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Kenya

Grain and Feed

Kenya to Continue Importing White Corn

2009

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Report Highlights:

Commercially-shipped U.S. white corn, milled by local Kenyan millers into white-corn flour, has helped thousands of Kenyans continue eating their major and favored calorie source, a white-corn flour product called Ugali. Kenyan bulk-grain importers will likely bring in to Kenya about 800,000 tons of white-corn for human consumption during the current marketing year (July/June) 2009, and may import only slightly less, about 600,000, during the coming marketing years. Private sector traders will have imported a record 250,000 tons of U.S. white corn just during the final quarter of this current marketing year ending June 30. Kenyan imports of the high-quality U.S. white corn could reach 500,000 tons during calendar year 2009, if the C&F port of Mombasa landed white-corn price for U.S. and South African corn remains comparable.

Includes PSD Changes: No
Includes Trade Matrix: No
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Executive Summary

The food security situation in Kenya continues difficult and deteriorating, partly because the Kenyan port-to-fork food delivery infrastructure remains inadequate to service the nearly unprecedented volumes of food grains needed in the Kenyan interior. Reportedly, ships are waiting as long as four weeks to discharge bulk commodities at the only Kenyan port, the port of Mombasa. Almost all of the discharged food grains must be bagged for transport and distribution to millers. This labor-intensive and very slow bagging process frustrates the ship offload capacity. Once loaded, the trucks ply a single, two-lane east-west highway through the major population sites within the country. Kenya's narrow-gauge railway does not operate efficiently enough to provide a viable alternative to truck-transport, even though east-west truck freight rates are reported to be very expensive.

There doesn't appear to be any relief in site for port of Mombasa operations, because GOK-held corn stocks (in the interior mostly) have been depleted during the current marketing year, and the rains that were needed to plant and produce a bumper new-year crop have not yet developed. As a result, we expect that Kenya will need to import at least an additional 600,000 metric tons of commercial white corn for human consumption through the coming marketing year. White corn availability from South Africa and the United States will also play a major role in determining Kenyan-white corn imports, but we assume, in our supply and demand analysis, that between the two major white-corn exporters Kenyan importers will be able to source the needed quantity.

United Nations-managed food assistance further pressures the already infrastructure-challenged food delivery system in Kenya. Reportedly the number of food insecure Kenyans increases daily and the number of Somali refugees crossing the border into Kenya in search of food and safety grows unceasingly. Local purchases of food grains that might be used to feed these growing food insecure populations remain out of the question, because of the domestic food-grain shortfall and resulting high domestic prices. As a result, all of the food grains needed for food aid in Kenya must traverse the already challenged food-delivery infrastructure.

In an attempt to help mitigate the current food crises, the Government of Kenya (GOK) took appropriate trade policy action in January by abating food/commodity import tariffs through July 16, 2009. As a result, the private sector began importing white corn to satisfy unmet local demand and unchecked white-corn flour prices. U.S. white corn exports of 250,000 tons during the current marketing year met part of the demand along with South Africa exports.

The GOK will likely need to extend the current food-stuff tariff abatement through this calendar year to keep the current white corn life-line open to highly-vulnerable, food insecure Kenyans. We do expect the GOK to take action very soon, because current white-corn flour prices are relatively high and increasing, making it very difficult for average Kenyan citizens to meet daily caloric intake requirements, and because importers have reportedly stopped booking additional white-corn imports until the GOK takes action.

The Government of Tanzania (GOT) may now be embarking on a similar short-supply situation that may come to mirror Kenya's current situation. Rains have been slow to develop in time to plant the MY 2010 crop, Government-held stocks appear untenably low, and local white-corn flour prices are increasing.

East African Production

The east African production, supply and demand table below includes FAS/Nairobi estimates and forecasts for Kenya, Tanzania, Uganda, Rwanda and Burundi. FAS/Nairobi generated the estimates and forecasts included in all of the tables and graphs in this report based on the best data available from Government and private sector sources.

