from KSh 17,012 million in 2004 to KSh 17,637 million in 2005.

Table 1.2 : Composition of the Manufacturing Sector

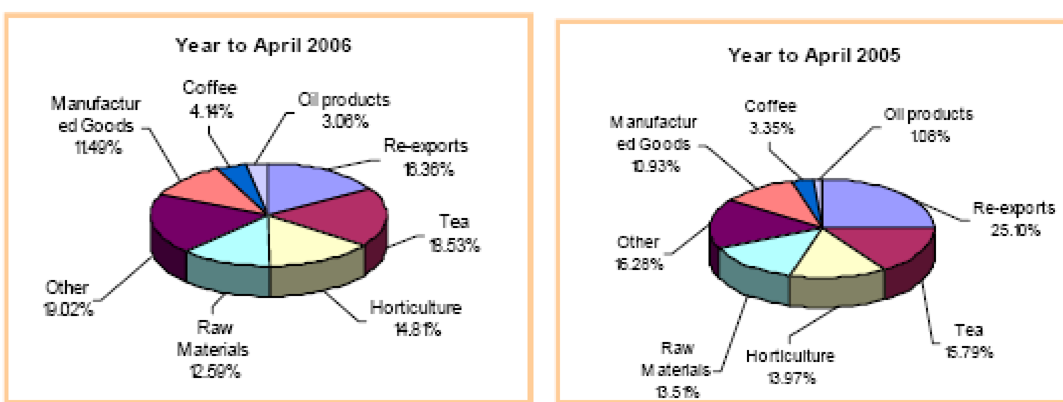
INDUSTRY	2003	2004	2005	Percentage Change 2005/2004
Meat and Dairy Products	89.8	104.8	123.9	18.2
Canned Vegetables, Fish, Oils and Fats	405.3	466.7	468.7	0.4
Grain Mills Products	177.7	193.3	221.6	14.6
Bakery Products	284.3	185.1	202.7	9.5
Sugar and Confectionery	218.9	250.9	237.5	-5.3
Miscellaneous Foods	250.8	269.1	272.1	1.1
Food Manufacturing	**211.1**	**233.5**	**236.3**	**1.2**
Beverages	176.0	200.6	232.4	15.9
Tobacco	126.7	142.6	195.2	36.9
Beverages and Tobacco	**170.3**	**193.8**	**229.1**	**18.2**
Textiles	106.0	89.3	100.6	12.7
Clothing	188.1	187.3	210.7	12.5
Leather and Footwear	99.0	75.2	71.9	-4.3

Wood and Cork Products	51.2	40.5	30.8	-23.9
Furniture and Fixtures	55.1	56.9	57.6	1.3
Paper and Paper Products	362.7	336.3	406.2	20.8
Printing and Publishing	428.0	422.4	419.8	-0.6
Basic Industrial Chemicals	145.8	150.1	122.1	-18.6
Petroleum and Other Chemicals	865.7	982.7	966.4	-1.7
Rubber Products	712.8	707.3	742.4	5.0
Plastic Products	969.3	972.9	1225.0	25.9
Clay and Glass Products	1142.7	1172.9	1070.5	-8.7
Non-Metallic Mineral Products	190.0	166.9	186.1	11.5
Metallic Products	238.2	246.8	256.1	3.8
Non-Electrical Machinery	87.1	87.1	87.1	0.0
Electrical Equipment	216.8	259.0	268.8	3.8
Transport Equipment	483.5	1109.6	836.6	-24.6
Miscellaneous Manufactures	1148.2	1052.0	1047.8	-0.4
TOTAL MANUFACTURING	**290.6**	**310.0**	**327.0**	**5.5**

1.3 EXPORTS

Merchandise exports rose to US$ 3,159 million from April 2005 to April 2006 and from US$ 2,954 million from April 2004 to April 2005 mainly on account of increased tea and other miscellaneous exports as shown in Table 1.3 below.

Table 1.3: Composition of Kenya's Exports



Source: Customs and Excise Dept., KRA

Tea exports rose to US$ 585 million while horticulture exports rose to US$ 468 million. Export volumes for tea and horticulture rose by 20.7 percent and 11.3 percent respectively as export prices for these commodities rose by 5.2 percent and 1.2 percent. The value of coffee exports rose to US$ 131 million and this was supported by an increase in coffee export prices by 30.7 percent. Coffee export volumes however remained unchanged at the previous year.s level.

Export values of manufactured goods rose by US$ 40 million to US$ 363 million during the period of April 2005 to April 2006 as exports of oil products and other miscellaneous exports also increased. Export values of raw materials and re-exports however declined to US$ 398 million and US$ 517 million, respectively. The contributions of coffee, tea, horticulture and manufactured goods to total exports increased during the period of April 2005 to April 2006 while those of re-exports and raw materials declined.

1.4 Direction of Exports

The main destination for Kenya.s merchandise exports in the year to April 2006 were Uganda, United Kingdom, Tanzania, the Netherlands, Pakistan, Egypt, Sudan and the Democratic Republic of Congo which accounted for 15.0 percent, 10.4 percent, 8.3 percent, 7.9 percent, 6.2 percent, 4.1 percent, 3.3 percent and 3.3 percent of total export earnings, respectively. Exports to African countries accounted for 47.1 percent of Kenya.s merchandise exports (Table 1.4).

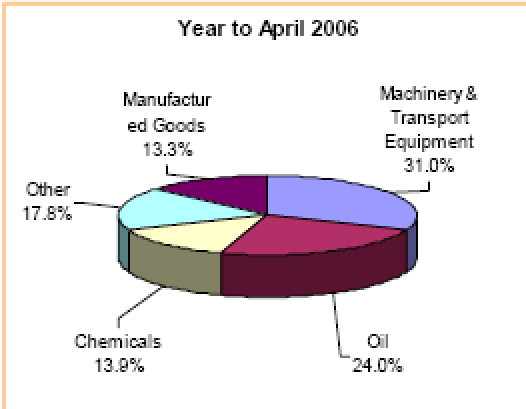
Table 1.4: Direction of Exports

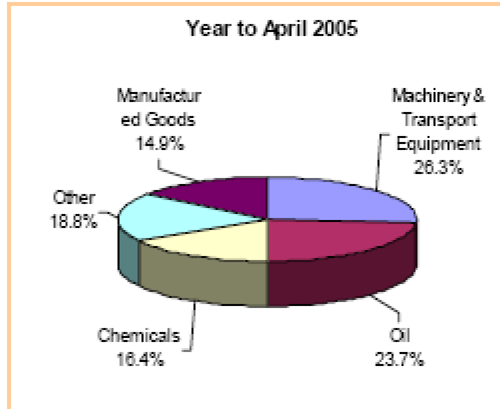
EXPORTS (in millions of US dollars)			
	Year to April		
Country	2004	2005	2006
Africa	1,130	1,405	1,488
Of which			
Uganda	424	510	472
Tanzania	185	224	261
Egypt	75	84	128
Sudan	64	78	104
DRC	80	125	103
Rwanda	75	87	82
Others	227	298	338
Rest of the World	1,326	1,549	1,670
Of which			
United Kingdom	264	293	328
Netherlands	196	224	249
Pakistan	114	159	196
USA	40	56	86
Germany	62	63	66
France	45	57	57
United Arab Emirates	27	36	56
India	37	51	52
Others	541	609	580
Total	2,456	2,954	3,159

1.5 Imports

The value of goods imported during the period April 2005 to April 2006 was US$ 6,137 million up from the previous year's US$ 5,017 million as detailed in Table 1.5. This increase was largely in machinery and transport equipment and oil import categories. Imports of machinery and transport equipment increased by US$ 580 million and reflected increased imports of aircraft, road vehicles and industrial machinery while the rise in oil imports by US$ 287 million was largely in imports of crude oil, diesel, motor spirit and kerosene.

Table 1.5 : Composition of Kenya's Imports





The value of other major import also rose during the year under review. The increase in imports of manufactured goods by US$ 67 million resulted from increased imports of textile and paper products. The value of chemicals imported also rose by US$ 33 million and largely reflected increased import values of medicines and plastics. The value of other miscellaneous imports rose by US$ 153 million.

1.6 Sources of Imports

During the period of April 2005 to April 2006, Kenya sourced most of her imports from United Arab Emirates (14.9 percent), United Kingdom (12.1 percent), South Africa (9.2 percent), United States of America (6.0 percent), India (5.9 percent), Japan (4.9 percent), Saudi Arabia (4.7 percent), China (4.7 percent), Germany (3.8 percent) and Ireland (3.5 percent) as detailed in Table 1.6 . Table 1.7 provides a broader picture of impost over the past 10 years.

