

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Voluntary _ Public

Date: 7/12/2011

GAIN Report Number:

Kenya

Post: Nairobi

Kenya Wheat Report

Report Categories:

Grain and Feed

Approved By:

Souleymane Diaby

Prepared By:

Souleymane Diaby and Carol N. Kamau

Report Highlights:

U.S. wheat exports to the Kenyan market reached 85,000 metric tons during marketing year (MY) 2011 (July 2010 to June 2011). FAS/Nairobi forecasts record quantities of U.S. wheat imports for MY 2012 as the Government of Kenya (GOK) recently waived the 10 percent ad-valorem tariff to address increasing food and fuel prices.

Executive Summary:

On June 8, the GOK announced a continuation of its tariff-abatement policy on imported foodstuffs (corn, wheat, and rice). Under the new abatement, 18 Kenyan registered millers will be allowed to import wheat duty free for one year beginning on July 4, 2011. As a result, FAS/Nairobi expects that Kenya will import record quantities of wheat commercially through this marketing year. Subsequently, the MY 2012 import forecast has been revised upward, slightly more than the MY 2011 estimate.

Despite the GOK's efforts to eliminate the duty on imported wheat, Kenyan consumers continue to pay high prices for wheat flour and wheat-based products. Local retail prices of wheat flour increased 19 percent from January 2010 to January 2011 to \$1.54 per 2 kilogram packet, and have continued to rise.

General Information:**Kenya Wheat Production, Supply, and Distribution Table**

Wheat Kenya	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	120	125	120	140	120	110
Beginning Stocks	201	201	609	334	529	275
Production	220	225	225	252	225	200
MY Imports	1,246	909	800	740	700	830
TY Imports	1,246	909	800	740	700	830
TY Imp. from U.S.	66	19	0	85	0	100
Total Supply	1,667	1,335	1,634	1,326	1,454	1,305
MY Exports	8	1	5	1	0	1
TY Exports	8	1	5	1	0	1
Feed and Residual	0	0	0	0	0	0
FSI Consumption	1,050	1,000	1,100	1,050	1,150	1,050
Total Consumption	1,050	1,000	1,100	1,050	1,150	1,050
Ending Stocks	609	334	529	275	304	254
Total Distribution	1,667	1,335	1,634	1,326	1,454	1,305

