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Kenya

COFFEE ANNUAL

Outlook Indicates a Second Year of Strong Exports

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Report Highlights:

Marketing year (MY) 2010 Kenyan exportable coffee surplus will likely weigh in at just under 850 thousand 60 kilogram bags, below MY 2009 exports but much above MY 2008 when Kenya exported only about 650 thousand bags.

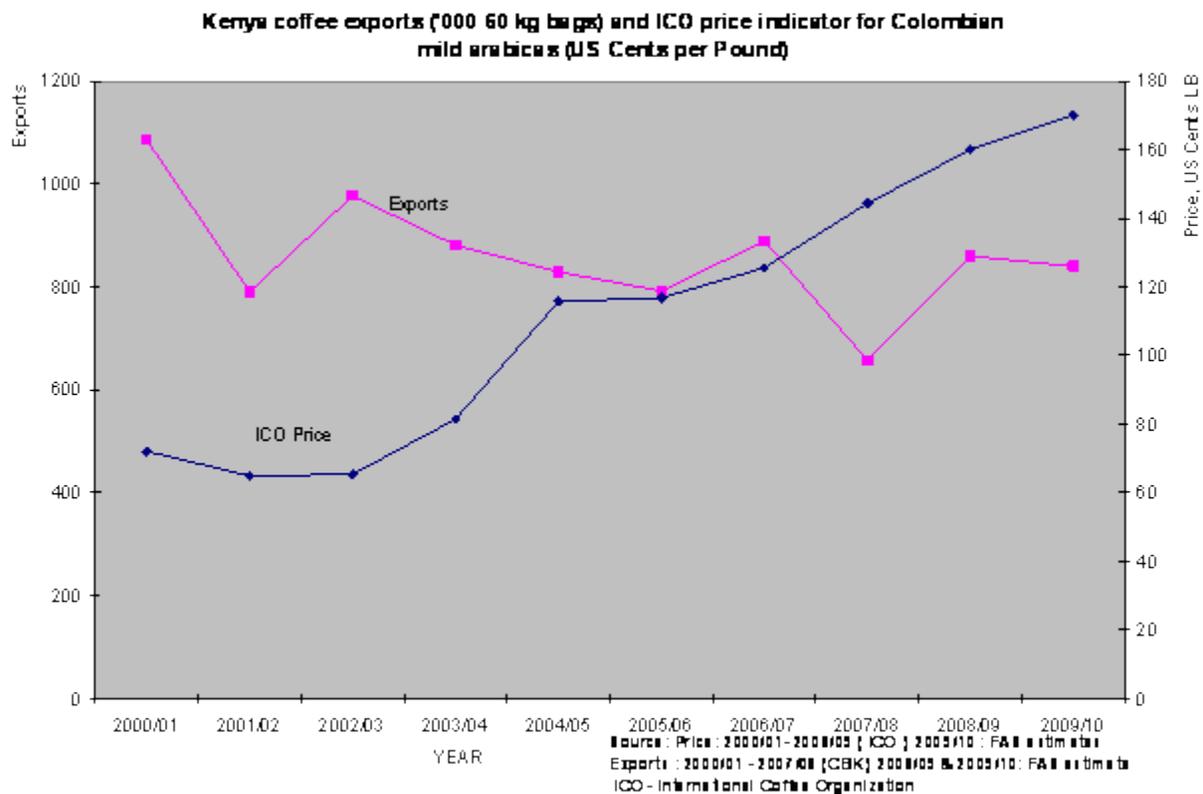
Executive Summary:

The lack of sufficient rainfall over Kenya's rain-fed coffee crop growing regions and the normal coffee tree off-year cycle will likely yield a MY 2010 (October-September) exportable coffee surplus of just under 850,000 bags. Calendar year (CY) 2008 was a drought year for most of Kenya and again at this point in CY 2009 the rainy season has not developed on the scale needed to replenish coffee growing area subsoil. Kenya's producers would like to capitalize on the rising Colombian mild prices (please see graph below), but the climatic and natural fruit-producing cycle may keep them from realizing their goals.

In addition to the public auction in Nairobi, the Government of Kenya recently enabled direct marketing between the exporter and producer. The amounts are small, about 30,000 bags, but important because it opens the door to examine Kenya's potential to take advantage of high-quality, and/or "Fair Trade" programs.

