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Kenya

Tree Nuts

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Report Highlights:
During the year 2001 macadamia production experienced an upsurge. Production went up from 4,900 tons in 2000 tons to 5,800 tons wet in shell nuts in 2001. Exports went up from 685 tons to about 1,000 tons processed kernels earning the country about kshs 351 million. Both production and exports are forecast to increase during the year 2002.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

During the year 2001 macadamia production experienced an upsurge. The Kenya Nut Company (KNC) reported a total of 5,800 tons of wet in shell nuts which was an increase from 4,900 tons the previous year. The increase in production is attributed to favorable weather conditions, stocks held from the previous year and some new acreage coming into bearing. An increase of about 5 percent is forecasted for the year 2002.

Exports of processed kernels rose to about 1,000 tons from 685 tons earning the country about kshs 351 million.

(Exchange rate 1 USD - 78 kshs)

Production

Macadamia experienced an upsurge in production from 4,900 to 5,800 tons nut in shell (NIS) in the year 2000 to 2001 respectively. A good crop is forecast for the year 2002 and the following year (table 1). The increase in production is attributed to improved weather conditions after the drought experienced in 1999/00, stocks held from the previous year, marginal increases in bearing trees and slight improvement on agronomic practices.

Table 1: Area, Tree and Nut Production
(Wet in shell basis)

	Dec 2001	Dec 2002	Dec 2003
	Actual	Preliminary	Forecast
Area planted	7,550	8,000	8,000
Area harvested	6,800	6,805	6,810
Bearing trees	1,150,000	1,500,000	1,500,000
Non bearing trees	290,000	350,000	340,000
Total trees	1,440,000	1850000	1840000
Beginning stocks	1,030	689	300
Production	5,800	6,050	6,100
Imports	0	0	0
Totals	6,830	6,739	6,400
Exports	6,052	6,339	6,100
Dom. Consumption	89	100	100
Ending stocks	689	300	200
Total distribution	6,830	6,739	6,400

Source: Kenya Nut Company Limited

Planted area and planting materials

There has been modest expansion in the area planted and greater focus has been placed on protected cropping. The area under macadamia presently estimated at 8,000 hectares is expected to increase albeit in a slow manner. During the first half of the year demand for planting material started picking due to the good long rains that were experienced. With the onset of the short rains demand is high even in the non traditional areas. New interests from coffee farmers is putting pressure on demand as the coffee sector is still trapped in a myriad of problems.

Kenya Nut Company, the sole producer of seedlings, has in store about half a million seedlings grafted and ready for sale. Rift Valley and Western provinces non traditional macadamia growing areas have purchased some seedlings. The availability of seedlings was made possible after the Kenya Agricultural Institute (KARI) released several varieties suited for various agro-ecological zones.

Crop yield

Yield varies based on age, agronomic practices and weather conditions. It ranges between 10-30 kg per tree nut in shell basis. KNC has higher yields since their fields are irrigated and are a pure stand estate (about 1000 hectares) (250,000 trees). The outgrowers yields are much lower since they intercrop and their husbandry is not up to standard given the hard economic times being experienced in the country. It is problematic to get actual production data, yield, hectarage and tree population for the outgrower based production.

Production forecast

An increase in production is forecasted for the year 2001/02. The modest increase will be attributed to maturing trees and good weather among other factors.

Consumption

Local consumption is minimal as most of the processed macadamia kernels leave the country for overseas markets. It is assumed that the balance between exports and production is consumed domestically. Domestic consumption includes Kenya and its neighboring countries. Domestic consumption is estimated at about 40 tons of processed kernels. The sector suffers lack of awareness and prohibitive prices due to the high processing costs.

Trade

Prices

During the year the price of raw nuts to farmers ranged between ksh 23-25 depending on quality. An average moisture content of 15 percent is recommended. If higher moisture kernels are received they are usually returned to growers for additional drying. The terms of payment are cash on delivery at collection centers within the growing districts. Due to the attractive terms of payment and the non demanding production conditions of the macadamia tree there are good chances of increased production.

The prices are forecasted to remain the same in the year 2002.

Export

Kenya exported a total of 1,005 tons of macadamia processed kernels during the year 2001 with Japan taking almost 70 percent of the exports. Exports to Japan are expected to go even higher during the year 2002. The country earned about kshs 350 million from macadamia exports during the same year.

Table 2: Kenya export of macadamia kernels
(Tons)

Year	1999	2000	2001	2002
Japan	512	529	684	732
USA	300	0	145	157
Germany	222	146	171	183
Switzerland	3	10	5	5
Totals	1037	685	1005	1077

Source: Kenya Nut Company

Table 3: Export destinations and earnings for 2001
(Processed kernels)

	Quantity	Value	PriceT
	tons	million-ksh	ksh/ton
Germany	171	59.8	350,000
Japan	684	239.4	350,000
Switzerland	5	1.7	350,000
USA	145	50.7	350,000
Total	1,005	351.6	

Source: Kenya Nut Company

Macadamia Processing

The KNC factory has a processing capacity of 10,000 tons per year. Presently the processing factory runs below capacity (about 50 percent) and this year was the highest obtained so far since inception. Due to non availability of the raw material the factory typically closes for almost four months. It is hoped that with the spread of production zones (Western Kenya) the factory will be able to run throughout the year (other than the usual stoppages for maintenance).

Policy

The Horticultural Crops Development Authority (HCDA) is responsible for regulating and promoting the horticulture industry, macadamia and cashew nuts inclusive. KNC believes that there are enough mechanisms in place to regulate the sector and there is no need for more regulatory players in the sector.

There is need for GOK as a facilitator and the private sector to collaborate and improve productivity and marketing for growth in the sector to continue.

Marketing

The sector has one sole processor, KNC after the closure of Kenya Farm Nut Company about two years ago. That company used to export its processed kernels to the U.S. a market which KNC seems to be following very closely. This year KNC exported 145 tons to the U.S. valued at kshs 50 million.

As a marketing tool KNC has branded its macadamia (Out of Africa) and is aggressively promoting them in both the international and local markets. So far they have Out of Africa honey coated nuts, chocolate covered kernels and confectionaries containing nuts for both domestic and overseas markets. Along with macadamia KNC is also involved in the production and marketing of tea and coffee. KNC owns Thika coffee mills the second largest coffee mill in Kenya. Their coffee and tea is also branded Out of Africa. Recently they have managed to access Kenya Airways (local air carrier). The market suffers lack of consumer awareness. Domestic consumption is estimated to remain low due to lack of consumer awareness and very prohibitive high prices in the retail shops.

As regards international marketing KNC has opened an overseas office in Bremen for market positioning strategies. The traditional market, Japan appears congested with mainly Australian nuts. KNC hopes the European market will be receptive to Kenyan nuts. The entry strategy is through existing distributors.

Table 4: Supply and distribution of macadamia kernels
(Tons)

Year	2000	2001	2002	2003
Production (in shells)	4900	5800	6050	6000
Conversion rate %	17	18	18	18
Beginning stocks	210	132	126	98
Production (kernels)	833	1044	1089	1040
Total Kernels	1043	1176	1215	1138
Exports	891	1005	1077	1040
Dom.Consumption	20	45	40	42
Ending Stocks	132	126	98	56
Total Distribution	1043	1176	1215	1138

Source: Kenya Nut Company