



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 11/8/2000

GAIN Report #KE0002

Kenya

Coffee

Update Report

2000

Approved by:

Fred Kessel

U.S. Embassy

Prepared by:

Mary Onsongo

Report Highlights:

The 1990/00 coffee year has seen coffee production go up as quality and price have declined. The decline has been occasioned with oversupply in the world market, poor agronomic practices and prolonged drought among others. Presently the sector is in the middle of reforms following the myriad of problems that beset the sector. A coffee (amendment) Bill has been proposed to provide the way forward for the sector.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Nairobi [KE1], KE

Executive Summary [1](#)
Production [1](#)
Consumption [2](#)
Trade [2](#)
Stocks [3](#)
Policy [3](#)
Marketing [3](#)

Executive Summary

Figures issued by the Coffee Board Of Kenya (CBK) put production at 100,148 tonnes as at the last coffee auction in September 2000. This was an upsurge in production as compared to the previous year same time which was 65, 960 tonnes (1998/99). The present production level cannot be sustained and a sharp drop is anticipated given the prevailing low quality and poor prices.

Presently the sector is trapped in a myriad of problems ranging from low farmer and complex, production issues, marketing and policy matters. It is hoped that proposed Coffee Bill will provide an appropriate way forward for the sector.

Production

COFFEE, GREEN

COMMODITY: COFFEE, GREEN (0711100) (K HA) (K TREES K 60 KG BAGS)

BEG. MONTH/YEAR OF MARKETING YEAR: 10/99 10/00 10/01

KENYA REVISED 1999 PRELIM 2000 FORECAST 2001

	OLD	NEW	OLD	NEW	OLD	NEW
					D	
AREA PLANTED	166	166	162	162	0	160
AREA HARVESTED	159	159	155	155	0	155
BEARING TREES	267	267	267	265	0	265
NON BEARING TREES	12	12	12	12	0	12
TOTAL TREE POP.	279	279	280	277	0	277
BEGINNING STOCKS	155	157	160	0	0	0
ARABICA PRODUCTION	1199	1095	1200	1667	0	1000
ROBUSTA PRODUCTION	2	2	0	2	0	2
OTHER PRODUCTION	0	0	0	0	0	0
TOTAL PRODUCTION	1095	0	1200	1669	0	1002
BEAN EXPORTS	0	0	0	0	0	0
ROAST & AMP GROUND IMPORTS	0	0	0	0	0	0
SOLUBLE IMPORTS	3	3	0	3	0	3
TOTAL SUPPLY	1190	810	1190	1669	0	1002
BEAN EXPORTS	1150	805	1056	1669	0	1002
ROAST GRND IMPORTS	0	0	0	0	0	0
SOLUBLE EXPORTS	3	3	3	3	3	3
TOTAL EXPORTS	1150	805	1056	1669	0	1002
ROAST GRND IMPORTS	0	0	0	0	0	0
CONSUMPTION	20	20	20	20	20	20
SOL. DOM IMP	3	3	3	3	3	3
CONSUMPTION	3	3	3	3	3	3
TTL DOM CONS	23	23	23	23	0	23
ENDING STOCKS	110	150	20	0	0	0
TOTAL DISTRIBUTION	1190	810	0	1669	0	1002

As of 25th September 2000 the Coffee Board of Kenya (CBK) reported coffee production of 100,148 tonnes. This includes bookings (1,372 tonnes), unmilled (7,031 tonnes) and clean milled (91,743 tonnes). This is against 65,960 tonnes the previous year. The increase in production could be attributed to the good prices that were realized during the 1997/98 coffee year, carry over from the previous year and natural forces among other factors. This production level cannot be sustained; a 40 percent drop is forecasted by some local analysts given

the present low quality, poor prices, drought and above all the anxiety and unpredictable nature of the on going coffee reforms.

Presently harvesting is on going (main harvest) in the main coffee growing areas. These areas include the slopes of mount Kenya, the Rift Valley and west of the Great Rift Valley. Kenya has experienced a severe drought termed as the worst in recent times. The prolonged drought from the last coffee season to the present season has impacted negatively on quality with farmers harvesting light beans. This has caused most of the coffee to fall under the miscellaneous category of the catalogue (poor quality portion) hitherto a class of late deliveries and ungraded coffee. The Coffee Research Foundation(CRF) has advised that following weather forecasts based on seasonal prediction models from the Kenya Meteorological Department for October - December, farmers should adopt mitigatory measures. Farmers in Central, Rift Valley have been advised to prepare for the high rainfall anticipated.

