

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Kenya

**Post:** Nairobi

### Kenya Corn Update Report

**Report Categories:**

Grain and Feed

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**Report Highlights:**

FAS/Nairobi estimates that Kenya will increase its corn imports to 800,000 metric tons during the July/June marketing year (MY) 2013/2014. A comparable record corn import quantity occurred in MY 2008/2009, when Kenya harvested one of its smallest corn crops. Given the import ban on genetically modified food imports, and the 50 percent ad valorem tariff on corn outside the East African Community (EAC) and the Common Market for East and Southern Africa (COMESA), and inadequate supplies in the regional market, it remains unclear how Kenya will avert a looming food/corn crisis.

**General Information:**

FAS/Nairobi estimates Kenya's corn production for 21013/2014 marketing year (MY) at 2.8 million metric tons, down 400,000 metric tons against USDA Official data, and below the five year average of 3 million metric tons. Following factors essentially explain the anticipated decline in production:

- Poor yields due to delayed and inadequate supply of subsidized fertilizers and certified seeds at planting which started late;
- Below average rainfall during the growing season in the grain basket and delayed onset of the short rains in the eastern and coastal regions whose crop normally supplement the long rains crop;
- Outbreak of the Maize Lethal Necrosis (MLN) disease that affected most of the corn growing regions reduced the area harvested;
- Striga, a parasitic weed ravaged 450,000 metric tons of corn in western Kenya according to a report by African Agricultural Technology Foundation(AATF);
- Post-harvest losses attributed to increased rainfall at harvest in the grain basket, poor storage, and drying facilities; and
- Farmers sold high volumes of green corn which fetches a better price than the dry grain, ultimately, reducing the overall dry corn production.

Due to the production shortfall, coupled with increased consumer and industrial demand for corn, FAS/Nairobi expects corn imports to increase by 400,000 metric tons against USDA official data. Kenya normally relies on neighboring countries, Uganda, Tanzania, Malawi, Zambia, and South Africa to fill in the deficit through imports. Reportedly, Malawi and Zambia have imposed a corn export ban due to an impending shortage in their countries, while Uganda is selling most of its corn (60 percent) to South Sudan because of better prices and a less stringent trade environment compared to Kenya. The current ban on genetically modified food imports into the Kenyan market excludes South African corn. The anticipated Kenya's corn import requirements cannot be fulfilled by Tanzania's exportable surplus. In addition, the Democratic Republic of Congo is also buying Tanzanian corn.

Therefore, it remains unclear how Kenya will avert a looming food (equated to corn) crisis given the current import ban on genetically modified foods, a 50 percent ad valorem tariff on corn from outside the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA). The Kenyan government will likely waive the 50 percent corn import duty in the coming months. In addition, the government may reconsider the import ban on genetically modified (GM) foods, in the light of its ability to obtain non-GM corn.

Meanwhile, corn prices are expected to remain stable or increase marginally and remain above their five-year averages through December 2013, attributed to the ongoing long rains harvest. From mid-March/early April 2014, the corn prices will continue to increase as stocks reduce for at least four months/start of the next harvest mid of July 2014, assuming a good harvest in 2014/2015. Otherwise, prices will continue to rise. Currently, the producer price of corn stands at \$327 per metric ton but the government plans to buy strategic grain reserves at \$392 per metric ton, thereby, distorting the market price against the advice of policy analysts who want the government to allow the market forces discover the prices.

**Revised Corn Production, Supply, and Distribution (PSD) Table 2013/2014**

Corn Kenya	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Area Harvested</b>	2,130	2,131	2,159	2,266	2,200	1,800
<b>Beginning Stocks</b>	420	420	433	367	523	181
<b>Production</b>	3,377	3,100	3,600	3,200	3,200	2,800
<b>MY Imports</b>	400	411	250	224	400	800
<b>TY Imports</b>	400	365	200	100	400	800
<b>TY Imp. from U.S.</b>	0	0	0	0	0	0
<b>Total Supply</b>	4,197	3,931	4,283	3,791	4,123	3,781
<b>MY Exports</b>	14	14	10	10	5	7
<b>TY Exports</b>	11	12	10	10	5	7
<b>Feed and Residual</b>	350	350	350	350	350	350
<b>FSI Consumption</b>	3,400	3,200	3,400	3,250	3,400	3,300
<b>Total Consumption</b>	3,750	3,550	3,750	3,600	3,750	3,650
<b>Ending Stocks</b>	433	367	523	181	368	124
<b>Total Distribution</b>	4,197	3,931	4,283	3,791	4,123	3,781

1000 HA, 1000 MT, MT/HA

**Data Source:** Latest available Government of Kenya area harvested and production data—Latest available GTA data—Otherwise FAS/Nairobi estimates

#### Notes on PSD Table

- Area Harvested and Production data were adjusted based on latest available statistics from Kenya's Ministry of Agriculture (MoA) for MY 2011/2012 and 2012/2013.
- Feed and Residual data remains flat due to high corn prices.
- Food, Seed and Industrial (FSI) is lowered than USDA estimates in line with fewer supplies but grows as Kenya's MoA estimates annual corn consumption at 4 million metric tons (3.72 million 90 kilogram bags per month for a population of 40 million people).
- FAS/Nairobi's production (MY 2013/2014) and consumption estimates (for the three marketing years) are lower than MoA's based on our crop assessment field survey and market intelligence.

