

**Required Report:** Required - Public Distribution

**Date:** April 19, 2022

**Report Number:** KE2022-0004

## **Report Name:** Sugar Annual

**Country:** Kenya

**Post:** Nairobi

**Report Category:** Sugar

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### **Report Highlights:**

Post forecasts Kenya's sugar production will decrease 4 percent in marketing year (MY) 2022/23 from 690,000 metric tons (MT) to 660,000 MT due to lower sugarcane yields as high fertilizer prices trigger lower application. MY 2022/23 consumption is forecast to increase 5 percent to 1.15 million metric tons (MMT) as consumers return to Kenya's hospitality and restaurant sectors following the removal of COVID-19 restrictions. Post forecasts Kenya's imports will rise from 375,000 MT in MY2021/22 to 500,000 MT in MY 2022/23 to offset lower production and to supply higher consumer demand. A sugarcane production, supply, and distribution (PSD) table is included for the first time.

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

Sugar, Centrifugal Market Year Begins	2020/2021		2021/2022		2022/2023	
	May 2020		May 2021		May 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Kenya</b>						
<b>Beginning Stocks</b> (1000 MT)	506	202	551	253		218
<b>Beet Sugar Production</b> (1000 MT)	0	0	0	0		0
<b>Cane Sugar Production</b> (1000 MT)	600	600	650	690		660
<b>Total Sugar Production</b> (1000 MT)	600	600	650	690		660
<b>Raw Imports</b> (1000 MT)	150	190	100	25		125
<b>Refined Imp.(Raw Val)</b> (1000 MT)	245	261	150	350		375
<b>Total Imports</b> (1000 MT)	395	451	250	375		500
<b>Total Supply</b> (1000 MT)	1501	1253	1451	1318		1378
<b>Raw Exports</b> (1000 MT)	0	0	0	0		0
<b>Refined Exp.(Raw Val)</b> (1000 MT)	0	0	0	0		0
<b>Total Exports</b> (1000 MT)	0	0	0	0		0
<b>Human Dom. Consumption</b> (1000 MT)	950	1000	1000	1100		1150
<b>Other Disappearance</b> (1000 MT)	0	0	0	0		0
<b>Total Use</b> (1000 MT)	950	1000	1000	1100		1150
<b>Ending Stocks</b> (1000 MT)	551	253	451	218		228
<b>Total Distribution</b> (1000 MT)	1501	1253	1451	1318		1378
(1000 MT)						

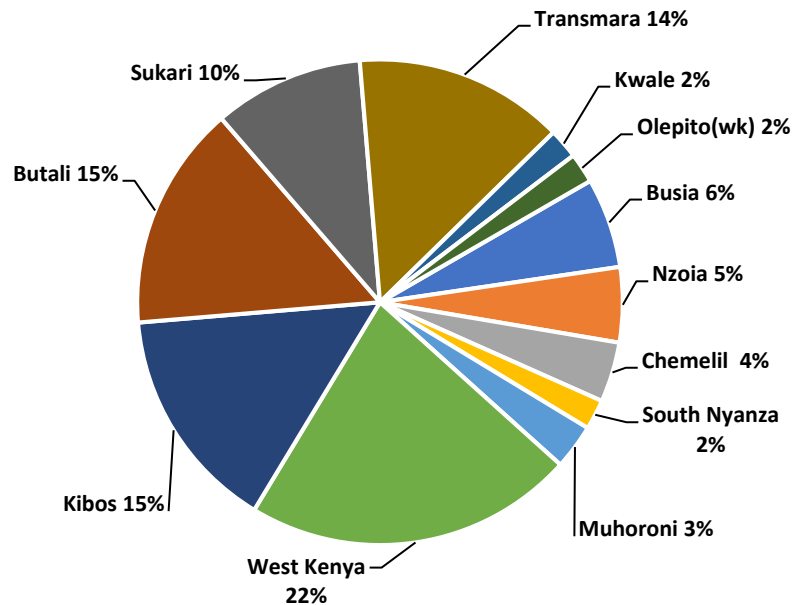
**Table 2: Sugarcane Production, Supply, and Distribution (PSD)**

Sugar Cane for Centrifugal Market Year Begins	2020/2021		2021/2022		2022/2023	
	May 2020		May 2021		May 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Kenya</b>						
<b>Area Planted</b> (1000 HA)		238		245		252
<b>Area Harvested</b> (1000 HA)		203		209		215
<b>Production</b> (1000 MT)		12360		12520		11600
<b>Total Supply</b> (1000 MT)		12360		12520		11600
<b>Utilization for Sugar</b> (1000 MT)		12360		12520		11600
<b>Utilization for Alcohol</b> (1000 MT)		0		0		0
<b>Total Utilization</b> (1000 MT)		12360		12520		11600
(1000 HA) ,(1000 MT)						

## Production

Sugar production is forecast to decrease by 4 percent in MY 2022/23 to 660,000 MT due to lower sugarcane yields caused by higher fertilizer prices which will limit fertilizer application. At the time of this report, fertilizer prices were Ksh 6,000 (\$53) per 50kg bag, a 71 percent increase from the previous year's Ksh 3,500 (\$31) per bag. For MY 2021/22, Post has revised its sugar production up to 690,000 MT from 650,000 MT due to maturation of sugarcane plantations in new areas.

**Figure 1: 2021 Share of Total Sugar Production by Mill\***



\*Note: In addition to the 12 mills listed above, Kenya has three additional mills. Two of these were not operational in 2021. The other mill first launched operations in 2021. Nzoia, Mchoroni, South Nyanza, and Nzoia are public mills. The remaining mills listed above are privately owned.

