

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Kenya

## Coffee Annual

## 2016 Coffee Report

**Approved By:**

Kate Snipes

**Prepared By:**

Kennedy Gitonga

**Report Highlights:**

FAS/Nairobi forecasts Kenya's coffee production to increase to 700 thousand bags in the marketing year (MY) 2016/2017 after a decrease in 2015/2016 that is attributed to the El Nino weather conditions. Production in newly planted and rehabilitated smallholder areas is expected to be balanced by the loss of production in large plantations in the suburbs of Nairobi due to encroachment by housing developments.

**Production:**

Kenya produces less than one percent of the world's coffee on both large and small-scale farms. The proportion of production by smallholder farmers has continually increased in the recent years as large plantations, especially in the growing areas that border the city of Nairobi, give way to housing developments.

Coffee production in Kenya continues to face numerous challenges including: increasing cost of labor and inputs; erratic weather conditions; high incidences of pests and diseases; competition from other farm enterprises; and poor governance of marketing cooperatives. Programs that are aimed at opening up new production areas and the rehabilitation of abandoned farms continue to be implemented by both the County and National governments, with a particular focus in the Northern Rift Valley, Coast and Western Kenya regions.

FAS/Nairobi forecasts that Kenya's coffee production in MY 2016/2017 will increase to 700 thousand bags up from 600 thousand bags in 2015/2016. Production in 2015/2016 has been adjusted downwards due to the negative impact of the El Nino weather conditions.

**Marketing:**

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

Primary processing is undertaken either by cooperative mills for smallscale farmers or in on-farm mills for large scale farmers. Secondary processing and post-farm logistics such as transportation are largely undertaken by contracted the private sector service providers. Although coffee farmers have an option of selling their coffee directly to international buyers, most of Kenya's coffee is still sold through auctions at the Nairobi Coffee Exchange, a spot market. Direct sales contracts must be registered with the Coffee Directorate of the Agriculture Food and Fisheries Authority (AFFA).

**Consumption:**

Domestic coffee consumption in Kenya is estimated at three percent of the total production. The low consumption is due to the predominant tea drinking culture, and non-availability due the previous limiting of domestic roasting. The growth in domestic consumption is strongest in urban areas due to higher disposable incomes and presence of large expatriate communities. Imported soluble coffees have enjoyed a stable and a modestly market, while ground coffees are starting to become popular in coffee houses that are conveniently located in shopping malls. Some farmers' cooperatives have also set up small scale roasting plants and coffee houses.

**Production, Supply, and Distribution (PSD) table**

Coffee, Green Market Begin Year  Kenya	2014/2015		2015/2016		2016/2017	
	Oct 2014		Oct 2015		Oct 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	112	112	112	112		112
Area Harvested	111	111	111	111		112
Bearing Trees	176	176	176	176		178
Non-Bearing Trees	3	0	2	2		0
Total Tree Population	179	176	178	178		178
Beginning Stocks	180	180	180	170		140
Arabica Production	780	750	840	650		700
Robusta Production	0	0	0	0		0
Other Production	0	0	0	0		0
Total Production	780	750	840	650		700
Bean Imports	0	0	0	0		0
Roast & Ground Imports	0	0	0	0		0
Soluble Imports	15	25	20	30		30
Total Imports	15	25	20	30		30
Total Supply	975	955	1040	850		870
Bean Exports	740	730	800	650		650
Rst-Grnd Exp.	0	0	0	0		0
Soluble Exports	0	0	0	0		0
Total Exports	740	730	800	650		650
Rst,Ground Dom. Consum	25	25	30	30		35
Soluble Dom. Cons.	30	30	30	30		35
Domestic Consumption	55	55	60	60		70
Ending Stocks	180	170	180	140		150
Total Distribution	975	955	1040	850		870

(1000 HA) ,(MILLION TREES) ,(1000 60 KG BAGS)

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

**Notes on PSD table:**

- Area planted is forecast to remain flat due to balancing of new plantations with uprooting in the areas bordering the city of Nairobi.
- Production in 2016/2017 is forecast to increase modestly as the farms recover from effects of El Nino weather phenomenon
- Ending stocks are expected to increase modestly

- Consumption of roasted/ground coffees is expected to increase modestly
- Soluble coffee imports are forecast to record a modest increase

#### **Policy:**

The Government of Kenya (GOK) recognizes coffee as important livelihood crop and a key foreign exchange earner. The GOK does not however run any specific price support or direct subsidy program for coffee farmers or other coffee value chain players. The GOK has occasionally waived debts owed by small-scale co-operatives.

Although agriculture is a devolved function under the devolved structure, agricultural policy, including regulation of international trade remains a national government function. County governments on the other hand are responsible for production, processing and marketing. Counties have been seeking clarity on what constitutes “marketing” to avoid conflicting with the Agriculture, Food and Fisheries Authority (AFFA), an overarching agricultural sector regulatory agency that was established in 2014. The GOK has recently set up a task force with the mandate to recommend measures to improve the coffee sector.

#### **Stocks:**

GOK does not hold any coffee 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 highly prized source of high quality mild Arabica coffee for blending and specialty markets. In addition, Kenya is the main coffee logistics hub for 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 tax on coffee exports from Kenya.

The main destinations for coffee exports from Kenya are indicated below. In MY 2014/2015 United States was the second most important export destination for Kenyan coffee after Germany.

#### **Leading export destination for Kenya’s coffee**

<b>Export Destination</b>	<b>2012/2013</b>		<b>2013/2014</b>		<b>2014/2015</b>	
	<b>Quantity (tons)</b>	<b>%</b>	<b>Quantity (tons)</b>	<b>%</b>	<b>Quantity (tons)</b>	<b>%</b>
Germany	10,923	22%	10,729	22%	8,546	20%
United States	6,773	14%	6,657	14%	7,455	17%
Belgium	8,181	17%	7,491	16%	4,244	10%
Sweden	4,159	8%	4,716	10%	3,418	8%
Finland	2,294	5%	3,440	7%	2,533	6%
Korea South	843	2%	1,775	4%	1,878	4%
France	860	2%	1,180	2%	1,507	3%
United Kingdom	730	1%	1,141	2%	1,264	3%
Canada	978	2%	1,085	2%	1,262	3%
Switzerland	790	2%	387	1%	2,127	2%

Source: Kenya’s Coffee Directorate and GTA