

Required Report: Required - Public Distribution

Date: March 21, 2022

Report Number: KE2022-0002

Report Name: Grain and Feed Annual

Country: Kenya

Post: Nairobi

Report Category: Grain and Feed

Prepared By: Kennedy Gitonga and Matt Snyder

Approved By: Ryan Scott

Report Highlights:

Kenya MY2022/23 corn production is forecast at 3.2 million metric tons (MMT), largely unchanged from MY2021/22 due to high fertilizer prices and farmers switching to alternative crops such as sugarcane. Kenya MY2022/23 wheat consumption is expected to rise to 2.25 MMT from 2.2 MMT as tourism and restaurants bounce back from COVID-19 restrictions. Kenya rice production is forecast to increase in MY2022/23 to 90,000 metric tons (MT) from 80,000 MT due to an expansion of the Mwea irrigation scheme following the completion of the Thiba Dam, however the country will remain dependent on imports for the majority of its rice supply.

Corn:

Table 1: Corn Production, Supply, and Distribution (PSD)

Corn Market Year Begins	2020/2021		2021/2022		2022/2023	
	Jul 2020		Jul 2021		Jul 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Kenya						
Area Harvested (1000 HA)	2200	2000	2200	1950		1900
Beginning Stocks (1000 MT)	234	299	156	275		217
Production (1000 MT)	4000	4000	3500	3100		3200
MY Imports (1000 MT)	230	222	700	800		700
TY Imports (1000 MT)	360	222	600	800		700
TY Imp. from U.S. (1000 MT)	0	0	0	0		0
Total Supply (1000 MT)	4464	4521	4356	4175		4117
MY Exports (1000 MT)	8	6	5	8		8
TY Exports (1000 MT)	9	5	5	5		10
Feed and Residual (1000 MT)	300	440	200	350		350
FSI Consumption (1000 MT)	4000	3800	4000	3600		3600
Total Consumption (1000 MT)	4300	4246	4200	3958		3958
Ending Stocks (1000 MT)	156	275	151	217		159
Total Distribution (1000 MT)	4464	4521	4356	4175		4117
Yield (MT/HA)	1.82	2.00	1.59	1.59		1.68

(1000 HA) ,(1000 MT) ,(MT/HA)

MY = Marketing Year, begins with the month listed at the top of each column

TY = Trade Year, which for Corn begins in October for all countries. TY 2022/2023 = October 2022 - September 2023

Production

MY 2022/23 corn production is forecast to increase 3 percent year-on-year to 3.2 million metric tons (MMT), largely due to anticipated better weather following drought and untimely rain in MY2021/22. While production and yields are expected to increase, they will likely remain below historical levels due to high fertilizer prices which incentivize lower fertilizer application. At the time of this report, fertilizer prices were Ksh 6,000 (\$53) per 50kg bag, a 71 percent increase from the previous year's Ksh 3,500 (\$31) per bag. Area harvested will continue to decrease with industry sources indicating that farmers in the North Rift Region (which produces about 40 percent of Kenya's corn) are switching to alternative crops such as sugarcane. For many farmers, sugarcane represents a better return on investment, particularly due to lower labor and tending requirements compared to corn. These lower requirements allow farmers to pursue off-farm employment after planting. Farmers who contract with private sugar mills also have an assured farm-gate price and are provided labor for harvesting by mills. The switch to sugar will be facilitated by the establishment of a new private sugar mill at Naitiri in neighboring Bungoma County. More broadly in Kenya, some corn farmers are switching to more lucrative crops such as avocado and macadamia. Additionally due to Kenya's ongoing feed crisis, some farmers are

harvesting their maize prematurely for silage. Kenya is currently suffering from a sharp increase in feed ingredient costs, ranging from 30 to 70 percent in 2021, varying by commodity. This crisis makes silage more attractive to farmers due to high feed prices.

MY 2021/22 production is estimated to decline by 23 percent year-on-year to 3.1 MMT due to drought and untimely rains. Throughout much of the country, rains were delayed during the planting season. Additionally, in the North Rift Valley, rains persisted into harvest resulting in fungal infection of the new crop. In January 2022, Kenya's Ministry of Agriculture noted that most regions in Kenya received at least 30 percent less rainfall with corn wilting in Kenya's arid and semi-arid regions. Enhanced rainfall is expected in March, April, and May 2022 in Kenya's key growing regions including the Rift Valley and the West and Eastern Highlands. More broadly, Kenya's drought conditions have adversely affected many of Kenya's dry northern counties, with several rated as suffering crisis levels of food insecurity by the Famine Early Warning Systems Network in January 2022.