Table 1.6: Sources of Imports

IMPORTS (In millions of US dollars)			
	Year to April		
Country	2004	2005	2006
Africa	549	705	811
Of which			
South Africa	335	471	564
Egypt	79	74	89
Others	135	160	159
Rest of the World	3,438	4,311	5,325
Of which			
United Arab Emirates	479	590	916
United Kingdom	255	461	741
USA	216	373	368
India	209	301	363
Japan	259	322	298
Saudi Arabia	344	450	290
China	110	186	286
Germany	142	173	231
Ireland	4	9	214
Singapore	29	74	180
France	141	150	176
Indonesia	155	85	134
Netherlands	79	102	130
Italy	75	95	127
Others	940	941	871
Total	3,986	5,017	6,137

Source: Customs and Excise Department, KRA

Table 1.7: Sources of imports

Imports by Country of Origin KSh Million

DESCRIPTION	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005*
EUROPE										
WESTERN EUROPE:										
European Union.										
Belgium..	5,185	3,534	3,110	3,008	5,433	7,673	6,944	6,757	9,689	8,000
Finland	917	1,011	1,577	1,480	2,106	1,085	1,442	697	1,770	1,644
France	8,258	7,110	8,032	6,735	8,297	10,699	9,712	8,957	12,209	13,883
Germany, ...	10,246	12,728	11,139	11,210	8,714	11,711	12,942	10,962	13,183	15,761
Italy	5,494	4,635	5,103	4,815	7,206	6,998	4,146	5,840	7,154	7,857
Netherlands	4,784	4,759	5,396	5,030	8,674	5,325	5,409	6,256	7,310	9,629
Spain	1,267	1,708	1,030	2,336	1,691	2,208	2,959	2,154	1,989	2,951
Sweden	1,659	1,609	1,569	1,691	1,811	1,622	12,259	1,615	2,007	2,404
United Kingdom	22,265	21,557	24,355	23,123	25,136	21,989	21,138	19,621	27,124	26,134
Other	3,723	3,337	3,075	3,543	6,585	2,719	6,138	3,979	4,724	5,238
Total	63,797	61,989	64,385	62,971	75,653	72,028	83,090	66,840	87,159	93,500
Other Western Europe	3,587	2,776	3,504	3,565	3,553	5,433	4,077	5,304	5,722	7,820
Total Western Europe..	67,384	64,764	67,889	66,536	79,205	77,461	87,167	72,143	92,881	101,321
EASTERN EUROPE:										
Russian Federation	833	1,067	1,195	2,101	4,407	1,114	598	2,159	2,538	2,985
Romania	348	416	126	167	346	149	37	1,237	1,362	52
Other	909	734	966	1,028	329	869	1,053	2,103	1,775	2,527
Total	2,090	2,217	2,287	3,296	5,082	2,131	1,688	5,499	5,675	5,564
TOTAL, EUROPE	69,474	66,981	69,760	69,831	84,287	79,592	88,854	77,642	98,555	106,884
AMERICA										
U.S.A	8,802	14,110	16,509	13,190	10,084	38,967	14,648	14,388	14,425	42,493
Canada	1,792	1,593	1,393	1,735	986	1,599	1,183	2,051	2,202	2,259
Other	1,880	2,513	1,086	4,063	3,716	4,943	3,314	1,733	7,832	7,023
TOTAL AMERICA	12,474	18,216	18,988	18,988	14,785	45,509	19,144	18,173	24,458	51,774
AFRICA*										
South Africa	12,773	21,753	14,198	17,134	16,586	7,636	17,805	23,309	34,654	42,305
Tanzania	928	865	610	480	928	585	803	1,368	2,009	2,869
Uganda	30	467	60	307	515	683	664	1,038	1,009	1,389
Other***	2,451	5,832	2,472	4,377	4,717	22,844	9,601	11,604	14,763	14,846
TOTAL AFRICA	16,181	28,917	17,339	22,298	22,746	31,749	28,873	37,318	52,435	61,410
ASIA										
MIDDLE EAST:										
Iran	122	691	555	1,345	1,452	786	242	2,501	2,073	595
Israel	1,410	1,623	1,456	1,431	2,198	1,846	1,503	1,979	1,990	2,560
Jordan	1	2	127	34	78	150	69	327	1,186	87
Saudi Arabia	8,470	10,216	12,384	10,873	15,004	15,773	13,446	24,305	31,368	27,580
United Arab Emirates	13,860	19,012	17,810	25,529	48,212	41,465	29,060	31,918	45,044	62,130
Other	3,316	1,142	3,571	3,860	6,561	8,857	6,996	14,411	18,566	13,852
Total	27,179	32,686	35,903	43,072	73,505	68,878	51,315	75,440	100,228	106,804
FAR EAST										
China	2,906	3,717	4,139	4,786	7,755	6,792	6,052	8,023	12,795	19,764
India	9,613	8,209	8,649	8,995	10,139	12,830	13,810	14,811	22,660	24,236
Indonesia	6,652	6,317	3,060	1,651	2,706	7,680	13,080	12,497	7,691	9,749

Japan	12,508	14,360	15,675	15,336	12,514	14,436	17,242	18,611	24,151	23,021
Korea South	2,318	1,795	2,647	3,203	2,861	3,926	2,755	2,966	3,289	3,386
Pakistan	550	1,008	1,006	609	864	2,086	4,020	4,456	3,247	2,532
Singapore	2,225	1,975	1,331	4,278	4,776	5,655	4,188	2,352	4,452	7,574
Other	4,664	4,021	9,690	9,115	7,548	7,492	5,477	7,428	7,534	9,995
Total..	41,436	41,402	46,196	47,973	49,164	60,897	66,623	71,145	85,818	100,259
TOTAL, ASIA	68,615	74,088	82,099	91,046	122,669	129,775	117,939	146,584	186,046	207,063
AUSTRALIA & OCEANIC										
Australia	1,647	2,059	1,725	2,692	2,611	3,214	1,879	1,562	1,205	1,398
Other	49	126	159	136	68	208	140	169	257	230
TOTAL	1,696	2,185	1,884	2,829	2,679	3,422	2,018	1,731	1,462	1,628
All Other Countries N.E.S.	45	287	7,717	1,408	638	62	882	395	1,600	1,980
TOTAL	45	287	7,717	1,408	638	62	882	395	1,600	1,980
GRAND TOTAL	168,486	190,674	197,789	206,401	247,804	290,108	257,710	281,844	364,557	430,740

* provisional

Source: Annual Trade Report - Customs & Excise Dept.

1.7 Tourism Sector

Tourism activity paced up in the 2005 and is expected to increase further with the construction of new hotels in Mombassa. Tourism earnings increased from KSh 38.5 billion in 2004 to KSh 48.9 billion in 2005, an increase of 27.0%.

• International visitor arrivals increased by 8.7% from 1.4 million in 2004 to 1.5 million in 2005.

• Hotel bed-nights occupancy increased by 18.1% from 3.8 million in 2004 to 4.5 million in 2005.

2.0 Export Procedures to Kenya

In order to export to Kenya, exporters need to comply with the Kenyan Bureau of Standards (KEBS) requirements and follow the Pre-Export Verification of Conformity (PVoC).

2.1 Standards – PVOC Compliance Process

The Kenyan Bureau of Standards (KEBS), a statutory organization of the government of Kenya, is responsible for the adoption and application of Standards for both imported and domestically manufactured products in the Kenyan market.
With effect from 29th September 2005, KEBS implemented the ***Pre-Export Verification of Conformity (PVoC) to Standards Programme.*** This is a conformity assessment and verification procedure applied to specific ***Goods/ Products*** at the respective exporting countries, to ensure their compliance with the applicable Kenyan Technical Regulations and Mandatory Standards or approved equivalents. KEBS has appointed **Société Générale de Surveillance S.A. (SGS)** and **Intertek** to operate the PVoC program on its behalf, depending on the country of supply. For the case of Mauritius, the appointed body is the SGS.

All consignments subject to PVoC must obtain a **Certificate of Conformity (CoC)** issued by **PVoC Country Offices** *(offices operated and managed by authorised KEBS partners*) prior to shipment. The Certificate is a mandatory Customs Clearance document in Kenya; consignments arriving at Kenyan Ports without this document will be denied entry into the country. In exceptional cases, at the sole discretion of KEBS, specific consignments may be allowed to undergo destination inspections after receiving the appropriate application from importers. Such consignments will be subject to a penalty of 15% of the CIF value of the goods plus 15% bond and the testing and inspection costs. All other expenses incurred at destination will be borne solely by the importer.

For the latest version of these guidelines refer to **www.kenyapvoc.com**

2.2 The Compliance Process

The PVoC compliance processes are designed to provide maximum flexibility to exporters and importers by providing three (3) possible routes for obtaining a Certificate of Conformity (CoC) for their shipments. The method utilized will depend on the frequency of the exporters' shipments to Kenya and the level of compliance they are able to demonstrate initially when applying for certification.

Route A: Consignment Inspection and Testing

The exporters may contact their nearest **PVoC Country Office** and submit a **Request for Certification (RFC) form** together with their Pro-forma Invoice for the shipment. Alternatively, Importers can trigger the process by submitting a copy of the **Import Declaration Form (IDF)** and Pro-forma Invoice to the **SGS or Intertek Kenya Liaison Office**. The PVoC Country Office in the country of supply will arrange for an inspection of the consignment to assess the visually verifiable requirements to the relevant Kenyan technical regulations/standards or approved equivalent and shall draw samples for testing. Testing shall be carried out in laboratories accredited to ISO/IEC system or other approved laboratories against the relevant Kenyan or approved specifications taking into account the essential health/safety requirements and the report forwarded to the PVoC Country Office. Testing requirements may be satisfied by the presentation of test data produced by accredited to ISO/IEC Laboratories or approved laboratory or supervised manufacturer's testing by a KEBS Partner.
In case testing of the goods proves not feasible for either technical or economic reason a KEBS partner will collect documentary evidence of the goods conforming to Kenyan standards or other KEBS approved requirements/specifications.

