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Kenya

Coffee Annual

Kenya Coffee Annual Report

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Report Highlights:
Kenya’s Arabica exports will likely increase by six percent for Marketing Year (MY) 2012 (October 2011 to September 2012) from the previous MY due to better crop husbandry practices, government support initiatives, and anticipated good weather. With the launch of Batian, a new coffee variety, Kenyan coffee growers may boost exports in coming years.

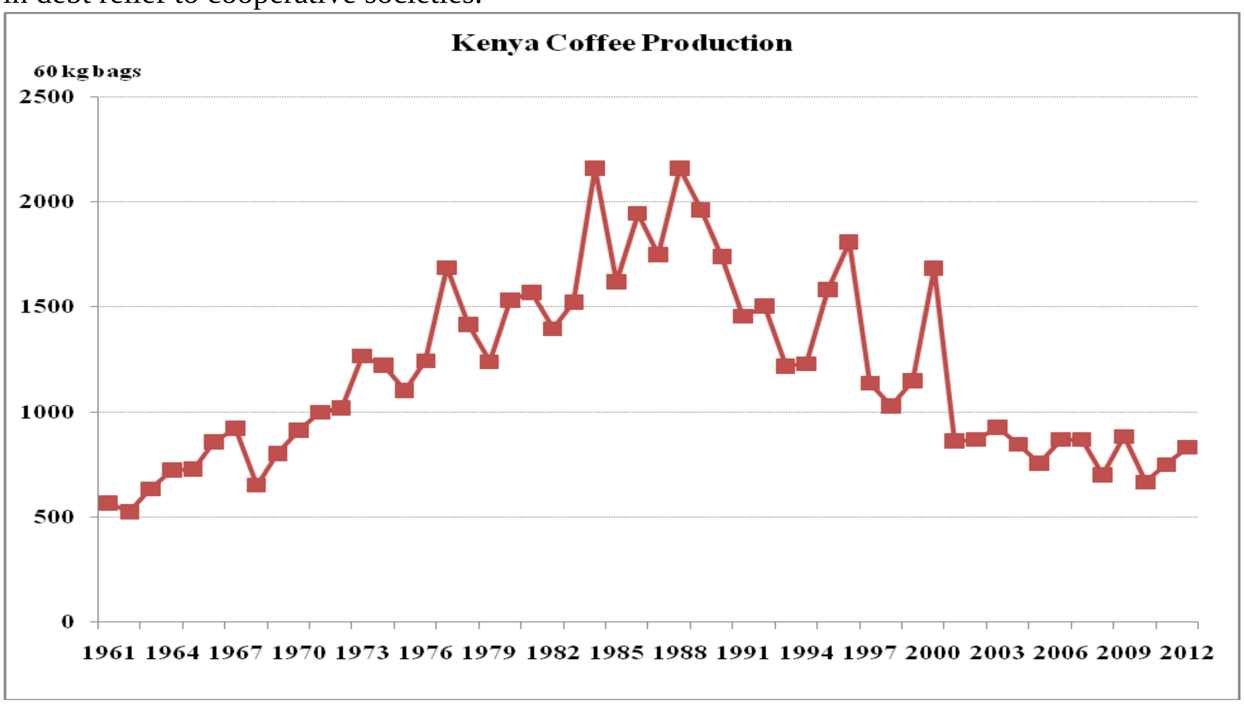
Commodities: Coffee, Green

Executive Summary:
Reportedly, Kenyan coffee growers, mostly smallholders, produce 2.5 kg per tree against a potential of 20 kg. In addition, coffee-growing land near urban centers has declined due to conversion to real estate and switch to more profitable crops such as dairy and horticultural farming. However, new plantations are opening up in the western region of the country.

In September 2010, the Government of Kenya (GOK) launched a new coffee variety, Batian, to improve production and assist a nascent recovery in the coffee sector. Batian, which is resistant to both berry disease and leaf rust, could reduce production costs by 30 percent, yield five tons per hectare, and mature in two years. Moreover, it requires less spacing than the traditional varieties, hence more trees per unit area of land.

Production:
Kenyan coffee production has declined every year since 2001 as shown the graph below. However, FAS/Nairobi forecasts slightly higher production for MY 2012 than in MY 2011. Record coffee prices, better crop husbandry practices, government support programs, and anticipated favorable weather are likely important factors contributing to the increase in production.

For the MY 2011 crop, the GOK increased its Coffee Development Fund (CDF) by 20 percent to $15 million to boost coffee production and revive the sector. Now smallholder coffee farmers have access to loans to buy fertilizer, fungicides, and other farm inputs. In addition, the GOK will provide $50 million in debt relief to cooperative societies.