Policy

The Government of Kenya (GoK) continues to maintain an import ban on genetically engineered (GE) products which limits access to global supplies. Domestically, Kenya's regulatory agencies have completed all trials for the approval of Bt. corn, but final approval for commercialization is awaiting a decision from Kenya's cabinet.¹

The GoK appears geared to reverse its three-year-old decision to phase out the strategic food reserves (SFR) program. This is evidenced by a recent presentation by the National Cereals and Produce Board (NCPB) to Kenya's parliament for budgetary support to purchase corn in MY2022/23. This possible change may move corn stocks from private facilities to public reserves but it is unlikely to change total MY2022/23 stocks due to limited available supplies.

Consumption

Post estimates that MY 2022/23 total corn consumption will remain flat at about 4 million MT, due to supply constraints and shifting consumer preferences. Maize flour producers have reported difficulty in selling their stores. Although corn remains the primary staple food in most parts of Kenya, consumers are substituting potatoes, pulses, and other cereals for maize. The potato sector has increased dramatically over time and potatoes are now Kenya's second-most important crop. Potatoes are increasingly popular in urban areas where consumers appreciate their relative ease of cooking and a high variety of recipes. Demand for potatoes has also accelerated due to the proliferation of fast-food outlets which feature fried potatoes as menu items. Kenya consumers may also be switching away from corn due to high cooking fuel costs, as corn generally requires more energy to cook than other staples.

Demand in the feed sector is forecast to remain unchanged from MY 2021/22 but will be below historical levels. Kenya is currently experiencing steep price increases for feed ingredients, with some increasing by as much as 70 percent in 2021. These price hikes have resulted in the closure of at least 30 feed mills and a reduction in milling capacity utilization. However, those mills that have not closed

¹ For more, see: <https://www.fas.usda.gov/data/kenya-agricultural-biotechnology-annual-5>.

appear to be passing on higher input costs to consumers which will likely allow them to continue at a depressed level of production in MY2022/23.

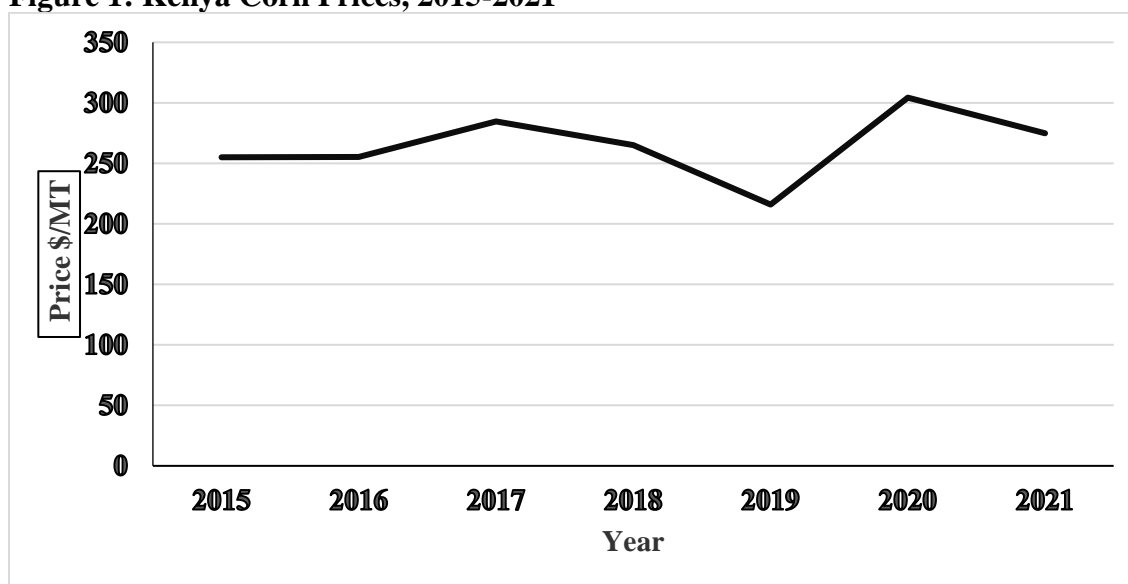
MY2021/22 food, seed, and industrial consumption is estimated to decline from 3.8 to 3.6 MMT due to lower domestic production and available supply. MY2021/22 imports will increase from regional countries which can only partially offset Kenya's production declines. MY2021/22 feed consumption is estimated to drop 20 percent year-on-year to 350,000 MT due to feed mill closures associated with high feed input prices.

