United States Department of Agriculture
Foreign Agricultural Service

GAIN
Global Agricultural Information Network

**Required Report:** Required - Public Distribution

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# **Report Name:** Sugar Annual

**Country:** Kenya

**Post:** Nairobi

**Report Category:** Sugar

**Prepared By:** Kennedy Gitonga and Matthew Snyder

**Approved By:** Ryan Scott

**Report Highlights:**

Kenya's sugar production is expected to decline in MY 2023/24 to 650,000 metric tons (MT) due to lower area harvested as Kenya farmers prematurely harvest sugar cane in MY 2022/23 to meet Kenya's increasing milling demand. MY 2023/24 consumption is anticipated to increase marginally as high sugar prices and inflation slow consumer demand growth.

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

| Sugar Cane for Centrifugal | 2021/2022 | | 2022/2023 | | 2023/2024 | |
|---|---|---|---|---|---|---|
| Market Year Begins | Sep 2021 | | Sep 2022 | | Sep 2024 | |
| Kenya | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| **Area Planted** (1000 HA) | 245 | 245 | 252 | 252 | | 245 |
| **Area Harvested** (1000 HA) | 209 | 209 | 215 | 230 | | 190 |
| **Production** (1000 MT) | 12520 | 12520 | 11600 | 12900 | | 10800 |
| **Total Supply** (1000 MT) | 12520 | 12520 | 11600 | 12900 | | 10800 |
| **Utilization for Sugar** (1000 MT) | 12520 | 12520 | 11600 | 12900 | | 10800 |
| **Utilization for Alcohol** (1000 MT) | 0 | 0 | 0 | 0 | | 0 |
| **Total Utilization** (1000 MT) | 12520 | 12520 | 11600 | 12900 | | 10800 |
| (1000 HA) ,(1000 MT) | | | | | | |

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

| Sugar, Centrifugal | 2021/2022 | | 2022/2023 | | 2023/2024 | |
|---|---|---|---|---|---|---|
| Market Year Begins | May 2021 | | May 2022 | | May 2023 | |
| Kenya | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| **Beginning Stocks** (1000 MT) | 230 | 230 | 218 | 215 | | 190 |
| **Beet Sugar Production** (1000 MT) | 0 | 0 | 0 | 0 | | 0 |
| **Cane Sugar Production** (1000 MT) | 700 | 700 | 715 | 790 | | 650 |
| **Total Sugar Production** (1000 MT) | 700 | 700 | 715 | 790 | | 650 |
| **Raw Imports** (1000 MT) | 25 | 24 | 125 | 15 | | 25 |
| **Refined Imp.(Raw Val)** (1000 MT) | 350 | 361 | 375 | 320 | | 450 |
| **Total Imports** (1000 MT) | 375 | 385 | 500 | 335 | | 475 |
| **Total Supply** (1000 MT) | 1305 | 1315 | 1433 | 1340 | | 1315 |
| **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) | 1087 | 1100 | 1198 | 1150 | | 1160 |
| **Other Disappearance** (1000 MT) | 0 | 0 | 0 | 0 | | 0 |
| **Total Use** (1000 MT) | 1087 | 1100 | 1198 | 1150 | | 1160 |
| **Ending Stocks** (1000 MT) | 218 | 215 | 235 | 190 | | 155 |
| **Total Distribution** (1000 MT) | 1305 | 1315 | 1433 | 1340 | | 1315 |
| (1000 MT) | | | | | | |

**Production**
Post anticipates MY 2023/24 sugar production will decline to 650,000 metric tons (MT) from 790,000 MT the year before due to shortages of mature sugarcane. According to local sources, in 2022 farmers are harvesting cane prematurely to meet high demand from sugar mills. This premature harvest will decrease available sugarcane in MY 2023/24. As a result, Post anticipates that MY 2023/24 area harvested for sugarcane will fall 16 percent to 190,000 tons. Additionally, area planted is expected to decline to historical levels as farmers who switched from corn to sugar in MY2022/23 return to corn due to soaring corn prices.  Low domestic corn production due to drought conditions and high fertilizer prices caused MY 2022/23 corn prices to nearly double year-on-year, reaching a record high of $533 per MT. This price spike has made corn more attractive to farmers in areas that can produce both corn and sugar. Sugar farmgate prices are set by the Government of Kenya (GoK) and remain unchanged from the year before at $37.06 per MT.

Yields for sugarcane vary significantly by region, with farms in Narok producing up to 160 tons per hectare, while farms in the Bungoma region typically produce between 60 to 80 tons per hectare. These differences in yields are largely due to high soil acidity in traditional growing areas such as Bungoma where overapplication of fertilizer has negatively impacted soil health. By contrast, new fields in areas such as Narok tend to have better soil pH levels. Post forecasts MY2023/24 yields will remain largely unchanged from MY2022/23 as similar production conditions are likely to prevail in both years. In the long run, yields in Kenya may increase as new investment in Narok brings more high-yielding farmland under sugar production, however this dynamic is not expected to affect MY 2023/24 as new sugar plantations take several years to mature.

Kenya's sugar mills consist of a mix of public and private facilities. Currently, there are 16 operational mills, 12 of which are privately owned and operated. Private mills tend to have better cane-to-sugar conversion rates as they have modern harvesting, handling, and processing equipment which is better maintained. Local sources indicate that some private sector mills achieve cane-to-sugar rates of 9.5 to 1, compared to rates of 18 to 1 in public mills.

