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Report Highlights:

MY 2021/22 corn and rice production remain flat at 4 million MT and 80,000 MT (for milled rice), respectively. Meanwhile, wheat production is estimated at 350,000 MT, a 16-percent increase due to favorable prices and good weather. Kenya is expected to remain a net importer for corn, wheat, and rice. MY 2021/22 rice consumption is forecast to improve by 8 percent to 700,000 MT as schools and the hospitality sector reopen. MY 2020/21 rice consumption is reduced 14 percent to 650,000 MT due to business closures in major cities related to COVID-19 lockdowns.

Corn:

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

Corn	2019/2020		2020/2021		2021/2022	
Market Year Begins	Jul 2019		Jul 2020		Jul 2021	
Kenya	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	2000	2000	2000	2200		2200
Beginning Stocks (1000 MT)	375	375	239	239		184
Production (1000 MT)	3800	3800	4000	4000		4000
MY Imports (1000 MT)	270	270	400	400		500
TY Imports (1000 MT)	280	280	400	400		500
TY Imp. from U.S. (1000 MT)	0	0	0	0		0
Total Supply (1000 MT)	4445	4445	4639	4639		4684
MY Exports (1000 MT)	6	6	5	5		10
TY Exports (1000 MT)	10	10	5	5		10
Feed and Residual (1000 MT)	300	300	400	450		500
FSI Consumption (1000 MT)	3900	3900	4000	4000		4000
Total Consumption (1000 MT)	4200	4200	4400	4450		4500
Ending Stocks (1000 MT)	239	239	234	184		174
Total Distribution (1000 MT)	4445	4445	4639	4639		4684
Yield (MT/HA)	1.9	1.9	2	1.8		1.8

(1000 HA), (1000 MT), (MT/HA)
MY = Marketing Year, begins with the month listed at the top of each column
TY = Trade Year, which for Corn begins in October for all countries. TY 2021/2022 = October 2021 - September 2022

Production

MY 2021/22 corn production is estimated to remain at 4 million MT due to good weather, steady demand, and stable prices. In MY 2020/21, Kenya reached record production despite COVID-19 disruptions. Small businesses closed in major cities during the pandemic, causing a significant urban-to-rural migration. This movement increased labor supply on large farms, which motivated growers to expand corn acreage. This trend was most impactful in the Western and North Rift Valley regions, which produce 80 percent of the country's output. During the same marketing year, Kenya's infestation of desert locust had a minimal impact on corn production in Northern and Eastern regions. This is reportedly under control by surveillance and use of pesticides by the Government of Kenya (GOK) and the United Nations' Food and Agriculture Organization. Currently, the infestation is not expected to reach key corn producing regions. Kenya's corn sector however suffers from high post-harvest loss, estimated at 30 to 40 percent per year. Sources note that the National Cereals and Produce Board (NCPB) and the private industry are unable to preserve supplies due to inadequate capacity at the farm and community levels.

Policy

Post expects Kenya to maintain its decision to scale down corn purchases through its Strategic Food Reserves (SFR) program from 4 million bags to less than 1 million bags due to inadequate funding for the National Cereals and Produce Board (NCPB). In recent years, NCPB has suffered from budget constraints, limiting its ability to implement programs, such as SFR. Reports note that this move will likely encourage private companies to actively participate in the market. Kenya maintains the right to intervene to protect farmers and consumers from price volatility.

Consumption

MY 2021/22 corn consumption is noted at a record of 4.5 million MT due to a rise in feed demand. Most animal mixes made in Kenya consist of 60 to 80 percent of corn. Dairy and poultry producers, allegedly the largest feed consumers, are expected to increase their corn purchases to help meet rising consumer demand. In recent years, Kenya has become concerned about the rising costs and sustainable supply of corn in the future and has undertaken initiatives to encourage consumers and feed manufacturers to seek alternatives to corn. For example, GOK has asked consumers to diversify their diet by using less corn in food dishes and popular processed products. Meanwhile, feed manufacturers are exploring alternative lower cost, sustainable supply ingredients, such as sorghum and distillers dried grains with solubles (DDGs). So far, these efforts have had minimal results.