Prices

Despite low domestic production, 2021 maize prices fell from a peak in 2020, likely due to shifting consumer tastes. Given minimal changes in supply and demand from MY2021/22 to MY2022/23, Post estimates that MY 2022/23 prices will remain unchanged from their current level of Ksh 2,700 (or \$23.80) per 90 kg. This may change if Kenya resumes the SFR.

The Government of Kenya does not set corn prices, but does influence them by announcing prices at which the government will buy corn.

Figure 1: Kenya Corn Prices, 2015-2021



Source: Kenya Ministry of Agriculture

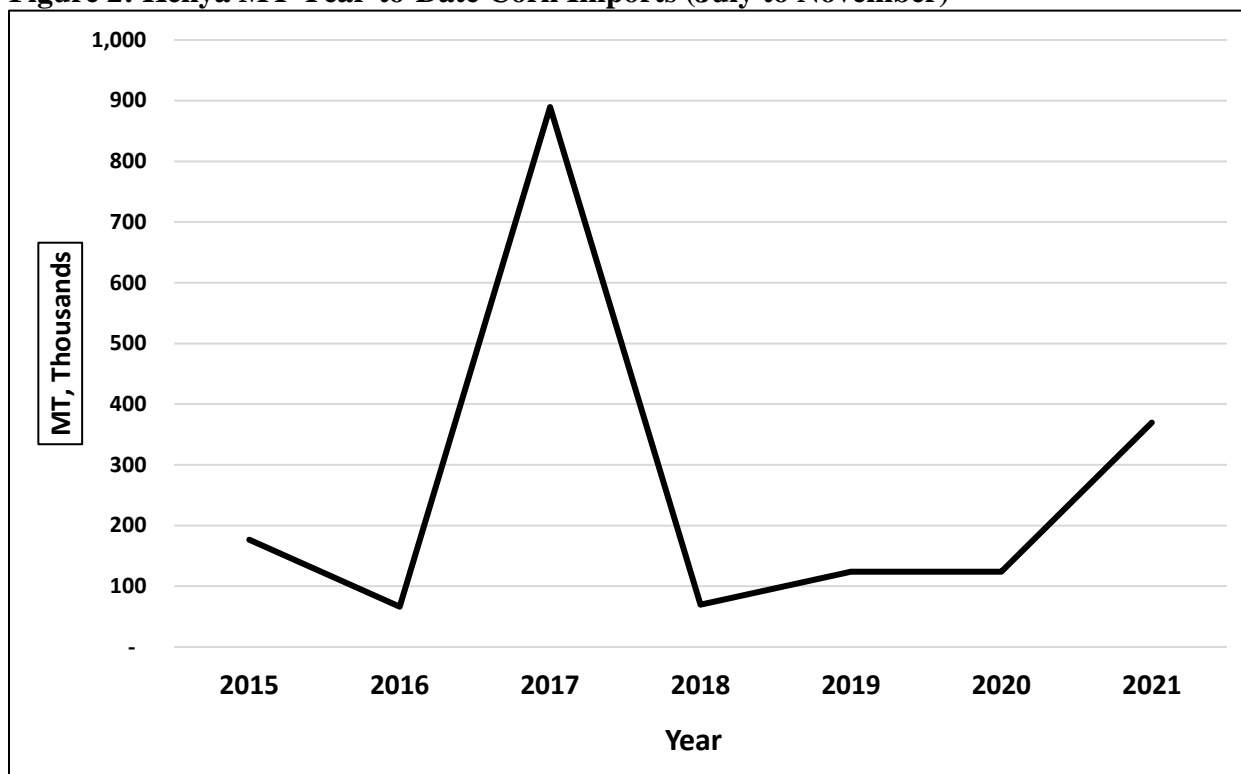
Trade

Post forecasts Kenya's MY 2022/23 corn imports at 700,000 MT, a 12.5 percent decrease from Post's MY 2021/22 estimate, due to slightly higher domestic production and lower exportable supplies in regional countries, particularly Tanzania.²

² For more on Tanzania, see the 2022 Tanzania Grain and Feed Annual.