EAC Corn in TMT	2008			2009			2010		
	2007/2008			2008/2009			2009/2010		
	MY Begins: July 2007			MY Begins: July 2008			MY Begins: July 2009		
	Post Old	New Post		Post Old	New Post		Post Old	New Post	
		Data			Data			Data	
Area Harvested		5,845	5,845		5,790	5,790		0	5,975
Beginning Stocks		807	806		469	468		254	204
Production		7,840	7,840		7,122	7,022		0	7,180
MY Imports (Jul/Jun)		42	42		800	900		0	850
TY Imports (Oct/Sep)		12	12		800	500		0	650
TY Imp. U.S (Oct/Sep)		0	0		400	400		0	230
Total Supply		8,689	8,688		8,391	8,390		254	8,234
MY Exports (Jul/Jun)		118	118		70	70		0	65
TY Exports (Oct/Sep)		118	118		70	70		0	65
Feed Consumption		120	120		170	170		0	170
FSI Consumption		7,982	7,982		7,897	7,946		0	7,735
Total Consumption		8,102	8,102		8,067	8,116		0	7,905
Ending Stocks		469	468		254	204		0	264
Total Distribution		8,689	8,688		8,391	8,390		0	8,234
Yield	NA	1.34	1.34	NA	1.23	1.21	NA	NA	1.20

Kenyan Production

Increased white corn production continues as a focal point of the Government of Kenya's (GOK) efforts to boost food security. In January of this year, President Kibaki's, in his announcement of a pending food crisis (KE9001), outlined steps to include GOK purchases (with donor funding) of fertilizer to distribute to Kenyan corn farmers with an eye towards increasing productivity and reducing the prospects for a continued food crisis in Kenya.

However, rain or the lack thereof continues as the most important factor in determining corn productivity in Kenya. Corn production in Kenya, like corn production in the U.S. Midwest, continues tied to the uncertain bounty that falls from the clouds in the sky.

Kenya Corn in TMT	2008			2009			2010		
	2007/2008			2008/2009			2009/2010		
	MY Begins: July 2007			MY Begins: July 2008			MY Begins: July 2009		
	Post Old	New Post		Post Old	New Post		Post Old	New Post	
			Data			Data			Data
Area Harvested		1,700	1,700		1,645	1,645		0	1,750
Beginning Stocks		302	302		277	277		157	107
Production		2,950	2,950		2,000	2,000		0	2,400
MY Imports (Jul/Jun)		25	25		700	800		0	600
TY Imports (Oct/Sep)		0	0		700	400		0	400
TY Imp.U.S. (Oct/Sep)		0	0		300	400		0	200
Total Supply		3,277	3,277		2,977	3,077		157	3,107
MY Exports (Jul/Jun)		50	50		20	20		0	20
TY Exports (Oct/Sep)		50	50		20	20		0	20
Feed Consumption		50	50		100	100		0	100
FSI Consumption		2,900	2,900		2,700	2,850		0	2,800
Total Consumption		2,950	2,950		2,800	2,950		0	2,900
Ending Stocks		277	277		157	107		0	187
Total Distribution		3,277	3,277		2,977	3,077		0	3,107
Yield	NA	1.74	1.74	NA	1.22	1.22	NA	NA	1.37