Upon satisfactory inspection and testing together with the submission of a final commercial invoice from the exporter *(with the exception, for air shipments, where a CoC may be issued on the basis of the Pro-forma invoice*), the PVoC Country Office will issue a CoC .The CoC is valid only for one consignment and for a maximum of 90 days from the date of inspection.

Route B: Product Registration, Inspection and Limited Testing

This route is recommended for frequent exporter to Kenya with homogeneous products. Exporters and Manufacturers may reduce the level of shipment intervention by **registering** the products through one of the **PVoC Registration and Licensing/Certification Centres**. The Registration takes the form of a self-declaration of compliance to applicable Kenyan technical regulations/standards or approved relevant International or National standards. The declaration should be submitted for evaluation supported by substantiated evidence in the form of Test Reports ISO certifications etc. The evaluation allows for an assessment to be made of the current level of compliance to declared standards. The applicant is informed of the deficiencies (if any) and the steps to be taken in order to satisfy the full requirements, which may involve product testing and modification. Successful completion of the Registration process will result in the issuance of a **Statement of Registration** for the relevant products/product range.

Each time the products are shipped the Exporter should submit a copy or the reference of their Statement of Registration to the PVoC Country Office along with their Request for Certification and Pro-forma Invoice. The status of Registration will mean that the PVoC Country Office conducts consignment inspection as in Route A, but will only perform testing on selected shipments to monitor continued compliance. Upon satisfactory inspection (and testing where applicable) and receipt of the Exporter's final commercial invoice, a Certificate of Conformity (CoC) will be issued. Registration is annually renewable subject to ongoing continual compliance with the appropriate registration requirements. When registered products undergo subsequent technical or physical modifications, re-registration of the modified product models or type may be required.

Route C: Product Licensing

Manufacturers who have registered their products and shown consistent shipment compliance may apply to have their products **Licensed** by a PVoC **Registration and Licensing / Certification Centres**. The process involves evaluation of test reports and possibly additional testing to demonstrate full compliance with the relevant Kenyan Standard. This is accompanied by an audit of the manufacturing facility and subsequent surveillance visits to ensure that the Kenyan requirements are consistently integrated into the manufacturing process. Licensing procedures closely follow ISO / IEC Guide 28 – General Rules for a Model 3rd party Certification Systems for products. On successful conclusion of this process, the manufacturer will be presented with a **Licence** for the relevant products.

When shipping these products, the manufacturer may apply to their nearest PVoC Country Office and submit their Request for Certification, final commercial invoice and a copy or reference to their Licence to apply for a Certificate of Conformity (if requested). The PVoC Country Office will issue the certificate on the basis of this documentation alone and will not routinely instigate inspection and testing.
In order to monitor compliance, PVoC Country Offices reserve the right to randomly inspect licensed shipments, but exporters will be given adequate notice when this is the case. A PVoC Licence is annually renewable subject to ongoing continual compliance with the appropriate licensing requirements. When registered products undergo

2.3 VERIFICATION FEES ; REGISTRATION & LICENSING FEES

The applicable verification fees depend on the route,subject to the minimum and maximum detailed below.
The fees are payable by the Exporter or Manufacturerand payable in advance:

Route A
0.475%of FOB value subject to a minimum of USD 180

Route B
0.425%of FOB value subject to a minimum of USD 180

Route C
0.25% of FOB value subject to a minimum of USD 135

Testing Fees
Determined on a case by case basis

Registration Fees

The Registration fees shall be 375 USD, which willcover the Registration of 15 products / line items in theStatement for Registration (SfR). Every additional product / line item above 15 products /line items will be charged an additional fee of 20 USD. Amendments to SfRswill be charged at the rate of 40USD minimum for up two products / line itemsamendments and then 20 USD per line itemamendment after that.

Licensing Fees

Licensing fees are calculated on a case-by-case basis.Please contact your nearest Registration and LicensingCertification Centre or PVoC Country Office for furtherinformation.

NOTE: Products with common characteristics will be grouped together in determining the Registration /Licence fees

2.4 Compliance Procedures

Request for Certification

The electronic Import Declaration Form (IDF) data is to be received from KEBS. The PVoC Country Office in the Country of supply may contact the exporter and provide him with a Request for Certification Form, (RFC). The exporter must send the form completed together with a pro-forma invoice and provide information about the date and place for inspection. The exporter joins to the RFC form the test reports (if available) and when applicable copies of the statements of registration and / or Licence.

Determination of Route

The PVoC Country Office will review the RFC and attached documentation and will confirm the applicable route for certification and the standards applicable.

Product testing

Wherever possible, the PVoC Country Office shall arrange for product sampling and testing with an approved or an ISO/IEC 17025 accredited laboratory in advance of the scheduled date of shipment. The exporters should wait for test results before shipment.
Where the exporter wishes to provide test certificates, these should be from a laboratory accredited to an ISO/IEC system or other approved laboratories. The exporter may also make arrangements to have the tests witnessed by a PVoC partner staff. Test reports should be submitted to the PVoC Country Office along with a copy of the Laboratory Accreditation. The test reports must be sufficiently detailed so as to demonstrate tractability to the consignment to be shipped to Kenya.

Inspection

The PVoC Country Office will contact the place of inspection and confirm the appointment for physical inspection of the consignment. Physical inspection is normally carried out to verify requirements that may be visually verified (e.g. product labeling) and to ensure reconciliation of the consignment with previously submitted test reports. If applicable, product sampling for testing purposes may also be performed during physical inspection. In such case however, exporters should wait for test results before shipment.

Certification

Except for air-shipments, the exporter shall submit a final invoice to the PVoC Country Office, as soon as possible after physical inspection. The PVoC Country Office will perform a final review of all test and inspection reports and decide upon the issuance of the Certificate of Conformity (CoC) or Non Conformity Report (NCR). PVoC Country Office will indicate any corrective actions needed prior the issuance of a Certificate of Conformity. Only if the discrepancy is corrected, a CoC will be issued.

3.0 Sector Analysis

The terms of reference of the market survey covered the following sectors:-

(i) Food
(ii) Furniture
(iii) Garments
(iv) Footwear
(v) Plastics

The contact details of the importers and distributors of the various sectors are at Annex 1.0.

3.1 Food

Kenya is increasingly becoming a market leader in terms of food production in East Africa. It is estimated that around 60% of food products consumed in Kenya is manufactured locally.

A few large multinationals such as Nestle and Del Monte, have production facilities in Kenya in order to cater for the East African markets. In addition, a large number of local producers have developed a range of local brands which are competing effectively with imported brands.

3.1 1 Margins

The margins practiced in the sector are generally as follows:-

For Fast Moving food items = 25% for the importer and 30 % for the retailer

For Slow Moving food products = 35% for the importer and 35% for the retailer

3.12 Canned Products

Duty Tariffs

	Import Duty	Excise Duty	VAT
Non-COMESA	25%	0%	16%
COMESA	0%	0%	16%

Trade Statistics : Imports of Canned Food to Kenya 2003 – 2005

Year	Quantity (Kgs.)	Value KES
2003	1,385,241	151,562,221
2004	895,567	97,896,257
2005	941,655	85,907,296

Pricing

		Weight	PRICE (Ksh)
	CANNED FOOD		
	Baked Beans		
1	Heinz	415gms	59.00
2	Kenylon	300gms	45.00
		3kg	287.00
3	Globe	400gms	56.00
4	Peptang	300gms	46.00
5	Kenya Orchards	280gms	44.00
	Garden Peas		
1	Kenya Orchards	3kg	350.00
	Tuna		
1	Statesman red meat	170gms	56.00
2	Tropikal tuna solid	200gms	116.00

Market Feedback

- Kenya has significant local production of canned food.
- Key players in the market are Kabazi Canners / Trufoods and KOL (Kenya Orchards Ltd, Kenroid)

- There is also several importers of canned foods one of which is Branded Foods who import Koo from S. Africa
- Italy is a large exporter of canned foods to Kenya, particularly tomato based.
- Jackys is the agent for Heinz products which sell at a premium compared to other and local products.
- The market is generally open to new brands subject to price.

Market Access – Entry - Distribution channels

- Ideally through existing importers subject to price and quality
- Several retail stores also import for their own requirements some of which also distribute.
- Supermarkets (and suppliers to) such as Uchumi and Nakumatt with a total of nearly 40 branches between them.

