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Report Highlights:

Kenya's marketing year (MY) 2023/24 coffee production is forecast to increase 6.7 percent to 800,000 bags due to a recovery from drought conditions and higher fertilizer application. Area harvested is expected to remain flat at 105,000 hectares, as new plantings are curtailed due to a shortage of planting materials and as losses associated with conversion of coffee plantations to real estate slows. MY 2023/24 coffee exports are anticipated to grow 5.5 percent to 760,000 bags as higher production increases exportable supplies.

Table 1: Production, Supply, and Distribution (PSD)

Coffee, Green Market Year Begins Kenya	2021/2022		2022/2023		2023/2024	
	Oct 2021		Oct 2022		Oct 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	105	105	105	105		105
Area Harvested (1000 HA)	104	104	105	105		105
Bearing Trees (MILLION TREES)	169	169	170	170		170
Non-Bearing Trees (MILLION TREES)	0	0	0	0		0
Total Tree Population (MILLION TREES)	169	169	170	170		170
Beginning Stocks (1000 60 KG BAGS)	130	173	170	227		225
Arabica Production (1000 60 KG BAGS)	850	860	800	750		800
Robusta Production (1000 60 KG BAGS)	0	0	0	0		0
Other Production (1000 60 KG BAGS)	0	0	0	0		0
Total Production (1000 60 KG BAGS)	850	860	800	750		800
Bean Imports (1000 60 KG BAGS)	0	0	0	0		0
Roast & Ground Imports (1000 60 KG BAGS)	0	0	0	0		0
Soluble Imports (1000 60 KG BAGS)	13	13	15	15		18
Total Imports (1000 60 KG BAGS)	13	13	15	15		18
Total Supply (1000 60 KG BAGS)	993	1046	985	992		1043
Bean Exports (1000 60 KG BAGS)	750	771	775	720		760
Rst-Grnd Exp. (1000 60 KG BAGS)	0	0	0	0		0
Soluble Exports (1000 60 KG BAGS)	0	0	0	0		0
Total Exports (1000 60 KG BAGS)	750	771	775	720		760
Rst,Ground Dom. Consum (1000 60 KG BAGS)	60	35	50	32		35
Soluble Dom. Cons. (1000 60 KG BAGS)	13	13	20	15		20
Domestic Consumption (1000 60 KG BAGS)	73	48	70	47		55
Ending Stocks (1000 60 KG BAGS)	170	227	140	225		228
Total Distribution (1000 60 KG BAGS)	993	1046	985	992		1043
(1000 HA) ,(MILLION TREES) ,(1000 60 KG BAGS)						

Sources: Trade Data Monitor LLC and Kenya's Coffee Directorate

Production

Kenya's MY 2023/24 coffee production is forecast to increase 6.7 percent to 800,000 bags as coffee plantations in central and eastern growing regions recover from MY 2022/23 drought conditions. According to local sources, this year Kenya has experienced good rains throughout all coffee growing regions, triggering robust flowering which is expected to result in higher yields during the October 2023 harvest. MY 2023/24 yields are also expected to benefit from higher fertilizer application as the Government of Kenya (GOK) is currently providing fertilizer at a reduced price through a new fertilizer subsidy program. In December 2022, the GOK announced a subsidy program to smallholder farmers that offers a discounted price of Ksh 3,500 (\$28) per 50kg bag to combat soaring fertilizer prices. Prior to this subsidy, fertilizer prices reached as high as Ksh 6,000 (\$48) per bag. As smallholder farmers account for 85 percent of Kenya's production, this subsidy is expected to increase fertilizer application and improve yields across Kenya's coffee sector.

MY 2023/24 area harvested is anticipated to remain unchanged at 105,000 hectares as both losses and growth in acreage remain restrained. Prior to 2021, Kenya's coffee acreage declined due to conversion of farms to real estate (particularly in the peri-urban areas of Nairobi, Thika, Kiambu, and Nyeri) and to other crops (such as banana and sugarcane). This trend has slowed as higher coffee prices have increased the profitability of coffee plantations. At the same time, expansion of acreage has been limited due to a shortage of coffee seedlings. The Coffee Research Institute (CRI), a GOK research agency, provides most coffee seedlings to Kenya farmers; however due to a lack of resources, provisioning of new coffee seedlings to farmers has been limited.