Tanzanian Production

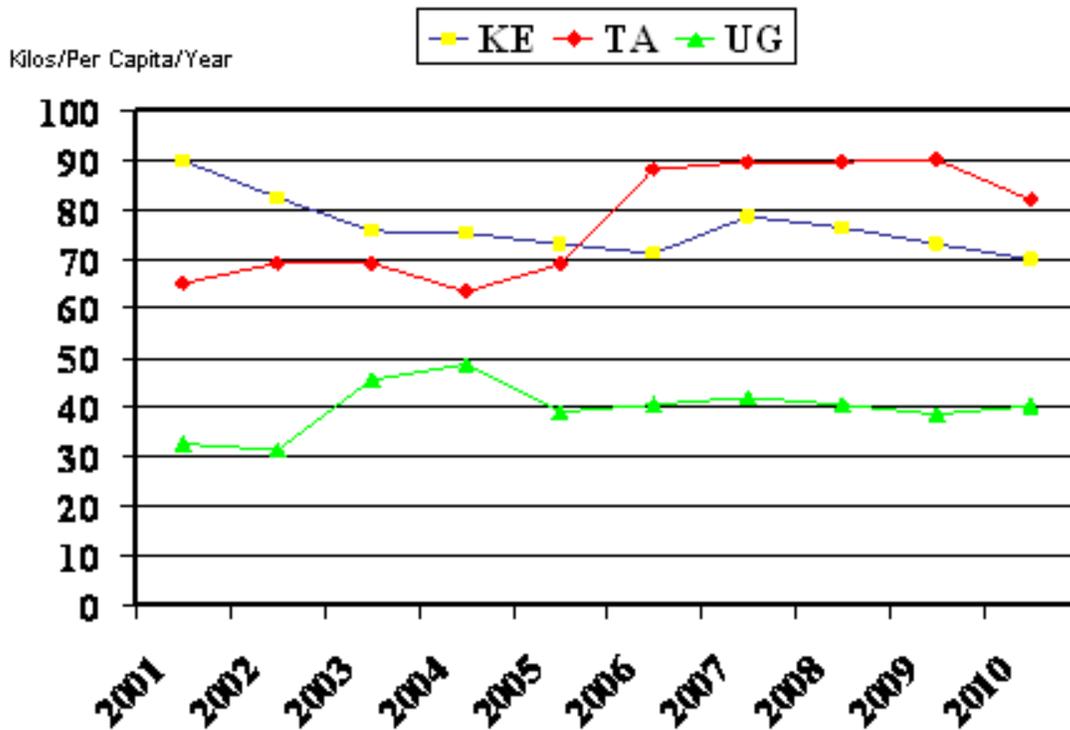
Tanzania Corn in TMT	2008		2009		2010	
	2007/2008		2008/2009		2008/2009	
	MY Begins: July 2007		MY Begins: July 2008		MY Begins: July 2009	
	Post Old	New Post	Post Old	New Post	Post Old	New Post
		Data		Data		Data
Area Harvested	3,100	3,100	3,100	3,100	0	3,150
Beginning Stocks	464	464	159	159	0	79
Production	3,400	3,400	3,600	3,600	0	3,200
MY Imports (Jul/Jun)	5	5	100	100	0	250
TY Imports (Oct/Sep)	0	0	100	100	0	250
TY Imp.U.S. (Oct/Sep)	0	0	100	0	0	30
Total Supply	3,869	3,869	3,859	3,859	0	3,529
MY Exports (Jul/Jun)	60	60	30	30	0	20
TY Exports (Oct/Sep)	60	60	30	30	0	20
Feed Consumption	50	50	50	50	0	50
FSI Consumption	3,600	3,600	3,700	3,700	0	3,400
Total Consumption	3,650	3,650	3,750	3,750	0	3,450
Ending Stocks	159	159	79	79	0	59
Total Distribution	3,869	3,869	3,859	3,859	0	3,529
Yield	1.10	1.10	1.16	1.16	NA	1.02

Ugandan Production

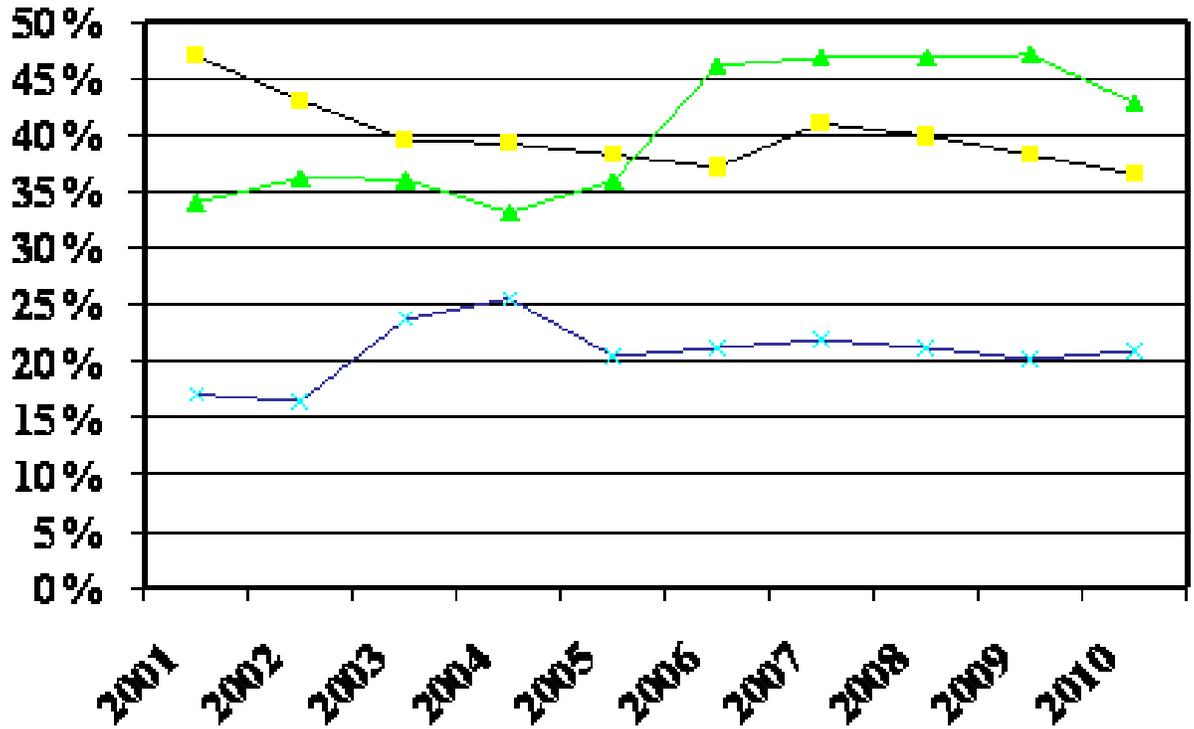
Uganda Corn in TMT	2008		2009		2010	
	2007/2008		2008/2009		2009/2010	
	MY Begins: July 2007		MY Begins: July 2008		MY Begins: July 2009	
	Post Old	New Post	Post Old	New Post	Post Old	New Post
		Data		Data		Data
Area Harvested	820	820	820	820	0	850
Beginning Stocks	20	20	25	25	0	15
Production	1,285	1,285	1,300	1,260	0	1,350
MY Imports (Jul/Jun)	0	0.007	0	0	0	0
TY Imports (Oct/Sep)	0	0	0	0	0	0
TY Imp. U.S. (Oct/Sep)	0	0	0	0	0	0
Total Supply	1,305	1,305	1,325	1,285	0	1,365
MY Exports (Jul/Jun)	8	8	20	20	0	25
TY Exports (Oct/Sep)	8	8	20	20	0	25
Feed Consumption	0	0	0	0	0	0
FSI Consumption	1,272	1,272	1,290	1,250	0	1,325
Total Consumption	1,272	1,272	1,290	1,250	0	1,325
Ending Stocks	25	25	15	15	0	15
Total Distribution	1,305	1,305	1,325	1,285	0	1,365
Yield	1.57	1.57	1.59	1.54	NA	1.59

