

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Kenya

Coffee Annual

United States is now the top buyer of Kenya Coffee

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Report Highlights:

FAS/Nairobi forecasts a stagnation in Kenya's coffee production in marketing year (MY) 2018/2019 due to the start of a production slump that is associated with coffee's biennial bearing cycle. Meanwhile, the sector continues to lose land to housing developments and otherwise face challenges from competing farm enterprises in the traditional coffee growing areas. In MY 2016/2017 the United States replaced Germany as the top buyer of Kenyan coffee.

Stagnation of coffee production expected

FAS/Nairobi forecasts Kenya's coffee production will stagnate in MY 2018/2019 due to two causes: 1) this year will mark the start of the *slump* associated with the biennial bearing cycle in coffee, and 2) although there are new plantings in the smallholder areas, these gains will be nullified by the continued uprooting of coffee acres in peri-urban areas near Nairobi, leading to stagnation in total harvested area. Kenya's coffee farming landscape is dominated by small-scale family farms that, according to Kenya's Coffee Directorate, average 2.5 acres. Meanwhile, large plantations are increasingly being uprooted for housing developments. The sector is also beset with other challenges including: the 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. However, both national and county governments are promoting programs to rehabilitate abandoned farms, increase yields, and – ultimately- increase production.

Counties to pilot “cash on delivery” model

Kenya has two coffee harvests per year; the early crop is harvested between September and December, while the “main” or late crop is harvested between March and July.

Kenya produces mild coffees with primary processing occurring at either the communally/co-operative owned mills that aggregate coffee from small-scale farmers or at farmer-owned mills in large-scale plantations. Secondary processing and post-farm logistics (e.g. transportation) are largely undertaken by contracted private sector service providers. Kenya's coffee farmers may sell their coffee directly to international buyers. Alternatively, they may contract and authorize their marketing agents to sell through the Nairobi Coffee Exchange (NCE), where a spot market has operated since the early 1930s. Direct sales contracts must, however, be registered with the Coffee Directorate of Kenya's Agriculture and Food Authority (AFA). The Government of Kenya (GOK)'s Agriculture and Food Authority (AFA) is piloting a cash-on-delivery model in coffee marketing co-operatives in selected counties.

Coffee consumption culture takes root

Domestic coffee consumption in Kenya remains low, accounting for about three percent of the total production. The low consumption is attributed to the predominant tea drinking culture and prohibitive expense of coffee for the majority of the population who have little purchasing power. The culture of coffee drinking is, however, taking root – especially amongst the middle income groups. Coffee houses have been established in shopping malls and most are usually busy. Imported soluble coffees (i.e. instant coffee) continue to enjoy a stable, though modest, market. In the rural areas, farmers' cooperatives are setting up small-scale roasting plants and coffee houses.

Production, Supply, and Distribution (PSD) table

Coffee, Green Market Begin Year	2016/2017		2017/2018		2018/2019	
	Oct 2016		Oct 2017		Oct 2018	
Kenya	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	112	112	112	112		112
Area Harvested	112	112	112	112		112
Bearing Trees	178	178	178	178		178
Non-Bearing Trees	0	0	0	0		0
Total Tree Population	178	178	178	178		178
Beginning Stocks	130	130	145	155		170
Arabica Production	830	830	800	850		850
Robusta Production	0	0	0	0		0
Other Production	0	0	0	0		0
Total Production	830	830	800	850		850
Bean Imports	0	0	0	0		0
Roast & Ground Imports	0	0	0	0		0
Soluble Imports	25	25	30	30		30
Total Imports	25	25	30	30		30
Total Supply	985	985	975	1035		1050
Bean Exports	780	770	750	800		800
Rst-Grnd Exp.	0	0	0	0		0
Soluble Exports	0	0	0	0		0
Total Exports	780	770	750	800		800
Rst,Ground Dom. Consum	35	35	40	40		40
Soluble Dom. Cons.	25	25	20	25		40
Domestic Consumption	60	60	60	65		80
Ending Stocks	145	155	165	170		170
Total Distribution	985	985	975	1035		1050

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

Government waives farmer debts

The GOK offers no coffee-specific price support or direct subsidy program for farmers or others in the coffee value chain. GOK does, however, recognize coffee as an important livelihood crop and a key foreign exchange earner and, thus, occasionally waives non-performing debts owed by small-scale co-operatives to improve their viability.

GOK has also set up a coffee sector task force with the mandate to implement measures to improve the sector, in collaboration with county governments.

Stocks expected to remain flat

FAS/Nairobi expects ending stocks to remain flat in MY 2018/2019. GOK holds no coffee stocks, rather coffee stocks 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.

U.S. becomes the lead coffee buyer of Kenya coffee

In MY 2016/2017, the United States overtook Germany to become the largest buyer of Kenya coffee, a feat that is attributed to GOK's increased marketing and promotional activities in the U.S. Trends in the main destinations for Kenya's coffee exports are indicated below.

Kenya produces less than one percent of the world's coffee, yet that coffee is highly regarded for blending and for sales to specialty markets. In addition, Kenya is the main coffee logistics hub for Eastern Africa. As a result, all the main international coffee traders are represented in Kenya. Exports shipments continue throughout the year, from January to July for the main *late* crop; and from August to December for the early crop. GOK imposes no tax on coffee exports from Kenya.

Leading export destinations for Kenya's coffee

Export Destination	2014/2015		2015/2016		2016/2017	
	Quantity (tons)	%	Quantity (tons)	%	Quantity (tons)	%
United States	7,455	17%	6,083	14%	8,994	20%
Germany	8,546	20%	7,464	17%	8,343	18%
Belgium	4,244	10%	5,164	11%	4,464	10%
Sweden	3,418	8%	4,473	10%	3,549	8%
Korea South	1,878	4%	2,027	4%	3,277	7%
Switzerland	2,127	2%	2,609	6%	1,797	4%
Finland	2,533	6%	2,570	6%	1,655	4%
United Kingdom	1,264	3%	1,288	3%	1,372	3%
France	1,507	3%	1,507	3%	956	2%