

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Required Report - public distribution

Date: 5/7/2014

GAIN Report Number:

Kenya

Coffee Annual

2014 Kenya Coffee Report

Approved By:

Kate Snipes

Prepared By:

Kennedy Gitonga

Report Highlights:

FAS/Nairobi forecasts an increase in Kenya's coffee production to 900 thousand bags in the marketing year (MY) 2014/2015 partly due to an ongoing expansion program by the Government of Kenya (GOK). Increased adoption of improved varieties by farmers, and higher global coffee prices are also expected to boost production and exports. Legal and institutional reforms are also being implemented in the sector.

Production:

Kenya produces mild Arabica coffees from commercial cultivars that are predominantly of bourbon heritage. Coffee is grown by both smallholder and large scale farmers, with the former currently contributing about 55 percent of the total production. There are two seasons in a year, the main season, also referred to as the “Main or Late Crop” flowers in March/April and is harvested between September and December and marketed beginning January to July. The second season, also referred to as the “Fly or Early crop” flowers in October/December and is harvested between April and June and marketed beginning September to December. In the last two decades, coffee farming has faced severe competition from real estate developments and other enterprises in both rural and peri-urban areas.

Starting 2013, the GOK, with the support of the European Union (EU) rolled out a coffee expansion program targeting the traditional growing regions in Central and Eastern Kenya and new areas in Rift Valley, Coast and Western Kenya. Several county governments have also prioritized coffee rehabilitation in their development plans. FAS/Nairobi forecasts that these interventions, coupled with good weather, will lead to an increase in production and exports in MY 2014/2015.

Consumption:

Coffee Board of Kenya (CBK) estimates domestic coffee consumption at about 3 percent of the national production. Due to low incomes, coffee is out of reach to a large section of the population and most prefer tea. However, in recent years, consumption growth has been strong at 15-20 percent annually attributed mainly to an increase in middle class and expatriate population. Numerous trendy coffee houses have opened in the urban areas with the more established brands expanding their operations and increasing their footprint in the country. In addition, CBK and industry associations have initiated domestic coffee consumption promotional activities including barista training. Post projects that the strong growth in domestic consumption will be sustained.

Stocks:

Coffee stocks in Kenya are held by the millers, marketing agents, and exporters. Individual large scale farmers and co-operatives may also hold stocks in form parchment coffee. CBK has substantially revised upwards coffee stocks in a new initiative to update coffee industry statistics. The revision appears well supported by production, import and export data.

Marketing:

In-country coffee marketing logistics are handled by individual farmers, co-operatives, millers, warehousemen, and marketing agents. Over 85% of the coffee is sold through auctions at the Nairobi Coffee Exchange (NCE), a spot market. The rest is sold through direct sales under contracts that must be registered with the CBK.

Kenya Coffee Production, Supply and Demand Statistics

Coffee, Green Kenya	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	110	0	111		112
Area Harvested	0	109	0	110		111
Bearing Trees	0	170	0	173		176
Non-Bearing Trees	0	3	0	3		3
Total Tree Population	0	173	0	176		179
Beginning Stocks	30	*394	30	224		204
Arabica Production	900	664	900	850		900
Robusta Production	0	0	0	0		0
Other Production	0	0	0	0		0
Total Production	900	664	900	850		900
Bean Imports	0	1	0	2		0
Roast & Ground Imports	0	0	0	0		0
Soluble Imports	0	25	0	30		30
Total Imports	0	26	0	32		30
Total Supply	930	720	930	1,106		1,134
Bean Exports	825	822	850	850		860
Rst-Grnd Exp.	0	1	0	1		1
Soluble Exports	0	1	0	1		1
Total Exports	825	824	850	852		862
Rst,Ground Dom. Consum	75	12	50	20		25
Soluble Dom. Cons.	0	24	0	30		29
Domestic Use	75	36	50	50		54
Ending Stocks	30	224	30	204		218
Total Distribution	930	1,084	930	1,106		1,134
Exportable Production	825	628	850	800		846

1000 HA, MILLION TREES, 1000 60 KG BAGS

Data Sources: Coffee Board of Kenya, Global Trade Atlas- otherwise estimates by Post

*Stock levels revised after new information from Coffee Board of Kenya

Trade:

Though a relatively small producer, Kenya is still an important producing country due to its consistently high quality mild Arabica coffees. Exports shipments occur in December to July for the main crop and in August to December for the fly crop. GOK does not impose any tax on coffee exports from Kenya. The main destinations for coffee exports from Kenya are Germany, Belgium, United States, and

Sweden. Kenya is also the main logistics hub for the Eastern Africa and all the main international coffee traders are represented in the country.

Main Destinations for Kenya coffee exports (1,000 kg bags) and their Percentage Share

Country	2010/2011	Percentage Share	2011/2012	Percentage Share	2012/2013	Percentage Share
Germany	90	14%	157	20%	182	22%
Belgium	68	10%	117	15%	136	17%
United States	62	9%	106	13%	113	14%
Sweden	69	11%	109	14%	69	8%
India	18	3%	7	1%	48	6%
Finland	30	5%	34	4%	38	5%
Norway	10	1%	20	3%	19	2%
Canada	19	3%	19	2%	16	2%
Israel	0	0%	5	1%	15	2%
France	7	1%	6	1%	14	2%
Russia	0	0%	7	1%	14	2%
Korea South	4	1%	9	1%	14	2%
Australia	4	1%	9	1%	13	2%
Switzerland	132	20%	43	5%	13	2%
United Kingdom	73	11%	34	4%	12	1%

Source: Global Trade Atlas

Policy:

The GOK does not run any price support or a direct subsidy programs for coffee farmers or other value chain players.

On the regulatory front, Kenya has devolved agricultural functions to the counties in line with the new constitution. It is not yet clear though what kind of policies the respective county governments will come up with. However, all coffee producing counties are reportedly keen on taking over some of the regulatory functions that were previously undertaken by CBK. Some of the counties have also set up new coffee milling and marketing entities.

At the national level new agricultural laws, the Agriculture, Fisheries and Food Authority (AFFA) and the Kenya Agricultural and Livestock Research (KARL) Acts are currently being operationalized. The Acts, once fully operational, will repeal the numerous commodity specific laws and merge several regulatory and research agencies including CBK and Coffee Research Foundation (CRF). However, the future of the Coffee Development Fund (CoDF), a specialized coffee financing agency, is not stated in new laws.