Prices

Post estimates that the average MY 2021/22 corn price will hold around Ksh 2,500 (or $23.80) per 90 kg. This is relatively close to the current average MY 2020/21 price of Ksh 2,700 ($24.70) per 90 kg. [Note: The average corn market price typically falls slightly below Kenya's offered price when the SFR program is operational.]

Trade

The MY 2021/22 corn import figure is estimated at 500,000 MT, a 100,000 MT increase from the current MY 2020/21 estimate. Kenya is expected to continue importing from the Common Market for Eastern and Southern Africa (COMESA) and East African Community (EAC) because these groups produce non-genetically modified (GM) white corn. Consumers in Kenya prefer white over yellow corn, and the GOK maintains a food safety measure on GM corn. The food safety measure is not expected to stop imports because it is not a ban. MY 2021/22 exports are mostly corn seeds destined to neighboring countries.

Kenya charges an *ad-valorem* duty of 50 percent for corn imports from non-EAC countries. This is in line with the EAC common external tariff for this commodity. EAC member countries can seek permission to lower tariffs for specific commodities during regional supply shortages, but Kenya is not currently requesting the EAC to lower it. Kenya will likely fill its production gap with imports from EAC. In March 2021, Kenya's Agriculture and Food Authority (AFA) reversed its import ban on Tanzania and Uganda, Kenya's largest corn suppliers, due to the presence of aflatoxin. Instead, AFA has decided to allow corn imports from these countries if they undergo enhanced testing.

Stocks

Post forecasts that MY 2021/22 ending corn stocks will decrease by 5.4 percent to 174,000 MT largely due to reported declines in NCPB purchases.

Wheat:

Table 2: Wheat Production, Supply and Distribution (PSD)

Wheat	2019/2020		2020/2021		2021/2022	
Market Year Begins	Jul 2019		Jul 2020		Jul 2021	
Kenya	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	160	160	150	150		160
Beginning Stocks (1000 MT)	167	167	428	428		268
Production (1000 MT)	320	320	300	300		350
MY Imports (1000 MT)	2500	2500	2200	2000		2400
TY Imports (1000 MT)	2500	2500	2200	2000		2400
TY Imp. From U.S. (1000 MT)	0	0	0	0		100
Total Supply (1000 MT)	2987	2987	2928	2728		3018
MY Exports (1000 MT)	9	9	10	10		10
TY Exports (1000 MT)	9	9	10	10		10
Feed and Residual (1000 MT)	150	150	150	150		180
FSI Consumption (1000 MT)	2400	2400	2450	2300		2400
Total Consumption (1000 MT)	2550	2550	2600	2450		2580
Ending Stocks (1000 MT)	428	428	318	268		428
Total Distribution (1000 MT)	2987	2987	2928	2728		3018
Yield (MT/HA)	2	2	2	2		2.1875

(1000 HA), (1000 MT), (MT/HA)
MY = Marketing Year, begins with the month listed at the top of each column
TY = Trade Year, which for Wheat begins in July for all countries. TY 2021/2022 = July 2021 – June 2022

Production

MY 2021/22 wheat production is estimated at 350,000 MT, a 16.7 percent increase due to expected favorable prices and good weather. Beer consumption declined since the start of COVID-19, lowering the barley price to wheat levels. Local farmers, who substitute these two commodities, note that wheat is becoming more profitable due to Kenya's growing baking sector.

Although Kenya regularly suffers from low production due to droughts, sources forecast favorable weather and slightly higher yields in MY 2021/22. In prior years, Kenya's wheat yields have been low due to seed recycling, wheat stem rust (Ug99) disease, and short-term land leasing practices. Wheat in Kenya is mainly produced by large-scale farms in the regions of Rift-Valley and Mount Kenya.