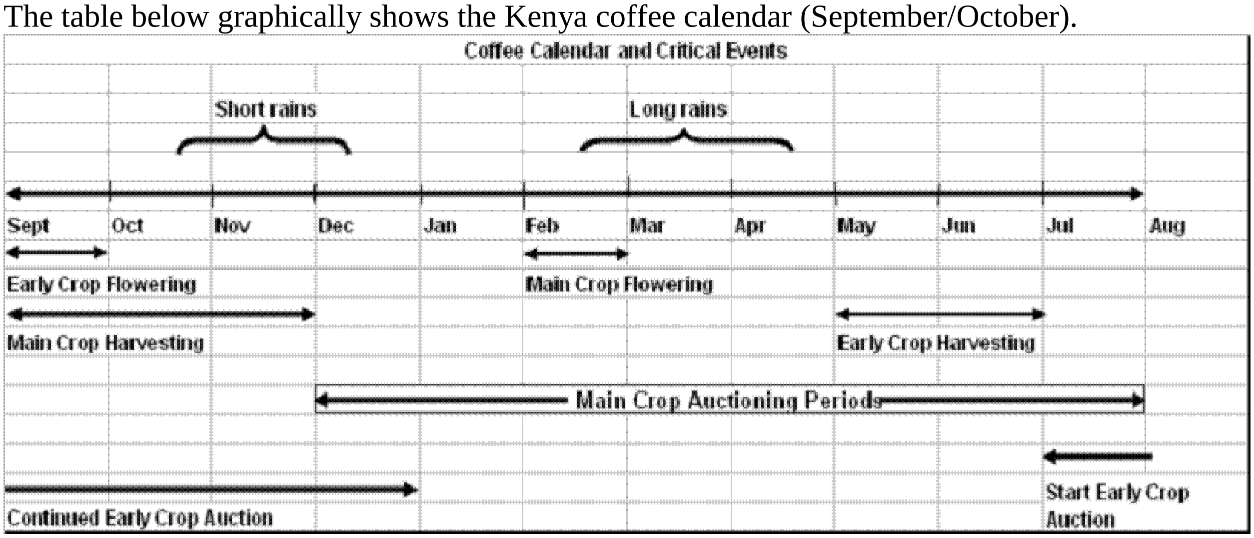


<u>Data Sources</u>: 1961- 2009: USDA; and 2010-2012: FAS Nairobi
Area planted and harvested, bearing and non-bearing trees are estimates.

Coffee, Green Kenya	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	143	0	143		150
Area Harvested	0	138	0	138		138
Bearing Trees	0	200	0	200		200
Non-Bearing Trees	0	0	0	5		10
Total Tree Population	0	200	0	205		210
Beginning Stocks	124	124	84	40		15
Arabica Production	750	665	950	748		830
Robusta Production	0	2	0	2		2
Other Production	0	0	0	0		0
Total Production	750	667	950	750		832
Bean Imports	0	1	0	0		0
Roast & Ground Imports	0	0	0	0		0
Soluble Imports	0	18	0	0		0
Total Imports	0	19	0	0		0
Total Supply	874	810	1,034	790		847
Bean Exports	740	742	950	750		800
Rst-Grnd Exp.	0	1	0	0		0
Soluble Exports	0	3	0	0		0
Total Exports	740	746	950	750		800
Rst,Ground Dom. Consum	50	20	50	25		30
Soluble Dom. Cons.	0	4	0	0		0
Domestic Use	50	24	50	25		30
Ending Stocks	84	40	34	15		17
Total Distribution	874	810	1,034	790		847
1000 HA, MILLION TREES, 1000 60 KG BAGS						

<u>Data sources</u>: Coffee Board of Kenya: Production 2009/2010
Global Trade Atlas (GTA): All imports and exports data
FAS/Nairobi: All remaining lines and years

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



Consumption:

Kenyans generally prefer tea to coffee. The Coffee Board of Kenya (CBK) estimates domestic consumption at only three percent. Most Kenyans perceive coffee as an export crop and cannot afford to buy it at retail level.

However, the growing number of coffee retail chains in Kenya's urban centers indicates that domestic consumption is gaining momentum. For example, in Nairobi, six coffee houses (Java, Dorman's, Art Café, The Mug, Savannah Coffee Lounges, and Coffee World) opened a total of 28 new coffee shops in the last two years.