Private investment in Kenya's milling facilities has increased over time. In February 2022, the new Naitiri Mill launched operations in Bungoma County. According to Kenya's Agriculture and Food Authority, there are six new private mills under development in Kenya, with one expected to start processing in 2023 and two others likely to launch in 2024. According to local sources, this increased investment in mills has driven up competition for available sugarcane, resulting in premature harvests.

*Changes to MY 2022/23*

Post revises MY 2022/23 sugar production up to a record of 790,000 MT, reflecting reported higher area harvested as farmers prematurely harvest cane. Post estimates area planted increased roughly 3 percent has farmers in Transnzoia switched production from corn to sugar.

**Consumption**
MY 2023/24 consumption is expected to marginally increase 10,000 MT to 1.16 million MT from MY 2022/23.  Kenya's consumption has increased steadily over time in tandem with population and income

growth. However, Post anticipates high prices and inflation will slow demand in MY 2023/24. Sugar prices in Kenya increased in MY 2022/23, reflecting a global price trend. As of April, 2023 sugar retail prices stand at $1.13 per kg, compared to $0.92 per kg during the same month in 2022. Additionally, inflation has decreased purchasing power, and is expected to worsen in 2023. According to the IMF, Kenya's inflation reached 7.7 percent in 2022 and will increase to 7.8 percent in 2023.

*Changes to MY 2022/23*

Post maintains its prior MY 2022/23 consumption forecast of 1.15 million MT. Sugar consumption in MY 2022/23 increased 50,000 MT from the year before as Kenya's hospitality, tourism, and industrial sectors recovered from COVID-19- related restrictions. MY 2022/23 was the first full marketing year in Kenya with no significant pandemic-related economic restrictions. The GoK lifted most COVID-19 prevention measures in 2021, including curfew hours for restaurants.

**Imports**

Sugar imports in MY 2023/24 are forecast to increase 150,000 MT to 475,000 MT to offset anticipated declines in domestic production. Kenya has historically sourced the bulk of its imports from Common Market for Eastern and Southern Africa (COMESA) countries as these countries enjoy duty-free access to Kenya's market up to an authorized quota. For 2023, COMESA countries can export up to 282,000 MT duty-free to Kenya under a safeguard mechanism until September 2023. Kenya applies a 100 percent tariff on raw and refined sugar from outside the COMESA region, except for refined sugar that is imported to support export manufacturing, which can enter at a 10 percent rate under Kenya's Tax Remission for Exports Office (TREO) program.

In MY2022/23, Kenya permitted duty-free access for up to 100,000 MT of sugar from non-COMESA countries until March 31, 2023, as COMESA countries could not provide sufficient sugar exports to cover Kenya's duty-free quota. The extension of duty-free access to non-COMESA countries triggered increased imports from non-traditional sources such as Thailand, which accounted for 20 percent of Kenya's sugar imports in 2022.

**Table 3: Key Sources of Kenya's Sugar Imports in MT (CY 2020-2022)**

| Country | Unit | 2020 | 2021 | 2022 | 2020% | 2021 | 2022 |
|---|---|---|---|---|---|---|---|
| Mauritius | T | 66,257 | 96,799 | 72,323 | 15% | 23% | 23% |
| Thailand | T | 5,196 | 100 | 63,735 | 1% | 0.02% | 20% |
| Egypt | T | 41,614 | 58,026 | 52,040 | 9% | 14% | 16% |
| Uganda | T | 28,109 | 70,509 | 43,941 | 6% | 17% | 14% |
| Saudi Arabia | T | 36,062 | 62,237 | 35,483 | 8% | 15% | 11% |
| Eswatini | T | 47,324 | 58,724 | 22,510 | 11% | 14% | 7% |
| India | T | 37,603 | 8,428 | 14,353 | 8% | 2% | 4% |
| Zambia | T | 20,277 | 25,682 | 7,286 | 5% | 6% | 2% |
| Zimbabwe | T | 88,090 | 16,951 | 6,360 | 20% | 4% | 2% |

Source: Trade Data Monitor, LLC

Kenya is not a significant exporter of sugar.

*Changes to MY 2022/23*
Post revises its MY 2022/23 import estimate down to 335,000 MT, as higher domestic production accounted for more of Kenya's available supplies.

**Prices**
Kenya's average price to distributors for locally produced sugar is currently $1,000 per MT, while the average landed cost for imported sugar at the Port of Mombasa stands at $892 per MT. Kenya generally has higher production costs per unit of sugar due to outdated equipment in some sugar mills, inefficient harvesting methods, and low sugar cane yields.

At the farm level, sugar cane prices are set by the GoK Sugarcane Pricing Committee at Ksh 4,112 ($37.06) per MT. Retail prices currently average Ksh 150/kg ($1.13 per kg) up from an average of Ksh 120/kg ($0.92 per kg) in April 2022.

**Policies**
In December 2022, The GoK announced a new plan to proceed with privatization of some state-owned mills to improve productivity. Since 2007, the GoK has sought to facilitate the privatization of public mills; however, this process has been held back by many factors including legal challenges. Under the December 2022 privatization plan, mills would seek to co-generate electricity and diversify their product portfolio to include value-added products such as industrial and pharma-sugar.

**Stocks**
MY 2023/24 ending stocks are forecast to decrease from 190,000 to 155,000 MT as supplies tighten due to lower domestic production. All stocks in Kenya are held by millers, importers, and traders as the GoK does not operate any stock-holding programs for sugar.

**Attachments:**

No Attachments