FAS Nairobi forecasts a production decline for MY 2010 to 850 thousand bags primarily due to a succession of poor rainfall seasons in 2008 and 2009 and normal crop-production cycles. However, supportive global prices, as suggested in the graph below, will likely provide farmer impetus to conduct good husbandry practices with the expectation that sufficient rain will yet fall during this coming MY.

A severe coffee-berry disease occasioned the pronounced decline in Kenyan MY2007/08 exports.



Commodities:
 Coffee, Green

Production:

Kenya Coffee Production Supply and Demand (PSD) - (1000 HA)(MILLION TREES)(1000 60 KG BAGS)

Coffee, Green Kenya	2008			2009			2010		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Oct 2007			Market Year Begin: Oct 2008			Market Year Begin: Oct 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Planted	168	168	142	170	170	143	0	0	143
Area Harvested	150	150	138	155	155	138	0	0	138
Bearing Trees	200	200	200	200	200	200	0	0	200
Non-Bearing Trees	0	0	0	0	0	0	0	0	0
Total Tree Population	200	200	200	200	200	200	0	0	200
Beginning Stocks	635	635	635	624	624	659	0	0	665
Arabica Production	667	667	700	917	917	885	0	0	850
Robusta Production	2	2	1	2	2	1	0	0	1
Other Production	0	0	0	0	0	0	0	0	0
Total Production	669	669	701	919	919	886	0	0	851
Bean Imports	0	0	0	0	0	0	0	0	0
Roast & Ground Imports	0	0	0	0	0	0	0	0	0
Soluble Imports	3	3	3	3	3	3	0	0	3
Total Imports	3	3	3	3	3	3	0	0	3
Total Supply	1,307	1,307	1,339	1,546	1,546	1,548	0	0	1,519
Bean Exports	660	660	657	807	807	860	0	0	840
Rst-Grnd Exp.	0	0	0	0	0	0	0	0	0
Soluble Exports	0	0	0	0	0	0	0	0	0
Total Exports	660	660	657	807	807	860	0	0	840
Rst,Ground Dom. Consum	20	20	20	20	20	20	0	0	20
Soluble Dom. Cons.	3	3	3	3	3	3	0	0	3
Domestic Use	23	23	23	23	23	23	0	0	23
Ending Stocks	624	624	659	716	716	665	0	0	656
Total Distribution	1,307	1,307	1,339	1,546	1,546	1,548	0	0	1,519
Exportable Production	646	646	678	896	896	863	0	0	828

Data source: Area, production & exports: 2007/2008 Coffee Board of Kenya (CBK) and for 2008/09 & 2009/2010 FAS/Nairobi.

Note: A crop/farms survey conducted by CBK, Coffee Research Foundation (CRF) and the Kenya Coffee Traders Association (KCTA) in May 2008, resulted in the above-revised 2007/08 area planted.

Consumption:

Kenyan, mostly tea consumers, brew coffee mostly for tourists and other visitors, leaving most of Kenya's production for export.

Trade:

Kenya exports, mostly to Germany, Benelux, Finland, Sweden the USA and Canada, make up less than one percent of global trade.

Export Trade Matrix			
Country	Kenya		
Commodity	Coffee, Green		
Time Period	2006/07	Units:	2007/08
Exports for:	2007	Tons	2008
U.S.	4,742	U.S.	7,944
Others		Others	
Germany	11,384	Germany	7,706
Sweden	7,250	Sweden	4,172
Belgium	4,532	Belgium	3,947
UK	2,006	UK	1,926
Finland	3,158	Finland	3,210
Netherlands	2,524	Netherlands	949
Norway	1,132	Norway	1,328
Denmark	418	Denmark	312
Canada	1,268	Canada	1,095
Total for Others	33,672		24,645
Others not Listed	6,487		6,859
Grand Total	44,901		39,448

Source: Coffee Board of Kenya and Kenya Coffee Traders Association

Stocks:

Kenyan producers and traders hold the minimal stocks noted in the PSD.

Policy:

The Government of Kenya does not facilitate coffee export subsidies and does not charge export taxes.

We will provide additional specific policy information in a follow-up report.

Marketing:

We will provide additional specific policy information in a follow-up report.