3.13 Biscuits

Duty Tariffs-

	Import Duty	Excise Duty	VAT
Non -COMESA	25%	0%	16%
COMESA	0%	0%	16%

Trade Statistics (HS Code 1905- Biscuits/wafers)

Exporters	Imported value 2005 in US$ thousand	Share in Kenya's imports, %	Imported quantity 2005	Quantity unit	Unit value (US$/unit)	Import trend in value between 2001-2005, %, p.a.	Import trend in quantity between 2001-2005, %, p.a.	Import growth in value between 2004-2005, %, p.a.
Total	1,623	100	507	Tons	3,201	10	-2	12
United Kingdom	620	38	196	Tons	3,163	11	4	-3
Denmark	441	27	104	Tons	4,240	29	11	-6
Italy	305	19	56	Tons	5,446	21	5	129
Oman	52	3	42	Tons	1,238		-2	1200
Mauritius	41	3	25	Tons	1,640	24	15	-23

Malta	34	2	15	Tons	2,267	11	9	143
South Africa	22	1	10	Tons	2,200	-30	-43	-24
Yemen	22	1	25	Tons	880			-85
Belgium	20	1	7	Tons	2,857	-13	-15	-64
Republic of Korea	20	1	4	Tons	5,000	69		67
China	18	1	11	Tons	1,636			350
United States of America	17	1	8	Tons	2,125	28		
Malaysia	11	1	4	Tons	2,750	-16	-22	57

Source: ITC

The highest import growth registered has been from Oman and China whereas imports from Mauritius registered a downfall of 23% in 2005 compared to 2004.

Pricing

BISCUITS

		QTY	PRICE KSHS
1	Marie- House of Manji	200gms	42.00
2	Boston cream	200gms	67.00
3	Digestive	450gms	125.00
4	Cadbury digestive	200g	250.00
5	Mc Vities digestive	400g	178.00
6	Esko vanilla creams	80g	30.00
	WAFERS		
	Esko - Mauritius	100g	45.00
	Turkey	250g	85.00

Market Feedback

- Kenya has a significant local production of biscuits such as Jambo Biscuits, Golden biscuits, House of Manji and Tamu Tamu.
- Also a sizable importation from the UAE, Oman and Malaysia. Many of the international brands are available locally.

- The key factor is that there is a very wide variety of biscuits available in Kenya. It appears the market is generally ‘open’ to any type of biscuits.
- The stock replacement and hence sustainable success depends on:
    - Price
    - Quality
    - Marketing and promotion
    - The ‘conduit’ or distributor. Some distributors / importers have stronger abilities with the key supermarkets and retail outlets.

Market Access – Distribution Channels

- One major importer, Portcross Ltd is sourcing from a local manufacturer.
- Another importer/distributor, Varundev Ltd which used to source from Mauritius has ceased its business owing to financial constraints
- Need to tap existing or new importers which would cater for both the supermarkets and other non-supermarket retail outlets in particular which caters for a quite substantive market

3.14 Fruit Juices

Duty Tariffs-

	Import Duty	Excise Duty	VAT
Non-COMESA	25%	15%	16%
COMESA	0%	15%	16%

There is a 10% tax imposed by the government on ALL juices both locally manufactured and imported.

Trade Statistics :HS Code 2009, fruit and vegetable juices

Exporters	Imported value 2005 in US$ thousand	Share in Kenya's imports, %	Imported quantity 2005	Quantity unit	Unit value (US$/unit)	Import trend in value between 2001-2005, %,	Import trend in quantity between 2001-2005, %,	Import growth in value between 2004-2005, %,

						p.a.	p.a.	p.a.
Total	1,032	100	1,345	Tons	767	10	2	12
South Africa	788	76	1,067	Tons	739	14	4	31
Uganda	81	8	133	Tons	609	66		153
Austria	48	5	37	Tons	1,297			-2
Yemen	29	3	33	Tons	879			-53
United Kingdom	24	2	5	Tons	4,800	-34	-43	-87
Germany	18	2	2	Tons	9,000	63		80
Mauritius	18	2	11	Tons	1,636	43		157
Italy	12	1	8	Tons	1,500	12	-13	200

Source: ITC

The major exporter to Kenya is South Africa with its branded products such as Ceres and Cape followed by Uganda. Mauritian exports increased in 2005 compared to 2004 but due to complex standards procedures and costs of testing, the product became non-competitive exports ceased in 2006.

Pricing

	Volume	**Retail Price**
Local Juices – Del Monte, Pick & Peel Jaffa Gold Fruit Paradox Imported - average	1 L 1 L 1 L 1L 1L	130 114 115 110 120

Market Feedback:

- The Kenya fruit juice market is well developed. The larges growth took place in the 90's with the introduction of Ceres (S. Africa). Local manufacturers then starting improving quality, packaging and production.
- Over and above the local production, there is still a sizable importation of fruit juices. Brand recognition (not necessarily loyalty) by consumers is practiced. Some of the brands (or source countries) in the market and their importers at present are:
  - Ceres & Liquifruit - Healthy U
  - Cape Juices – Branded Foods
  - Jaffa – Miritini Ltd
  - Don Simon – Jackys
  - Cyprus – Roshini Distributors
  - Prigat (Israel)

Market Access – Entry - distribution channels

- Existing importers may be apprehensive due to loyalty.
- The Mauritian product used to be exported to Kenya but the importer, Fashions 99 has stopped importation since mid 2006 owing to lack of competitiveness from products coming from Egypt and the UAE.
- Need to tap new importers and fine tune pricing strategy solong as landed cost allows margin within the market and the quality / taste is acceptable

3.15 Noodles

Duty Tariffs-

	Import Duty	Excise Duty	VAT
Non-COMESA	25%	15%	16%
COMESA	0%	15%	16%

Trade Statistics , Imports of Pasts (HS code 1902)

Exporters	Imported value 2005 in US$ thousand	Share in Kenya's imports, %	Imported quantity 2005	Quantity unit	Unit value (US$/unit)	Import trend in value between 2001-2005, %, p.a.	Import trend in quantity between 2001-2005, %, p.a.	Import growth in value between 2004-2005, %, p.a.
Total	1,766	100	2,932	Tons	602	-14	-18	-25
Italy	1,613	91	2,790	Tons	578	-14	-17	-18
Mauritius	69	4	76	Tons	908	38	49	156
Indonesia	35	2	33	Tons	1,061	9	4	-71
Republic of Korea	12	1	6	Tons	2,000	-10	-12	-14
Singapore	12	1	7	Tons	1,714	-11	-18	-56
United Kingdom	12	1	2	Tons	6,000	27	-13	-40

Source: ITC

It is interesting to note that Mauritius positions second to Italy with respect to market share in Kenya. Mauritian export growth in 2005 relative to 2004 increased by 156% for noodles and interestingly Chinese export is nil. Italian exports comprise mostly of pasta which is highly consumed among the Kenyan local population.

Pricing

NOODLES

	85gms Kshs.	US$
Yeo instant noodles	25.00	0.31
Koka	29.00	0.36
Heinz	30.00	0.38
Sanwa	20.00	0.25
Apollo	20.00	0.25
Esko	22.00	0.29
Exchange Rate Kshs / 1US$		**70.00**

Market Feedback:

- A growing market particularly in the supermarkets
- Available brands:
  - Heinz
  - Yoe
  - Esko
  - Apollo
  - Maggi etc

- Awareness needs to be created within the masses. That is where the advantage of a 'cheap meal' lies. This needs some marketing and awareness support. However, may importers surveyed have expressed the fact that pasta is more acceptable and consumed to the Kenyans than noodles.
- Many of the importers bring in mix containers with other items.

Market Access – Distribution Channels

- Need to tap new importers as major Kenyan importers and distributors of food already source noodles from the Mauritian manufacturers.

3.16 Frozen Foods

Duty Tariffs-

	Import Duty	Excise Duty	VAT
Non-COMESA	25%	15%	16%
COMESA	0%	15%	16%

Market Feedback:

- Maket size is approx 20MT / day
- Two key players in the market:
- Farmers Choice – refrigerated foods, manufacturer. Mainly distributes own production.
- Alpha Fine Foods – Production & importation
    - 20% of market
    - processed meats, seafood (they do 50MT smoked salmon pa)
    - established distribution network and infrastructure – 18 refrigerated trucks
    - also in Uganda and Tanzania
    - interested in breaded & other value added processed frozen food
- Marketing support is essential. Many have failed because of the lack of support.
- Many tried for short periods but cannot sustain the activity without adequate support and exposure.

4.0 Footwear

4.1 Background

The footwear industry in Kenya has been greatly affected by the second hand trade of shoes. The second hand trade in Kenya began in 1993 when the previous government gave a few hand picked and well connected businessmen the go ahead to import used clothing and shoes from Europe. Thereafter, it became an open activity.

The brisk second hand shoe business is not good news for the country's lone shoe manufacturer Bata- a Canadian based company operating in East Africa since 1940. Bata makes most of its shoes in Kenya, selling them for the four and five times the price of second hands hence losing customers. The competition from the second hand trade has forced the Bata firm to change its focus. Now instead of concentrating on its signature Safari Boots or its sturdy school shoes, Bata is focusing on the basic, cheap, rubber flip flop shoes. Other major manufacturers are CMP and McQueen.

Some of the second hand shoes are donated by big foreign shoe companies getting rid of last year's stock or by churches and aid groups hoping to do a good deed. To discourage the imports of second hand shoes the government introduced a duty hike last year on the shoes from sh. 15 per kg to sh. 25.

Furthermore, the importation of Chinese shoes has greatly affected importers as shown in Table 4.1. Practically all of the above key players have complained about the influx of very cheap shoes from China. They have been able to capture a market share of those who do not want to buy second hand yet have financial constraints. In many cases the importers set up exhibitions or sell to vendors directly which reduces their overheads and hence the price.

