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**Country:** Kenya

**Post:** Nairobi

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**Report Highlights:**

FAS Nairobi forecasts Kenya's marketing year (MY) 2024/25 coffee production at 750,000 bags (60 kilograms), a 6.3 percent decrease from the previous marketing year, due to stagnation of harvested area and yield decline. The stagnation of harvested area is largely attributed to the slowdown in the conversion of coffee farms into real estates, and the perennial shortage of coffee planting materials. The projected yield decline is attributed to the disruption of inputs and extension support by private sector because of the recent coffee marketing reforms. MY 2024/25 coffee exports are also expected to drop by four percent to 720,000 bags.

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

Coffee, Green Market Year Begins Kenya	2022/2023		2023/2024		2024/2025	
	Oct 2022		Oct 2023		Oct 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	105	105	0	105		105
Area Harvested (1000 HA)	105	105	0	105		105
Bearing Trees (MILLION TREES)	170	170	0	170		170
Non-Bearing Trees (MILLION TREES)	0	0	0	0		0
Total Tree Population (MILLION TREES)	170	170	0	170		170
Beginning Stocks (1000 60 KG BAGS)	227	227	64	119		132
Arabica Production (1000 60 KG BAGS)	750	810	800	800		750
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)	750	810	800	800		750
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)	15	11	18	18		20
Total Imports (1000 60 KG BAGS)	15	11	18	18		20
Total Supply (1000 60 KG BAGS)	992	1048	882	937		902
Bean Exports (1000 60 KG BAGS)	881	882	760	750		720
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)	881	882	760	750		720
Rst,Ground Dom. Consum (1000 60 KG BAGS)	32	32	35	35		38
Soluble Dom. Cons. (1000 60 KG BAGS)	15	15	20	20		20
Domestic Consumption (1000 60 KG BAGS)	47	47	55	55		58
Ending Stocks (1000 60 KG BAGS)	64	119	67	132		124
Total Distribution (1000 60 KG BAGS)	992	1048	882	937		902

(1000 HA),(MILLION TREES) ,(1000 60 KG BAGS)

Sources: Trade Data Monitor LLC, Agriculture and Food Authority (AFA) & Post Estimates

## **Production**

In MY 2024/25, Post forecasts a 6.3 percent decrease in Kenya's coffee production to 750,000 bags (60 kilograms) due to stagnation of harvested area, and a drop in yields. The stagnation of harvested area at 105,000 hectares is attributed to the slowdown in the conversion of coffee plantations into real estates in the peri-urban areas. In addition, establishment of new coffee farms has been hampered by the perennial shortage of certified planting materials due to funding constraints at Coffee Research Institute (CRI), the sole supplier of certified planting materials. Production will also be impacted by lower yields due to limited access to inputs and extension support to farmers.

In July 2023, the Government of Kenya (GOK) implemented regulations that abolished marketing agents, and prohibited businesses from holding multiple licenses throughout the value chain. The marketing reforms effectively terminated inputs, extension and certification support programs that were previously provided by the de-licensed marketing agents. In addition, as part of the GOK reforms, all payments for coffee sold through the Nairobi Coffee Exchange (NCE) must now be processed through the recently established Direct Settlement System (DSS) platform, that is managed by the Cooperative Bank of Kenya. Sources indicate inordinate payment delays as the DSS gets fully operationalized. In addition, several large millers have ceased operations due to the new licensing requirement. Farmers now must mill their coffee either with the New Kenya Planters' Cooperative Union (NKPCU) or at the various county-based mills that are owned and operated by cooperatives. Unprecedented milling delays due to logistical challenges and congestion at some of the mills have been reported.

