

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Kenya

### Coffee Annual

## Kenya Coffee Annual Report

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**Report Highlights:**

Kenya's coffee exporters will likely reduce Arabica exports during Marketing Year (MY) 2011 to the second lowest level in recent history. This near-record-low export forecast comes on the heels of a revised MY 2010 export estimate that approaches the previous low export level of 670 thousand 60 kilogram bags registered in MY 2007.

**Executive Summary:**

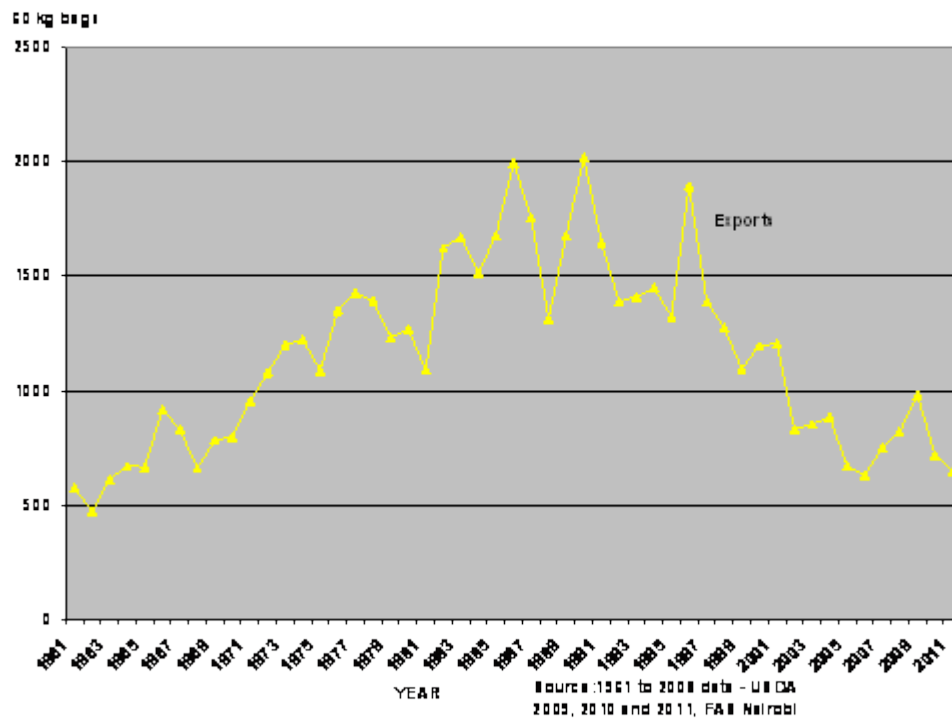
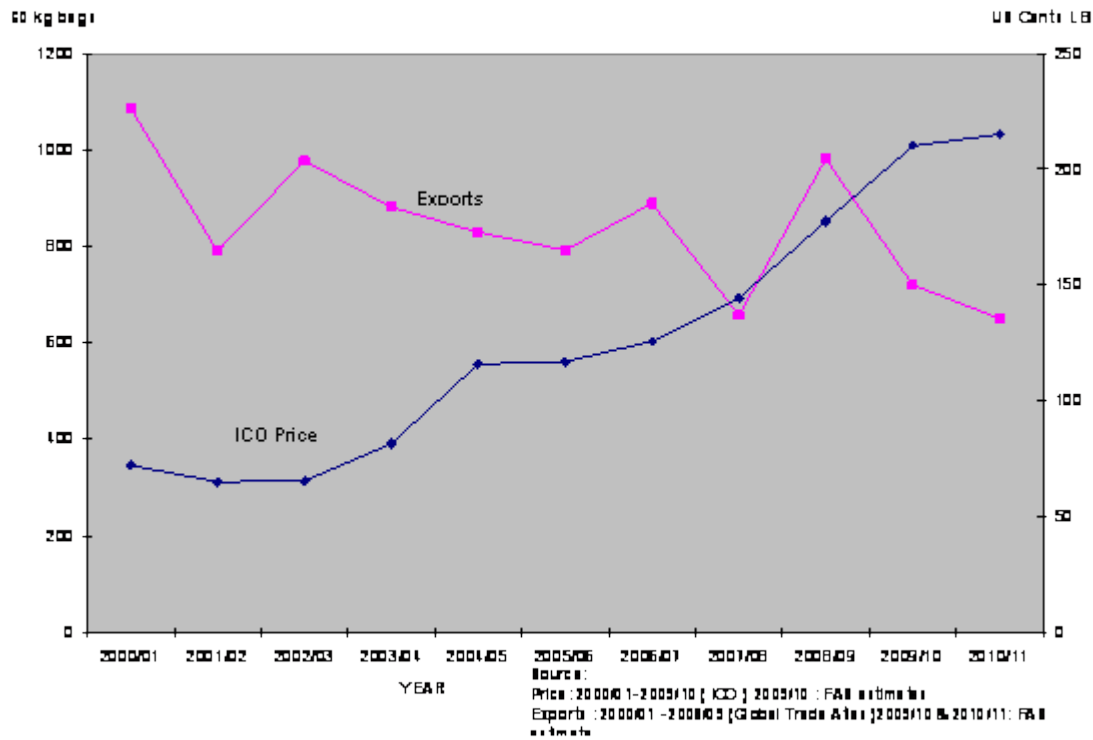
While world prices for quality coffee (Colombian mild Arabica) have steadily increased during the last ten marketing years, ostensibly stimulating good horticultural practices (at a minimum) amongst Kenyan coffee farmers, Kenyan coffee exports have been erratic and downward trending. During the recent five-year comparison period, Kenyan coffee exports were estimated or are forecast at record-low levels. For MY 2011, FAS/Nairobi forecasts an exportable Arabica surplus of only 650 thousand 60 kilogram bags, much below the recent-past MY 2009 export record of nearly one million 60 kilogram bags.