MY2021/22 imports are forecast at 800,000 MT as Kenya imports regional corn to compensate for losses in domestic production. As of November 2021, Kenya’s year-on-year imports are up by almost 200 percent, putting MY2021/22 imports on track to be the highest since MY2017/18 (see Figure 2).

Figure 2: Kenya MY Year-to-Date Corn Imports (July to November)



Source: Trade Data Monitor, LLC

Kenya’s MY2021/22 imports are primarily supplied by Tanzania which has large exportable supplies due to favorable weather conditions (see Table 2). Historically Kenya has sourced a majority of its imports from regional countries such as Tanzania, Uganda, and Zambia (Table 3).

Table 2: Kenya MY Year-to-Date Corn Imports by Exporting Country (July to November, MT).

Country	2018/19	2019/20	2020/21	2021/22
Tanzania	43,316	117,617	52,253	364,248
Zambia	17,990	4,846	5,281	3,983
South Africa	1,000	970	23,384	1,077

Zimbabwe	988	-	-	246
Canada	-	-	-	100
Argentina	361	282	438	92
Egypt	-	-	25	25
Uganda	69,606	-	1	-
Mexico	-	-	40,500	-

Source: Trade Data Monitor, LLC

Table 3: Kenya MY Imports by Exporting Country, MT

Country	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Tanzania	110,496	39,880	78,667	93,536	169,434	146,874
Mexico	2	99,849	484,246	1	44,001	40,500
South Africa	1,783	81,963	175,177	1,853	2,759	24,836
Zambia	5,524	7,224	188,010	32,464	8,287	6,835
Serbia	-	-	-	-	28,000	1,738
United States	3	3	21,503	22	1,021	365
Uganda	157,120	105,530	380,928	43,316	-	11
Mozambique	-	-	8,498	-	-	-
Romania	-	-	-	-	5,134	-
Russia	-	37,050	-	-	-	-
Ethiopia	-	23,080	9,162	1,000	-	-
Ukraine	-	37,100	74,412	-	9,000	-

Source: Trade Data Monitor, LLC

In line with the East African Community (EAC) common external tariff (CET) framework, Kenya charges an *ad-valorem* duty of 50 percent for corn imports from outside of the EAC. EAC member states have duty-free access to Kenya. In December 2021, Kenya granted several feed milling companies duty-free access to non-GE yellow maize imports to alleviate high feed prices; however, to date, no significant imports have occurred under this measure due to high prices for non-GE corn.³

Stocks

Post forecasts that MY 2022/23 ending stocks will decrease by 27 percent to 159,000 tons due to lower imports and steady consumption.

³ For more on Kenya's waiver of duties see: <https://www.fas.usda.gov/data/kenya-government-kenya-exempts-duties-conventional-animal-feed-ingredients>.

Wheat:

Table 4: Wheat Production, Supply and Distribution (PSD)

Wheat Market Year Begins	2020/2021		2021/2022		2022/2023	
	Jul 2020		Jul 2021		Jul 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Kenya						
Area Harvested (1000 HA)	150	150	160	160		160
Beginning Stocks (1000 MT)	474	365	361	361		356
Production (1000 MT)	300	300	360	250		300
MY Imports (1000 MT)	2092	1951	2000	2090		2090
TY Imports (1000 MT)	2092	1951	2000	2090		2090
TY Imp. from U.S. (1000 MT)	63	63	0	0		100
Total Supply (1000 MT)	2866	2616	2721	2701		2746
MY Exports (1000 MT)	5	5	10	5		5
TY Exports (1000 MT)	5	5	10	5		5
Feed and Residual (1000 MT)	150	150	150	140		140
FSI Consumption (1000 MT)	2350	2100	2200	2200		2250
Total Consumption (1000 MT)	2500	2250	2350	2350		23900
Ending Stocks (1000 MT)	361	361	361	356		351
Total Distribution (1000 MT)	2866	2616	2721	2701		2746
Yield (MT/HA)	2	2	2.25	1.56		1.88
(1000 HA) ,(1000 MT) ,(MT/HA)						
MY = Marketing Year, begins with the month listed at the top of each column						
TY = Trade Year, which for Wheat begins in July for all countries. TY 2022/2023 = July 2022 - June 2023						