Trade:

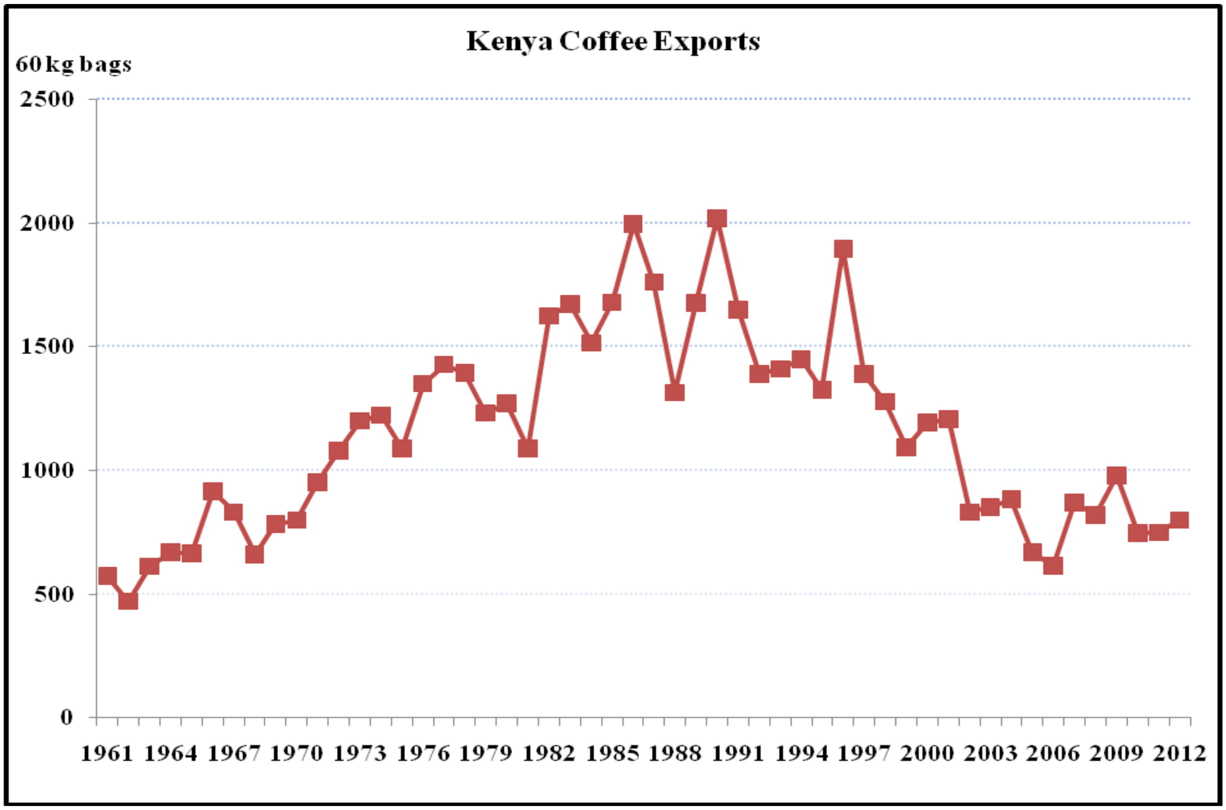
The coffee industry in Kenya, while small by global standards, remains an important player due to its high-quality beans. Europe is the largest market for Kenya's exportable coffee surplus. Kenyan exporters usually ship their products between March and July with May/June being the heaviest.

The Nairobi Coffee Exchange (auction system) handles 85 percent of the country's exports while the rest is shipped through direct sales. For the current marketing year, the auction closed three months earlier (on April 19 to resume on June 7) than the traditional July-August window due to low volume of offerings. In general, marketing agents must offer at least 10,000 metric tons of green coffee beans for the auction to take place.

According to the CBK, prices for Kenyan coffee beans are at 34-year highs. In March 2011, the premium grade reached $600 per 50 kg bag at the auction. Reportedly, Kenyan coffee export earnings are forecast to increase by 5-10 percent during the current marketing year.

Export Trade Matrix			
Country	**Kenya**		
Commodity	**Coffee, Green**		
Time Period	2008/2009	Units	2009/2010
Exports For	2009	Tons	2010
United States	7,799		5,335
Others		**Others**	
Germany	13,255	Germany	10,230
Switzerland	1,124	Switzerland	564
Sweden	8,644	Sweden	5,391
Netherlands	1,410	Netherlands	865
United Kingdom	2,587	United Kingdom	2,855
Finland	5,214	Finland	3,834
Belgium	7,122	Belgium	6,212
Canada	1,532	Canada	1,213
Norway	1,355	Norway	1,287
Saudi Arabia	1,548	Saudi Arabia	1,285

Data Source: Global Trade Atlas (GTA)



Data Sources: 1961-2009: USDA; and 2010-2012: FAS Nairobi

Stocks:

Kenyan coffee traders and growers hold majority of the stocks. Some stocks are also held in the coffee processing factories.

Policy:

The GOK does not facilitate or support coffee export subsidies and does not charge export taxes.