Record and near-record low exports have resulted from weather disadvantaged crops and disease. The MY 2010 exportable surplus was negatively impacted by drought. Most recently, however, flowering of the crop that will become the MY 2011 exportable surplus appears to have been disrupted by heavier than normal rainfall during January, February and even into early March, a period that normally remains dry. The Coffee Research Foundation indicates, for example, that February rainfall totals in coffee growing areas of Kenya reached 200 percent of normal, with March totals at 100 percent of normal.

During the early stages of the calendar year 2009 El Niño phenomenon, some satellite-based weather forecasts indicated that the El Niño would likely delay Kenya's calendar year 2009 short rains season (October-December). In fact, the 2009 short rains started almost two months late and pushed on into calendar year 2010, and are likely an important factor in the coffee flowering problem in Kenya's main coffee crop.

The full extent of the flowering problem is just now being evaluated by local analysts. FAS/Nairobi may yet reduce the MY 2011 export forecast if the additional information coming in the next several weeks and months warrants reevaluation of the current forecast.

While the world coffee prices continues its upward trend, the Kenya coffee export trend languishes. There are likely many factors that have led to this poor response to the increasing price incentive, as measured by the International Coffee Organization (ICO) price in the graph below. They include the conversion of plantations to housing developments, high and increasing transportation charges and generally poor and deteriorating infrastructure.



## Commodities:

Select

## Production:

Area planted and harvested are estimates.

Coffee, Green Kenya	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Oct 2008			Market Year Begin: Oct 2009			Market Year Begin: Oct 2010		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Planted	170	170	143	0	143	143	0	0	143
Area Harvested	155	155	138	0	138	138	0	0	138
Bearing Trees	200	200	200	0	200	200	0	0	200
Non-Bearing Trees	0	0	0	0	0	0	0	0	0
Total Tree Population	200	200	200	0	200	200	0	0	200
Beginning Stocks	499	624	499	495	665	450	0	0	439
Arabica Production	884	917	950	850	850	728	0	0	668
Robusta Production	1	2	2	1	1	2	0	0	2
Other Production	0	0	0	0	0	0	0	0	0
Total Production	885	919	952	851	851	730	0	0	670
Bean Imports	0	0	0	0	0	0	0	0	0
Roast & Ground Imports	0	0	0	0	0	0	0	0	0
Soluble Imports	3	3	3	3	3	3	0	0	4
Total Imports	3	3	3	3	3	3	0	0	4
Total Supply	1,387	1,546	1,454	1,349	1,519	1,183	0	0	1,113
Bean Exports	870	807	981	850	840	720	0	0	650
Rst-Grnd Exp.	0	0	0	0	0	0	0	0	0
Soluble Exports	0	0	0	0	0	0	0	0	0
Total Exports	870	807	981	850	840	720	0	0	650
Rst,Ground Dom. Consum	20	20	20	20	20	20	0	0	20
Soluble Dom. Cons.	2	3	3	2	3	4	0	0	5
Domestic Use	22	23	23	22	23	24	0	0	25
Ending Stocks	495	716	450	477	656	439		0	438
Total Distribution	1,387	1,546	1,454	1,349	1,519	1,183	0	0	1,113
Exportable Production	863	896	929	829	828	706	0	0	645

## Data source:

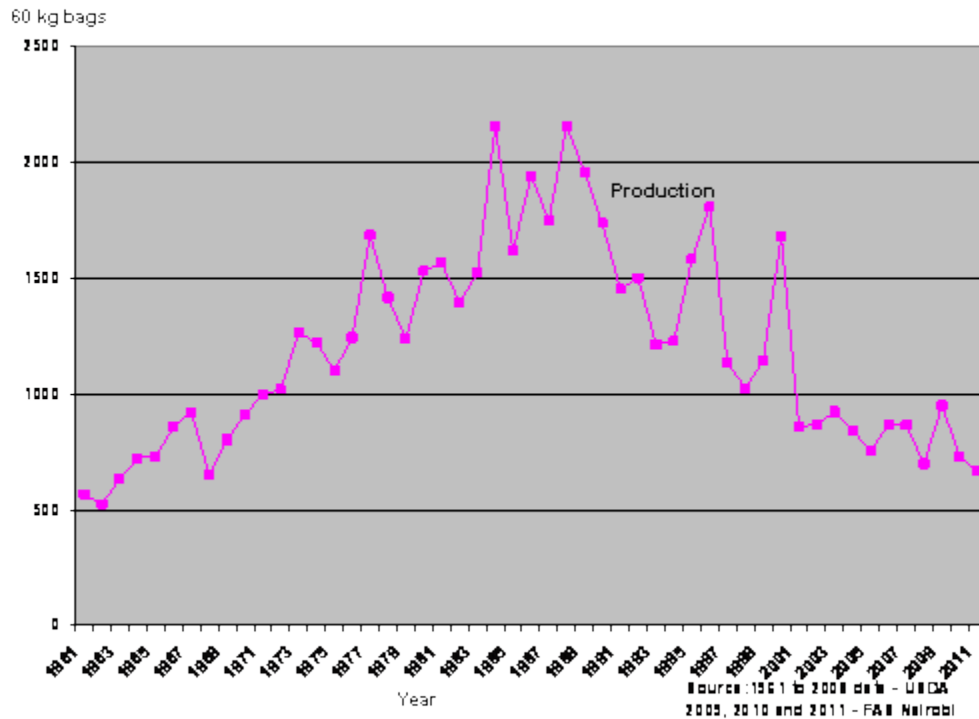
Coffee Board of Kenya: Area & production 2008/2009