Production

MY 2022/23 production is forecast to increase 20 percent year-on-year to 300,000 MT due to better weather conditions. Yields are anticipated to improve but will remain below historical levels due to high fertilizer prices. While high fertilizer prices will impact wheat production, the effect is likely to be less severe for wheat farmers than corn farmers. Kenya's wheat farmers have greater access to financial resources which will help them absorb higher fertilizer costs. Wheat farmers tend to operate on a larger scale and be more commercially oriented than most maize farmers, which on average tend towards small holdings. Additionally, due to Kenya's Wheat Purchase Program, millers must contract to buy all locally produced wheat before importing wheat at discounted tariffs, assuring wheat farmers a secure market. MY2022/23 area harvested will remain unchanged from MY2021/22. Despite rising demand for wheat

products and the possibility of higher prices in MY 2022/23, Kenya has limited land suitable for wheat production.

MY2021/22 production is estimated to fall from 300,000 to 250,000 MT year-on-year due to drought in all of Kenya's key growing counties including Meru, Uasin Gishu, Laikipia, and parts of Narok.

Historically, Kenya's wheat yields have been low due to seed recycling, wheat stem rust (Ug99) disease, and short-term land leasing practices. Short-term leases discourage investment in soil fertility as short-term farmers do not receive long-term benefits from improving soil conditions.

Consumption

MY 2022/23 food, seed, and industrial wheat consumption is forecast to recover to near pre-COVID-19 levels at 2.25 MMT as Kenya's hotel and food service sectors reopen. The pandemic severely affected Kenya's tourism and hospitality sectors, the largest consumer of wheat products. Kenya's confectionery and baking sectors are expected to stimulate demand due to the full reopening of education facilities, restaurants, and other institutions. Additionally, the growth of e-commerce among consumers will lead to more consumption of consumer-oriented wheat products such as pizza at the expense of traditional corn-based meals. Kenya's population continues to rise at roughly 2 percent per year, providing a steady increase in wheat demand. Wheat demand growth may face headwinds if prices remain high due to supply disruptions associated with the conflict in Ukraine, causing some consumers to switch to alternative crops. However, overall per capita consumption is forecast to rise slightly, largely on a recovery in the hospitality and tourism sectors. MY 2022/23 feed consumption is estimated to remain flat on stalled production of animal feed due to high ingredient costs.

MY2021/22 food, seed, and industrial consumption is expected to increase 5 percent to 2.2 million MT as Kenya's tourism and hospitality sectors partially recover from COVID-19 restrictions. Kenya lifted a Covid-19 curfew restriction in October 2021 and has since removed most other COVID-19 prevention measures.

Wheat product sales consist of leavened bread, pastries, cakes, and flat breads such as chapatis. In the Nairobi area, leavened bread constitutes the largest share of formal retail sales, however a sizeable informal market exists throughout Kenya where flat breads are popular.

Kenya has about 25 established millers, of which 20 are large-scale, milling more than 150 MT per day. The remaining millers are medium-sized with milling capacities between 50-150 MT per day. Kenya's formal milling capacity is estimated at about 5,000 MT per day, however there are many small informal operations that are difficult to account for.

