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## Kenya

## Tree Nuts

## Kenya Annual Tree Nut Report

**2005**

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**Report Highlights:**

Post estimates an increase in tree nut production (primarily cashew nuts) as strong demand and much-improved farm gate prices cause producers to increase planted area and rehabilitate existing orchards.

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
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Nairobi [KE1]  
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## Production

Kenya Nut Company (KNC) the leading processor of macadamia nuts estimates production at 7,141 tons nut in shell (NIS) for MY 2004. A minimal 2 % increase is forecast for 2005. The production increase is attributed to improved crop husbandry and prices.

Macadamia production is typically a smallscale enterprise characterized by individual farmers owning 5 – 100 trees of various ages, under a wide range of husbandry standards. KNC has its own nuclear estate (pure stand) and has yields exceeding those of the smallscale farmers. The smallscale farmers intercrop with coffee and food crops (mainly corn, potatoes and beans). Powdery mildew has become a problem in several growing districts increasing production costs and reducing yields.

**Table 1: Area, Tree and Nut Production (Wet in Shell Basis)**

<b>PSD Table</b>						
<b>Country</b>	<b>Kenya</b>					
<b>Commodity</b>	<b>Macadamia, Inshell Basis</b>				(HA)(1000 TREES)(MT)	
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
<b>Market Year Begin</b>		03/2004		03/2005		03/2006
Area Planted	8200	8200	8300	8300	0	8400
Area Harvested	7000	7000	7000	7000	0	7200
Bearing Trees	1600	1600	1600	1600	0	0
Non-Bearing Trees	300	300	300	300	0	0
Total Trees	1900	1900	1900	1900	0	0
Beginning Stocks	700	700	837	837	946	1000
Production	6500	6500	7300	7141	0	7300
Imports	0	0	0	0	0	0
<b>TOTAL SUPPLY</b>	7200	7200	8137	7978	946	8300
Exports	6030	6030	6814	6500	0	7000
Domestic Consumption	333	333	377	478	0	400
Ending Stocks	837	837	946	1000	0	900
<b>TOTAL DISTRIBUTION</b>	7200	7200	8137	7978	0	8300

## Macadamia Yield and Area

Macadamia trees bear fruit after three years. The average yield from a mature tree is estimated at 10 kg/year. Nuts are harvested from end of October to January with a smaller harvest-taking place in February and March. Several new processors are competing with KNC, strengthening the price of nuts to between Ksh 60 – 70 per kg.

Most of the trees are very old and neglected, resulting in low yields. The area under macadamia production is forecast to increase from 8,000 hectares to about 8,300 hectares in

2005. Of this total KNC has 1,200 hectares with 120,000 bearing trees and 70,000 non-bearing trees.

New interest from coffee farmers has increased demand for planting material. KNC produces grafted seedlings for own nuclear estate use and for sale to other producers. KNC is increasing area under production causing a shortage of planting material.

### **Macadamia Price and Quality**

Due to prevailing high prices farmers are harvesting immature nuts (shaking the trees) and delivering them to processing companies with very high moisture content. Most of the small processing companies have no drying equipment; consequently the nuts are developing molds and impacting negatively on quality.

KNC the only processor with drying equipment purchases nuts from farmers with 10 % moisture content. They dry the nuts to 2-3 % before cracking them. However due to prevailing high prices being offered by competitors they are buying nuts with 25 % moisture content. KNC is considering contracting farmers to improve quality and stabilize prices.

### **Consumption and Marketing**

The nuts are collected, processed and packed by various processing companies for both domestic and international markets. Macadamia nuts and by products have multiple uses. The fresh or salted kernels are used for deserts, snacks, confectionaries, ice cream and chocolate making. The macadamia oil is used for salad dressing, cooking, cosmetics or soap manufacturing. The cake is used for livestock feed, the hard shells are used as fuel and the wood produces timber.

### **Domestic Market**

Domestic consumption is estimated at 50 tons of kernel. KNC has branded their domestic products Nutfields which are usually roasted and sold in supermarkets, hotels and other retail outlets. Macadamia nuts are considered a luxury and are mainly consumed by the higher income earners.

Other processing companies process for domestic consumption and occasionally export to neighboring countries (Rwanda, Uganda and Burundi).

### **International Markets**

KNC international products are branded 'Out of Africa'. KNC supplies airlines (Kenya Airways and British Airways), a move that might impact exports. KNC is aggressively marketing its products in the U.S. and other emerging markets to increase and maintain demand amidst growing competition.