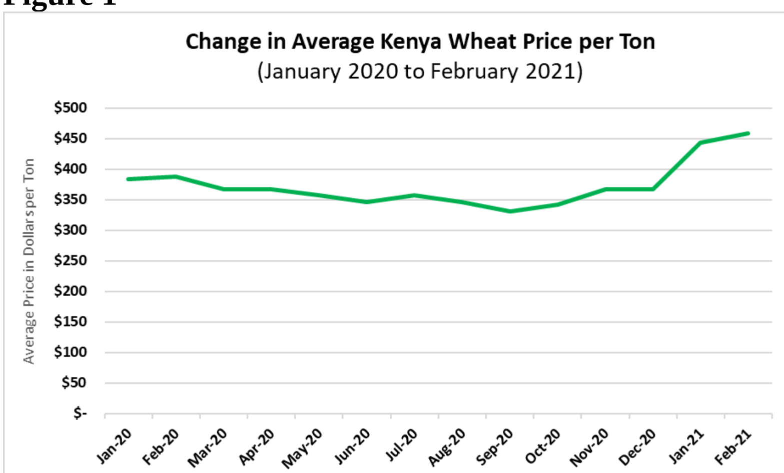
Consumption

MY 2021/22 wheat consumption will likely recover to near pre-COVID-19 levels as Kenya's hotels and food services reopen. The pandemic's first wave severely affected Kenya's tourism and hospitality sectors, the largest consumers of locally made wheat products. Despite first-wave disruptions, Kenya's confectionery and baking sectors fared better during the year as the baking sector and the emergence of various e-commerce platforms spurred consumers to purchase more wheat products. Consumption is also expected to increase due to a rise in the use of wheat for feed. Sources note that feed made from wheat is projected to increase by 30,000 MT in MY 2021/22.

Prices

In 2020, the average wheat price for locally produced remained stable at $360 per MT. Since January 2021, the same wheat price reached $458 per MT (see below chart), due to limited supplies and rising demand. This price is for locally produced wheat, quoted in Ksh. USD prices are computed using average exchange rates which did not impact the level of demand.

Figure 1



Trade

FAS/Nairobi estimates a slight increase in MY 2021/22 wheat imports to near MY 2019/20 levels as local demand increases and shipping normalizes after COVID-19. Kenya is expected to continue importing from traditional sources: the European Union, Russia, Argentina, and Ukraine. Imports from the United States are anticipated to rebound, after dropping to zero in MY 2020/21, as food assistance programs and the U.S.-Kenya certification protocol for Pacific Northwest wheat resume. Few Kenyan wheat supplies are exported to Uganda and South Sudan.

Table 3: Key wheat exporters to Kenya (Year ending June)

Source	Unit	2018	2019	2020
EU 28 External Trade	T	389,964	164,579	681,702
Russia	T	838,276	579,765	579,887
Argentina	T	371,322	234,484	455,679
Ukraine	T	191,156	246,160	300,675
Canada	T	140,330	172,932	110,246
Australia	T	43,766	44,469	46,550
United States	T	83,545	139,093	-

Source: TDM

Policy

Kenya's registered millers enjoy a 10 percent *ad-valorem* tariff for wheat imported from outside East African Community countries. Kenya signed a memorandum of understanding with the Cereal Millers Association (CMA), requiring CMA members to purchase all locally produced wheat before applying for import licenses. All non-registered wheat importers are subject to EAC's common external tariff of 35 percent *ad-valorem.* Wheat flour imports from non-EAC countries are subject to a 50 percent tariff while the tariff for wheat flour imports from within EAC is zero.

Stocks

In MY 2021/22, Kenya's ending stocks for wheat are expected to rebound to 428,000 MT, a level reached in MY 2019/20. Sources note that more wheat will be produced than can be consumed as supply chains reopen after COVID-19 and an influx of rice enters the market. This will result in supply outpacing demand and ending stocks to increase. Private traders and millers hold wheat stocks as GOK does not have any wheat stock programs.

Rice:

Table 4: Rice Production, Supply and Distribution (PSD)

Rice, Milled	2019/2020		2020/2021		2021/2022	
Market Year Begins	Oct 2019		Oct 2020		Oct 2021	
Kenya	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	30	30	30	30		30
Beginning Stocks (1000 MT)	99	99	79	169		149
Milled Production (1000 MT)	80	80	80	80		80
Rough Production (1000 MT)	121	121	121	121		121
Milling Rate (.9999) (1000 MT)	6600	6600	6600	6600		6600
MY Imports (1000 MT)	615	590	630	550		575
TY Imports (1000 MT)	600	575	630	575		600
TY Imp. from U.S. (1000 MT)	0	0	0	0		0
Total Supply (1000 MT)	794	769	789	799		804
MY Exports (1000 MT)	0	0	0	0		0
TY Exports (1000 MT)	0	0	0	0		0
Consumption and Residual (1000 MT)	715	600	725	650		700
Ending Stocks (1000 MT)	79	169	64	149		104
Total Distribution (1000 MT)	794	769	789	799		804
Yield (Rough) (MT/HA)	4.0333	4.0333	4.0333	4.0333		4.0333

