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Coffee

Annual

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Report Highlights:

The Kenya coffee industry experienced a decline in performance for the year 2000/01. A 50 percent decline in production from 101,000 to 51,700 MT for the MY 2000/01 and 2001/02 respectively was reported. The decline is attributed to low farmer morale, poor prices and the unpredictable nature of the ongoing coffee reforms. The Kenya Coffee Act was brought to force in April 2002 and is hoped to shape the sub sector. Investment opportunities exist in coffee farm inputs and value adding equipments (coffee roasters, milling).

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Figures obtained from the Coffee Board of Kenya (CBK) put production at about 51,700 MT for the year 2000/01. This was almost a 50 percent decline in performance from the previous year which had 101,000 MT. For 2001/02, production is estimated at 52,000 MT and for 2002/03, 70,000 MT is forecast. The drop in production for 2000/01 is due to poor prices, low farmer morale and anxiety and the unpredictable nature of the on going coffee reforms. The sector earned the country about ksh 10 billion (2000/01) in foreign exchange..

Presently the sector is trapped in a myriad of problems ranging from low farmer morale, complex production issues, marketing and policy matters. The long awaited Coffee Act came to force in April and completes the partial liberalization of the Kenya coffee industry. The marketing role hitherto a preserve of the Coffee Board of Kenya has been taken over by private coffee marketing agents.

Investment opportunities exist in coffee farm inputs and value adding equipments (coffee roasters, milling machines/spares). Good prospects exist in processing coffee into finished products for the local, regional and international markets.

Exchange rate 1 USD = 78 kshs

Production

Figures obtained from the Coffee Board of Kenya (CBK) put production at about 51,700 MT for 2000/01. This was an almost 50 percent decline from the previous year which had 101,000 MT. The decline in performance in the sector is mainly due to farmer low morale, poor payment, co-operative wrangles and general low husbandry practices.

It is estimated that the year 2001/02 will have a marginal increase to about 53,000 MT. Forecasts from the current field conditions indicate a 20 percent rise in crop production during the 20002/2003 season. The major problem will be finances for harvesting the crop and consequent marketing. The increase will mainly be attributed to good weather conditions, slight improvement in husbandry and the prevailing indications of improved prices.

Crop and weather

The onset of the well distributed long rains throughout the coffee growing areas has triggered flowering. The weather has enhanced ripening and maturity of coffee berries in the mount Kenya region. Many farms show improved farm management practices, mainly due to the availability of the Stabex Funds, and reduced wrangling in the co-operative sector. The required inputs are readily available under the farm input loans scheme (FILS) programme at the society/factory level stores. Cases of growers selling the inputs for cash have been reported and in some cases total divergence of the fertilizer to other crops.

Kenya PSD Table

PSD Table						
Country	Kenya					
Commodity	Coffee, Green				(1000 HA)(MILLION TREES)(1000 60 KG BAGS)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		10/2000		10/2001		10/2002
Area Planted	162	162	162	165	0	165
Area Harvested	155	155	155	155	0	155
Bearing Trees	265	265	205	205	0	215
Non-Bearing Trees	12	12	12	12	0	12
TOTAL Tree Population	277	277	217	217	0	227
Beginning Stocks	600	385	599	20	697	7
Arabica Production	1017	862	967	870	0	1000
Robusta Production	2	2	2	2	0	2
Other Production	0	0	0	0	0	0
TOTAL Production	1019	864	969	872	0	1002
Bean Imports	0	0	0	0	0	0
Roast & Ground Imports	0	0	0	0	0	0
Soluble Imports	3	3	3	3	0	3
TOTAL Imports	3	3	3	3	0	3
TOTAL SUPPLY	1622	1252	1571	895	697	1012
Bean Exports	1000	1209	851	865	0	900
Roast & Ground Exports	0	0	0	0	0	0
Soluble Exports	0	0	0	0	0	0
TOTAL Exports	1000	1209	851	865	0	900
Rst,Ground Dom. Consum	20	20	20	20	0	20
Soluble Dom. Consum.	3	3	3	3	0	3
TOTAL Dom. Consumption	23	23	23	23	0	23
Ending Stocks	599	20	697	7	0	89
TOTAL DISTRIBUTION	1622	1252	1571	895	0	1012

Planting material

Most nurseries have an over supply of seedlings presently estimated at 1 billion seedlings countrywide. Most of the seedlings are overgrown (in some cases already flowering) due to the declining interest in new planting/infilling. The hike of the price of seedlings from ksh 10 to 20 caused a further decline of seedling purchases as this is beyond the ability of many smallholder farmers. The large plantations have their own nurseries for both expansion and infilling.

