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Kenya

Tree Nuts

Kenya Tree Nut Update Report

2006

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Report Highlights:

Although production has shown an upward trend in the last decade a slight decline is forecast for 2006 due to weather related reasons. In 2005, quality concerns led to a decline of exports of Kenyan Macadamia to the U.S. High tariffs have eliminated export opportunities for U.S. almonds in Kenya

Includes PSD Changes: Yes
Includes Trade Matrix: No
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Production

Post estimates macadamia production at 11,000 tons and cashew nut production 8,000 tons nut in shell (NIS) for MY 2005. The change from post previous production estimates is due to informal trade data not captured previously. Although production has shown an upward trend for the last decade the drought experienced in 2005 may impact negatively on the volumes for 2006.

Macadamia production is typically a small scale enterprise characterized by individual farmers owning 5 – 200 trees of various ages, under a wide range of husbandry standards. The farmers intercrop with coffee, fruit (avocado and banana) and food crops (corn, potatoes and beans). Production challenges include pests and disease damages (i.e. stink bug, nut borer, and anthracnose), drop of young fruits in the lower zones due to moisture stress, inadequate training of extension staff and farmers on crop husbandry practices.

Production

Table 1: Area, Tree and Nut Production (Wet in Shell Basis)

Country	Kenya						
Macadamia	Inshell Basis				(HA)(1000 TREES)(MT)		
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	
Market Year Begin		03/2005		03/2006		03/2007	MM/YYY Y
Area Planted	8300	8300	0	8400	0	8500	(HA)
Area Harvested	7000	7000	0	6000	0	6500	(HA)
Bearing Trees	1600	1600	0	1200	0	1500	(1000 TREES)
Non-Bearing Trees	300	300	0	1500	0	1500	(1000 TREES)
Total Trees	1900	1900	0	2700	0	3000	(1000 TREES)
Beginning Stocks	837	1052	946	609	0	4710	(MT)
Production	7300	10500	0	11000	0	10000	(MT)
Imports	0	0	0	0	0	0	(MT)
TOTAL SUPPLY	8137	11552	946	11609	0	14710	(MT)
Exports	6814	10628	0	6373	0	8947	(MT)
Domestic Consumption	377	315	0	526	0	526	(MT)
Ending Stocks	946	609	0	4710	0	5237	(MT)
TOTAL DISTRIBUTION	8137	11552	0	11609	0	14710	(MT)

Consumption

Macadamia yield and Area

Grafted macadamia trees bear fruit after about three years. With the high prevailing prices there is renewed farmer interest, leading to increased inputs for higher yields. The average yield from a mature tree is estimated at 10 – 20 kg/year (Most of the trees are very old and neglected). Medium to large-scale estates (pure stand) that have adopted good agronomic

practices have reported yields up to 80 kg/year. Nuts are harvested from end of November to March with the peak being January and February.

Given that most of the farms are intercropped, area and yield are estimates. Post estimates a minimal increase in area, due to non-availability of planting material and limited area for expansion. Currently processing companies and a few established nurseries supply grafted seedlings. New interest from coffee farmers has increased demand for planting material.

Macadamia Price and Quality

Competition from processors (both new and old) and traders continue to strengthen the price of nuts (between Ksh 60-150 per kg). Due to prevailing high prices, farmers are harvesting immature nuts (shaking the trees) and delivering them to processing companies with very high moisture content (over 20 %). Most of the small processing companies have no drying equipment; consequently the nuts are developing moulds, impacting negatively on quality. There is no structured marketing and anybody can sell or buy nuts and the terms of payment is cash on delivery. Theft of nuts for quick cash is on the increase. There are also reported cases of stolen money from nut proceeds at the cottage industry.

Consumption, Marketing and Trade

Kenya tree nut processors collect, crack, shell the nuts and pack for both domestic and international markets. A small amount of both are value added and packed in small bags as snack foods and consumed locally. The fresh or salted kernels are used for deserts, snacks, confectionaries, ice cream and chocolate making. The macadamia oil is used for salad dressing, cooking, cosmetics or soap manufacturing. The cake is used for livestock feed, the hard shells are used as fuel and the wood produces timber.

Kenya Supply and Distribution of Macadamia Kernels (MT)				
Year	2003	2004	2005	2006
Production (in shell)	6,500	10,500	11,000	10,000
Conversion rate %	19	20	19	20
Beginning stocks	126	200	116	895
Production Kernels	1,352	1,995	2,090	1,900
Total Kernels	1,478	2,195	2,206	2,795
Exports	1,288	2,019	1,211	1,700
Dom.Consumption	50	60	100	100
Ending Stocks	140	116	895	995
Total Distribution	1,478	2,195	2,206	2,795

Domestic and international Market

Domestic consumption is estimated at between 50 - 100 tons of kernel. Kenya Nut Company (KNC) has branded their domestic products *Nutfields* and Kenya Farm Nut *Equatorial Nut Processors*. They roast and sell in supermarkets, hotels and other retail outlets. Nut consumption is considered a luxury, mainly consumed by the higher income earners. KNC international products are branded 'Out of Africa'. KNC supplies airlines (Kenya Airways and British Airways), a move that might impact exports. Nut processing companies are aggressively marketing their products in the U.S. and other emerging markets to increase and maintain demand amidst growing competition. New entrants into the market like Mt. Kenya Nuts and Agricultural Commodities are intensifying demand for nuts leading to increased prices.