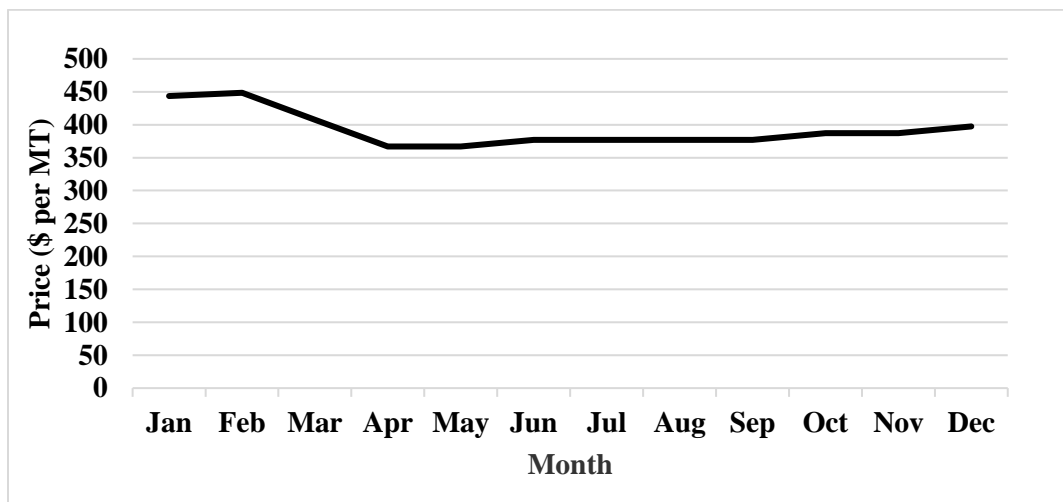
Prices

In 2021, local wheat prices averaged roughly of \$375 per ton, partly due to the revised floor price of Ksh 3700 (\$363) per 90kg bag for grade one wheat, that was agreed in mid-2021 between the GoK, the Cereal Millers Association (CMA), and the Cereal Growers Association (CGA). Kenya millers and traders must purchase domestic wheat at this established floor price before they can import wheat at a

preferential tariff (see Policy section below). The floor price is expected to remain in force in MY 2022/23.

Traders in Kenya are currently reporting spikes in wheat prices up to \$580 per ton following Russia's invasion of Ukraine. The magnitude and duration of these price increases will depend on the length of the conflict. The Black Sea region is a key supplier for Kenya, typically accounting for 40 to 50 percent of total imports.

Figure 3: Kenya 2021 Wheat Prices



Source: Kenya Ministry of Agriculture

Trade

FAS/Nairobi estimates MY 2022/23 wheat imports will remain steady at 2.1 MMT as demand and local production grow simultaneously. Kenya sources most of its wheat from Russia, Australia, Argentina, Canada, and Poland. The effect of the Russia-Ukraine conflict on Kenya's wheat supply will depend on its duration and severity. Russia has become a key supplier of wheat to Kenya, accounting for almost 31 percent of MY 2020/21 imports. Kenya typically imports wheat from the Black Sea region during the summer. If the conflict continues until that time, Kenya will likely have to turn to alternative suppliers. MY 2021/22 imports are now estimated to increase 8 percent to 2.1 million MT to offset lower domestic production and to supply higher demand from Kenya's tourism, restaurant, and hospitality sectors.

Table 5: Key Wheat Exporters to Kenya (MY ending June)

Source	Amount			Market Share		
	2019	2020	2021	2019	2020	2021
Russia	620,229	659,311	602,734	35%	30%	31%
Australia	66,111	46,557	524,379	4%	2%	27%
Argentina	439,949	541,140	346,871	25%	25%	18%
Canada	107,128	139,595	134,904	6%	6%	7%
Poland	-	97,598	72,110	0%	4%	4%
Latvia	35,166	91,196	65,862	2%	4%	3%
Lithuania	15,401	75,734	63,144	1%	3%	3%
Germany	105,400	184,948	40,275	6%	8%	2%

Source: Trade Data Monitor, LLC

Policy

Under Kenya's Wheat Purchase Program, wheat imported into Kenya from non-EAC countries by registered millers is subject to a discounted 10 percent *ad-valorem* tariff, instead of the steep EAC common external tariff of 35 percent *ad-valorem*. To access this rate, Kenya millers must first contract to purchase all domestically produced wheat in Kenya at an established floor price. This policy is periodically reapproved and is expected to remain operational in MY 2022/23.

Stocks

In MY 2022/23, Kenya's wheat ending stocks are expected to remain largely unchanged from MY 2021/22 at 351,000 MT. The stocks will be held by private traders and millers, as the GOK does not operate a stock holding scheme.

Rice:

Table 6: Rice Production, Supply and Distribution (PSD)

Rice, Milled Market Year Begins Kenya	2020/2021		2021/2022		2022/2023	
	Oct 2020		Oct 2021		Oct 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	25	30	30	30		35
Beginning Stocks (1000 MT)	91	74	71	104		132
Milled Production (1000 MT)	80	80	80	80		90
Rough Production (1000 MT)	121	121	121	121		136
Milling Rate (.9999) (1000 MT)	6600	6600	6600	6600		6600
MY Imports (1000 MT)	600	601	625	650		640
TY Imports (1000 MT)	600	601	650	650		640
TY Imp. from U.S. (1000 MT)	0	0	0	0		0
Total Supply (1000 MT)	771	755	776	834		862
MY Exports (1000 MT)	0	1	0	2		2
TY Exports (1000 MT)	0	1	0	2		2
Consumption and Residual (1000 MT)	700	650	705	700		720
Ending Stocks (1000 MT)	71	104	71	132		140
Total Distribution (1000 MT)	771	755	776	834		862
Yield (Rough) (MT/HA)	4.84	4.0	4.0333	4.00		3.9

