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Kenya

Coffee Annual

Kenya Coffee Annual Report

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Report Highlights:

Record-and-near record world prices last marketing year (MY) and in recent months have increased interest in producing and exporting high-quality Kenyan coffee. In response to the prices, Kenyan coffee farmers will likely: increase inputs; improve coffee production management that will permit exports of 725 thousand 60 kilogram bags (TKB) and 800 TKB during MY 2012 and 2013, respectively; and, invest in new, higher yielding and more disease-resistant coffee seedlings to increase long-term export viability.

Executive Summary:

Kenyan AA coffee beans continue to play an important role in the European market. Kenyan coffee traders will export a majority of Kenya's coffee to Europe where Kenyan AAs benefit from a small niche market in the premium retail trade but reportedly, play a much more important role in blending to improve the general quality of retail coffee. Some analysts in the local market look at the blending currently done in Europe as a potential opportunity to add value locally. For instance, Kenyans might blend Ugandan or Tanzania Robusta beans with Kenyan AA Arabica beans to produce a coffee that meets European quality standards while creating employment and value locally.

Kenyan producers indicate that on average it costs them about \$4,000 to produce a ton of coffee beans. During the record prices of MY 2012, Kenyan coffee producers received on average about \$5,500 per ton; reportedly producing a much-needed economic gain that they will invest in new planting stock, irrigation upgrades and other investments that will increase economic survivability during the next market downturn. Anecdotally, local coffee nurseries report that demand for new coffee seedlings exceeds current supply.

Coffee producers know they must decrease production costs, increase the percentage of production that qualifies as "AA" and meet the many environmental and social certification requirements associated with the social branding of Kenyan coffee in a very competitive world market. They are off to a great start for the 2013 crop, because of the excellent-to-excessive rains currently coming to an end during Kenya's "long rains" season. As a result of excellent rains that have saturated top soils and filled irrigation reservoirs, Kenyan farmers will likely produce both quantity and quality in the MY 2013 crop.

Many coffee producers question the value-added provided by Kenya's producer associations, marketing boards and Government of Kenya (GOK) coffee-related agencies. Direct sales have increased partially as a result of the discontent.

Commodities:

Coffee, Green

Production:

FAS/Nairobi forecasts MY 2013 production at the highest level since the MY 2008/09 crop. The combination of recent profits that are available to buy expensive inputs and extensive rains will likely lead Kenyan coffee farmers to produce 850 TKBs, on par with the highest production levels during the last ten years.

Kenya PSD (MY Oct/Sep)	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
Beginning Stocks (1000 60 KG BAGS)	270	140	50	26	31

Arabica Production (1000 60 KG BAGS)	900	700	680	780	850
Robusta Production (1000 60 KG BAGS)	0	0	0	0	0
Total Production (1000 60 KG BAGS)	900*	700*	680**	780**	850**
Soluble Imports (1000 60 KG BAGS)	0	0	0	0	0
Total Imports (1000 60 KG BAGS)	0	0	0	0	0
Total Supply (1000 60 KG BAGS)	1170	840	730	806	881
Bean Exports (1000 60 KG BAGS)	980	740	654	725	800
Total Exports (1000 60 KG BAGS)	980	740	654	725	800
Rst,Ground Dom. Consum (1000 60 KG BAGS)	50	50	50	50	50
Soluble Dom. Cons. (1000 60 KG BAGS)	0	0	0	0	0
Domestic Use (1000 60 KG BAGS)	50	50	50	50	50
Ending Stocks (1000 60 KG BAGS)	140	50	26	31	31
Total Distribution (1000 60 KG BAGS)	1170	840	730	806	881

*2008/2009 and 2009/2010 Production estimates from the GOK **FAS/Nairobi estimate and forecast

Consumption:

Kenyans drink white tea--most don't drink coffee, black or white, and don't have a growing appetite to learn to appreciate the aroma and subtle flavor of Kenyan AA coffees. Local coffee producers would like to change this tea-drinking culture in favor of coffee, in particular to add one more market alternative during difficult exporting years, but the prospects don't currently appear favorable.

Trade:

Europe will likely remain the largest market for Kenya's high-quality coffee beans. As noted in the summary, Europeans use Kenyan AA quality to improve the quality of other-origin beans in their every-day grinds.

The Kenya Coffee Board just developed and agreed on a new logo for Kenyan coffee that includes a photo of Mt. Kenya. Traders have expressed some misgivings about its value, however, because most of Kenya's high-quality coffee will be used to improve the quality of other-origin beans.