Table 4.1 : Total Imports of footwear in Kenya in Ksh million

	2003	**2004**	**2005**
China	176 .2	348.3	559.1
Hong Kong	26.4	10.5	7.7
India	33.9	28.8	46.7
Italy	6.5	7.1	6.2
South Africa	28.2	9.6	12.3
Thailand	8.9	8.1	11.9
UAE	12.5	17.9	35.7
UK	50.8	61.1	74.2
Mauritius	0.3	0.7	0.2

Source: Customs Revenue Dept, Kenya

From Table 4.1 , it is clear that Chinese footwear hugely dominates the market. Exports from Mauritius registered a continuous decline over the past four years.

4.2 Duty Tariffs

	Import Duty	Excise Duty	VAT

Non-COMESA	35%	0%	16%
COMESA	0%	0%	16%

Source: Kenya Revenue Authority

4.3 Market Structure

Despite the influx of these shoes, the medium and high-income Kenyan earners are looking for good quality shoes, which are mainly imported mainly from China, UK, Italy and France as detailed in Table 4.2. The only manufacturer of leather shoes – Bata, cannot provide for the vast tastes of the market and therefore demand for different and unique styles of shoes can never be totally fulfilled. There is also a growing demand for footwear made of rubber and plastics which is again dominated by Chinese imports.

Table 4.3 Imports of footwear, HS Code 6403 , upper of leather

Exporters	Imported value 2005 in US$ thousand	Share in Kenya's imports, %	Imported quantity 2005	Quantity unit	Unit value (US$/unit)	Import trend in value between 2001-2005, %, p.a.	Import trend in quantity between 2001-2005, %, p.a.	Import growth in value between 2004-2005, %, p.a.
Total	3,747	100	192	Tons	19,516	43		-6
China	2,642	71	120	Tons	22,017	92		57
United Kingdom	507	14	25	Tons	20,280	33	15	-67
South Africa	168	4	10	Tons	16,800	-3		14
France	114	3	10	Tons	11,400	57	70	65
Italy	86	2	3	Tons	28,667	-2	-13	8
Pakistan	77	2	3	Tons	25,667			-27
Belgium	40	1	18	Tons	2,222			900
Greece	29	1	1	Tons	29,000	-9		1350

Source: ITC

4.3 Pricing

- Ladies Shoes- Ksh 500 to Ksh 1700 (depending on uppers, leather/nonleather)
- Men's Shoes – Ksh 990 to Ksh 3000 (depending on quality of leather)

4.4 Market Feedback

Previously importers used to import from Mauritian manufacturers but since a few years back they have ceased sourcing from Mauritius mainly because of lack of consistency in quality and rising prices.

5.0 Clothing

5.1 Background

The garment industry has been experiencing some difficulties since mid-1990s when Kenya embraced the trade liberalization. Prior to 1990s, most garment manufacturing firms relied mainly on domestic market and that of neighbouring countries which was almost guaranteed.

However, after liberalization, firms that were ill-prepared to competition were drastically exposed as domestic market became dominated by cheap new clothing and second-hand new clothing from Asia and Europe respectively. Many garment producing firms closed down while those surviving barely break even. However, the industry experienced plunge in 2000 when several export oriented firmed were established with a focus on the US market under the AGOA. Currently, among the leading firms in terms of production, employment, and exporting include, Kenya Altex and Apparel Exports Ltd.

In general, there has been substantial growth in total garment and textile imports oscillating between -10 and 30 per cent between 1985 and 2005. Only in Kenya, used clothes of a total value of 60 euro million are imported each year, which makes it the country's seventh largest import category. Kenya's emerging textile industry subsequently faces serious backlashes.

5.2 Luxury Market

There is an expansion in the luxury market, with providers of goods and services for the rich reporting impressive growth in the past three to four years. “There is an increase in affluence, especially by the younger generation,” says Aziz Fazal, director of Little Red in Nairobi, the distributors of designer label Hugo Boss. “This is new money.” His shop, located on Kimathi Street, is not every Dick’s wardrobe. Prices of suits range between Sh58,000 and Sh112,000 while cuff links cost between Sh7,000 and Sh18,000. Boxer shorts go for between Sh3,800 and Sh10,000 and casual shirts for between Sh7,000 and Sh18,750.

Compared to five years ago, there has been a steady growth in sales. Kenyan customers are increasingly going for globally-recognised brands. Even at the health clubs, they wear designer clothing.

5.3 Market Structure

The market is dominated by the following products:-

- Suits – Mens and ladies
- Mens Woven shirts
- Trousers –mens and ladies
- Jeans
- Leisurewear – T-Shirts, Swimwear, sportswear

5. 4 Suits

Duty Tariffs-

	Import Duty	Excise Duty	VAT
Non-COMESA	35%	0%	16%
COMESA	0%	0%	16%

Source: Kenya Revenue Authority

Trade Statistics, Suits- Mens (HS Code 6103)

Exporters	Imported value 2005 in US$ thousand	Share in Kenya's imports, %	Imported quantity 2005	Quantity unit	Unit value (US$/unit)	Import trend in value between 2001-2005, %, p.a.	Import trend in quantity between 2001-2005, %, p.a.	Import growth in value between 2004-2005, %, p.a.
Total	1,798	100	177	Tons	10,158	15		-40
Thailand	523	29	39	Tons	13,410			154
Hong Kong (SARC)	513	29	32	Tons	16,031	59		769
China	506	28	36	Tons	14,056	32		-66
Indonesia	92	5	50	Tons	1,840	-28		-80
South Africa	87	5	7	Tons	12,429	36		67
United Kingdom	52	3	11	Tons	4,727	77		
Australia	25	1	2	Tons	12,500			257

Source: ITC calculations

Trade Statistics, Suits- ladies (HS Code 6104)

Exporters	Imported value 2005 in US$ thousand	Share in Kenya's imports, %	Imported quantity 2005	Quantity unit	Unit value (US$/unit)	Import trend in value between 2001-2005, %, p.a.	Import trend in quantity between 2001-2005, %, p.a.	Import growth in value between 2004-2005, %, p.a.
Total	1,879	100	95	Tons	19,779	26		-17
Hong Kong (SARC)	1,255	67	52	Tons	24,135	79		27
China	253	13	10	Tons	25,300	-5		-76
South Africa	164	9	7	Tons	23,429	152		53
Indonesia	107	6	17	Tons	6,294	-41		

Thailand	73	4	3	Tons	24,333			-12
United Kingdom	26	1	6	Tons	4,333	-15		30

Source: ITC

The main suppliers of men's suits are Thailand, Hong Kong and China. Increasingly, however, suits are being imported from South Africa.

Ladies suits are dominated by imports from Hong Kong and China but again imports from South Africa are increasing in this area.

Pricing

- Mens :Varies from Ksh 4,000 to Ksh 25,000 depending on fabrics and brand.
- Ladies: Varies from Ksh 5,000 to Ksh 18,000 depending on fabrics/brand.

Market Feedback

- No local production of suits
- A few importers used to source suits from Mauritius but were disappointed with the quality of products and lead time for delivery of products.
- The market is subdivided as follows:-
    - European brands – importing directly from Europe
    - Own brands – imports from Turkey, South Africa and China
    - Unbranded- imports from China
- Demand of suits for both men's and ladies are increasing as more middle class people wear suits at work and is estimated to rise by 15% in 2007.
- FOB pricing from Turkey range from US$ 60 to US$ 160
- FOB pricing from China varies from US$ 46 to US$ 133
- Mark-up for importers is approximately 50%
- Margin for retailers is around 30%

Market Access

- A few key importers of branded products which also sell their own brand for the middle income earners.

- A large number of unbranded importers which catr for the lower middle income group.

5.5 Shirts

Duty Tariffs-

	Import Duty	Excise Duty	VAT
Non-COMESA	35%	0%	16%
COMESA	0%	0%	16%

Source: Kenya Revenue Authority

Import statistics (Mens shirts, HS Code 6205)

Exporters	Imported value 2005 in US$ thousand	Share in Kenya's imports, %	Imported quantity 2005	Quantity unit	Unit value (US$/unit)	Import trend in value between 2001-2005, %, p.a.	Import trend in quantity between 2001-2005, %, p.a.	Import growth in value between 2004-2005, %, p.a.
Total	3,104	100	260	Tons	11,938	45		2
Thailand	1,161	37	50	Tons	23,220			-11
China	690	22	29	Tons	23,793	117		35
Indonesia	599	19	133	Tons	4,504	49	96	-34
South Africa	239	8	8	Tons	29,875	22		273
United Kingdom	166	5	31	Tons	5,355	46		186
Hong Kong (SARC)	157	5	7	Tons	22,429	38		-32
Germany	59	2	1	Tons	59,000	22		13
Australia	31	1	1	Tons	31,000			933

Imports is presently dominated from Thailand but Chinese products are on the rise. In addition, imports of cotton shirts from India have started in 2006.

