

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Kenya

### Grain and Feed Annual

#### 2015 Corn, Wheat, and Rice Report

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**Report Highlights:**

FAS/Nairobi forecasts increased production of corn, wheat and rice in Kenya in the marketing year (MY) 2015/2016. Consumption of the three commodities will surpass production creating a deficit that will be offset by imports. Imports into Kenya from countries that are not members of the East African Community (EAC) or the Common Market for Eastern and Southern Africa (COMESA) are subject to tariffs that range from 10 percent for wheat to 35 percent for rice and 50 percent for corn.

## Corn

Corn production in Kenya continues to be constrained by numerous factors including inadequate and erratic rainfall, the spread of Maize Lethal Necrosis (MLN), low access to seeds for the popular hybrid corn varieties, and the underlying soil acidification due to continuous usage of Diamonium Phosphate (DAP) fertilizer at planting. Both the national and county governments have initiated measures aimed at expanding production as well as reducing the cost of production. Some of the key programs include the provision of subsidized fertilizers to farmers, and the construction of irrigation infrastructure in Galana/Kulalu at the North Coast, to bring an estimated one million hectares under irrigated agriculture.

The National Irrigation Board (NIB), the agency mandated on the Galana/Kulalu Food Security Project, estimates that the first corn harvest from some 10,000 hectares of the project will come through in the MY 2015/2016. Modest corn production increases are also expected in the traditional rain-fed regions as more farmers adopt alternative, non-acidifying fertilizers.

The National Cereals and Produce Board (NCPB), the Government of Kenya (GOK) agency has traditionally been responsible for the annual government corn purchase program. The GOK has announced its intention to move away from commercial purchases and concentrate only on strategic grain reserves. In anticipation, private investors are putting up more commercial grain handling facilities in the major corn-growing regions.

Corn remains the most important staple food and its consumption will continue to grow despite calls by GOK for diet diversification, leading to a supply deficit in the MY2015/2016. The deficit will most likely be fully offset by imports from within the East African Community (EAC), unless the ban on genetically modified (GM) corn will have been lifted. In addition, corn imports from outside the EAC attract a steep external tariff currently at 50 percent ad-varoem. A significant portion of the imports will however be through informal cross-border trade driven by the desire by traders to cash in on the higher prices in the Kenyan market. Corn exports out of Kenya are not expected in view of the anticipated supply deficit and the pricing differential.

Retail prices for corn and corn products have stabilized in the last one year due to the influx of imported corn and a lower than expected GOK purchase price of \$25 USD per bag compared to \$32 USD in the MY 2013/2014. Although the announced price made farmers unhappy, it will stem costs to consumers.

Aflatoxin contamination in corn remains a major food safety concern in Kenya. The GOK has committed funding to programs aimed at improving drying and storage facilities in all corn growing regions in Kenya in order to reduce the contamination. In addition, scientific trials on mitigation of soil based aflatoxin contamination that are supported by Agricultural Research Service (ARS) of United States Department of Agriculture (USDA) have culminated in the ongoing construction of a plant at Katumani Research Station in Machakos County, for the manufacture of aflasafe™, a bio-control product that reduces aflatoxins in the field and in storage.

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

Corn	2013/2014	2014/2015	2015/2016
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Kenya	Market Year Begin: Jul 2013		Market Year Begin: Jul 2014		Market Year Begin: Jul 2015	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
<b>Area Harvested</b>	1,800	1,800	2,000	1,650		1,700
<b>Beginning Stocks</b>	466	466	315	411		211
<b>Production</b>	2,800	2,800	2,700	2,650		2,800
<b>MY Imports</b>	200	800	500	900		1,000
<b>TY Imports</b>	300	800	500	900		1,000
<b>TY Imp. from U.S.</b>	0	0	0	0		0
<b>Total Supply</b>	3,466	4,066	3,515	3,961		4,011
<b>MY Exports</b>	1	5	5	0		0
<b>TY Exports</b>	5	5	5	0		0
<b>Feed and Residual</b>	350	350	350	350		350
<b>FSI Consumption</b>	2,800	3,300	2,800	3,400		3,400
<b>Total Consumption</b>	3,150	3,650	3,150	3,750		3,750
<b>Ending Stocks</b>	315	411	360	211		261
<b>Total Distribution</b>	3,466	4,066	3,515	3,961		4,011
1000 HA, 1000 MT, MT/HA						

Sources of data: GOK – Global Trade Atlas (GTA) –otherwise FAS/Nairobi Estimates

#### Notes on PSD Table:

- Area harvested is expected to increase in MY 2015/2016 as part of Galana/Kulalu food security project comes into production.
- Modest increases in yields due to use of alternative fertilizers are expected.
- Post has revised upwards the MY 2013/14 and MY 2014/15 imports due to increased imports from EAC countries.
- Post forecasts that the deficit will widen in MY 2015/2016, leading to increased need for imports.
- No imports are expected from the US unless the GOK lifts the GM products ban.

#### Wheat

FAS/Nairobi forecasts a modest increase in wheat production in Kenya the MY 2014/2015. Recycling of seeds by farmers, high prevalence of the wheat stem rust (Ug99) and erratic weather are the major contributors to low yields.