Consumption

There are no published data available on domestic consumption. The CBK estimates that about 2-5 percent of Kenya's output is consumed locally. There are efforts in the new coffee Act to concentrate on local promotion to expand markets and sales.

Export Trade Matrix			
Country	Kenya		
Commodity	Coffee, Green		
Time period	Oct-Sept	Units:	60 kg bags
Exports for:	2000		2001
U.S.	63567	U.S.	81,713
Others		Others	
Germany	387,166		430,018
Netherlands	137,339		132,129
Belgium	98,936		95,990
Sweden	86,438		89,158
United Kingdom	66,677		44,305
Finland	41,604		29,397
Italy	24,225		11,446
Norway	23,265		21,670
Japan	24,345		12,812
Switzerland	19,420		11,989
Total for Others	909415		878914
Others not Listed	222,129		248,738
Grand Total	1195111		1209365

Trade

Eastern Africa Fine Coffees Association (EAFCA)

EAFCA's first internet auction commenced on 10th April as a pilot study. The winning coffee from the competition had Ueshima coffee Co of Japan as the highest bidder, offering USD 453 per 50 kg bag. This coffee was from Kenya, the

mount Kenya region. The whole process from the cupping competition that was done before the auction, to the auction was an important learning experience.

Prices

The year 2000/01 price averaged USD 68 compared to the previous year of USD 84. The current improved auction prices averaging USD 120 for the month of March /April have also provided an incentive for better farm practices. The highest price so far received was during the month of April 2002 (internet auction) which was USD 453 per 50 kg bag. Some traders claim that the present high prices are riding on a market anxiety over diminishing supply.

Coffee Export

Figures provided by CBK gave exports for the year 2000/01 to be 1.2 million 60 kg bags. The exports earned the country about kshs 10.2 billion. The year will experience a marginal increase in exports in 2001/02.

Policy and Marketing

Coffee is a volatile crop and its growers are often expressive and emotive. The sector has been bedevilled by numerous problems ranging from farmers dissatisfaction with the system, split of cooperatives, mismanagement of coffee organizations and general decline in performance. The marketing cooperatives have been hit by internal squabbles with the members putting blame on malpractice and procurement procedures and investment methods imposed on them by the society officials.

As the coffee industry is faced with more and more problems the sector is finding it increasingly difficult to shape its own image. It is confronted by a system which is more complex and unstable, where relations are less harmonious, roles less well defined and results less predictable. After partial liberalization of the coffee sector, wrangles ensued between co-operatives, millers and the CBK. Dialogue became simply an issue of crisis management in moving the coffee crop from the farmer to the market. All this has happened at the expense of declining quality and production, a situation that continues.

The long awaited Coffee Act came to force in April 2002 replacing the Coffee Act Cap 333, a voluminous document, which many of its critics dismissed as a 'Colonial Act'. The Act proposes far reaching changes in the industry ranging from farmer participation to milling, marketing and regulatory issues. The marketing role hitherto a preserve of the CBK has been proposed to be taken over by private coffee marketing agents. Already some millers (Thika Coffee Mills, Kenya Planters Cooperative Union and Socfinaf (MNC)) have already formed subsidiary companies as marketing agents. Farmers from the Mount Kenya region have also formed a new coffee marketing agent, Large and Small Coffee Marketing, Ltd.

The marketing policy has retained the central auction system managed by an association to be called Kenya Coffee Producers and Traders Association (KCPTA). It remains to be seen how this important agricultural and export industry will respond to the new Act. The Ministry of Agriculture and Rural Development has also de-registered the Nairobi Coffee Exchange (NCE) and dissolved the Coffee Farmers Bank (CFB). The bank was formed about three years ago

but denied a licence by the Central Bank of Kenya. The CFB has ksh 210 million share capital. The Ministry has further recommended that only four marketing agents will be registered. A donor is being sought for staff rationalization at the CBK and the Coffee Research Foundation. (About 1000 staff are targeted to be laid off).

There are increasing reports of complaints from the farmers (both large scale and smallholders) about the lack of information and confusion on the new marketing arrangements. These coupled with the prevailing situation of poor farmer morale and societies heavily indebted nature might cause the sector to plunge further if the coffee Act is not carefully implemented.