Pricing

The retail price range is as follows:-

- Local production :Ksh 500 to Ksh 800
- Imported unbranded :Ksh 1,000 to Ksh 1875
- Imported branded : Ksh 3,000 to Ksh 8,000 (
  (some selective up-market brands can go up to Ksh 18,750)

Market Feedback

- Local product with companies such as Kerbrook (under license for Arrow Shirts), Kenya Shirt and Midco (using brand 'Manhattan')
- Average quantity: 1,000 pieces per colour (assorted sizes) per shipment
- Imports from China.
  - Poly Viscous and quality is acceptable, individually box packed
- The Somali influence is also growing. Are known to sell at even as low as 140/-
- Second hand clothing is also prevalent in the lower income levels where a shirt could cost about KES 100/-
- Up-market quality and branded products are imported from Europe
- Trend is to source from India and even China for quality cotton shirts for the middle income group.
- Past experience of importers have pointed out that Mauritian companies are not geared enough to provide smaller quantities of quality products in different colours and styles as opposed to other sources such as India and China. Mauritian companies seem to be more interested with the EU and US markets.
- Mark-up around 60%
- Margin is approx 30%

Market Access – Entry - distribution channels

- Ideally through existing importers subject to price and quality
- Several retail stores also import for their own requirements some of which could be sizable. The also distribute.
- Uchumi Supermarkets (28 branches) have introduced clothing departments in their 4 'Hyper' markets. Others are Nakumatt who import through their clothing arm called Sunmatt and has just started sourcing branded products from Mauritius through an agent in order to benefit from groupage facilities and follow-up with the manufacturers.
- Up-market – Deacons group (Woolworth, Truworth)

5.6 T-shirts

Duty Tariffs

	Import Duty	Excise Duty	VAT
Non-COMESA	35%	0%	16%
COMESA	0%	0%	16%

Source: Kenya Revenue Authority

Import Statistics – (HS Code 6109)

Exporters	Imported value 2005 in US$ thousand	Share in Kenya's imports, %	Imported quantity 2005	Quantity unit	Unit value (US$/unit)	Import trend in value between 2001-2005, %, p.a.	Import trend in quantity between 2001-2005, %, p.a.	Import growth in value between 2004-2005, %, p.a.
Total	3,511	100	675	Tons	5,201	-8		-1
Indonesia	1,727	49	593	Tons	2,912	-15	6	-15
China	684	19	30	Tons	22,800	15		95
Hong Kong (SARC)	406	12	17	Tons	23,882	9		-7
Thailand	392	11	18	Tons	21,778			51
South Africa	146	4	7	Tons	20,857	26		181
Pakistan	76	2	4	Tons	19,000			
Mauritius	31	1	2	Tons	15,500	15		343
United Kingdom	19	1	1	Tons	19,000	85		-86

Source: ITC

Imports from China has increased considerably in 2005. Mauritian exports have registered an upswing and is positioning itself in the middle to up-market.

Pricing

		T- Shirts		Polo Shirts
Retailer		Small/Medium	Extra Large	
		Kshs	Kshs	Kshs
WoolWorths		3600	3800	2000
Truworths		1400 - 1700	1400 -1700	2000 – 3700
One Way	Printed	495 - 650	950	1495
	Plain	495 - 550	650	1495
Nakumatt	Woven	1995	1995	

	Normal	395 - 545		1495 - 1995
Sun – flag	Normal	155	155	280
	Thick	189	189	320
Market		150-250	160 -250	280-320

Market feedback:

- A large amount of t shirts being imported from China, India and Pakistan. Quality / weight often low.
- Sizable local production – Sunflag, Midco textiles etc
- Scope exists on the better quality ranges.

Market Access – Entry - distribution channels

- Ideally through existing importers subject to price and quality
- Large consumers of t shirts – Printing companies, advertising agencies, etc
- Uchumi Supermarkets (28 branches) have introduced clothing departments in their 4 'Hyper' markets. Others are Nakumatt with 14 branches
- Upmarket – Deacons Group- (Woolworth, Truworth)

5.7 Jeanswear

Duty Tariffs-

	Import Duty	Excise Duty	VAT
Non-COMESA	35%	0%	16%
COMESA	0%	0%	16%

Source: Kenya Revenue Authority

Import Statistics – HS Code 6203

Exporters	Imported value 2005 in US$ thousand	Share in Kenya's imports, %	Imported quantity 2005	Quantity unit	Unit value (US$/unit)	Import trend in value between 2001-2005, %, p.a.	Import trend in quantity between 2001-2005, %, p.a.	Import growth in value between 2004-2005, %, p.a.
Total	7,868	100	455	Tons	17,292	20		70
China	3,454	44	146	Tons	23,658	101		141
Thailand	2,470	31	97	Tons	25,464			-9
Hong	780	10	33	Tons	23,636	18		32

Kong (SARC)								
United Kingdom	332	4	2	Tons	166,000	-28		
Indonesia	318	4	164	Tons	1,939	-6	23	-32
Germany	188	2	2	Tons	94,000	-14	-19	-6
South Africa	146	2	6	Tons	24,333	-30		-51
Australia	65	1	3	Tons	21,667			1525
Mauritius	47	1	1	Tons	47,000	156		-73
Italy	35	0	1	Tons	35,000	-20		600

Source: ITC

Imports are dominated by Chinese products. Mauritian exports have however regressed owing to closure of some local manufacturing companies.

Pricing

- Retail price varies from Ksh 1,000 to Ksh 4,000
- Trade price starts at 600/- (Somali). Chinese products retails at Ksh 1,000

Market Feedback:

- The market for jeans wear in Kenya is significant. Can be estimated at over 200,000 pairs per annum.
- 3 basic sectors:
  - High end – original branded. Highly prices, small quantities
  - Middle level – a bulk of the market. The market prefers brands – not necessarily the big mainstream but some sort of branding is preferable also to justify the pricing. Also ‘imported’ from Kenyan EPZs.
  - Low end – Primarily imports from China and the Far East and second hand clothing. A big market with low pricing. Also second-hand clothing mainly from Europe.
- The Somali sector are gaining market share in distribution. They import from anywhere, in full container loads and distribute countrywide.
- Riverland Ltd imports 30,000 pairs pa from China under their name ‘Westco’. They believe they have between 35 and 50% of market share.
  - Trade Price: 1000 + VAT
  - Retail price in outlets: 1,600 to 2000 incl VAT
- Are open to importing from Mauritius and have dealt with Mauritian companies in the past.

Market Access – distribution channels

- Ideally through existing importers subject to price and quality
- Several retail stores also import for their own requirements some of which could be sizable. The also distribute.
- Uchumi Supermarkets (28 branches) have introduced clothing departments in their 4 'Hyper' markets. Others are Nakumatt

5.8 SPORTSWEAR

Duty Tariffs-

	Import Duty	Excise Duty	VAT
Non-COMESA	35%		16%
COMESA	0%		16%

Import Statistics – (HS Code 6211 – Track suits and swimwear)

Exporters	Imported value 2005 in US$ thousand	Share in Kenya's imports, %	Imported quantity 2005	Quantity unit	Unit value (US$/unit)	Import trend in value between 2001-2005, %, p.a.	Import trend in quantity between 2001-2005, %, p.a.	Import growth in value between 2004-2005, %, p.a.
Total	1,295	100	97	Tons	13,351	32		-13
Thailand	225	17	41	Tons	5,488			-22
Indonesia	224	17	22	Tons	10,182			7367
China	200	15	10	Tons	20,000	72		174
Canada	154	12	8	Tons	19,250			5033
South Africa	118	9	3	Tons	39,333	47	14	66
Hong Kong (SARC)	107	8	5	Tons	21,400	17		-77
Pakistan	102	8	6	Tons	17,000			2450
United Kingdom	96	7	1	Tons	96,000	125		-67
United States of America	24	2	0	Tons		54		-71
France	20	2	1	Tons	20,000	27		-39
Finland	16	1	0	Tons				

Kenya imports mainly from Asia, namely Thailand, Indonesia ,China and Pakistan. However, branded swimwear and track suits are imported mainly from South Africa and UK.

Retail Pricing

Swimwear

Ladies: Varies from Ksh 1000 to Ksh 5,000
Mens: Varies from Ksh 500 to Ksh 3,000

Market Feedback

- Imported sportswear forms 75% of the market and the rest being manufactured locally.
- The quality of the locally manufactured products are very basic items with very little value added.
- The number of swimming pools are increasing owing to a steady rise in construction of new residential houses in Nairobi which have swimming pools.
- In addition, the number of gym goers has increased considerably during the past three years. Considered by most as luxury centres, health clubs have now sprung up at many housing estates in Nairobi to cater for the bulging class of people keen on physical fitness.
- More people have access to sporting facilities such as Golf and Hockey and demand for these types of sportswear is increasing.

Market Access – distribution channels

There are a few importers of sportswear and swimwear companies which are competing with the supermarket chains Nakumatt and Uchumi.

Key potential importers would be Nairobi Sports House, Craig Sports House, No limits Sports.

6.0 Furniture

The furniture market in Kenya is estimated to be around US$ 50 m. Imports account for 75% of the market, averaging around US$ 35 to 40 m. The local furniture manufacturing sector is relatively small with around 30 enterprises in operation, mainly in solid wood, and an estimated workforce of about 2,000.

The quality of the locally manufactured products are however not comparable to those which are imported. Wood is imported mainly from Congo.