(1000 HA) ,(1000 MT), (MT/HA)
MY = Marketing Year, begins with the month listed at the top of each column
TY = Trade Year, which for Rice, Milled begins in January for all countries. TY 2021/2022 = January 2022 - December 2022

Production

MY 2021/22 rice production (both milled and rough) is anticipated to remain flat due to limited production capacity from delayed irrigation schemes. Nearly 100 percent of rice is produced from irrigation schemes where current capacity is full, according to insiders. These schemes cannot be easily expanded, so the industry does not predict higher rice production prospects.

Consumption

Post forecasts an increase in MY2021/22 rice consumption as Kenya's biggest purchasers of rice reopen. In MY 2019/20, rice consumption dropped 14 percent because hotels, restaurants, and schools, which together account for 35 percent of total rice consumption, closed because of COVID-19 lockdowns. The effects of closures in these sectors exacerbated declines in rice demand. In Kenya, rice is unlike other staple grains, such as corn. It is not typically consumed at home but mostly at hotels, restaurants, and schools. In MY 2019/20, demand for rice for humanitarian and relief operations remained strong as COVID-19 had little effect on this sector.

Policy

The future of a GOK program to purchase rice remains uncertain. Last year, in February 2020, the GOK's National Trading Corporation (KNTC) announced a program to support producer prices by increasing the prevailing price of rough rice from Ksh 45/kg ($0.19/lb) to Ksh 85/kg (0.37/lb). Under this program, rough rice will be milled and supplied to local schools and colleges at a discounted price. Shortly after this program's announcement, schools and colleges closed due to ongoing COVID-19 prevention procedures.

Prices

Reliable sources note that the average MY 2021/22 rice price will remain at current MY 2020/21 prices for non-aromatic, milled rice at Ksh 100 per kg ($0.43 USD/lb) and for aromatic, milled rice at Ksh 125 per kilogram ($0.54 USD/lb).

Trade

MY 2021/22 rice production will cover 13 percent of country demand, resulting in a supply deficit met by imports. The MY 2021/22 import figure is noted at 575,000 MT, a gradual increase from the previous year. Pakistan, Thailand, India, Tanzania, and Myanmar continue to be major suppliers to Kenya. Post forecasts that Kenya will resume modest rice exports (mainly blended aromatic and non-aromatic) to landlocked countries like Uganda and South Sudan.

Since 2015, Kenya has been allowed to reduce its rice tariff from non-EAC countries because the country's production does not meet local demand. The current common external tariff on rice that is charged by all EAC countries, except Kenya, is 75 percent *ad-valorem* or $345 per MT (whichever is higher). Rice exports to Kenya from outside EAC are charged a 35 percent *ad-valorem* tariff, or $200 per MT (whichever is higher). The tariff waiver for Kenya is subject to yearly review by the EAC Secretariat, and sources expect it to continue in MY 2021/22. Rice exports to Kenya from other EAC countries enter duty free.

The MY 2020/21 import figure is revised downward because of higher-than-normal stocks and depressed demand since MY 2019/20. In MY 2019/20, exports to Kenya from Thailand dropped 47 percent while exports from India, Tanzania, and Myanmar increased significantly.

Table 5: Key rice exporters to Kenya (Year ending September)

Source country	**Unit**	**2018**	**2019**	**2020**
Pakistan	T	356,665	382,955	389,028
Thailand	T	158,822	168,931	90,108
India	T	23,005	21,526	41,337
Tanzania	T	1,552	3,031	37,345
Myanmar	T	625	260	31,776

Source: TDM

Stocks

FAS/Nairobi forecasts a decrease in MY 2021/22 rice ending stocks. This decline is largely due to a rebound in consumption. Post believes stocks will likely decline as consumption returns to normal levels, reducing higher-than-normal stocks during the previous two years. COVID-19 disruptions discouraged rice consumption in MY 2019/20, significantly increasing stocks. Stocks are held by private traders in Kenya.

Attachments:

No Attachments