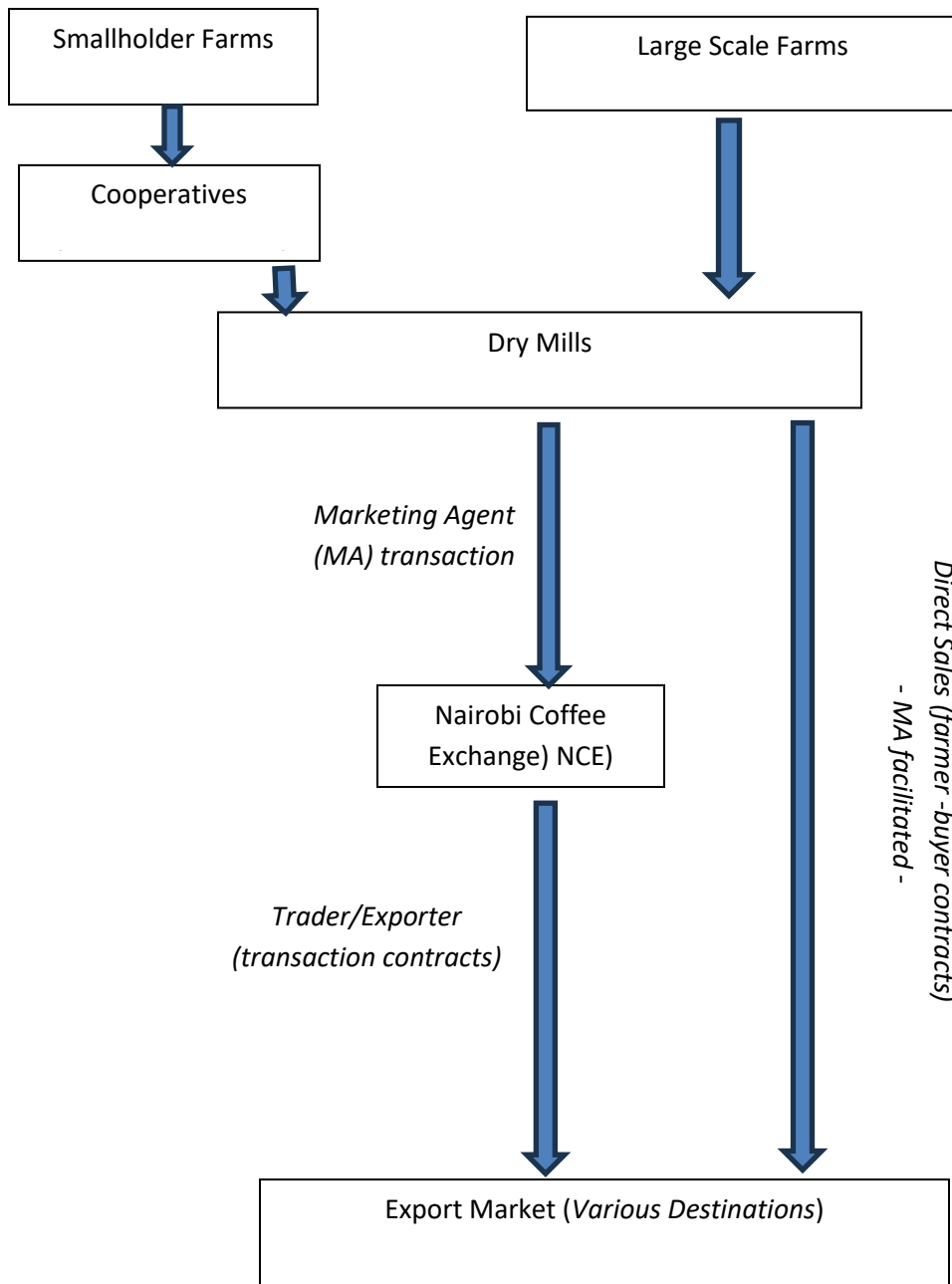
### *MY 2023/24 updates:*

Post maintains the MY 2023/24 coffee production estimate at 800,000 bags and area harvested at 105,000 hectares. Industry sources indicate that the heavy rains in April-May 2024 are unlikely to have significant impact on production. Most of the early crop had matured by April, and therefore escaped damage by Coffee Berry Disease (CBD), a coffee disease that thrives in overly wet conditions.