1000 HA, 1000 MT, MT/HA

Data sources: 2010 and 2011 Area and Production data-Ministry of Agriculture

2010 and 2011 Trade Data – Global Trade Atlas

2012 Area, Production, Trade data –FAS Nairobi Estimates

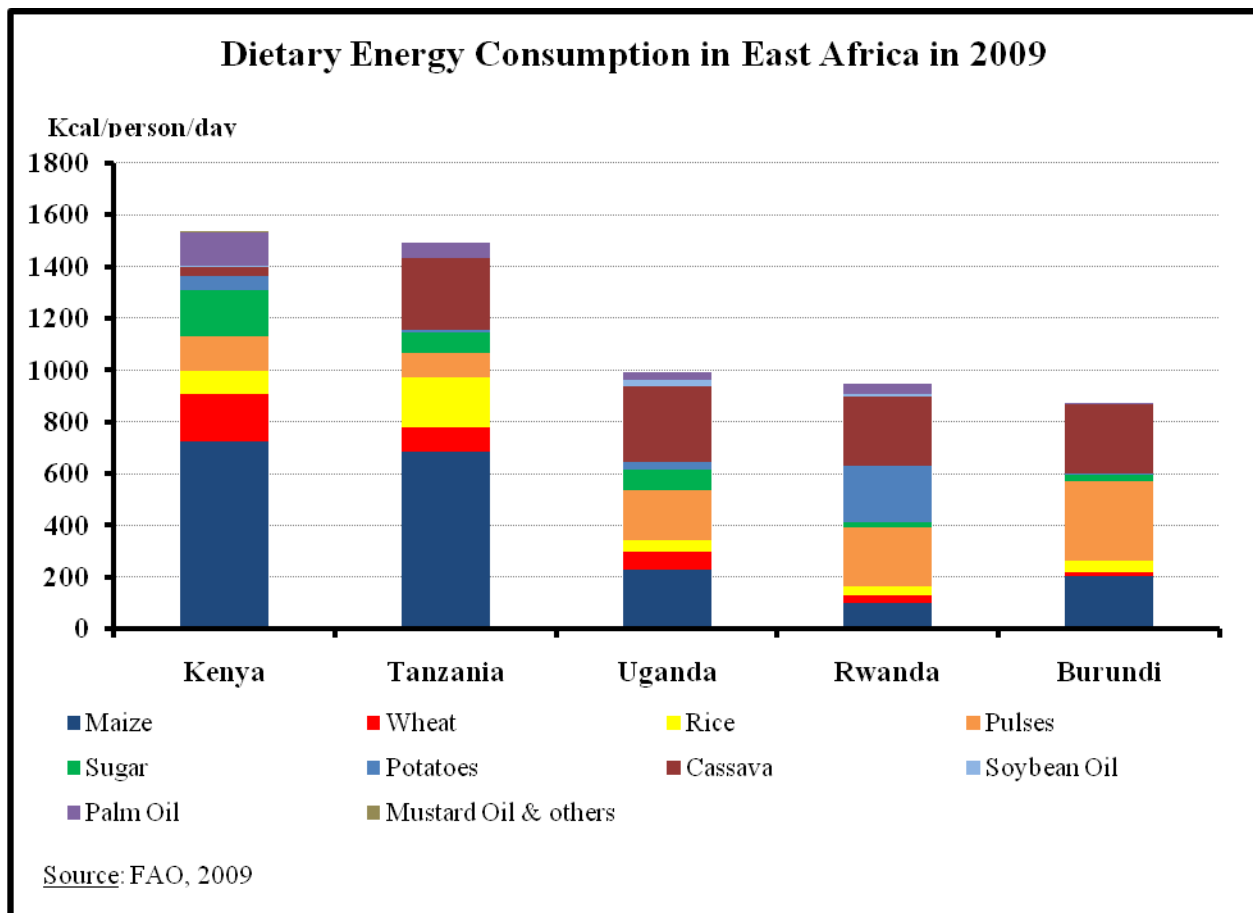
Production:

FAS/Nairobi forecasts a decrease in production and area harvested in MY 2012 attributed to delayed onset of the long rains, switch to barley farming by some of the wheat farmers, and the wheat rust (Ug99) problem.

Consumption:

Measured in dietary energy consumption, wheat ranks second behind corn as a staple food. According to the Food Agricultural Organization (FAO, 2009), Kenyans obtain 183 kilocalories from wheat per day, compared with a regional average of 78. They mainly use wheat flour to make pan breads, chapatis, and for home-use baking.

