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Report Name: Sugar Annual

Country: Kenya

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Report Highlights:

Kenya's sugar production is expected to increase in marketing year (MY) 2021/22 due to good weather, better agronomic and harvesting practices, and increased investments in mills. During the same period, consumption is forecast to rebound as hotels and restaurants reopen after COVID-19. Meanwhile, sugar imports are forecast to decrease following the capping of an import quota on sugar by the Government of Kenya (GOK) in January 2021. This event is also expected to lead to higher ending stocks in MY 2020/21.

Production, Supply, and Distribution (PSD)

Sugar, Centrifugal	2019/2020		2020/2021		2021/2022	
Market Year Begins	May 2019		May 2020		May 2021	
Kenya	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	441	441	506	506		551
Beet Sugar Production (1000 MT)	0	0	0	0		0
Cane Sugar Production (1000 MT)	475	475	450	600		650
Total Sugar Production (1000 MT)	475	475	450	600		650
Raw Imports (1000 MT)	333	333	150	150		100
Refined Imp.(Raw Val) (1000 MT)	257	257	200	245		150
Total Imports (1000 MT)	590	590	350	395		250
Total Supply (1000 MT)	1506	1506	1306	1501		1451
Raw Exports (1000 MT)	0	0	0	0		0
Refined Exp.(Raw Val) (1000 MT)	0	0	0	0		0
Total Exports (1000 MT)	0	0	0	0		0
Human Dom. Consumption (1000 MT)	1000	1000	950	950		1000
Other Disappearance (1000 MT)	0	0	0	0		0
Total Use (1000 MT)	1000	1000	950	950		1000
Ending Stocks (1000 MT)	506	506	356	551		451
Total Distribution (1000 MT)	1506	1506	1306	1501		1451
(1000 MT)						

Production

Sugar production is expected to increase by 8 percent in MY 2021/22 to 650 thousand MT due to an increase in sugarcane yields. In recent years, GOK and the private sector have invested heavily in enhancing mills. Additionally, favorable rains are projected for sugar growing regions in MY 2021/22. These events along with the maturation of new sugarcane plantations in non-traditional growing counties such as Trans-Nzoia, Uasin Gishu, and Narok are expected to increase production. Production is also expected to increase due to improved agronomic practices and prompt sugarcane harvesting. Sugarcane harvesting has greatly improved in recent years in Kenya due to mechanized harvesting and a higher labor supply. Kenya's Sugar Research Institute (SRI) reports that plantations in non-traditional areas produced sugarcane yields of up to 140 MT/Ha compared to traditional ones which produce an average of 90 MT/Ha. SRI also reports that sugarcane production increased by 48 percent from CY 2019 to CY 2020, increasing from 4.6 to 6.8 million MT.

Total area harvested in the same period increased by 25 percent from 71,935 to 89,803 hectares. In recent years, some private mills have expanded their cane buying operations into zones that were previously reserved for state-owned ones. GOK sources also indicate that several private investors are also looking to open new mills in Siaya, Kilifi, Kisii, Uasin Gishu, and Tana River counties. Currently, private mills make up 74 percent of total sugar production in Kenya and tend to be attractive to farmers due to their high operational efficiency. Kenya does not produce refined sugar.

Consumption
Sugar consumption is expected to increase by 5 percent in MY 2021/22 to 1 million MT as hotels and restaurants re-open following COVID-19. In MY 2020/21, sugar consumption in food and beverage manufacturing has remained stable as reflected by steady imports of refined sugar. Sugar consumption at the household level is also expected to recover as businesses re-open and household incomes increase.

Imports
Sugar imports are forecast to decrease by 37 percent in MY 2021/22 to 100 thousand MT due to import restrictions. During this period, Kenya is expected to impose restrictions on sugar imports to stabilize sugarcane prices via the price of locally produced sugar. Higher-than-average ending stocks in MY 2020/21 were considered in this projection, and the bulk of imports will remain largely from the Common Market for Eastern and Southern Africa (COMESA) countries.

In December 2020, COMESA granted Kenya a two-year extension of a sugar import safeguard which began in March 2021 and lasts until February 2023. To maintain the safeguard, Kenya is required to share with other COMESA member states how it calculates its projected sugar deficit and prioritize imports from COMESA in offsetting the deficit. COMESA also requires Kenya to meet other conditions to maintain the safeguard. This includes providing COMESA a detailed roadmap on how it intends to enhance its sugar sector competitiveness during the extended safeguard period; ensuring that the issuance process for import permits is transparent, fast, and efficient; and sending COMESA a projected deficit in January of each year which uses production and consumption data. Additionally, Kenya is required to disaggregate the World Customs Organization Harmonized System (HS Codes) for refined white sugar and raw sugar. The safeguard only applies to raw sugar.

Kenya assesses a duty on unrefined sugar imports from Non-COMESA and East African Community (EAC) countries at 100 percent *ad varolem.* Refined sugar is assessed at 10 percent *ad varolem* and administered by the Tax Remission for Exports Office (TREO). TREO is a GOK program that promotes export manufacturing for key exporters of sugar to Kenya from non-COMESA countries such as India, Thailand, and Guatemala.

Early this year, GOK capped duty-free sugar imports from COMESA at 210,163 MT of raw sugar and 150,000 MT of refined sugar because it expects local production to increase.

Key Sources of Kenya's Sugar Imports in MT (2018-2020)

Source Country	2017	2018	2019	2020
Eswatini	4,600	64,974	28,780	78,217
Zimbabwe	26,900	29,220	56,662	72,891
Mauritius	42,568	90,307	98,341	69,439
Egypt	137,936	86,518	56,252	68,243
Uganda	63,474	7,564	71,216	60,699
Zambia	6,191	23,949	36,534	54,294
Malawi	2,997	-	10,299	50,873

Source: Trade Data Monitor

Prices

The average retail price of sugar is expected to decrease in MY 2021/22 due to higher supply. This is mainly because ending stocks in MY 2020/21 were higher than normal and production is expected to increase in 2021/22. These events are expected to increase the amount of sugar in the market and reduce its overall price. Industry sources note that prices will likely drop from the current average of Ksh 112/kg ($1,032 per MT) to about Ksh 105/kg ($963 per MT).

The average ex-mill price of locally produced sugar is Ksh 84 per kg ($770 per MT), while the average landed cost of imported sugar at the Port of Mombasa is is Ksh 60 per Kg ($550 per MT), making locally produced sugar less competitive compared with imports.

At the farm level, sugar cane prices are determined and set by GOK's Sugarcane Pricing Committee (SPC). Currently, SPC has approved a price of Ksh 4,040 ($37.06) per MT of cane.

Policies

In July 2020, GOK started a revitalization program to make the sugar industry more efficient, diversified, and competitive. Under the program, GOK committed to write-off all debt and tax liabilities owed to the Government for state mills and growers by June 30, 2009. Under the program, GOK also intends to lease five state-owned mills on long-term leases to parties who agree to re-develop them. As a condition for redevelopment, lessees will have to commit to raising incomes for farmers and increasing profits at the mill by diversifying the production of ethanol, co-generating electricity, and producing other value-added products such as industrial- and pharma-sugar. GOK has also published new regulations to strengthen regulatory measures in the sugar sector.

Stocks

Ending sugar stocks are forecast to decrease by 18 percent in MY 2021/22 to 451 thousand MT due to lower supply and increased consumption. GOK does not operate a stock-holding program for sugar. Instead, all stocks are held by millers, importers, and traders.

Attachments:

No Attachments