

**Required Report:** Required - Public Distribution

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**Report Name:** Coffee Annual

**Country:** Kenya

**Post:** Nairobi

**Report Category:** Coffee

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**Report Highlights:**

FAS Nairobi forecasts Kenya's coffee production will increase from 700 to 750 thousand bags in marketing year (MY) 2021/22 due to anticipated good weather and improved farm practices in response to higher prices. Area harvested is down from 112 to 105 thousand hectares in MY 2020/21 due to the encroachment of real estate development in peri-urban plantations. Local consumption will remain depressed in MY 2020/21 due to the impact of COVID-19 on the restaurant and hospitality sectors, but will recover slightly from 36 to 43 thousand bags in MY 2021/22 as Kenya's tourism sector improves. Trade estimates are revised based on data from Trade Data Monitor.

## Production, Supply, and Distribution (PSD)

Coffee, Green Market Year Begins Kenya	2019/2020		2020/2021		2021/2022	
	Oct 2019		Oct 2021		Oct 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Area Planted</b> (1000 HA)	112	112	112	105	0	105
<b>Area Harvested</b> (1000 HA)	112	112	112	105	0	104
<b>Bearing Trees</b> (MILLION TREES)	178	178	178	170	0	169
<b>Non-Bearing Trees</b> (MILLION TREES)	0	0	0	0	0	0
<b>Total Tree Population</b> (MILLION TREES)	178	178	178	170	0	169
<b>Beginning Stocks</b> (1000 60 KG BAGS)	55	215	20	205	0	180
<b>Arabica Production</b> (1000 60 KG BAGS)	725	750	650	700	0	750
<b>Robusta Production</b> (1000 60 KG BAGS)	0	0	0	0	0	0
<b>Other Production</b> (1000 60 KG BAGS)	0	0	0	0	0	0
<b>Total Production</b> (1000 60 KG BAGS)	725	750	650	700	0	750
<b>Bean Imports</b> (1000 60 KG BAGS)	0	0	0	0	0	0
<b>Roast &amp; Ground Imports</b> (1000 60 KG BAGS)	0	0	0	0	0	0
<b>Soluble Imports</b> (1000 60 KG BAGS)	30	11	35	11	0	13
<b>Total Imports</b> (1000 60 KG BAGS)	30	11	35	11	0	13
<b>Total Supply</b> (1000 60 KG BAGS)	810	978	705	916	0	943
<b>Bean Exports</b> (1000 60 KG BAGS)	735	737	620	700	0	720
<b>Rst-Grnd Exp.</b> (1000 60 KG BAGS)	0	0	0	0	0	0
<b>Soluble Exports</b> (1000 60 KG BAGS)	0	0	0	0	0	0
<b>Total Exports</b> (1000 60 KG BAGS)	735	737	620	700	0	720
<b>Rst,Ground Dom. Consum</b> (1000 60 KG BAGS)	30	25	35	25	0	30
<b>Soluble Dom. Cons.</b> (1000 60 KG BAGS)	25	11	25	11	0	13
<b>Domestic Consumption</b> (1000 60 KG BAGS)	55	36	60	36	0	43
<b>Ending Stocks</b> (1000 60 KG BAGS)	20	205	25	180	0	180
<b>Total Distribution</b> (1000 60 KG BAGS)	810	978	705	916	0	943

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

### Production

MY 2021/22 coffee production is forecast to increase by 7 percent from 700 to 750 thousand bags due to higher yields from good weather, better crop husbandry practices, and an anticipated high-producing period in Kenya's coffee production cycle. Weather projections for MY 2021/22 indicate that many coffee-growing regions will receive rainfall and temperatures which are conducive to coffee growing. Additionally, yields are projected to increase due to improved crop husbandry practices by farmers as growers rehabilitate their farms and increase inputs in response to improved prices. MY 2021/22 is also expected to be a cyclical peak production year for most trees in Kenya. Coffee trees undergo annual variations in their yield, usually increasing two consecutive years and falling the third.

Area planted is revised down from 112 to 105 thousand hectares in MY 2020/21 as many large farms have been converted into real estate development, particularly in peri-urban areas such as Kiambu and Nyeri. This trend will continue in MY 2021/22 but will be offset as some growers plant new trees outside of peri-urban areas in response to high prices this year.

In April 2020, the Government of Kenya (GOK) announced a \$14 million coffee revitalization program, with the majority of these funds allocated to improving coffee processing and the rest dedicated to input use and support for cooperatives. The impact of this program will likely not be observed until after 2022.

## **Marketing**

Over 70 percent of coffee in Kenya is marketed by co-operatives while the remainder is done by corporate and individually owned businesses. Since 2020, the GOK has supported co-operatives through a \$26 million fund that is managed by the New Kenya Planters Cooperative Union (New KPCU), a public entity and successor to the defunct Kenya Planters Cooperative Union. Under the program, cooperative farmers who use NKPCU to market their crop receive working capital funds to increase their production.

A previously announced takeover of the Nairobi Coffee Exchange (NCE) by the Capital Market Authority (CMA) is on hold due to legal complications, bringing uncertainty and potentially disrupting the management of NCE auctions.