## **Marketing**

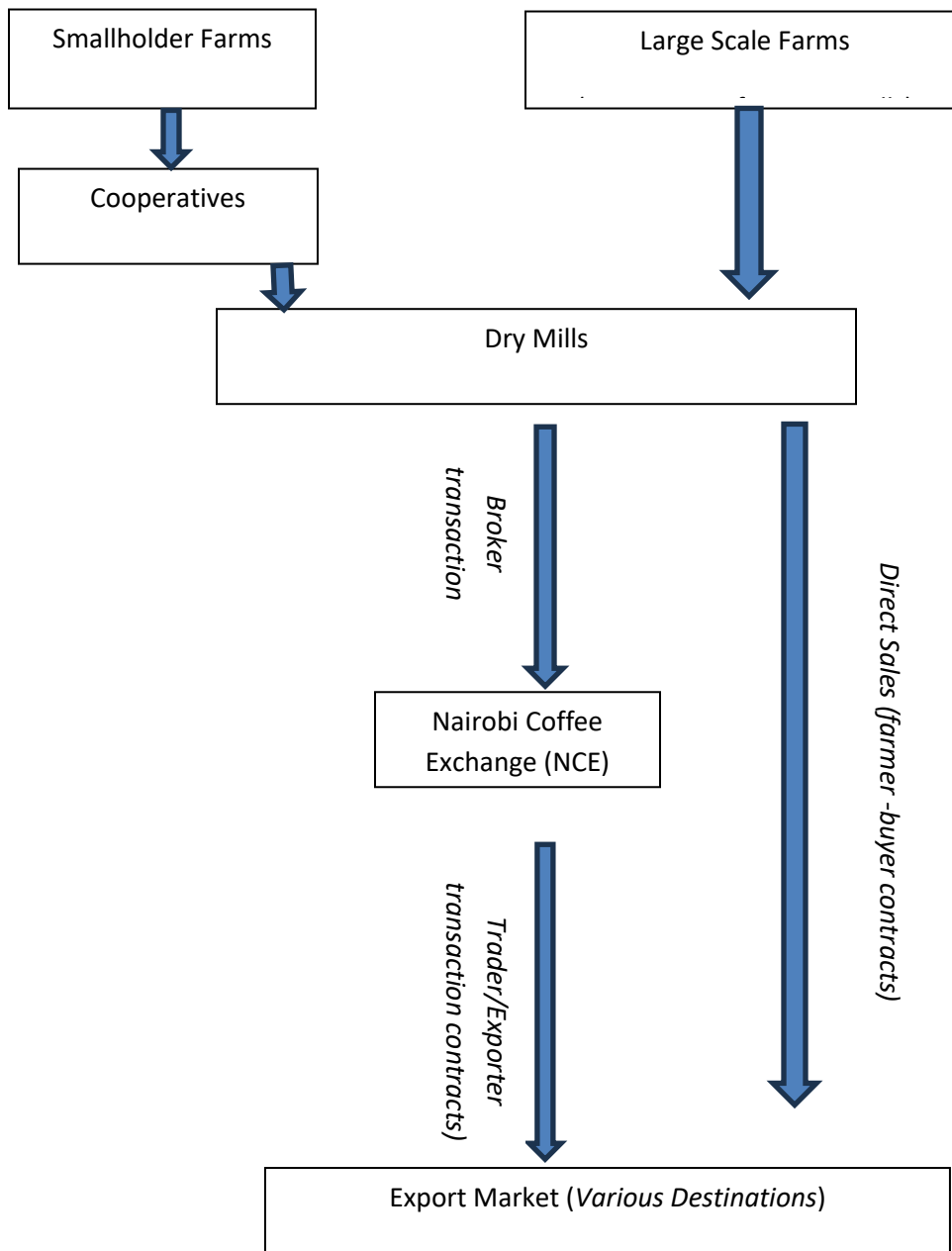
About 550 co-operatives market over 80 percent of the Kenya coffee, while the remaining production is marketed by corporate and individually owned businesses. NCE, a spot market that has been in existence since 1935, handles over 90 percent of coffee sales. The remaining sales are undertaken through direct contracts that are negotiated between buyers and agents of producers. The July 2023 GOK reforms transferred key regulatory and licensing functions from Agricultural Food Authority (AFA) to other government entities. Coffee milling licensing is now under the respective County governments. The Capital Markets Authority (CMA) is the licensing and regulatory agency for brokers, who are responsible for the preparation and presentation of coffee sales catalogues at the NCE. AFA retains regulatory oversight on coffee traders, exporters, and roasters. Figures 1 and 2 illustrate changes in the value chain as result of the GOK spearheaded marketing reforms.

