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Kenya

Sugar Annual

2014 Kenya Annual Sugar Report

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Report Highlights:
FAS/Nairobi forecasts a modest increase in both sugar production and consumption in the marketing year (MY) 2014/2015. Unlimited duty-free imports from the Common Market for Eastern and Southern Africa (COMESA) countries are expected after the expiry of the safeguard extension in February 2015. Consequently, stocks will rise. Government of Kenya (GOK) is putting in place measures to improve the competitiveness of locally produced sugar, including privatization of GOK owned sugar mills and expanding sugar production in non-traditional growing areas.

Production:

FAS/Nairobi forecasts a modest increase in sugar production as more area is put under cane cultivation and farmers adopt improved varieties. Smallholder farmers produce the bulk of the cane under rain-fed conditions. Locally produced sugar is however not competitive in the region due high production costs currently estimated at $950 (Sh81,700) per ton, compared to an average of $350 (Sh30,100) per ton in the other COMESA countries. Low yields, low mill capacity utilization, obsolete milling technology, and poor transport infrastructure largely account for the high costs. GOK plans to open up new production areas in the coastal region. In addition, GOK is promoting the planting of higher yielding cane varieties.

Production, Supply, and Distribution (PSD) Table

Sugar, Centrifugal Kenya	2012/2013		2013/2014		2014/2015	
	Market Year Begin: May 2012		Market Year Begin: May 2013		Market Year Begin: May 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	15	15	14	14		59
Beet Sugar Production	0	0	0	0		0
Cane Sugar Production	494	494	515	520		525
Total Sugar Production	494	494	515	520		525
Raw Imports	88	88	90	95		100
Refined Imp.(Raw Val)	199	152	220	230		250
Total Imports	287	240	310	325		350
Total Supply	796	749	839	859		934
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	782	735	819	800		820
Other Disappearance	0	0	0	0		0
Total Use	782	735	819	800		820
Ending Stocks	14	14	20	59		114
Total Distribution	796	749	839	859		934

1000 MT						

Data Sources: Global Trade Atlas (GTA) –2013 Trade Data –otherwise FAS/Nairobi Estimates a
Note: Refined sugar multiplied by 1.07 to convert to raw value basis

Consumption:

Growth in retail, industrial and food service sectors continue to drive the increase in sugar consumption. Population surge and enhanced purchasing power especially in the urban areas will also contribute to the increased demand. About 65 percent of the consumption will be met by local production and the rest by imports, mainly from the COMESA region.

Stocks:

Stocks are expected to grow to a record 114 thousand tons in the MY 2014/2015. The increase will mainly be contributed by enhanced imports as the COMESA safeguards expire in February 2015. The private sector will hold most of the stocks as GOK has no stock holding programs. Some millers have reported growing stockpiles due to duty-free imports and have appealed to the Kenya Sugar Board (KSB) to increase surveillance and stop unlicensed imports.

Policy:

GOK has since 2003 utilized the COMESA safeguards to limit duty- free imports to a maximum of 350,000 tons. However, Kenya is yet to fulfill the conditions related to the granting of the safeguards including privatization of five sugar millers and the introduction of a sucrose-content-based cane payment system. In February 2014, GOK successfully lobbied COMESA Secretariat for a one year extension of the safeguards. The safeguards are already beyond the limits provided for under the COMESA and WTO treaties.

Marketing:

Sugar is marketed by distributors who represent the various millers and importers. The retail market is highly segmented and consumers have a wide choice. Industry sources indicate that the influx of duty-free imports has increased stock levels and decreased ex-factory sugar prices. Local millers are therefore having difficulties moving their stocks resulting in cash-flow problems. Some of the millers have put measures to improve their efficiency and to diversify their product base. Nonetheless, retail sugar prices have remained above Ksh 140 ($1.65) per Kg.