Kenya, Tanzania and Uganda Per Capita Consumption

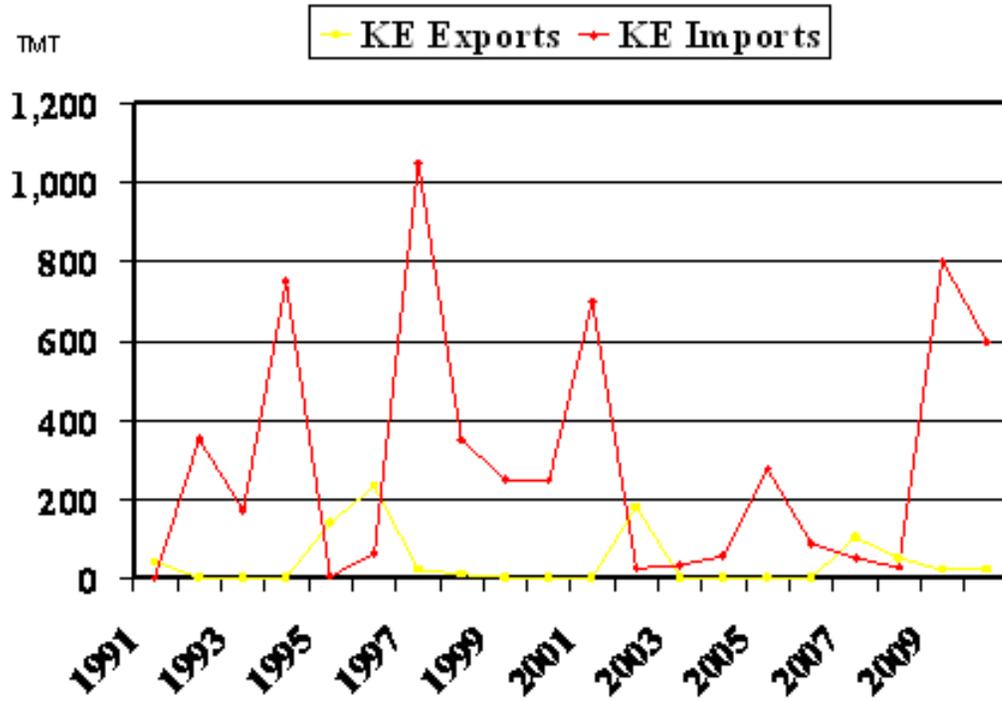
FAS/Nairobi has derived the two following graphs using residual estimates and forecasts and, as a result, the data may not represent perfectly the “on the ground” per capita consumption values. For instance, many analysts regard Tanzanian per capita corn flour consumption to be lower than Kenyan, but the graphs below suggest that Tanzanians now consume more corn flour than Kenyans. Without firm consumption studies we can only speculate, for instance, that the increasing Tanzanian consumption could be unreported cross-border exports to Kenya. Nonetheless, the graphs clearly show white corn’s dietary importance in the lives of Kenyans, Tanzanians and Ugandans.