(1000 HA) ,(1000 MT) ,(MT/HA)

MY = Marketing Year, begins with the month listed at the top of each column

TY = Trade Year, which for Rice, Milled begins in January for all countries. TY 2022/2023 = January 2023 - December 2023

Production

MY 2022/23 rice production is forecast to rise 12 percent to 90,000 MT due to a 16 percent increase in area harvested, after the new Thiba dam is commissioned in 2022, which will expand the Mwea irrigation scheme. Nearly 100 percent of Kenya's rice is produced in irrigation schemes, with the Mwea scheme accounting for over 80 percent of total production. Smaller irrigated rice schemes are in Bura, Ahero, and in Bundalangi. MY 2022/23 yields will likely decrease slightly due to lower fertilizer application by farmers as fertilizer prices surge.

MY2021/22 production will remain unchanged from MY2020/21, as Kenya's irrigation systems will provide protection from MY2021/22's drought conditions.

Consumption

Post forecasts a 3 percent increase in MY2022/23 rice consumption to 720,000 MT driven mainly by the re-opening of the hospitality sector following COVID-19 lockdowns. Education facilities, a major consumer of rice in Kenya, reopened fully in mid-2021 contributing to higher consumption. With the exception of urban areas and institutions, rice is not generally a staple food in Kenya. MY2021/22 consumption is similarly forecast up 8 percent to 700,000 MT on relaxation of COVID-19 restrictions.

Policy

In late 2021, the Kenya National Trading Corporation (KNTC), a GoK agency, resumed its publicly funded rice purchasing program that is aimed at supporting producer prices of rough rice at Ksh 85/kg (0.34/lb). Under this program, KNTC is expected to buy and mill rough rice which is supplied to local schools, colleges, and other government institutions at a discounted price. The impact of the program is hampered by KNTC’s budget constraints. It is not clear if this program will remain operational in MY 2022/23 due to low funding.

Prices

Due to a stable supply situation, MY 2022/23 milled rice prices are expected to remain steady in the current range of Ksh 110 per kg (\$0.44 \$/lb) and Ksh 130 per kg (\$0.52 \$/lb), with aromatic rice selling at higher prices.

Trade

MY 2022/23 imports will decline slightly by 10,000 MT to 640,000 MT as Kenya’s production gains are expected to adequately supply increases in consumption. In 2021, Pakistan, Tanzania, India, Thailand, and Italy were the leading rice exporters to Kenya (see Table 7).

Table 7: Key Rice Exporters to Kenya (MY Ending September)

Source	Unit	Amount			Market Share (Percent)		
		2018/2019	2019/2020	2020/2021	2018/2019	2019/2020	2020/2021
Pakistan	T	382,954	389,029	204,948	62	63	34
Tanzania	T	3,033	37,346	195,340	0.5	6	32
India	T	21,525	41,336	187,797	3	7	31
Thailand	T	168,930	90,108	13,314	27	15	2
Italy	T	46	21	9,510	0	0	2
China	T	23,893	5,734	282	4	1	0
Vietnam	T	574	8,506	54	0	1	0
South Korea	T	20,000	10,000	0	3	2	0
Myanmar	T	260	31,776	0	0	5	0

Source: Trade Data Monitor, LLC

For nearly six years, the EAC has allowed Kenya to reduce its rice tariff for imports from non-EAC countries due to low local production. While the EAC's common external tariff on rice is 75 percent *ad-valorem* or \$345 per ton (whichever is higher), exports to Kenya from non-EAC countries are charged a 35 percent *ad-valorem* tariff, or \$200 per ton (whichever is higher). The partial waiver is subject to yearly review by the EAC Secretariat and is expected to be reapproved in MY 2022/23. Rice exports to Kenya from other EAC countries enter duty free.

Stocks

FAS/Nairobi forecasts MY 2022/23 rice ending stocks to remain stable from MY2021/22 increasing from 132,000 MT to 140,000 MT, enough to cover about 2 months of consumption. The bulk of the stocks will be held by producers and traders, and less than five percent by the government.

Attachments:

No Attachments