

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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Kenya

Coffee Annual

2015 Coffee Report

Approved By:

Kate Snipes

Prepared By:

Kennedy Gitonga

Report Highlights:

FAS/Nairobi forecasts Kenya's coffee production to remain at 900 thousand sixty-kilogram bags in the marketing year (MY) 2015/2016. Production in newly planted and rehabilitated smallholder areas is expected to be balanced by the loss of large plantations in the suburbs of Nairobi to real estate developments. County governments in the coffee growing regions are at various stages of enacting new coffee production and marketing regulations, following the devolution of agricultural production and marketing functions under the Kenya's constitution of 2010 from the national to county governments.

Production:

Kenya produces less than one percent of the world's coffee. It has production on both large and small-scale farms. The proportion of production by smallholder farmers has continually increased in the recent years as the large plantations, especially in the areas that border the city of Nairobi give way to real estate developments. According to the Coffee Directorate, smallholder production was fifty-five percent of the total production in the MY 2013/2014, and is expected to increase to above sixty percent in MY 2015/2016.

Both the national and county governments have initiated coffee programs which are geared towards opening up new production areas and the rehabilitation of abandoned farms. The focus has been in the Northern Rift Valley, Coast and Western Kenya regions. Nevertheless, coffee production continues to face numerous challenges including: high cost of labor and inputs; erratic rains; high incidences of pests and diseases; competition from other farm enterprises; and poor governance of farmer organizations.

Overall, FAS/Nairobi forecasts that Kenya's coffee production in MY 2015/2016 will remain at the MY 2014/2015 level of nine hundred thousand bags.

Marketing:

Kenya has two coffee harvesting periods in a year. The "fly" or early crop is harvested between September and December, while the "main" or late crop is harvested between March and July.

In-country marketing logistics such as grading, warehousing, and transportation are handled by individual farmers, co-operatives, millers, warehousemen, and marketing agents. Over 85% of the coffee is sold through auctions at the Nairobi Coffee Exchange, a spot market. The rest is sold through direct sales contracts that must be registered with the Coffee Directorate of the Agriculture Food and Fisheries Authority (AFFA).

Consumption:

According to the Kenya's Coffee Directorate, annual domestic coffee consumption in Kenya is at a low three percent of the total production attributed mainly to the predominant tea drinking culture, poor preparation methods, and a previously stifling legal regime that criminalized domestic roasting. The last few years have however been characterized by strong growth, estimated at 15-20 percent annually, driven by the growing population of the middle class and expatriate community. Coffee houses have come up in urban shopping malls, while the industry players at various levels of the value have initiated coffee consumption promotion programs.

Production, Supply, and Distribution (PSD) table

Coffee, Green Market Begin Year Kenya	2013/2014		2014/2015		2015/2016	
	Oct 2013		Oct 2014		Oct 2015	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Planted		111		112		112
Area Harvested		110		111		111
Bearing Trees		173		176		176
Non-Bearing Trees		3		3		2
Total Tree Population		176		179		178
Beginning Stocks	115	115	145	145		160
Arabica Production	850	850	900	900		900
Robusta Production	0	0	0	0		0
Other Production	0	0	0	0		0
Total Production	850	850	900	900		900
Bean Imports	0	0	0	0		0
Roast & Ground Imports	0	0	0	0		0
Soluble Imports	30	30	30	30		30
Total Imports	30	30	30	30		30
Total Supply	995	995	1,075	1,075		1,090
Bean Exports	800	800	860	860		860
Rst-Grnd Exp.	0	0	0	0		0
Soluble Exports	0	0	0	0		0
Total Exports	800	800	860	860		860
Rst,Ground Dom. Consum	20	20	25	25		30
Soluble Dom. Cons.	30	30	30	30		30
Domestic Use	50	50	55	55		60
Ending Stocks	145	145	160	160		170
Total Distribution	995	995	1,075	1,075		1,090

1000 HA, MILLION TREES, 1000 60 KG BAGS

Source: Kenya's Coffee Directorate/AFFA, GTA – otherwise FAS/Nairobi estimates

Policy:

The Government of Kenya (GOK) recognizes coffee as important livelihood crop and a key foreign exchange earner. Nevertheless, the GOK does not run any specific price support or direct subsidy program for coffee farmers or other coffee value chain players.

Since 2013, in line with the devolved structure of Government in Kenya, agriculture is a function devolved to the county governments. Consequently all coffee matters, other than policy and international trade, are supposed to be regulated by the County Governments. Most counties in the coffee growing areas are currently at various stages of putting in place laws to regulate coffee production and marketing. County governments are now fully in charge of coffee extension services. In addition, some of the counties have already set up alternative coffee milling and marketing infrastructure.

At the national level, coffee policy and international trade is now guided by the Agriculture, Food and Fisheries Authority (AFFA) while coffee research services are under the Agricultural and Livestock Research Organization (KARLO). The Coffee Development Fund, formerly a specialized coffee financing agency that had been set up in 2006, has been absorbed by the newly created Commodities Fund.

Stocks:

Coffee stocks in Kenya are held by the millers, marketing agents, and exporters. Individual large scale farmers and co-operatives may also hold stocks in the form of parchment coffee.

Trade:

Kenya remains an important source of high quality mild Arabica coffee. In addition, Kenya is the main coffee logistics hub for the Eastern Africa and all the main international coffee traders are represented. Exports shipments continue throughout the year, in January to July for the main late crop and in August to December for the early crop. GOK does not impose any export tax on coffee from Kenya.

The main destinations for coffee exports from Kenya are indicated below. Kenya imports soluble coffee primarily from Tanzania.

Leading export destination for Kenya's coffee

Export Destination	2011/2012		2012/2013		2013/2014	
	Quantity (tons)	%	Quantity (tons)	%	Quantity (tons)	%
Germany	9,406	20%	10,923	22%	10,729	22%
Belgium	7,032	15%	8,181	17%	7,491	16%
United States	6,334	13%	6,773	14%	6,657	14%
Sweden	6,546	14%	4,159	8%	4,716	10%
Finland	2,063	4%	2,294	5%	3,440	7%
Korea South	569	1%	843	2%	1,775	4%
France	377	1%	860	2%	1,180	2%
Sudan	303	1%	702	1%	1,169	2%
United Kingdom	2,035	4%	730	1%	1,141	2%
Canada	1139	2%	978	2%	1,085	2%

Source: Kenya's Coffee Directorate/AFFA