### **Trade**

### **Macadamia Export**

Macadamia exports for 2004 are recorded at 1,187 tons of processed kernels. For the second year in a row exports to the U.S. surpassed those to Japan the traditional market for Kenyan nuts.

**Table 2: Kenya Nut Company Exports of Macadamia Kernels**

Year/Country	2002	2003	2004	Expected 2005
Japan	698	365.5	448	300
USA	177	507	473	600
Europe	233	146	195	400
Canada	0	135	13	50
Australia	0	53.5	58	150
<b>Total</b>	<b>1,108</b>	<b>1,207</b>	<b>1,187</b>	<b>1,500</b>

**Table 3: Export Destinations and Earnings for 2004 – By Kenya Nut Company.**

	Quantity	Value	Price/Ton
	Tons	Million (kshs)	Ksh/ton
Japan	448	277.8	468,000
USA	473	293.8	468,000
Europe	195	120.9	468,000
Canada	13	8.1	468,000
Australia	58	35.9	468,000

**Table 4: Kenya Nut Company Supply and Distribution of Macadamia Kernels (tons)**

Year	2002	2003	2004	2005
Production (in shells)	6,400	6,500	7,141	7,300
Conversion rate %	18	19	20	20
Beginning Stocks	126	126	225	389
Production Kernels	1,152	1,356	1,401	1,460
Total Kernels	1,278	1,482	1,626	1,849
Exports	1,108	1,207	1,187	1,500
Dom. Consumption	44	50	50	50
Ending Stocks	126	225	389	249
Total Distribution	1,278	1,482	1,626	1,849

The growth of the macadamia nut industry has been slow. Kenya's domestic demand for macadamia and nuts is prohibited by lack of awareness on the nutritional importance and declining economy (lack of purchasing power or in some instances prohibitive prices).

### Policy

In the recent past, cost of crop production has risen considerably due to the rising cost of inputs (fertilizers, pesticides, seeds etc). Interest rates though coming down, are still beyond the reach of many farmers and commercial banks require securities that most farmers do not have. The above limits smallscale farmers' ability to expand production.

### Cashew nut production

Cashew nuts are mainly grown in Kwale, Kilifi, Malindi, Lamu and Mombasa Districts and to a lesser extent Tana River and Taita Taveta districts. Total area under production has declined from 38,000 hectares in the late 1980's to 29,950 hectares (2003, Ministry of Agriculture estimate). The decline is attributed to low prices, poor management of the orchards and other market constraints. However, prices have increased from a low of ksh 17 to a high of

ksh 70. The improved price coupled with increased demand from the processing companies has led to orchard rehabilitation and increased area.

### Production Constraints

The main constraints include lack of drought resistant, high yielding and early maturing varieties; along with the presence of powdery mildew disease, red ants and anthracnose in orchards.

### Cashew Nut Marketing and Processing

Marketing and processing of the cashew nut crop was in the hands of a few cooperative societies until 1975 when a government run processing plant with 15,000 tons per year capacity was built at Kilifi. The factory was privatized in 1993 but was placed under receivership in 1997 and finally closed in 1998. It has since been reopened under new management (Millennium Management Limited). Currently the marketing of cashew nuts is liberalized and traders involved in marketing include, exporters of raw nuts mostly to India; processors namely KNC, Millennium Management Limited, Wondernut Limited, Bixa Kenya Limited and small scale processors (cottage operations). They sell locally and also export processed nuts to the U.S. and other destinations. Informed sources estimate demand at 50,000 tons, which is creating incentive for increased production.

### Cashew Nut Imports to the U.S. from Kenya (MT)

COMMODITY/YEAR	2000	2001	2002	2003	2004
CASHEWNUT, SHL	32.4	79.3	140.6	139.0	262.5
CASHEWNUT, N/S	0.0	0.0	0.0	0.0	1.9
CSHWS, PREP,PRES	0.0	15.9	0.0	0.0	0.0
TOTAL QUANTITY	32.4	95.2	140.6	139.0	264.4

Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

### Total Tree Nut Exports From the U.S. to Kenya

COMMODITY/YEAR	2000	2001	2002	2003	2004
ALMONDS, PRE/PRS	0.0	0.0	0.0	1.1	14.3
ALMDS,FR/DRD/SH	16.8	33.3	16.8	28.5	0.0
MIX NUT,PR/PRES	3.9	0.0	0.0	0.0	0.0
TOTAL QUANTITY	20.7	33.3	16.8	29.5	14.3

Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics