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Kenya

Sugar Annual

2017 Kenya Annual Sugar Report

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Report Highlights:
FAS/Nairobi forecasts Kenya's sugar production to remain flat in the marketing year (MY) 2017/2018 due to continued poor performance of the state-owned sugar milling plants. Consumption is however forecast to increase and the resultant shortfall will be offset by an increase in imports. The import safeguard that limits duty free sugar imports from the Common Market for Eastern and Southern Africa (COMESA) countries remains in place.

Production:
FAS/Nairobi forecasts Kenya's sugar production in MY 2017/2018 to remain flat due to the continued poor performance of the state-owned sugar milling plants. The much anticipated privatization of the sugar mills has not taken place and they continue to be burdened by obsolete milling technology and huge debts leading to poor services to the farmers. Consequently, privately owned mills have encroached some of areas that were previously zoned-off for the state-owned mills to provide alternative cane marketing outlets. According to Kenya's Sugar Directorate, locally produced sugar remains uncompetitive with the cost of production at about $600 USD per ton and therefore higher than anywhere else in the Common Market for Eastern and Southern Africa (COMESA). Kenya has since 2004 sought extensions of safeguards to limit importation of duty free sugar from the COMESA region by invoking Article 61 of the COMESA treaty, which provides for the protection of emerging sectors until a time when they are considered mature for competition. Local sugar production is also limited by poor crop husbandry practices, low access to inputs, poor transport infrastructure, and delayed payments to farmers.

Production, Supply, and Distribution (PSD) Table

Sugar, Centrifugal	**2015/2016**		**2016/2017**		**2017/2018**	
Market Begin Year	**May 2015**		**May 2016**		**May 2017**	
Kenya	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Beginning Stocks	135	135	150	151		101
Beet Sugar Production	0	0	0	0		0
Cane Sugar Production	580	580	520	520		520
Total Sugar Production	580	580	520	520		520
Raw Imports	88	90	100	100		120
Refined Imp.(Raw Val)	166	166	170	170		200
Total Imports	254	256	270	270		320
Total Supply	969	971	940	941		941
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	819	820	790	840		850
Other Disappearance	0	0	0	0		0
Total Use	819	820	790	840		850
Ending Stocks	150	151	150	101		91
Total Distribution	969	971	940	941		941
(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:

Kenya's sugar consumption is forecast to increase due to growth of demand in retail, industrial and food service sectors. The growth is supported by an increase in consumer purchasing power, and the diversification of manufactured sugar-based products. Local production will meet about sixty percent of the total consumption and the resultant shortfall will be offset by imports, mainly from the COMESA region. Other countries that export sugar to Kenya include: India, Mauritius, Egypt, and Thailand.

Stocks:

Ending stocks in the MY 2016/2017 are forecast to decrease further compared to MY 2016/2017. The government of Kenya (GOK) has no sugar stock-holding programs, and stocks are held by millers and distributors.

Policy:

Since 2004, GOK has utilized the import safeguard granted by the COMESA secretariat to limit duty-free imports from COMESA countries to a maximum of 350,000 tons per year. The latest two-year extension of the safeguard was granted in 2016 and expires in February 2019. Kenya is yet to fully meet most of conditions attached to the extension, including privatization of the state-owned sugar mills, 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 (EAC) countries are assessed at ten percent duty ad varolem if imported under the Tax Remission for Exports Office (TREO), a GOK program that promotes of export manufacturing; otherwise 100 percent duty ad varolem is applicable. The GOK has also tightened the issuance of sugar import permits and enhanced surveillance to reduce diversion of sugar that is on transit to other countries.

Marketing:

Sugar marketing in Kenya is undertaken by distributors on behalf of sugar millers and importers. Kenya's retail market is highly segmented with most retail stores undertake in-house packaging and branding. In MY 2016/2017 local retail sugar prices surged to a four-year record of Ksh 7,500 (USD 75) per 50kg, due to dwindling stocks attributed to the decreased production and delays in importation.