Global Trade Atlas (GTA): Exports 2008/2009

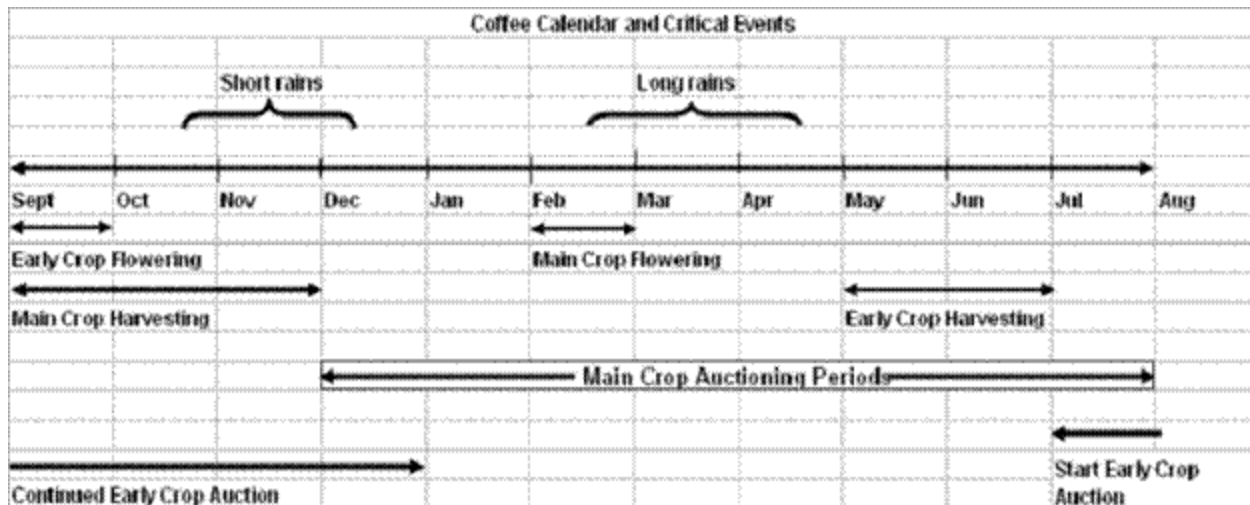
FAS/Nairobi: All remaining lines and years

The graph here below clearly demonstrates Kenya's year-to-year production spikes that are likely related to production cycles and weather, as well as the general production trend, which has been in decline since the early 1990s, almost reaching the early 1960s figures. During the early 1960s and into the early years of statehood, Kenyans exportable surpluses trended sharply up, but since the late 1980s the trend has been just as strong in the opposite direction. It is likely that the Government of Kenya,

Kenyan coffee producers and exporters have failed to address the necessary “competitiveness” factors that would have kept the “early years” production growth trend line intact. Reportedly, Kenyan farmers haven't been replacing coffee bushes, and as a result about 90 percent of the Kenyan coffee bushes are more than 100 years old. Coffee bush productivity, therefore, will likely continue to decline until growers reinvest in higher yielding coffee bushes. Other negative factors may include the continued degradation of Kenya's transport infrastructure that results in high transport costs and reduced net earnings to farmers.



The table below graphically shows the Kenya coffee calendar year (September/October).



**Consumption:**

By all appearances, there are a growing number of coffee houses in Kenya’s urban centers. The Kenyan urban working class youth frequent the coffee houses in the evenings and on weekends. The coffee served at these establishments appears to be more on par with higher-quality coffee normally served in Europe and the United States.

However, the vast majority (some estimates at as high as 97 percent) of Kenyans prefer tea to coffee. And with good reason when you consider that the coffee use at home and at many of the hotels and restaurants tends to be “instant” and heavily diluted with water and milk.

**Trade:**

Europeans buy the bulk of Kenya’s exportable coffee surplus. The shipping season is between March and July with May/June being the heaviest. Reportedly, this year coffee producers have cut back offerings at the Nairobi coffee exchange at least a month earlier than normal.

