Required Report - public distribution

Date: 4/13/2016

GAIN Report Number:

Kenya

Sugar Annual

2016 Kenya Annual Sugar Report

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Report Highlights:
FAS/Nairobi forecasts a decrease in Kenya's sugar production in the marketing year (MY) 2016/2017 as cane farmers move to produce other products such as dairy and horticulture. Consumption is forecast to increase modestly and the deficit will be offset by a draw-down of stocks and imports. The import safeguard that limits duty free imports from Common Market for Eastern and Southern Africa (COMESA) countries is still in place.

Production:
FAS/Nairobi forecasts a decrease in Kenya's sugar production in MY 2016/2017 as cane farmers in western Kenya move to produce other products because of low returns. Cane production in Kenya is limited by poor crop husbandry practices, low access to inputs, poor transport infrastructure, and delayed payments to farmers. Most of the state-owned sugar mills are operating below capacity and are burdened by obsolete milling technology and huge debts. Locally produced sugar remains uncompetitive in the COMESA region with the cost of production reportedly being 60 percent higher than it is in Uganda and Tanzania, and 50 per cent higher than it is in Zambia. The Government of Kenya (GOK) is in the initial stages of the long-promised sugar mills privatization program, which is one of the conditions for the extension of import safeguards by the Common Market for Eastern and Southern Africa (COMESA). Small pockets of the sector are starting to be served by the recently established private mills. In MY 2015/2016 production increases are largely attributed to harvests from new plantations in the coastal region.

Production, Supply, and Distribution (PSD) Table

Sugar, Centrifugal	2014/2015		2015/2016		2016/2017	
Market Begin Year	May 2014		May 2015		May 2016	
Kenya	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	59	59	139	110		170
Beet Sugar Production	0	0	0	0		0
Cane Sugar Production	550	550	550	580		520
Total Sugar Production	550	550	550	580		520
Raw Imports	116	120	100	100		100
Refined Imp.(Raw Val)	181	181	185	200		200
Total Imports	297	301	285	300		300
Total Supply	906	910	974	990		990
Raw Exports	0	0	0	0		0
Refined Exp.(Raw Val)	0	0	0	0		0
Total Exports	0	0	0	0		0
Human Dom. Consumption	767	800	793	820		840
Other Disappearance	0	0	0	0		0
Total Use	767	800	793	820		840
Ending Stocks	139	110	181	170		150
Total Distribution	906	910	974	990		990

(1000 MT)						

Source: Global Trade Atlas (GTA, Kenya's Sugar Directorate–otherwise FAS/Nairobi Estimates
Note: Refined sugar multiplied by 1.07 to convert to raw value basis.

Consumption:

Sugar consumption is forecast to increase modestly driven by growth in retail, industrial and food service sectors. A growing middle class, coupled by increased purchasing power, and the diversification of sugar-based products are also expected to contribute to the increased demand. Local production will meet about sixty two percent of the total consumption and the supply deficit will be offset by imports, mainly from the COMESA region. Kenya does not produce refined sugar and all the refined sugar demand will be met by imports.

Stocks:

Stocks are forecast to decrease by the close of MY 2016/2017. The stocks will be held by millers and distributors as GOK has no stock-holding programs.

Policy:

GOK continues to utilize the COMESA safeguards to limit duty-free imports from COMESA countries to a maximum of 350,000 tons. The latest one-year extension of safeguards expires in February 2017. Kenya is yet to fully achieve some of the targets anticipated in the grant conditions including privatization of five state owned sugar millers, introduction of a sucrose-content-based cane payment system, and provision and maintenance of transport infrastructure in the sugar growing areas. Sugar imports from non-COMESA and East African Community countries are assessed at 10 percent duty ad varolem if imported under the Tax Remission for Exports Office (TREO), a GOK program for promotion of manufactured exports; otherwise 100 percent duty ad varolem is applicable. In MY 2015/2016 raw sugar imports decreased due GOK's stricter control of the issuance of sugar import permits. Refined sugar imports increased due to increased demand from the manufacturing sector. GOK border and customs agencies have also enhanced surveillance to eliminate importation of uncustomed sugar.

Marketing:

Sugar marketing in Kenya is undertaken by distributors on behalf of millers and importers. Kenya's retail market is highly segmented with most retail stores now undertaking in-house packaging and branding. Retail sugar prices have stabilized in the last two years and now range between Ksh 120 to Ksh150 ($1.20 to $1.50 USD) per kilogram. Some of the local millers are unable to move their stocks at these prices, resulting in cash-flow problems and delayed payouts to farmers.