**Figure 1: Pre-market reforms value chain**



- Multiple-vertical function licenses were allowed throughout the value chain.
- AFA was responsible for all regulatory and licensing functions.
- Licensed marketing agents were responsible for all marketing functions and farmer payments.

**Figure 2: Post-market reforms value chain**

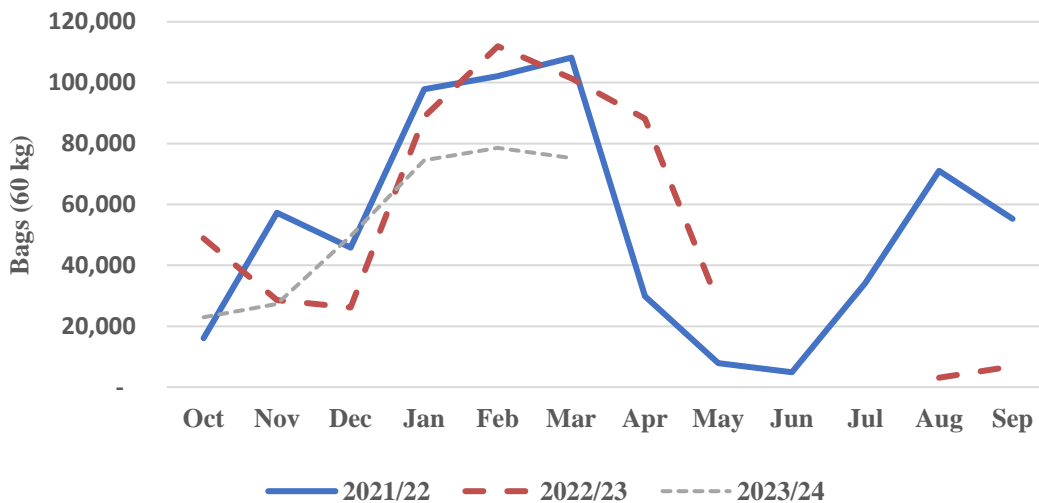


- Multiple-vertical function licenses by one entity are not allowed.
- County governments are responsible for licensing of wet and dry mills.
- Capital Markets Authority (CMA) is responsible for the regulation of Nairobi Coffee Exchange (NCE) and the licensing of brokers.
- CMA licensed brokers prepare sale catalogues and present to the NCE.
- AFA licenses traders, exporters, and local roasters
- Direct Settlement System (DSS) handles payments to farmers and service providers.

### Sale volumes and prices

Both coffee sale volumes and prices at NCE slumped at the onset of the reforms in July 2023, as shown in graphs 1 and 2. Sale volumes were lowest at 3,038 50-kg bags in August 2023 (Graph 1), after a two-month disruption of NCE following GOK reforms. MY 2023/24 cumulative sale volumes have largely lagged those recorded in MY 2022/23, due to compromised post-harvest handling practices along the supply chain, especially the reported clog-up at the milling facilities. Coffee prices remained subdued up to January 2023, and have since recovered and were 26.8 percent higher in March 2024 compared to the same period in 2023.