With the increased expansion in the construction sector in particular residential and hotel buildings, most importers have registered as increase in sales of around 40 to 50% in 2006 compared to 2005. The estimates for 2007 indicate a similar expansion in sales.

The demand for solid furniture is relatively small compared to the MDF and veneer-type furniture which is relatively highly competitive. The lead time for importing from China is roughly 6 weeks excluding shipping time.

6.1 Imports into Kenya

Table 6.1 above provides a good picture of total imports of furniture into Kenya. China is the leading supplier of furniture to Kenya followed by Malaysia. Interestingly the US positioned itself as the third main supplier but it can be explained by donation and imports by US nationals and companies under the US policy to promote trade between the two countries.

Table 6.1 :Total Imports of furniture in Kenya, Ksh million

	2003	**2004**	**2005**
China	89.5	188.9	314.1
Malaysia	133.2	223.5	208.8
USA	158.5	90.7	118.8
Italy	30.1	31.6	110.7
South Africa	68.1	114.5	37.8
India	31.7	186.1	49.8
Indonesia	12.3	21.4	43.7
South Korea	7.8	31.5	71.1
Turkey	19.3	39.6	33.2
Germany	15.8	7.2	7.1
Mauritius	nil	1.2	1.8

Source: Kenya Revenue Authority, 2006

Table 6.2 and 6.3 below provides a detailed view by SITC codes of the imports into Kenya.

SITC No.	2001	2002	% Growth 01/02	2003	% Growth 02/03	2004	% Change 03/04	2005	% Growth 04/05
82114000	41.8	39.8	+4.8	71.6	+79.9	113.6	+58.6	117.7	+3.6
82116100	27.6	61.3	+122.1	54.9	-10.4	48.4	-11.8	35.6	-26.4
82116900	-	-	-	12.5	-	46.4	+271.0	15.9	-65.7
82117100	30.2	14.8	-51.0	6.5	-56.1	6.9	+6.1	16.7	+142.0
82117900	19.3	16.5	-14.5	10.6	-35.7	13.6	+28.3	20.5	+50.7
82118000	22.7	46.1	+103.1	47.5	+3.0	128.8	+171.1	124.9	-3.0
82119000	6.0	8.7	+45.0	10.4	+19.5	21.8	+109.6	34.3	+57.3
TOTAL	147.6	187.2	+26.8	214.0	+14.3	379.5	+77.7	365.6	-3.6

Table 6.2 Imports by SITC Classifications in Ksh million

Table 6.3 Other Wooden Furniture

SITC No.	2001	2002	% Growth 01/02	2003	% Growth 02/03	2004	% Growth 03/04	2006	% Growth 04/05
82131000	100.9	34.1	-66.2	31.5	-7.6	19.1	-39.3	30.0	+57.0
82139000	44.6	62.4	+39.9	127.6	+104.5	93.7	-26.5	121.9	+30.0
82151000	167.6	123.0	-26.6	130.4	+6.0	236.7	+81.5	240.2	+1.5
82159000	62.5	59.7	-4.5	122.1	+104.5	174.7	+43.1	202.6	+16.0
82179000	19.3	16.5	-14.5	30.4	+84.2	79.4	+161.2	62.2	-21.6
82180000	7.8	4.3	-44.9	5.9	+37.2	10.7	+81.3	9.3	-13.1

TOTAL	402.7	300.0	-25.5	447.9	+49.3	614.3	+37.1	666.2	+8.4

Source: Central Bureau of Statistics, Nairobi

- According to table 6.3, the leading single import item was wooden office furniture (SITC 82151000), whose value grew slightly by 1.5% to reach Ksh 240.2 million in 2005 from Ksh 236.7 million in 2004. Imports of wooden office furniture, which mainly comprises desks and tables, have been increasing since 2002 and demand is expected to continue.

- The value of imports classified under 'other wooden furniture' (SITC 82159000) grew by 16.0% to Ksh 202.6 million in 2005 from Ksh 174.7 million in 2004. During the same period, the value of imports of metal furniture (SITC 82131000 and 82139000) increased by 34.6% from Ksh 112.8 million in 2004 to Ksh 151.9 million in 2005.

6.2 Imports of Office furniture by Major Countries

Table 6.4 below gives the values imported from the major suppliers from 2001 to 2005. Imports from these countries enjoyed a combined market share of 84.2% in 2005. The five-year import trend indicates that Malaysia was the leading source of imports of office furniture in Kenya over the years until 2005 when China took the lead.

Country	2001	2002	2003	2004	2005	% Share 2005
China	31.6	37.9	94.8	189.3	290.8	28.2
Malaysia	203.9	144.4	136.0	241.1	213.7	20.7
Italy	30.8	25.4	28.9	32.3	87.2	8.4
South Korea	59.6	18.3	46.6	57.9	66.9	6.5
United Kingdom	14.1	12.9	18.8	48.5	56.1	5.4
UAE	32.8	22.3	30.0	55.6	46.2	4.5
Indonesia	6.5	8.9	11.2	19.9	38.8	3.7
South Africa	22.5	35.1	37.5	31.7	31.3	3.0
Turkey	25.4	26.9	28.9	40.3	29.3	2.8

Taiwan	9.4	10.0	5.4	4.5	10.4	1.0

Table 6.4: Imports by Country, Ksh Million

Source: Central Bureau of Statistics, Nairobi

- Chinese made products in general are dominating the African market due to being more price competitive compared to other suppliers in Asia. According to Kenyan furniture importers, Kenyan consumers are more driven by price than quality and they have to look for cheaper sources in order to remain competitive in the market. The importers, however, agree that Malaysian furniture is of superior quantity compared to China.

- The value of imports of from China grew by 53.3% to Ksh 290.8 million from Ksh 189.3 million, giving China a market share of 28.2% in the Kenyan market for imported office furniture. Imports of furniture from China have grown steadily over the years making China the most important source of imports of furniture into Kenya today.
- In view of the changing import pattern in favour of China, imports of office furniture from Malaysia declined by 11.3% from a value of Ksh241.1 million in 2004 to Ksh213.7 million in 2005. Malaysia enjoyed a market share of 20.7% in 2005 compared to 24.2% in 2004. The decline is attributed to availability of cheaper imports from China.
- The value of imports from Italy almost trebled to Ksh87.2 million in 2005 while imports from South Korea and United Kingdom recorded modest increases.

6.3 Market Characteristics and Consumer Preferences

Before the early-90s, bulk of furniture imports into Kenya came from Europe with countries such as UK and Italy being the main suppliers. With the introduction of economic liberalization in 1993, prices of imported products increased tremendously. The deregulation of the exchange rate was especially a major blow for imports as the Kenya Shilling quickly started losing ground against the major currencies.

The IMF and World Bank pegged financial assistance to the implementation of various measures which saw Kenya experience its worst ever economic crisis.

With the lifting of trade sanctions on South Africa, the country became an obvious alternative of furniture imports mainly due to high quality products, which compared well with those coming from Europe, slightly lower prices and lower freight charges. Prices of goods from South Africa were, however, high by any standards.

It did not take long before importers realized the need to look for alternative sources of supply in view of the diminishing purchasing power occasioned by the continuous downward fluctuation of the Kenya Shilling. By the mid and late-90s, Kenyan furniture importers had identified Asia as an alternative source of imports due to lower prices and good quality. Consequently, imports of office furniture from Malaysia, China and South Korea entered the Kenyan market in substantial quantities.

Malaysian made furniture is acceptable in the Kenyan market due competitiveness in terms of quality but prices are relatively high compared to China and Indonesia. On the other hand, Chinese furniture is cheaper but not very competitive in terms of quality. According to some importers, only the first one or two consignments of Chinese furniture meet the importer's requirements, the rest being quite below the standard, thus making Chinese suppliers unreliable in the long term.

The main consumers of imported office furniture are high profile organizations such as banks, insurance companies, multinational organizations, international organizations, diplomatic missions, selected government departments and State corporations. Medium level consultant firms and financial management organizations are also potential consumers of imported office furniture.

Nairobi's skyline is rapidly changing with the establishment of new business districts at the outskirts of the city centre. Very modern office complexes have been constructed comparable to any international standards. The occupants of these offices are going for new/imported furniture to keep up with emerging trends.

Brown top wooden desks made from block board with veneer finish are in big demand in Kenya for office use. Those with an adjoining computer table are even more popular in spite of the extra cost. Such desks come in handy for the middle and senior officers while top executives go for executive dark brown top desks. Leather chairs are mainly used by top executives while PVC and fabric ones are mainly for the other levels of workers. The top range of desks and chairs are mainly imported from Europe and South Africa.

6.4 Pricing and Packaging

With the exception of sofa sets, most of the other types of furniture are imported in CKD form. Packaging is usually in corrugated carton boxes for most items while sofa sets are packed in plastic sacks. The items are then arranged in a container for shipment.