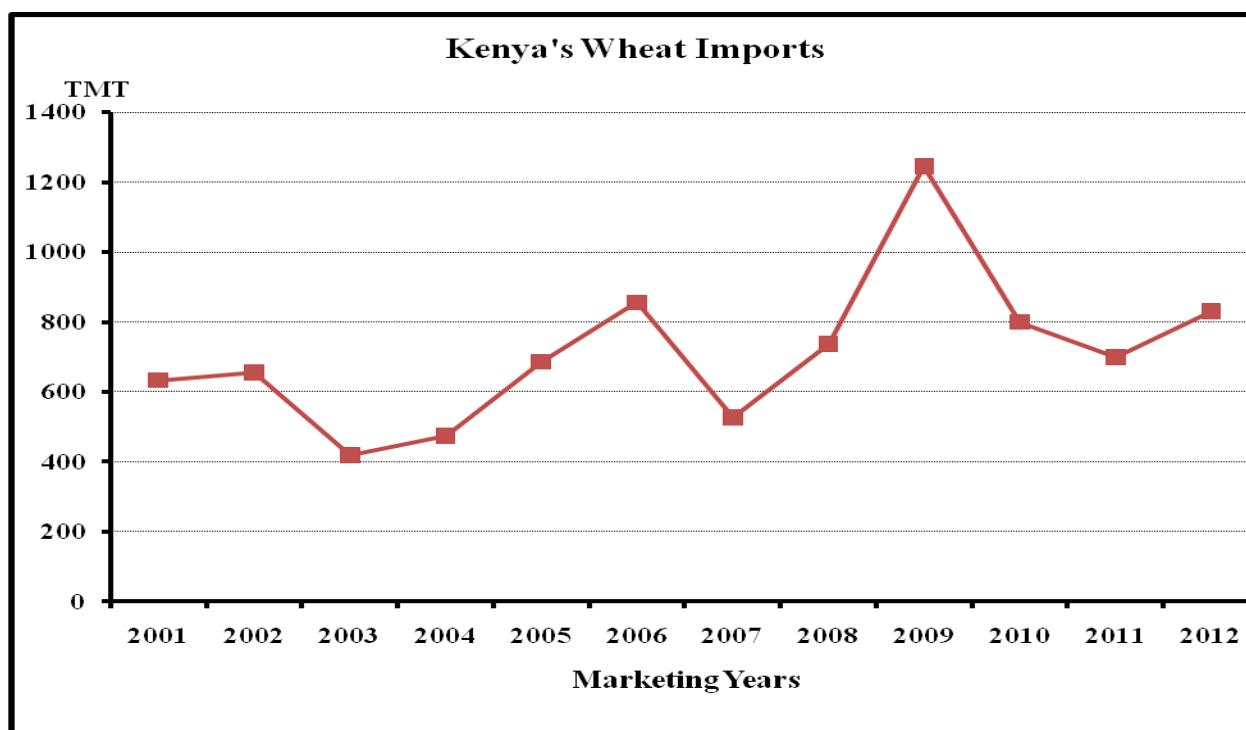
The graph below shows dietary energy consumption within East Africa, including wheat.



Trade:

Kenya will be increasingly dependent on imports for the next few years to meet growing local demand. Kenyan wheat importers source most of their products from the Black Sea region, Canada, and the United States. During the first nine months of MY2011, Kenya imported about 640,000 metric tons, with the United States supplying 13 percent of the total.

The graph and table here below shows Kenya's wheat import volumes and sources of the imports.



Data Source: USDA/FAS

Kenya Wheat Trade Matrix

UDG: Wheat, Group 60 (2007)				
Year Ending: June				
Partner Country	Quantity (Metric Tons)			
	2008	2009	2010	July 2010 to March 2011
World	528,704	564,210	909,326	639,772
Ukraine	115,056	155,767	535,672	173,831
Russia	129,194	193,789	228,111	119,971
Germany	0	23,090	33,039	15,760
Australia	0	12,300	28,500	4,379
United States	24,175	31,779	18,828	83,868
Canada	10,750	15,500	17,375	23,000
Lithuania	0	0	12,000	2,203
Poland	0	29,220	10,999	0
Estonia	0	0	6,500	18,496
Argentina	211,500	81,509	0	33,497
Brazil	0	17,250	0	61,512
India	0	0	0	7,121
Pakistan	0	0	0	27,500
Paraguay	0	0	0	29,088
Uruguay	0	0	0	38,441
Others	38,029	4,006	18,302	5

Data Source: Global Trade Atlas (GTA)

Stocks:

Due to storage constraints as well as carrying costs incurred such as fumigation, security, etc., most flour millers hold stocks that can sustain the mill for one to two months. Traders and some wheat farmers hold the rest of the stocks. Most of the mills operate at an average daily milling capacity of 90 to 550 metric tons.

Policy:

The GOK's tariff-remission scheme favors registered millers; traders continue to pay 35 percent ad-valorem tariff on wheat. In addition, imported wheat is subject to port surcharges (equal to about 16 percent of the Cost, Insurance, and Freight (CIF) value). A 16 percent value added tax is applicable to imported wheat flour.

Marketing:

U.S. Wheat Associates has remained active in Kenya, providing training opportunities and trade servicing for the Kenyan (and east African region) wheat-milling industry.