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

Wheat Market Begin Year  Kenya	2013/2014		2014/2015		2015/2016	
	Jul 2013		Jul 2014		Jul 2015	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Harvested	160	160	170	170		175
Beginning Stocks	129	129	289	239		344
Production	486	400	450	415		420
MY Imports	1,484	1,420	1,600	1,450		1,500
TY Imports	1,484	1,420	1,600	1,450		1,500
TY Imp. from U.S.	38	38	0	20		40
Total Supply	2,099	1,949	2,339	2,104		2,264
MY Exports	10	10	10	10		10
TY Exports	10	10	10	10		10
Feed and Residual	150	150	150	150		150
FSI Consumption	1,650	1,550	1,750	1,600		1,650
Total Consumption	1,800	1,700	1,900	1,750		1,800
Ending Stocks	289	239	429	344		454
Total Distribution	2,099	1,949	2,339	2,104		2,264

1000 HA, 1000 MT, MT/HA

Sources of data: GOK – GTA – otherwise FAS/Nairobi Estimates

### Notes on PSD Table:

- Wheat production in MY 2013/2014 and 2014/2015 was significantly affected by drought conditions and increased incidence of wheat stem rust.
- Consumption in MY 2013/2014 and 2014/2015 would have been higher were it not for a decrease in demand for high grade wheat products due to the security related depression in the tourism sector.

Overall wheat consumption in Kenya is expected to continue increasing due to demand growth in the various wheat based products categories mainly bread, pasta, biscuits and breakfast cereals.

Urbanization, increased incomes, and a robust food service sector have fueled the demand growth. A limited amount of wheat is also used as a raw material for feed manufacturing.

Currently there are about 150 registered bakeries operating in Kenya. Considerable home-baking, both for household production and sale, also takes place. In addition, all the leading supermarkets chains are opening baking units within their stores and consumers are increasingly opting for the freshly baked bread and related products. According to *Euromonitor*, Kenya's consumption of baked products is expected to increase at a constant Compound Annual Growth Rate (CAGR) of 5 percent in the next five years.

The breakfast cereals and the biscuits categories have also grown driven mainly by demand by the expanding middle class. Although there are substantial imports in this category, local manufacturers have expanded their product portfolio contributing to overall wheat demand.

Domestic wheat production meets less than a third of the wheat demand creating the need for importation. The bulk of the wheat imports are from the Black Sea region (Russia, Ukraine and Kazakhstan), Pakistan, Brazil, Argentina, and Australia. Imports from the US are mainly for the Food Aid Programs. Competitive pricing and cost of transportation are a major consideration in wheat import decisions. Post forecasts an increase in wheat imports in the MY 2015/2016. Imports into Kenya by registered millers are charged a 10 percent ad-valorem tariff; otherwise imports face the EAC external tariff of 35 percent.

## **Rice**

Rice is the third most important food crop in Kenya after maize and wheat. Small scale farmers under the National Irrigation Board (NIB) managed irrigation schemes produce an estimated ninety-five percent of all Kenya's crop. The remaining five percent is produced in low yield, rain-fed conditions. In addition to the traditional Basmati variety which is grown under flooded conditions, the New Rice for Africa (NERICA) variety is now being promoted under rain-fed conditions in the highlands. Rice production is expected to benefit from the increased investment by GOK and partners in new irrigation projects and the rehabilitation of existing schemes.

The Kenya Agricultural and Livestock Research Organization (KALRO), in partnership with the International Rice Research Institute (IRRI) is currently spearheading research programs geared towards developing high-yielding, high-protein rice varieties whose production require less water.

Kenya's Department of Agriculture estimates the consumption growth for rice at 11 percent per year, attributed to population growth and urbanization. The local production can barely cope and imports have increased rapidly to offset the deficit. Rice imports into Kenya are mainly from Pakistan, Vietnam, Thailand, and India. Sources also indicate substantial unrecorded imports from Tanzania. The applicable EAC external tariff is 75 percent ad valorem or \$200 USD per ton, whichever is higher. The EAC has however allowed Kenya, on account of low local and regional production, to apply a 35 percent ad-valorem tariff on imports from outside the EAC, a concession that must be renewed each year.

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

Rice, Milled Market Begin Year  Kenya	2013/2014		2014/2015		2015/2016	
	Oct 2013		Oct 2014		Oct 2015	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
<b>Area Harvested</b>	28	32	25	35		35
<b>Beginning Stocks</b>	100	100	142	70		72
<b>Milled Production</b>	97	60	79	70		75
<b>Rough Production</b>	147	91	120	106		114
<b>Milling Rate (.9999)</b>	6,600	6,600	6,600	6,600		6,600
<b>MY Imports</b>	430	400	420	420		430
<b>TY Imports</b>	440	440	480	450		460
<b>TY Imp. from U.S.</b>	0	0	0	0		0
<b>Total Supply</b>	627	560	641	560		577
<b>MY Exports</b>	10	10	10	8		10
<b>TY Exports</b>	10	10	10	10		10
<b>Consumption and Residual</b>	475	480	495	480		500
<b>Ending Stocks</b>	142	70	136	72		67
<b>Total Distribution</b>	627	560	641	560		577

1000 HA, 1000 MT, MT/HA

Sources of data: GOK – GTA – otherwise FAS/Nairobi Estimates