## **Consumption**

Coffee consumption is expected to increase from 36 to 43 thousand bags in MY 2021/22 as the tourism and hospitality sectors recover from COVID-19 disruptions. In MY 2019/20 and 2020/21 consumption was depressed due to low tourism and the closure of hotels, restaurants, coffee houses, and other eateries. As most consumers in Kenya continue to prefer tea over coffee, Kenyan consumption is driven by tourism, immigration, and rising domestic consumption in urban areas where coffee culture is taking root.

While MY 2021/22 consumption is expected to increase, it is not forecast to recover to pre-pandemic levels. While Kenya may see an increase in vaccinated tourists next year, Kenya itself may not achieve high vaccination levels over this timeframe. Prior to the pandemic, coffee consumption in Kenya was growing, particularly through increased investment in coffee houses. Additionally, several businesses set up training facilities to promote coffee preparation and consumption.

## **Trade**

MY 2021/21 coffee exports are expected to increase by 3 percent from 700 to 720 thousand bags due to higher production yields. Kenya's mild arabica coffee accounts for less than one percent of the world's coffee exports of the variety. As a result, most coffee from Kenya is consumed as specialty coffee and used to enhance coffee blends. Over 90 percent of Kenyan coffee is sold through the NCE while the rest is done via negotiated contracts between private parties.

In MY 2019/20, the United States regained its position as the leading export destination for Kenyan coffee. Other key destinations include Germany, Belgium, and South Korea.

### Leading Export Destinations for Kenya Coffee by Marketing Year

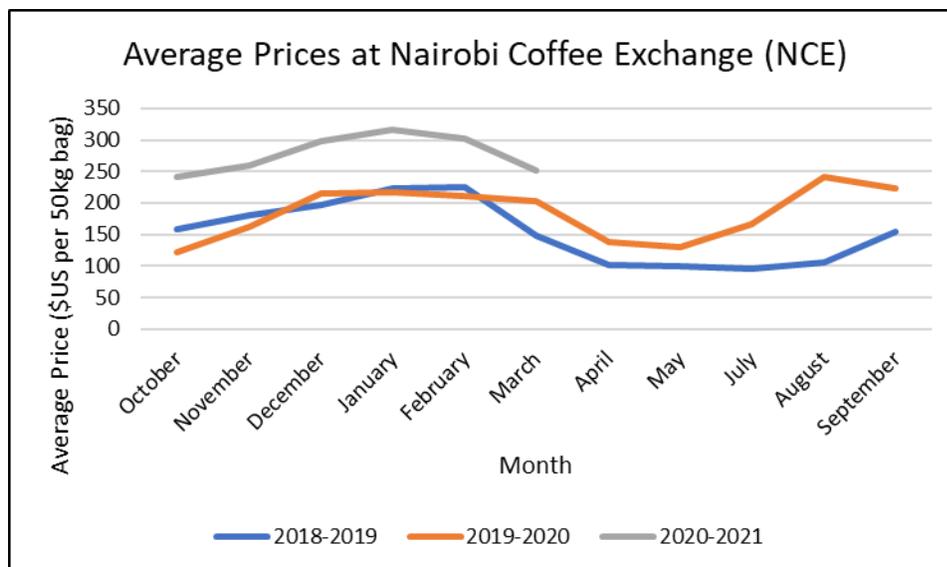
Export Destination	Units in Tons			Market Share		
	2018	2019	2020	2018	2019	2020
United States	6,438	6,699	8,833	15%	13%	19%
Germany	6,580	9,004	8,726	15%	18%	19%
Belgium	4,518	7,903	6,631	10%	15%	14%
South Korea	4,746	4,204	4,021	11%	8%	9%
Sweden	2,930	2,937	2,703	7%	6%	6%
Switzerland	1,709	1,048	1,415	4%	2%	3%
Norway	1,072	1,570	1,359	2%	3%	3%
Australia	1,485	1,547	1,246	3%	3%	3%
Finland	1,317	1,461	1,038	3%	3%	2%
United Kingdom	1,027	1,106	1,012	2%	2%	2%

Source: TDM

MY 2021/22 imports of soluble coffee are forecast to increase modestly from 11 thousand to 13 thousand bags due to increased consumption in the hospitality sector as vaccinated tourists begin to return to Kenya.

### Prices

NCE coffee prices have surged significantly since the start of MY 2020/21 due to increased purchases by traders and roasters and concerns over shortages of top-quality coffees. Industry sources indicate the quality of coffee presented at NCE has improved lately which will help sustain higher prices. The favorable price trend is expected to encourage farmers to intensify production going into MY 2021/22.



Source: NCE

Note: June not included due to auction closures in MY 2019/20

**Stocks**

MY 2021/22 ending coffee stocks are expected to remain at 180 thousand bags as traders maintain stocks to cover exports during the fall before the next harvest arrives at market in January. Stocks will largely be held by millers, marketing agents, and exporters, while some will also be held by individual large-scale farmers and co-operatives in the form of parchment coffee.

**Attachments:**

No Attachments