Policy:

From the Coffee Board of Kenya March 18, 2012, report, please note following policy initiatives of interest to the Board:

"Government Initiatives

The following reforms and other interventions instigated for revitalization of the coffee sub sector.

- a. Debt waiver for growers to ease their debt burden and have them focus their energies to coffee production
- b. Establishment of the coffee development Fund
- c. Restructuring of coffee institutions
- d. Full liberalization of coffee marketing through introduction of direct sales

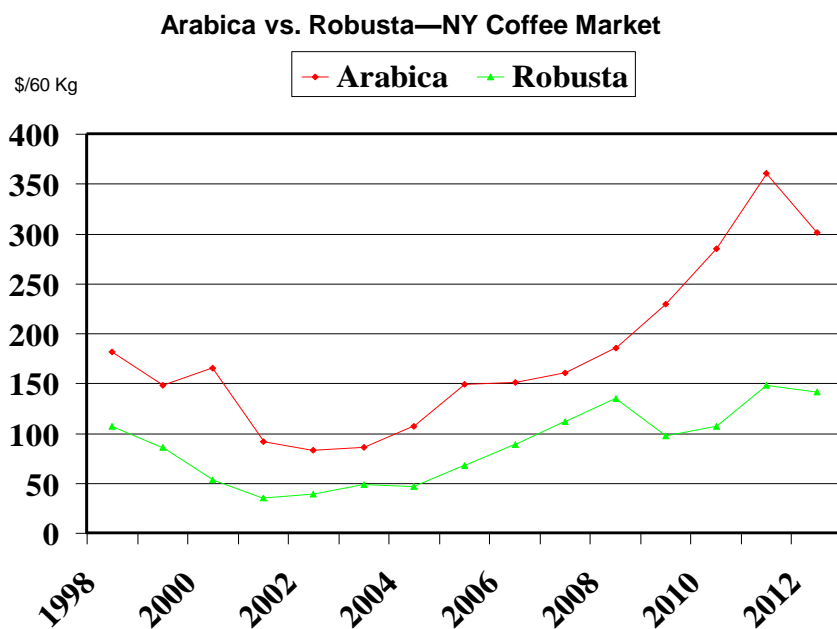
1.1 Other Industry Driven Initiatives

The development of the National Coffee Standards as a benchmark Code of practice .

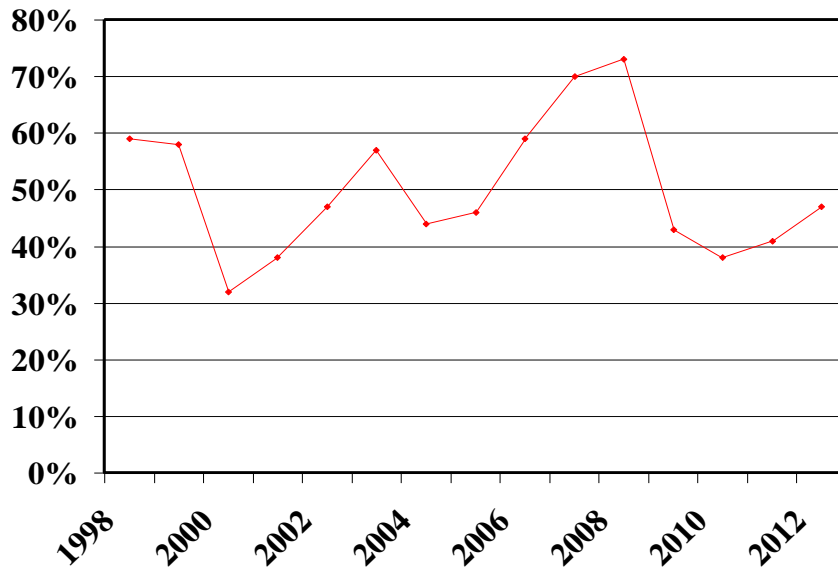
- a. Sustainability initiatives/Certification: addressing among others Environmental, health Safety concerns, Social, Economic and Traceability
- b. Launch of the Mark of Origin - Coffee Kenya-So Rich, So Kenyan
- c. CRF recently (2010) launched a new high quality cultivar- Batian
- d. Establishment of an elaborate coffee industry database infrastructure “

Prices

Please note the abovementioned prices in the charts here below:



Robusta Price vs. Arabica—NY Coffee Market



Arabica vs. Robusta—NY Coffee Market