Kenya Tree Nuts imports and exports (Quantity: MT, Value: 1000 US\$)							
		Jan-Dec 2003		Jan-Dec 2004		Jan-Dec 2005	
Imports	Products	Quantity	Value	Quantity	Value	Quantity	Value
0802120	ALMDS,FR/DRD/SH	28.5	109	14.3	71	0	0
2008194	ALMONDS,PRE/PRS	1.1	9	14.3	0	0	0
TOTAL		29.6	118	28.6	71	0	0
Exports							
0802909810	MACADAMIA NUT,SH	558.6	5,374	1,136.1	11,807	491.1	6,395
2008199010	MACADAMIA NUTS	13.5	126	112.1	1,313	89.9	1,106
0802908010	MCDMIA NUT,NT/SH	13.5	121	57.2	435	0	0
0801320000	CASHEW NUT,SHL	139	491	294.7	1,339	238.6	1,204
0801310000	CASHEW NUT,N/S	0	0	1.9	23	0	0
TOTAL		724.6	6,112	1,602	14,917	820	8,705
Grand Total		754	6,230	1,631	14,988	820	8,705

Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

Periodically Kenya imports almonds from the U.S. Kenya's domestic demand for nuts is prohibited by lack of awareness on the nutritional importance, lack of purchasing power or in some instances prohibitive prices and high tariffs on imported nuts. However, demand for nuts from a growing market for healthy foods and a proliferation of new products by an expanding bakery and confectionary industry is likely to push domestic consumption upwards.

EAC Common External Tariff (CET) 2005		
HS CODE	Description	Rates (%)
0802.11	Almonds in shell	10
0802.12	Almonds shelled	25
0802.21	Hazelnuts in shell	10
0802.22	Hazelnuts shelled	25
0802.31	Walnuts in shell	25
0802.32	Walnuts shelled	25
0802.40	Chestnuts	25
0802.50	Pistachios	25

Source: East Africa Community (CET) Tariff Book

Effective January 1, 2005 the East African Community (Kenya, Uganda and Tanzania) established a Common External Tariff (tariffs on goods imported from markets outside the block), which has resulted in a harmonization of import tariffs for all three countries. However, import tariff rates for some key agricultural products have increased considerably. Under the new regime the tariff for shelled almonds was raised from 5 % to 25 %.

Kenya Exports of Macadamia Kernels				
Year/country	2003	2004	2005	Expected 2006
USA	587	1,305	581	800
Japan	366	448	350	500
Europe	146	195	180	250
Canada	135	13	50	70
Australia	54	58	50	80
Total	1,288	2,019	1,211	1,700

2005 macadamia exports to the U.S. were cut in half. The decrease in volume is attributed to decline in quality performance (harvesting of immature nuts and purchase of nuts with high moisture content).

Cashew nut production

Cashew nuts are mainly grown in Kwale, Kilifi, Malindi, Lamu and Mombasa Districts and to a lesser extent Tana River and Taita Taveta districts. Total area under production has declined from 38,000 hectares in the late 1980's to 29,950 hectares (2003, Ministry of Agriculture estimate). The decline is attributed to low prices, poor management of the orchards and other market constraints. However, prices have increased from a low of ksh 17 to a high of ksh 70. The improved price coupled with increased demand from the processing companies has led to orchard rehabilitation and increased area. Industry analysts estimate production at 8,000 mt

Production Constraints

The main constraints include lack of drought resistant, high yielding and early maturing varieties; along with the presence of powdery mildew disease, red ants and anthracnose in orchards.

Cashew Nut Marketing and Processing

Marketing and processing of the cashew nut crop was in the hands of a few cooperative societies until 1975 when a government run processing plant with 15,000 tons per year capacity was built at Kilifi. The factory was privatized in 1993 but was placed under receivership in 1997 and finally closed in 1998. It has since been reopened under new management (Millennium Management Limited). Currently the marketing of cashew nuts is liberalized and traders involved in marketing include, exporters of raw nuts mostly to India; processors namely KNC, Millennium Management Limited, Wondernut Limited, Bixa Kenya Limited and small scale processors (cottage operations). They sell locally and also export processed nuts to the U.S. and other destinations. Informed sources estimate demand at 50,000 tons, which is creating incentive for increased production.

Policy

In the recent past, cost of crop production has risen considerably due to the rising cost of inputs (fertilizers, pesticides, seeds etc). Interest rates though coming down, are still beyond the reach of many farmers and commercial banks require securities that most farmers do not have. The above limits smallscale farmers' ability to expand production.

Tree nut producers, processors and traders are fragmented with individuals developing their own strategies. Structuring the production and marketing system may be necessary to accelerate industry growth. Formation of a growers/marketing association to structure the industry may be necessary to avoid theft, purchasing of nuts with high moisture content and harvesting of immature nuts. Collaboration between key GOK ministries and other stakeholders is necessary as a way forward for the industry.