Changes to MY 2022/23

Post estimates MY 2022/23 production will decline 13 percent from MY 2021/22 due to drought conditions in central and eastern Kenya and low fertilizer application due to high prices. In March 2022, during the main flowering season in central Kenya, fertilizer prices soared to a record Ksh 6,000 (\$48) per bag, placing fertilizer application out of reach for most farmers. MY 2022/23 area harvested is expected to increase marginally from 104,000 to 105,000 hectares as plantings in previous years mature and enter production.

Marketing

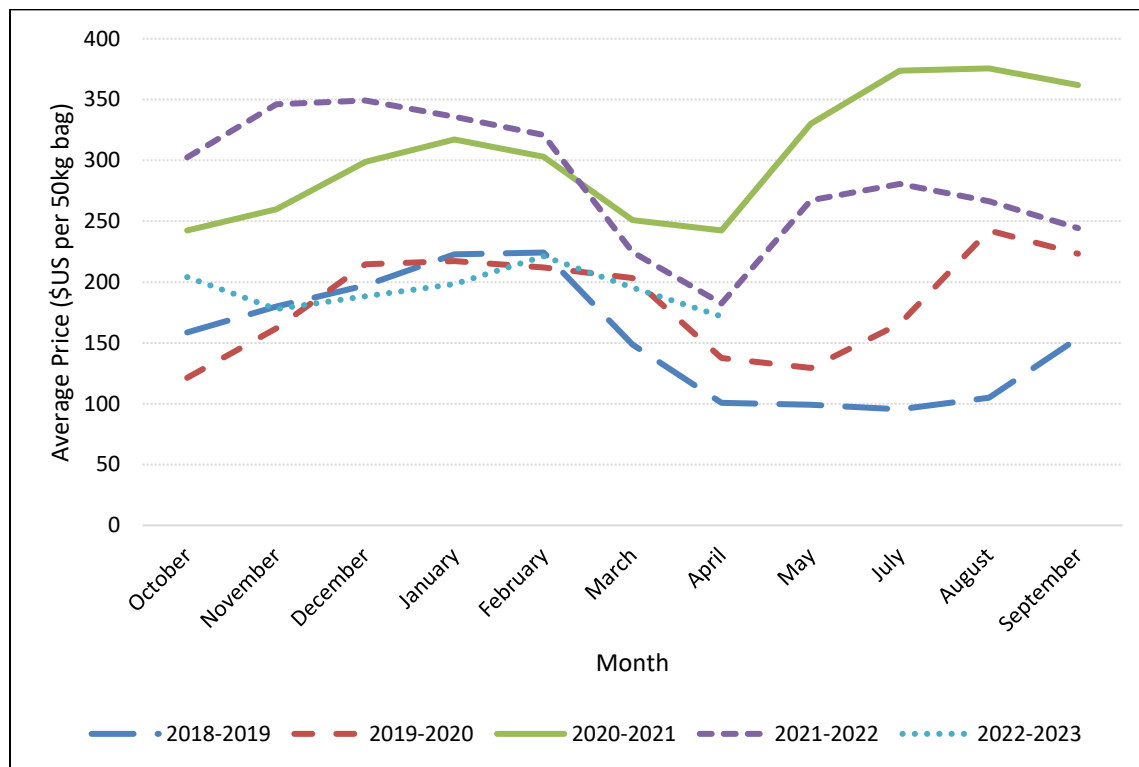
Producer co-operatives aggregate and market over 80 percent of coffee in Kenya, while corporate and individually-owned businesses market the rest. The Nairobi Coffee Exchange (NCE), a spot market that has been in existence since 1935, still handles over 90 percent of coffee sales. Remaining purchases are arranged via direct sales through contracts negotiated between agents of producers and exporters. Direct sale contracts must be registered with Kenya's Coffee Directorate, a regulatory branch of the Agriculture and Food Authority (AFA).

Prices

MY 2022/23 prices have lagged below MY 2021/22 due to higher global supplies as production in key exporting countries such as Brazil and Colombia returns to historical levels. As of April 2023, MY 2022/23 prices averaged \$194 per 50 kg bag, a 34 percent drop from MY 2021/22 according to the NCE (Figure 1). While MY 2022/23 prices have declined, they remain above MY 2019/20 and 2018/19 prices which averaged \$181 and \$176 per bag from October to April, respectively. Additionally, the impact of

this price drop on Kenyan farmers will be partly offset by Kenya’s depreciating currency. As of May 2023, the Kenya shilling has declined 18 percent year-on-year compared to the U.S. dollar. Kenyan farmers are paid in local currency while export sales are quoted and paid in U.S. dollars. As a result, coffee’s profitability to Kenya farmers has likely only declined slightly from MY 2021/22.

