

DOMESTIC MARKET UPDATE FOR SWEET POTATO

Market Update #01

INTRODUCTION

Sweet potato is the third most important food crop in Kenya after maize and Irish potato. The area under production grew from 20,181 hectares yielding 227,470 tons (valued at KSh 3 billion) in 2009 to 22,989 hectares in 2011 yielding 300,267 tons valued at KSh 3.6 billion (provisional data, HCDA 2012). Over the years, it has been grown traditionally with production concentrated mainly in Western, Nyanza, and parts of Central and Coast regions in the country. It is a low-input crop making it ideal for many smallholder households. Its contribution to nutrition security has increasingly been recognized, prompting several entities to support tailor-made interventions specifically targeting the sweet potato value chain. The sweet potato is widely enjoyed, and with increasing awareness of its nutritional value and the steadily growing Kenyan population, demand is expected to increase significantly. This presents increased production potential for domestic consumption and subsequent marketing opportunities that cannot be satisfied by the prevailing production levels. The sweet potato is mainly consumed fresh, with negligible exploitation of processing opportunities. This is mainly due to lack of consumer awareness on utilization of sweet potato in processed form.

Sweet potatoes come in a range of skin and flesh colors, from white, to orange, to deep purple fleshed roots. New and improved high-yielding varieties have been introduced to farmers throughout Kenya, with a special focus on the orange fleshed sweet potato (OFSP) because of its nutritional benefits. The most traded variety is the red skinned and yellow fleshed (RSYF) sweet potato, due to its high consumer demand (see Figure 1). It has the highest market share, especially in Nairobi and Kisumu, where it is traded mainly in the informal markets. The red and white skinned sweet potatoes (R&WSWF) are more popular in Mombasa, where the agro-ecological factors favor its production.



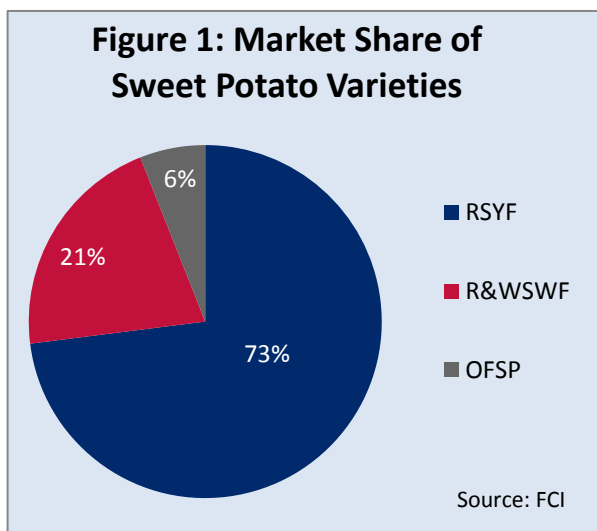
Photo by Fintrac Inc.

Women retail traders display their sweet potato at a trading center by the roadside in Kabondo, Nyanza region. Sweet potato marketing in Kenya is characterized by informal marketing systems driven by middlemen, wholesalers and retailers.

MARKETING SYSTEMS

The sweet potato market in Kenya is highly influenced by proximity to production regions and seasonality, with few farmers producing under irrigation to attain year round production. Quantities supplied by each trader are determined by capital, availability of sweet potatoes at sourcing location, prices, and market regulations. The market distribution channel is characterized by informal and formal marketing systems. The informal marketing system is largely driven by brokers, wholesalers, and retailers, while the formal marketing system includes supermarkets, groceries, and hotels. The informal supply channels dominate sweet potato trade, handling more than 80% of retail sales (see figure 2). Sweet potato market intermediaries improve efficiency of the value chain by making sweet potatoes widely available and accessible to target markets. The generic sweet potato marketing channel has five main actors: farmer, middleman/agent/broker, wholesaler, retailer, and consumer.

