

**Required Report:** Required - Public Distribution

**Date:** April 23, 2024

**Report Number:** KE2024-0002

**Report Name:** Sugar Annual

**Country:** Kenya

**Post:** Nairobi

**Report Category:** Sugar

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**Report Highlights:**

Kenya's sugar production is expected to increase 40 percent in marketing year (MY) 2024/25 to 750,000 metric tons (MT) due to an increase in area harvested after the expiration of a ban on sugarcane harvesting issued by Kenya's Agriculture and Food Authority (AFA). Post anticipates sugar imports will decline 30 percent to 455,000 MT in MY 2024/25 as increased domestic production accounts for more of Kenya's sugar supply.

## Production

Post forecasts MY 2024/25 sugar production will increase 40 percent to 750,000 MT year-on-year largely due to increases in area harvested following the expiration of a ban on sugarcane harvesting implemented in MY 2023/24. In July 2023, Kenya’s Agriculture and Food Authority (AFA) imposed a ban on harvesting sugarcane to curtail premature collection triggered by high demand for cane by millers. This ban expired in November 2023 and significantly reduced MY 2023/24 sugarcane production and area harvested. With the termination of this ban, Post anticipates MY 2024/25 area harvested will increase to historical levels at 190,000 hectares.

**Table 1: Cane Production, Supply and Distribution**

Sugar Cane for Centrifugal Market Year Begins	2022/2023		2023/2024		2024/2025	
	May 2022		May 2023		May 2024	
Kenya	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)		252		252		252
Area Harvested (1000 HA)		230		161		190
Production (1000 MT)		12900		9030		10400
Total Supply (1000 MT)		12900		9030		10400
Utilization for Sugar (1000 MT)		12900		9030		10400
Utilization for Alcohol (1000 MT)		0		0		0
Total Utilization (1000 MT)		12900		9030		10400
(1000 HA) ,(1000 MT)						

Source: Kenya Sugar Research Institute and Post Estimates

MY 2024/25 sugar production is also anticipated to increase due to more efficient sugar extraction as new sugar mills come online. In late 2023 a new mill began operations in Kericho County, and another is scheduled to begin milling in Narok County in 2024. These mills feature modern processing equipment which will extract more sugar from cane compared to older Kenya mills. In general, private mills tend to outperform public mills in both cane and sugar production due to better equipment, better agronomic support to farmers, and lower post-harvest losses. According to sources at Kenya’s Sugar Research Institute (SRI), public mills require almost twice as much cane to generate the same amount of sugar as private mills, with public mills converting cane to sugar at a rate of 18 to 1, compared to 10 to 1 in the private sector. Additionally, plantations under contract with private millers outperform public-contracted plantations with yields 50 MT/HA higher in private-aligned fields due to better support services. Private sector mills continue to produce most sugar in Kenya, with the private sector accounting for more than 80 percent of total production according to local sources. Currently there are 17 operational mills, 13 of which are privately owned.

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

Sugar, Centrifugal Market Year Begins	2022/2023		2023/2024		2024/2025	
	May 2022		May 2023		May 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Kenya</b>						
<b>Beginning Stocks</b> (1000 MT)	215	215	190	255		240
<b>Beet Sugar Production</b> (1000 MT)	0	0	0	0		0
<b>Cane Sugar Production</b> (1000 MT)	790	790	650	530		750
<b>Total Sugar Production</b> (1000 MT)	790	790	650	530		750
<b>Raw Imports</b> (1000 MT)	15	16	25	55		25
<b>Refined Imp.(Raw Val)</b> (1000 MT)	320	384	450	600		430
<b>Total Imports</b> (1000 MT)	335	400	475	655		455
<b>Total Supply</b> (1000 MT)	1340	1405	1315	1440		1445
<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)	1150	1150	1160	1200		1220
<b>Other Disappearance</b> (1000 MT)	0	0	0	0		0
<b>Total Use</b> (1000 MT)	1150	1150	1160	1200		1220
<b>Ending Stocks</b> (1000 MT)	190	255	155	240		225
<b>Total Distribution</b> (1000 MT)	1340	1405	1315	1440		1445
(1000 MT)						

Source: Trade Data Monitor LLC, Kenya Sugar Directorate, Post estimates

#### *Changes to MY 2023/24*

Post revises its MY 2023/24 sugar production down from 650,000 MT to 530,000 MT due to lower area harvested associated with the July 2023 harvesting ban. Post estimates MY 2023/24 area harvested and cane production fell to 161,000 HA and 9 million MT respectively, a 30 percent decrease from the year before.