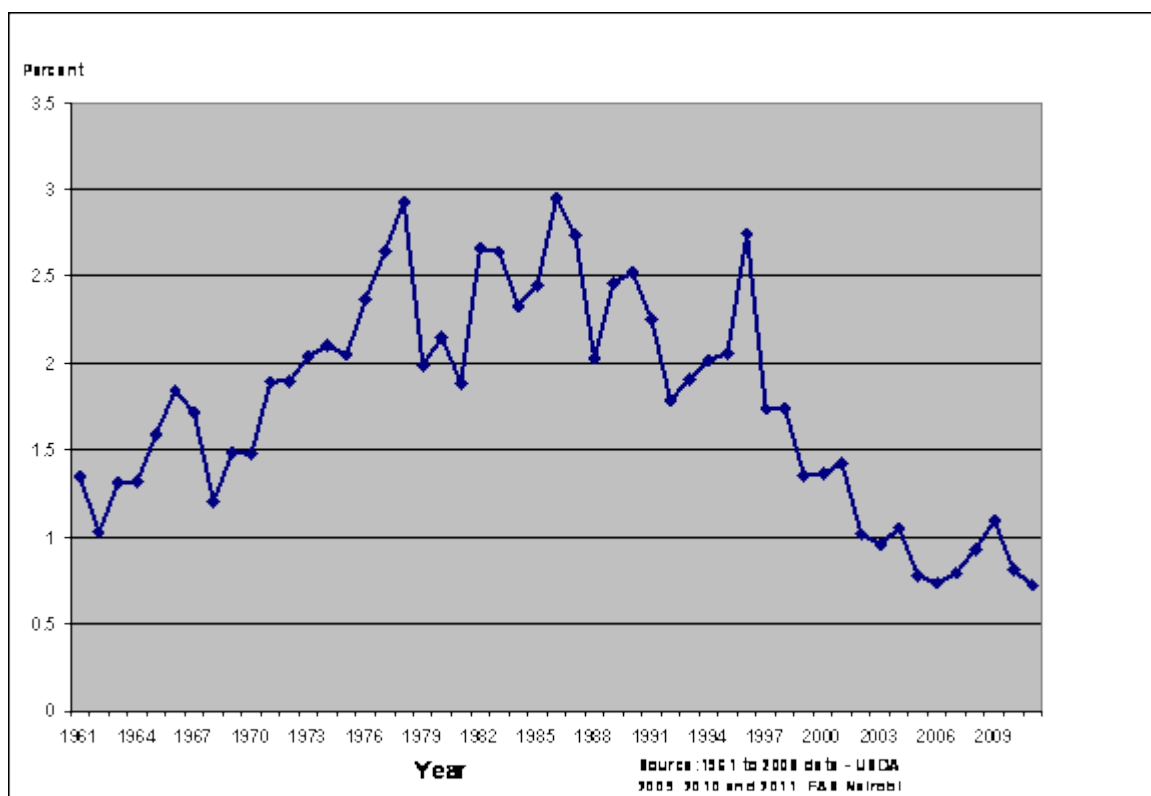
Export Trade Matrix			
Country	Kenya		
Commodity	Coffee, Green		
Time Period	2007/08	Units	2008/09
Exports for	2008	Tons	2009
U.S.	10,126		7,799
<b>Others</b>		<b>Others</b>	
Germany	9,853	Germany	13,255
Sweden	5,089	Sweden	8,644
Belgium	4,596	Belgium	7,122
Finland	3,612	Finland	5,214
United Kingdom	2,543	United Kingdom	2,587
Saudi Arabia	760	Saudi Arabia	1,548
Canada	1,338	Canada	1,532
Total for Others	27,791		39,902

Others not listed	11,039		11,138
<b>Grand Total</b>	<b>48,956</b>		<b>58,839</b>

Source: GTA

While world coffee trade continues to increase from year-to-year, Kenyan exports continue their slide to a point of “no longer relevant.”

Viewed as a percent of world coffee trade, Kenya exporters continue to lose market share. In many markets, Spain for example, Kenya AAs still command a premium over Brazilian and Colombian Arabica coffee, but the premium doesn't appear sufficient to stimulate increased exportable surpluses in Kenya.



**Stocks:**

Kenyan coffee traders hold a majority of stocks with some stocks also held at farm or factory level.

**Policy:**

The Government of Kenya does not facilitate or support coffee export subsidies and does not charge export taxes.