Figure 1: Market Share of Sweet Potato Varieties



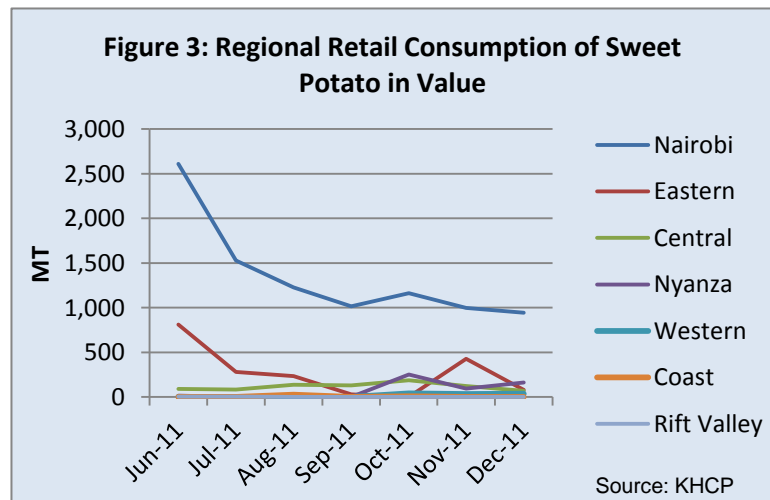
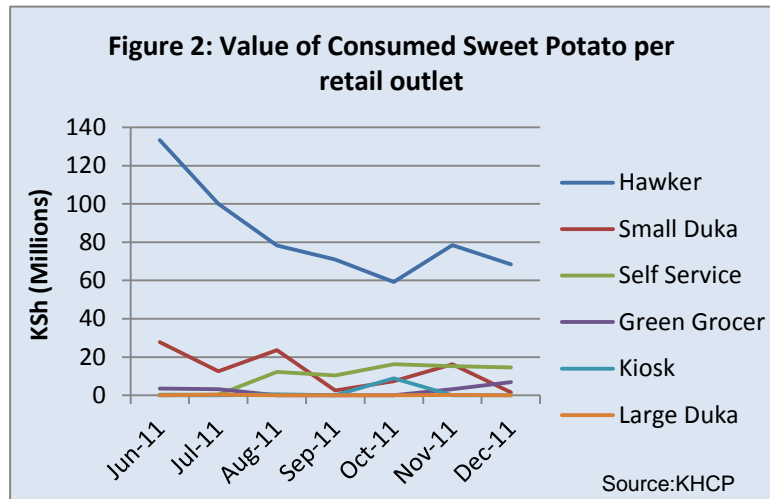
Gikomba is a major transitional market and handles the highest volumes of sweet potatoes (estimated at 29,000 tons annually in 2010, valued at KSh 868 million). It has the highest number of wholesalers and supplies sweet potatoes to retailers in local markets, residential estates in Nairobi, and also to major markets in Central, Coast, and Eastern regions (Source: FCI). Most of the sweet potatoes in this market are traded at wholesale.

Limuru is relatively smaller vis-à-vis Gikomba in terms of product flow (volume and value). The market has fewer wholesalers but distributes products to many traditional markets in Kiambu and Nairobi counties. The wholesalers' capacities are constrained by the fact that most of their clients buy on credit, which delays the supply of the next consignment. Additionally, some retailers do not sell sweet potato year round but rather shift to selling fruits, especially during fruits' peak season.

The Kisumu market serves as a destination market and has a diverse trading system. Most wholesalers also retail in the same market, while some of the traders (both wholesalers and retailers) are individual sweet potato farmers from neighboring production zones. This trading system makes the prices of sweet potatoes in this market relatively low compared to other major towns.

Wholesalers have specific days of the week to collect and deliver sweet potato, based on the operating days of their target markets. For example, Mr. Mwangi, a wholesale trader at the Limuru market, collects sweet potatoes from Kabondo twice a week to supply retailers on the two market days (Monday and Thursday). The wholesalers interviewed inform that they trade an estimated 200 bags a week (98kg each) in peak seasons and as low as 20 bags in low seasons. Informal retailers in three markets (Kangemi, Wangige, and Limuru) estimate that they sell three bags a day (294kg), while supermarkets (formal retailers) trade only 40kg per day, but at twice the price. The current traceable retail consumption (see Figure 3) represents a small percentage of total consumption, since it is difficult to track products traded through informal markets (e.g. farmer-gate retail, mobile hawkers, and street vendors).

The primary source of information comes from suppliers. The suppliers for retailers would be wholesalers, while the suppliers for wholesalers might be brokers or farmers. During sourcing or trading, traders interact, creating opportunities to share information from different sources. Traders consider fellow traders to be a significant source of market information. Another source of information is the consumer. During purchases, customers communicate to traders their tastes and preferences which influence their choices. Traders tend to receive key information from customers, such as changing demand, prices, and competition. This shows the important role played by market interactions between buyers and sellers in provision of market information services.

