

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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Kenya

Coffee Annual

2017 Kenya Coffee Report

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Report Highlights:

FAS/Nairobi forecasts Kenya's coffee production will increase modestly in the marketing year (MY) 2017/2018 due to a recovery of farms from the drought conditions in MY 2016/2017, and due to better husbandry practices as farmers respond to improved market prices. The sector continues to face competition from housing developments and other enterprises in the traditional coffee growing areas. Both the national and county governments in Kenya are promoting coffee planting in non-traditional coffee growing areas to ensure Kenya's production is sustained.

Production:

FAS/Nairobi forecasts that Kenya's coffee production in MY 2017/2018 will increase modestly due to a recovery from the effects of drought in MY 2016/2017. In addition, it is expected that farmers will improve their husbandry practices as a response to higher market prices that have been prevalent in MY 2016/2018.

Kenya's coffee production continues to be increasingly smallholder dominated as large plantations, especially in the growing areas that border urban centers give way to housing developments. In addition, the sector continues to grapple with other 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 national and county governments.

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.

Kenya produces mild coffees with primary processing being undertaken at either the communally/co-operative owned mills that aggregate coffee from smallscale farmers or at farmer-owned mills in large scale plantations. Secondary processing and post-farm logistics such as transportation are largely undertaken by contracted private sector service providers. Kenya's coffee farmers have an option of selling their coffee directly to international buyers, or they can contract and authorize their marketing agents to sell through the Nairobi Coffee Exchange (NCE), a spot market that has been in existence since early 1930s. Direct sale contracts must be however be registered with the Coffee Directorate of Kenya's Agriculture and Food Authority (AFA).

Consumption:

Domestic coffee consumption in Kenya has remained low at about three percent of the total production. The low consumption is attributed to the predominant tea drinking culture and non-affordability of coffee due to low purchasing power for a majority of the population. In the last one however decade coffee drinking culture has been taking root especially amongst the middle income groups. Coffee houses that are conveniently located in shopping malls have been established and most are usually busy and well patronized. Imported soluble coffees continue to enjoy a stable, though modest, market. In the rural areas, farmers' cooperatives are beginning to set up small scale roasting plants and coffee houses.

Production, Supply, and Distribution (PSD) table

Coffee, Green Market Begin Year	2015/2016		2016/2017		2017/2018	
	Oct 2015		Oct 2016		Oct 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Kenya						
Area Planted	112	112	0	112		112
Area Harvested	111	111	0	112		112
Bearing Trees	176	176	0	178		178
Non-Bearing Trees	2	2	0	0		0
Total Tree Population	178	178	0	178		178
Beginning Stocks	160	160	130	130		145
Arabica Production	750	750	800	700		750
Robusta Production	0	0	0	0		0
Other Production	0	0	0	0		0
Total Production	750	750	800	700		750
Bean Imports	0	0	0	0		0
Roast & Ground Imports	0	0	0	0		0
Soluble Imports	20	20	20	20		30
Total Imports	20	20	20	20		30
Total Supply	930	930	950	850		925
Bean Exports	750	750	750	650		700
Rst-Grnd Exp.	0	0	0	0		0
Soluble Exports	0	0	0	0		0
Total Exports	750	750	750	650		700
Rst,Ground Dom. Consum	30	30	35	35		40
Soluble Dom. Cons.	20	20	20	20		20
Domestic Consumption	50	50	55	55		60
Ending Stocks	130	130	145	145		165
Total Distribution	930	930	950	850		925

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

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

Notes on PSD table:

- Area planted is forecast to remain flat as the planting of new plantations is balanced out by the continued uprooting in the areas bordering the city of Nairobi.
- Production in 2017/2018 is forecast to increase modestly as the farms recover from effects of drought in MY 2016/2017, and farmers response to higher market prices
- Ending stocks are expected to increase modestly

- Consumption of roasted/ground coffees is forecast to increase as café culture takes root in the country

Policy:

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

Since 2013, when county governments came into place under Kenya’s new constitutional framework, both levels of government have been engaged on their roles in the coffee sector. The GOK recently set up a coffee sector task force with the mandate to implement measures to improve the sector, in collaboration with both levels of government.

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 produces less than one percent of the world’s coffee, and her coffee is highly regarded 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 Kenya’s coffee exports are indicated below. United States is the second most important export destination for Kenyan coffee after Germany. The GOK has stepped up its marketing and promotional activities to attract more U.S. buyers of Kenya coffee and Kenya was the “coffee portrait country” at the Speciality Coffee Association of America (SCAA) trade fair in Seattle, Washington in April 2017.

Leading export destinations for Kenya’s coffee

Export Destination	2013/2014		2014/2015		2015/2016	
	Quantity (tons)	%	Quantity (tons)	%	Quantity (tons)	%
Germany	10,729	22%	8,546	20%	7,464	17%
United States	6,657	14%	7,455	17%	6,083	14%
Belgium	7,491	16%	4,244	10%	5,164	11%
Sweden	4,716	10%	3,418	8%	4,473	10%
Finland	3,440	7%	2,533	6%	2,570	6%
Korea South	1,775	4%	1,878	4%	2,027	4%
Switzerland	387	1%	2,127	2%	2,609	6%
France	1,180	2%	1,507	3%	1,507	3%
United Kingdom	1,141	2%	1,264	3%	1,288	3%
Canada	1,085	2%	1,262	3%	1,432	3%

Source: GTA and Coffee Directorate-AFA