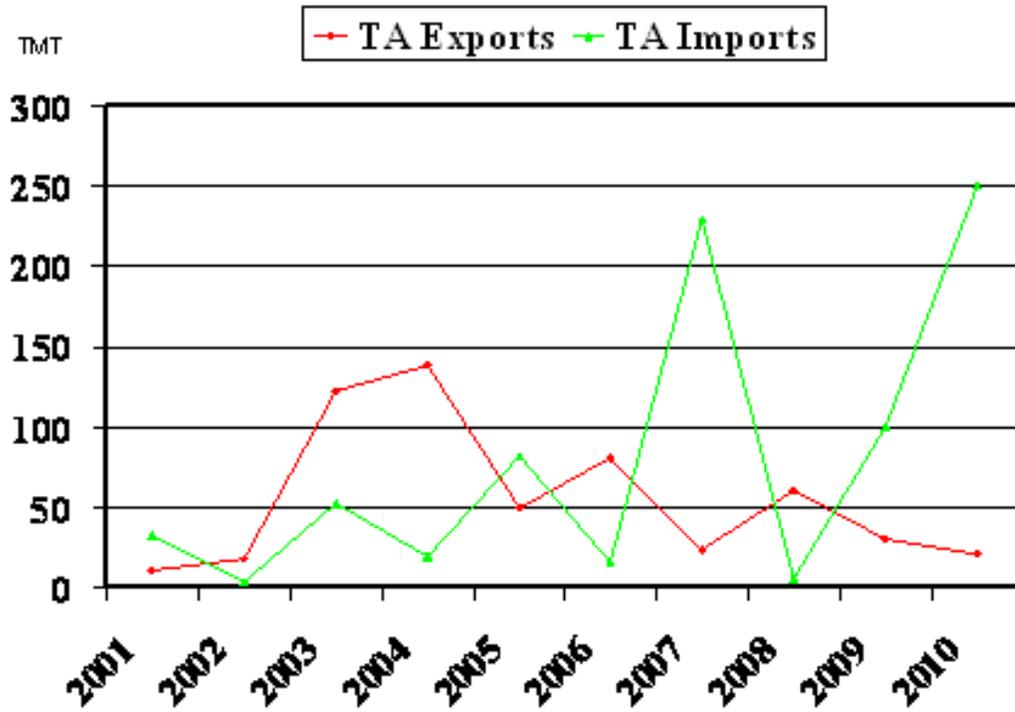
% Daily Calories from Corn-
Assumes 2,200 Calories/Day



Kenyan Trade



Tanzanian Trade



Stocks

The Governments of Kenya and Tanzania have built bulk-grains stock-carrying capacity, but both Governments have exhausted most of their food-grain stocks over the last two years as they have tried to keep up with domestic demand and low domestic production levels.

Reportedly, the national agencies charged with procuring and administering stocks can't be considered as examples of agencies that use "best practices" and, in addition, may not be well equipped financially to procure food supplies in times of shortages.

Policy

Tanzania and Kenya currently have corn export bans in place, further exacerbating regional white-corn trade flows. A thaw in the trade frictions between the two Governments does not appear to be in the offing, so we expect that the export bans will remain in place through the upcoming marketing year. The export bans won't stop cross-border trade where price inequities exist along the border, but the trade becomes more expensive to effectuate.

The East African Community provides for a common external tariff of 50-percent ad-valorem on white-corn imports. Kenya abated the tariff in January 2009 citing food insecurity. The decision opened the door to the private sector, which has proven to be very efficient at supplying the marketplace, given the previously mentioned infrastructural difficulties. The GOK has very good reason to extend that abatement through calendar year 2009, as noted above. Tanzania may also provide a brief tariff-abatement window of opportunity for white-corn imports. However, Tanzania will not likely permit sufficient imports to maintain normal consumption levels, because they do not permit biotechnology-produced corn imports. Very limited non-biotechnology white corn supplies will be available during MY 2010.