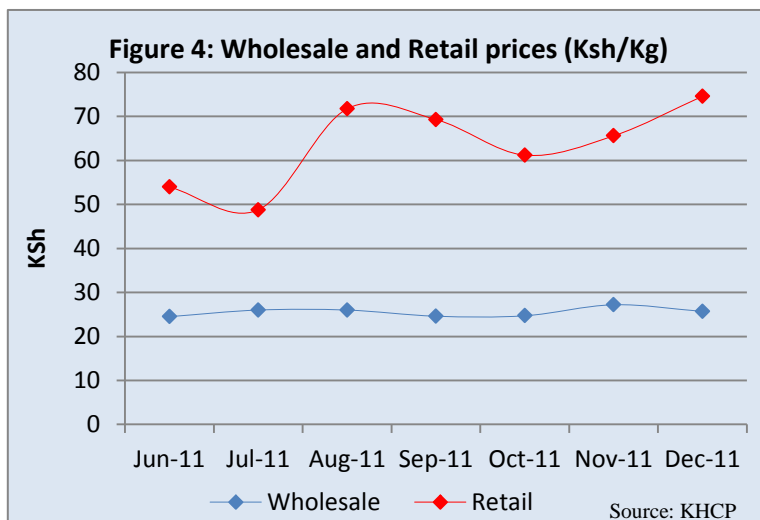


SEASONALITY

There is an acute shortage of sweet potato in Kenya from June to August. In these months, wholesalers source primarily from Tanzania (Tarime District located near the Kenyan border), with some small quantities coming from production pockets under irrigation in Kenya. Kenyan sweet potatoes start entering the market in late September, with highest concentrations in December to February. However, there is currently a shortage of sweet potato in the country. Traders interviewed attribute this to restricted availability in the production areas due to failed short rains and inadequate rainfall in the major producing areas (October-December 2011 season). "The dry weather conditions experienced towards the end of last year caused low production in Nyanza and Western, hence the current sweet potato shortage," said Mr. Mwangi.

PRICES

Due to seasonality, market prices fluctuate depending on the quantity and quality of the products available in the markets (see Figure 4). The variation is also observed along the value chain, and the prices are mainly determined by the price of roots at farm gate, transaction costs, and profit margin for traders. Other factors that influence prices are perishability and lack of storage facilities, which force the wholesalers and retailers to sell all their produce by the end of one or two days, even if prices are low. The other reason traders have to sell their produce within a short time span is that most of them are restricted by regular cash constraints and therefore need a high rate of cash flow.



The six-month average wholesale price (July to December 2011) for sweet potato was KSh 25.70 (MOA) while the reported average retail price in the same period stands at KSh 65.19 (USAID-KHCP), making it a potentially profitable product depending on transaction costs incurred and other market factors.

The sweet potato sold in supermarkets is charged per kilogram and in some cases is already packaged and priced. Retailers in the informal market do not sell their products in kilos, but rather in heaps priced according to sweet potato sizes. The price per heap ranges between KSh 50 for small sizes and KSh 80 for large pieces. However, depending on glut or peak KSh, heap prices could be as low as KSh 30 and or as high as KSh 100.

CONSUMER PREFERENCES

Sweet potato varieties are defined based on physical characteristics. The most preferred by the majority of Kenyan consumers is the red-skinned yellow-fleshed (RSYF) sweet potato. Traders claim that Kenyan consumers choose what pleases the eye (physical attributes). The most sought after characteristics are high dry matter and sugar content, low fiber, and good physical condition of the products. Postharvest damages are important decision factors as they affect the physical condition of the sweet potato, hence influencing consumer choice of product.

The consumers interviewed do not attribute commodity preference to specific nutritional benefits, as they are not aware of the nutrients available in sweet potato. However they acknowledge awareness that it is healthier than bread.

New and improved high-yielding varieties have been introduced to farmers with a special focus on the orange fleshed sweet potato (OFSP), primarily for its nutritional benefits. However, the most traded variety is the red skinned and yellow fleshed sweet potato due to its high consumer demand. RSYF is favored for its low fiber, high dry matter, and sugar content.

On the pricing system preferences, consumers largely prefer negotiable terms, which depend on the place of purchase; informal markets are more likely to have negotiable prices compared to formal outlets such as supermarkets and groceries. In most cases, bargaining entails buying sweet potatoes at a fixed price but getting a few extra pieces with each purchase.

OUTLOOK

The current unsatisfied demand and increasing population provides opportunities to scale up sweet potato production in Kenya for domestic consumption. Furthermore, the global market is growing every year, presenting opportunities for export by sea, as long as the respective varietal and quality requirements are met. Ongoing interventions in production, especially in propagation of clean planting materials and promotion of better yielding varieties – coupled with good agricultural practices – will catalyze improved productivity and subsequent availability. The main challenges in sweet potato marketing are postharvest handling, storage, and transportation from farm to market. In addition, sweet potatoes generally do not have a designated place in most wholesale and retail markets (compared to other products such as potatoes or cabbage), making it difficult for consumers to find reliable sources and posing a challenge of hygiene with the make-to-do selling points. Capacity building on postharvest management, construction of storage facilities, improving the points of display, and designating specific areas in the markets would ease marketing for both sellers and buyers.

To exploit the existing opportunities, it is critical to increase consumer awareness on the nutritional benefits of sweet potato consumption and promote the utilization of value-added sweet potato products such as flour. Increased consumer awareness will broaden the demand base and subsequently provide more market opportunities and further reason to increase production.

*The wholesalers interviewed trade an estimated 200 bags a week (98kg each) in peak seasons and as low as 20 bags in low seasons. Retailers in three markets (Kangemi, Wangige, and Limuru) estimated to sell 3 bags per day (294kgs) while supermarkets trade seven times **less**, though at **twice** the price.*

Kenya Horticulture Competitiveness Project

USAID-KHCP is a five-year project designed to increase smallholder farmer incomes through enhanced productivity, crop diversification and improved market access.

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