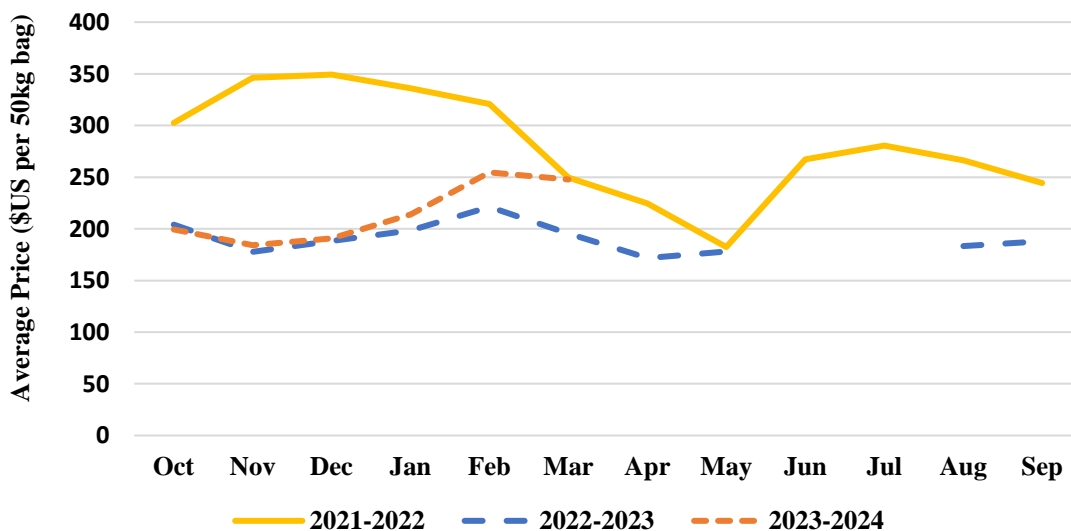
**Graph 1: Sale Volumes at Nairobi Coffee Exchange, MY 2021/22 to MY 2023/24**



Source: Nairobi Coffee Exchange

[Note: There was no market activity in June & July 2023]

**Graph 2: Average Prices at Nairobi Coffee Exchange, MY 2021/22 to MY 2023/24**



Source: Nairobi Coffee Exchange

[Note: There was no market activity in June & July 2023]

## Consumption

Post forecasts a marginal rise in Kenya's MY 2024/25 domestic coffee consumption at 58,000 bags due to improved activity in Kenya's tourism and hospitality sectors. Consumption growth will be mainly in ground coffee, a traditional preference by high-end restaurants and tourism outlets. The increase in local consumption will be augmented by MY 2023/24 ending stocks.

## Trade

Post forecasts a decrease in Kenya's MY 2024/25 coffee exports to 720,000 bags from 750,000 bags in MY 2023/24 due to lower domestic supply.

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

**Table 2: Leading Export Destinations for Kenya Coffee**

Export Destination	Unit	Year ending September			Market Share (%)		
		2021	2022	2023	2021	2022	2023
United States	T	6,512	8,870	12,232	16.57	19.18	23.13
Belgium	T	6,450	7,565	4,021	16.42	16.36	7.6
Germany	T	5,644	7,488	9,737	14.36	16.19	18.41
South Korea	T	3,400	4,897	3,085	8.65	10.59	5.83
Sweden	T	2,891	2,656	5,165	7.36	5.74	9.77
Switzerland	T	1,978	1,998	2,162	5.03	4.32	4.09
Japan	T	1,395	1,289	1,212	3.55	2.79	2.29
Finland	T	1,300	673	535	3.31	1.46	1.01
Australia	T	1,251	1,207	2,002	3.19	2.61	3.79
Norway	T	971	1,253	1,023	2.47	2.71	1.94

Source: Trade Data Monitor LLC

Beginning January 2025, Kenyan coffee exports to the European Union (EU) will be subject to the newly introduced EU Deforestation Regulations (EUDR). Under the regulation, European businesses dealing in specified agricultural products, including coffee, must prove their products are not originating from recently deforested land or contributing to deforestation. Sources indicate local producers and trade associations are engaging the GOK to ensure that mapping of coffee land by geographical coordinates, as is required under EUDR, is undertaken before the new requirements take effect.

## Stocks

Posts forecasts Kenya's MY 2024/25 coffee ending stocks at 124,000 bags, a six percent decrease from 132,000 bags in MY 2023/24. Coffee stocks will largely be held by millers, and exporters, while some stocks will be held, in the form of parchment, by farmers and producer co-operatives.

## Attachments:

No Attachments