Due to stiff competition, prices of imported furniture have recently come down. Prices of imports from Europe however remain high. Chinese furniture retails at 20% to 25% lower than Malaysian made. Indicative prices of selected Malaysian office furniture at a leading supermarket chain are as follows:

Top executive desk (shiny brown top with computer table) Ksh 67,395.00

Executive desk (high quality) Ksh 63,000.00

Mid level executive desk Ksh 30,000.00

Normal office desk Ksh 15,000.00

High back leather seat (chair) Ksh 35,000.00

Low back leather seat Ksh 26,000.00

High back fabric seat Ksh 9,900.00

Low back fabric seat Ksh 6,900.00

Secretarial seat (fabric) Ksh 6,900.00

Visitors seat (fabric) Ksh 6,500.00

Computer table Ksh 11,000.00

6.5 Distribution Channels

Most furniture importers in Kenya deal with consumers directly.A few of them are also wholesalers who sell to smaller retailers at discounts ranging from 25% to 35%. In order to reach a wider range of customers, the big furniture companies operate several showrooms in Nairobi and other major cities/towns.
Local manufacturers of furniture also deal with customers directly with the major ones appointing distributors in the major towns in Kenya. Distribution of furniture in Kenya is as follows:

Importer (Retailer) > Consumer
Importer (Wholesaler) > Consumer
Manufacturer (Retailer) > Consumer
Manufacturer > Agent > Consumer

6.6 Local Timber Resources

The total forest cover in Kenya has dropped to 1.7% of the total landmass from 2.0% in the 90s.According to the Ministry of Environment and Natural Resources, Kenya has been losing forests at the rate of approximately 19,000 hectares annually for the last 20 years. This situation necessitated a government ban on logging in government forests from 1999.

In order to address the problem of diminishing forests, the government initiated a programme to establish 25,000 hectares forest cover and rehabilitate the downgraded forests. It is expected that new plantations will be ready for exploitation in 10 years.

Following the ban, there has been an acute shortage of timber and timber products in the country which has affected the downstream industries. In order to supplement the meager local timber resources, Kenya has been importing timber valued at US$ 97.2 million annually during the last few years. The main sources of imports are Uganda, Tanzania and Congo (DRC).

It is estimated that furniture and fixture products use approximately 770,000 square metres of timber per annum. The local furniture industry mainly comprises large and medium size players and small scale informal manufacturers. The big manufacturers specialize in both office and domestic furniture while the informal sector produces domestic furniture only, mainly on order.

The above situation is expected to have an impact on Kenya's demand for imports of goods and services to meet the needs of a growing economy. The volume of imports into Kenya has recently been on an upward trend with a notable increase of 32.3% in 2005 to reach US$ 6,149 million.

With regard to imported office furniture, demand is expected to increase due to changing consumer tastes in Kenya. With the ongoing construction of modern office complexes, furnishing preferences will continue to go towards imported furniture as it is more presentable and durable than the locally produced office furniture.

During the last three years, many imported furniture outlets have been established in Nairobi. Due to stiff competition from the established distributors, the new companies started to import from China, thus lowering retail prices of imported furniture in general. Soon the big companies also started importing large quantities from China in order to remain competitive in the market. It is for this reason that Chinese products have flooded most markets in Africa.

7.0 Plastics

The plastic shopping bag industry in Kenya

There are two major types of plastics produced in Kenya namely, hard plastics and 'flexibles'. The flexibles, into which category plastic shopping bags fall, can be categorized into:

a) High-density polyethylene or HDPE bags. These are usually non-branded and used in supermarkets, take-away food and fresh produce outlets, and small retail outlets. Bread bags also fall under this category.
b) Low-density polyethylene or LDPE bags. These are 'boutique' style types of bags, generally branded (designer) and are used by stores selling higher value goods, such as department stores, clothing and shoe outlets.
c) Others: Dry cleaning bags, garbage bags, plastic in-store product bags, and other packaging.

According to industry estimates, about 4000 tons of flexibles are produced monthly in the country, with an estimated 2000 tons going into the waste stream.14 About half of the flexibles produced in the country are less than 15 microns in thickness. For instance, the plastic bread bags are between 6 and 7 microns.

Most shopping bags (about 90 per cent) are produced from virgin material, with the rest produced from recycled material. Although almost all of these flexibles are produced within the country, all the raw materials are imported from Saudi Arabia, Japan and Europe. However, the inks for printing the designer bags are locally produced, although the base is imported and reformulated locally.

The Kenyan flexibles industry is lucrative and is growing at an estimated rate of 8-10 per cent per year. This growth is driven not only by local demand but also demand from the regional market – demand from Uganda in particular is very strong, as plastics produced there attract an excise duty. There is thus a considerable risk of capacity over-development driven by the regional market, which may not be sustained owing to increasing pressure to reduce plastic bag usage. However, due to policy uncertainty, there is currently less investment in the sector. Ownership of the plastic firms is predominantly Kenyans of Asian origin. Besides offering considerable employment, the industry also supports many street families who are engaged in the distribution of the plastic bags.

The level of recycling and reuse of post-consumption flexibles is very low, with at most only four firms in the country involved in the activity. Recycling has not been widely practiced as a result of various factors including: lack of technology, high costs (especially on energy and water) and available space. In addition, the market for recycled products is not well developed. However, some firms are already recycling flexibles and a leading supermarket chain has initiated a collection programme although it is yet to decide what to do with the bags it collects. Products like water tanks, for which there is a great demand, are made almost entirely from plastic wastes.

With the exception of some paper bags, there are not many alternatives to plastic shopping bags in the country. Shopping bags made from natural products are available but are hardly used because of the easy and free availability of plastic shopping bags in market outlets, and the low price at which the plastic bags are sold in outdoor markets.

7.1 Local Production

There are more than 70 plastic industries in Kenya with capacities ranging from 1,000 to 8,000 tonnes per year. Most of these industries are located in Nairobi and Mombasa, with a few in Kisumu, Nakuru, Eldoret and Thika. The plastic industries sub-sector has benefitted from the new technological changes that have occurred in the manufacturing industries combined with the positive shift in demand for plastic products. The overall result has been increased production and huge demand for plastic products.

The plastic manufacturing industry continued with the upward trend and recorded an l.9 per cent growth in 2003. The rise in output in the industry is attributed to the increased use of plastic products in packaging both at industrial and retail levels.

Production of plastic crates increased from 4, 869.1 thousand units in 2002 to 6, 147.2 thousand units in 2003. Polythene film bags rose from 8.2 thousand tonnes to 10 thousand tonnes in the year under review. Similarly, production of plastic plates, P.V.C floor tiles and plastic bottles rose by 15, 14 and 11 per cent respectively. There was minimal change recorded in output of PVC pipe while output of plastic shoes dropped.

At this moment, Kenya is producing 48 million thin plastic bags per year, with production increasing at a steady 8 to 10 percent pace. This translates into 4,000 tons of plastic bags per month to be used for shopping purposes. The City of Nairobi has been successful in removing only 25% or 1,500 tons of its solid waste on daily basis. With cities unable to keep up, the strain put on the resources needed to clean up the increasing waste is alarming.

The government is also looking into the possibility to tax the plastic bags suppliers which will partially be used to develop environmentally friendly bags. This will have a double benefit to Kenya since such bags as cotton ones would not only benefit the reduction in plastic bag use but also help Kenya's cotton industry.

7.2 Export Opportunities to Kenya

Table 7.1 and 7.2 provides a detailed view of imports of certain plastics products in Kenya which Mauritius can tap.

Exporters	Imported value 2005 in US$ thousand	Share in Kenya's imports, %	Imported quantity 2005	Quantity unit	Unit value (US$/unit)	Import trend in value between 2001-2005, %, p.a.	Import trend in quantity between 2001-2005, %, p.a.	Import growth in value between 2004-2005, %, p.a.
Total	2,135	100	2,288	Tons	933	37		83
China	1,401	66	1,591	Tons	881	83		136
United Kingdom	275	13	356	Tons	772	156	0	-32
South Africa	186	9	85	Tons	2,188	-18	-41	709
Thailand	164	8	150	Tons	1,093			-47
Denmark	48	2	1	Tons	48,000			
Hungary	26	1	12	Tons	2,167			
United States of America	15	1	9	Tons	1,667	22		-32
Italy	10	0	20	Tons	500	42		

Exporters	Imported value 2005 in US$ thousand	Share in Kenya's imports, %	Imported quantity 2005	Quantity unit	Unit value (US$/unit)	Import trend in value between 2001-2005, %, p.a.	Import trend in quantity between 2001-2005, %, p.a.	Import growth in value between 2004-2005, %, p.a.
Total	4,191	100	1,463	Tons	2,865	33	32	9
Germany	868	21	105	Tons	8,267	39	22	156
Oman	857	20	459	Tons	1,867			109
China	758	18	421	Tons	1,800	20		18
Taiwan, Province of China	661	16	286	Tons	2,311	98	133	-4
Malaysia	447	11	97	Tons	4,608	104	53	157
United Kingdom	173	4	21	Tons	8,238	11	11	-42

United States of America	146	3	14	Tons	10,429	18		-67
Italy	139	3	36	Tons	3,861	4	-9	-70
South Africa	63	2	9	Tons	7,000	-23	-39	40
Japan	24	1	1	Tons	24,000	6	0	-61
Republic of Korea	20	0	5	Tons	4,000	8	29	-41
Hong Kong (SARC)	14	0	5	Tons	2,800			-18

Source: ITC calculations based on COMTRADE statistics