#### **Consumption**

Post anticipates Kenya's MY 2024/25 sugar consumption will increase four percent year-on-year to 1.22 million MT due to rising disposable incomes and growth in Kenya's bakery and hospitality sectors. According to the World Bank, Kenya's per capita income has steadily increased over time and more than doubled from 2012 to 2022, reaching \$5,765 (PPP). This expansion in income has increased demand for sugar-based products, especially confectionaries and baked goods. According to Kenya's

2023 Economic Survey, these products are two of the fastest-growing subsectors of Kenya’s food processing industry, with 2022 sales growing by 6 percent and 5 percent for baked goods and confectionaries, respectively.

MY 2024/25 consumption is also anticipated to increase due to growth in Kenya’s tourism sector. In 2023, international travelers to Kenya rose 23 percent year-on-year, reaching 1.95 million visits. In January 2023, travel to Kenya exceeded pre-Covid levels, reaching 181,000 visits compared to 171,000 in January 2020. As Kenya’s tourism sector fully recovers from Covid-related disruptions, demand for products that use sugar as an ingredient is anticipated to increase.

*Changes to 2023/24*

Post revises consumption figures up from 1.16 million MT to 1.2 million MT due to increased demand from higher consumer incomes and growth in the bakery and confectionary sectors.

**Imports**

MY 2024/25 sugar imports are forecast to decrease to 455,000 MT from 655,000 MT the year before as higher domestic production accounts for more of Kenya’s supply and reduces the need to import sugar. Kenya traditionally sources most of its imports from Common Market for Eastern and Southern Africa (COMESA) countries. Kenya applies a 100 percent *ad valorem* tariff on sugar imports from outside COMESA and the East Africa Community (EAC). COMESA countries generally enjoy duty-free access to Kenya’s market, however duty-free sugar imports from COMESA are capped at 350,000 MT in Kenya via a COMESA safeguard mechanism. In November 2023, Kenya was granted a two-year extension of its safeguard by COMESA. This safeguard mechanism has been in effect since 2002.

In 2023, due to low exportable COMESA sugar supplies, Kenya imported most of its sugar from non-COMESA countries, with Brazil and India accounting for a majority of imported sugar (see Table 3). This shift in trade was facilitated by the issuance of a duty-free window for sugar from non-COMESA countries in March 2023. In an effort to reduce high sugar prices, the Government of Kenya (GoK) authorized up to 290,000 MT of sugar to enter duty-free from outside COMESA and the EAC. The window expired in December 2023.

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

Country of Origin	Unit	2021	2022	2023	2021	2022	2023
Brazil	T	1,222	0	244,427	0%	0%	40%
India	T	8,428	14,353	93,710	2%	4%	15%
Egypt	T	58,026	52,040	57,404	14%	16%	9%
Saudi Arabia	T	62,237	35,483	45,347	15%	11%	7%
Uganda	T	70,509	43,941	42,731	17%	14%	7%
Mauritius	T	96,799	72,323	36,212	23%	23%	6%
Thailand	T	100	63,735	27,184	0%	20%	4%
Zambia	T	25,682	7,286	25,424	6%	2%	4%
Madagascar	T	8,000	2,500	13,010	2%	1%	2%

Source: Trade Data Monitor LLC

While raw sugar imports generally face a 100 percent tariff, import duties for refined sugar are assessed at 10 percent if it is used to produce goods for export under Kenya's Tax Remission for Exports Office (TREO) program.

#### *Changes to MY 2023/24*

Post revises its MY 2023/24 estimate up from 450,000 MT to 655,000 MT as imports are facilitated by low domestic production and the March 2023 duty-free import window.

#### **Prices**

In April 2024, retail prices averaged Ksh 130 (\$1) per kg down from Ksh 150 (\$1.15) per kg in April 2023. According to local sources, this decline is likely due to sugar entering Kenya at lower prices through the 2023 duty-free window. Imports tend to offer lower prices compared to domestic alternatives. Currently the average landed cost for imported sugar is \$892 per MT, compared to an average ex-mill price of \$950 for locally produced sugar.

While sugar prices vary due to market conditions, prices for cane are set by the GoK. In March 2024, Kenya's Sugarcane Pricing Committee (SPC) revised cane prices down 2 percent, from Ksh 6,050 (\$46.53) per MT to Ksh 5,900 (\$45.53). According to local sources, this price drop was largely driven by an effort to reduce operating costs for domestic sugar mills as they faced increased competition from imported sugar.

#### **Policies**

In 2024, the GoK indicated via several public statements that it intends to improve the efficiency and competitiveness of Kenya's domestic sugar production through methods such as co-generation of electricity at sugar mills and production of other value-added products such as industrial and pharma-sugar. As of time of publication no formal plan has been released to achieve these goals.

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.

#### **Stocks**

In MY 2024/25, Post projects that ending sugar stocks will remain relatively unchanged at 225,000 MT. All stocks will be held by millers, importers, and traders. The GoK does not operate any stock-holding programs for sugar.

**Attachments:**

No Attachments