Generally the sector has been characterized with a decline in performance. The impact has been mainly among the smallholder sector. Coffee trees have been pushed out of the urban areas (i.e Nairobi, Nyeri) as horticulture and residential plots become more lucrative. The continued dramatic decline of the area under coffee in high potential areas of Central province is impacting negatively on production. Nairobi for instance and its environs had beautiful bushes that used to be the hallmark of Kiambu farms and estates. The once well managed farms are being replaced with green houses and residential areas. Farmers' frustrations are demonstrated by increased applications to uproot coffee trees in favor of other enterprises. Interplanting which was a common occurrence among the smallholder sector has spread to the big estates. Little has been done to reverse this trend.

Consumption

The principal markets of Kenya are Germany and the Benelux countries. Other emerging markets include the U.S. as a Speciality/Gourmet market. Initiatives to promote local consumption have been futile as coffee is taken to be exclusively a foreign drink. The high price as compared to other beverages, compounded with religious and medical beliefs have impacted negatively on domestic coffee consumption.

Clear data on the domestic consumption figures are not available. The CBK estimates that about 95 of Kenya coffee is exported.

Trade

Prices

Prices at the auction have been declining. The poor prices have been associated with the oversupply in the world market and low quality coffee that is on offer at the auction among other factors. For the last few weeks the prices at the auction have averaged 50 US\$ per 50 kg bag. Reports from CBK indicate that less than 10 percent of the total coffee on offer at the auction is in the premium class (class 1-3). Kenya coffee is known to be full-bodied, with pointed acidity and a sweet lingering after taste. This characteristic is missing in most of the coffee on offer. Kenyan coffee is reportedly fetching less than the Columbian coffee which is of lower quality in relative terms.

Coffee is among the few commodities that do not adhere to normal supply and demand rules by which prices fall then production is cut. The world is awash with coffee. If this scenario persists it may impact on coffee quality as many farmers become demoralized and stop or neglect the coffee tree. The consequences of rapidly falling prices throughout the 1990s has been a fall in quality of coffee as farmers are unable to implement the recommended agronomic practices. The downward spiral of deteriorating prices and falling quality appear a

scenario to continue. The poor economic returns on coffee and unfilled expectations will tear the sub sector apart if quick action is not taken.

Stocks

The exact stocks withheld by millers and farmers is difficult to tell. Following four successive poor seasons chances of hoarding coffee at the farm level are minimal. Most households are increasingly adopting coping strategies in a bid to mitigate the impact on food insecurity of the prolonged drought. Chances exist of the millers hoarding coffee in anticipation of good prices given the prevailing poor prices.

Policy

The sector has been bedeviled by numerous problems ranging from farmers dissatisfaction, split of cooperatives, mismanagement of coffee bodies and general decline in overall performance. Partial liberalization that has been effected from the early 1990s has not solved the problems as the sector has continued to deteriorate. Recently the GOK intervened as a neutral arbitrator, attempting to find possible solutions for the sector. The sector is presently under GOK control. The GOK in conjunction with CBK are in the process of effecting a new Coffee Act. A draft of the Coffee (amendment) Bill proposes splitting of the marketing, regulatory and research functions hitherto a preserve of the CBK. The millers have always expressed interest in the marketing aspects of the coffee they mill.

The CBK and the Ministry of Agriculture and Rural Development(MOARD) is facilitating proposals for the total liberalization of the sector. It is hoped that if the proposed reforms are effected the sector will likely embrace changes towards boosting production and farmers earnings. The process is slow and turbulent but necessary.

Marketing

The marketing aspects of Kenya coffee have been fragile considering that coffee is a heavily politicized crop. The marketing function has been well spelt out in the proposed Coffee Bill. The cost of marketing has been of pertinent concern as regards coffee profitability. Though profitability is a function of several other factors(i.e cost of production, coffee prices, smooth operation of the supply chain) the marketing charges by CBK have questionable