Figure 1: Kenya Coffee Prices, MY 2020/21 to MY 2022/23



Source: Kenya Nairobi Coffee Exchange

Policy

In February 2023, the GOK placed the NCE under the Capital Markets Authority (CMA). This decision assigns several roles previously filled by marketing agents associated with millers to licensed brokers, including coffee classification, preparation of sale catalogues, and submission of coffee for sale at the NCE.

Kenya’s Parliament is currently considering a coffee bill which would confirm placement of the NCE under the CMA. Additionally, if enacted the bill would provide permanent funding for the CRI through a 1 percent ad-valorem levy on marketed coffee. Local sources note that access to consistent funding would likely boost CRI’s ability to provide new research and products, including improved coffee varieties and coffee seedlings. The bill would also reestablish the Coffee Board of Kenya and CRI as semi-autonomous agencies. CRI is currently under the Kenya Agriculture and Livestock Research Organization (KALRO). The Coffee Board was Kenya’s principal regulatory agency and was placed under the AFA and rebranded as the Coffee Directorate in 2013.

Consumption

Post forecasts an increase in MY 2023/24 domestic consumption from 47,000 to 55,000 bags driven by growth in Kenya's tourism sector. The depreciation of the Kenya shilling against major currencies is expected to make Kenya a relatively cheaper tourism destination, increasing international visitors.

Coffee uptake by local consumers is expected to remain flat as growth observed in previous years is restrained due to high inflation and an erosion of purchasing power. While most Kenya consumers prefer tea to coffee, coffee consumption has increased in urban areas, facilitated by the expansion of cafes. However, this trend has slowed as inflation is reducing purchasing power and Kenya consumers reconsider spending available income on ground coffee, which is more expensive than tea or soluble coffee. According to the IMF, Kenya's inflation increased from 6.1 percent in 2021 to 7.7 percent in 2022 and will reach 7.8 percent in 2023. Post anticipates domestic Kenya consumers may switch from ground coffee to soluble coffee as a more affordable option.

Changes to MY 2022/23

MY 2022/23 consumption is estimated to remain flat from MY 2021/22 as high inflation restricts demand growth by local consumers.

Trade

Post forecasts MY 2023/24 coffee exports will increase by 5.5 percent to 760,000 bags from 720,000 bags in MY 2022/23, buoyed by increased production. Kenya produces higher-priced mild arabica coffees and accounts for less than one percent of global exports.

In MY 2022/23, the United States retained its position as the leading export destination for Kenyan coffee. Other key destinations included Belgium, Germany, and South Korea.

Leading Importers of Kenya Coffee by Marketing Year

Importing Country	Amount (MT)			Market Share (%)		
	2019/20	2020/21	2021/22	2019/20	2020/21	2021/22
United States	8,831	6,512	8,870	19.98	16.57	19.18
Belgium	6,631	6,450	7,565	15	16.42	16.36
Germany	8,726	5,644	7,488	19.74	14.36	16.19
South Korea	3,982	3,400	4,897	9.01	8.65	10.59
Sweden	2,703	2,891	2,656	6.11	7.36	5.74
Switzerland	1,415	1,978	1,998	3.2	5.03	4.32
Tunisia	0	0	1,364	0	0	2.95
Japan	7,60	1,395	1,289	1.72	3.55	2.79
Norway	1,359	971	1,253	3.07	2.47	2.71
Australia	1,246	1,251	1,207	2.82	3.19	2.61

Source: Trade Data Monitor

Soluble coffee imports are expected to grow 2 percent year-on-year, reaching 18,000 bags in MY 2023/24 as more Kenya consumers switch to affordable soluble coffee due to high inflation.

Changes to MY 2022/23

Post estimates MY 2022/23 exports will decline 7 percent year-on-year to 720,000 bags as drought conditions restrict exportable supplies.

Stocks

Post anticipates Kenya's ending stocks will remain flat in MY 2023/24 at 228,000 bags, enough to cover export demand before Kenya's main crop arrives in the market. Kenya's coffee stocks are largely held by millers and exporters, while some stock will be held in the form of parchment coffee by farmers and producer co-operatives.

Attachments:

No Attachments