MY 2022/23 sugarcane area harvested is forecast to increase 3 percent from 209,000 to 215,000 hectares, due to new plantations in Transnzoia and Narok counties. For many farmers in these areas, sugar has become a more attractive option than maize due to lower labor requirements and guaranteed farmgate prices and sales through contracts with mills. Sources note that private mills are expanding into zones that were previously reserved for state-owned operations. In the long term, this will likely improve Kenya's sugarcane yields and processing efficiency. Kenya's Sugar Research Institute (SRI) reports that new private sector-supported sugarcane plantations produce up to 140 MT/HA of cane compared to yields of 90 MT/HA in traditional areas serviced by public mills. This difference in yields is largely due to better harvesting practices and lower transportation losses in farms contracted with private sector mills. Private sector mills also tend to provide more robust extension services than public mills. Additionally, private mills convert sugarcane to sugar at a more efficient rate, averaging a cane to sugar ratio of 10:1 compared to 18:1 in public mills. Industry sources indicate that private investors are looking to open new mills in Siaya, Kilifi, Kisii, Uasin Gishu, and Tana River counties, although these mills are unlikely to be operational in MY2022/23. Private mills make up nearly 80 percent of total sugar production and account for 9 of Kenya's 13 operational mills as of the time of this report.

## Consumption

MY 2022/23 sugar consumption is forecast to increase 5 percent to 1.15 million MT as consumers return to the restaurant and hospitality sectors following the lifting of COVID-19 restrictions. MY 2022/23 is on track to be the first year post-COVID without significant pandemic-related restrictions on economic activity. In October 2021, the Government of Kenya (GOK) lifted a curfew which limited the operating hours of restaurants. The GOK has since lifted most COVID-19 prevention measures. Domestic and international travel is also expected to increase given Kenya's low COVID-19 infection rates, increasing demand for sugar in Kenya's hospitality sector. The GOK estimates that revenue from the tourism sector will increase 18.5 percent year-on-year in 2022. Kenya's overall economy is anticipated to recover, providing consumers with higher available incomes for sugar-based products. According to the IMF, Kenya's GDP is projected to increase 6 percent in 2022, resuming its pre-COVID growth. Finally, Kenya's population continues to rise at roughly 2 percent per year, providing a steady increase in consumer demand.

## Imports

MY 2022/23 imports are forecast to reach 500,000 MT from 375,000 MT in MY 2021/22 due to rising demand and lower domestic production. With the exception of Saudi Arabia, most of Kenya's imports are from Common Market for Eastern and Southern Africa (COMESA) countries. Mauritius, Uganda, Saudi Arabia, and Eswatini are the top sugar suppliers to Kenya (Table 3).

**Table 3: Key Sources of Sugar Imports in MT (Calendar Year 2019-2021)**

Source Country	Unit	Amount			Market Share(%)		
		2019	2020	2021	2019	2020	2021
Mauritius	MT	103,436	66,257	96,799	17.45	14.92	22.67
Uganda	MT	62,560	28,109	70,509	10.55	6.33	16.51
Saudi Arabia	MT	33,334	36,062	62,237	5.62	8.12	14.57
Eswatini	MT	69,243	47,324	58,724	11.68	10.65	13.75
Egypt	MT	86,113	41,614	58,026	14.52	9.37	13.59
Zambia	MT	51,168	20,277	25,682	8.63	4.56	6.01
Zimbabwe	MT	72,957	88,090	16,951	12.31	19.83	3.97

Source: Trade Data Monitor

In 2022, the Sugar Directorate of Kenya's Agriculture and Food Authority limited imports of raw sugar from all countries to an annual limit of 180,000 MT. This ceiling is enforced through the issuance of import permits. Under this policy, once the limit is reached, no further import permits are issued.

Kenya grants preferential tariffs to COMESA countries. Imported raw and refined sugar is subject to a common tariff of 100 percent. However, raw and refined sugar from COMESA countries can enter Kenya duty-free up to an annual safeguard quota of 350,000 MT. Imports from COMESA countries in excess of this quota are subject to the common 100 percent import duty.

Additionally, Kenya permits refined sugar from any source to enter at a discounted 10 percent tariff if it is used in domestic manufacturing of goods for export. This preferential rate is available through Kenya's Tax Remission for Exports Office (TREO). While Kenya does not export significant amounts of sugar, this policy supports exports of goods that use sugar as a raw ingredient.

### **Prices**

For raw sugar, according to Kenya's Sugar Research Institute, the average ex-mill price of locally produced raw sugar is roughly \$800 per MT, while the average landed cost of imported raw sugar at the Port of Mombasa is \$600 per MT.

For refined sugar, retail prices are expected to rise in MY 2022/23 due to lower domestic supplies and higher demand. Industry sources report that retail prices for refined sugar will likely increase towards Ksh 140/kg (\$1,239 per MT) by July 2022, up from an average of Ksh 120/kg (\$1062 per MT) in April 2022.

Farmgate prices for sugarcane are set by the GOK's Sugarcane Pricing Committee (SPC). Cane prices are currently set at \$37.06 per MT.

### **Policies**

In 2020, the GOK announced a revitalization policy for Kenya's sugar industry. Under this program, the GOK committed to write-off debt and tax liabilities for sugar mills accrued up to June 30, 2009. The GOK also stated that it plans to lease five state-owned mills to the private sector for refurbishing. Under these leases, the private sector would pay farmers higher prices and diversify into ethanol production and other value-added products, such as industrial and pharmaceutical sugar. This program has yet to gain traction. To date no mills have been leased to the private sector.

### **Stocks**

Ending sugar stocks are forecast to remain steady at 228,000 MT as higher imports offset a decline in domestic production. The GOK does not operate a stock-holding program for sugar; all stocks are held by millers, importers, and traders.

**Attachments:**

No Attachments