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Kenya

Sugar Annual

2015 Sugar Report

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Report Highlights:
FAS/Nairobi forecasts an increase in sugar consumption and no change in production in the marketing year (MY) 2015/2016. The supply deficit will be met by stocks and imports. Imports are forecast to remain at MY 2014/2015 levels as the Government of Kenya (GOK) puts measures to curb illegal imports. The GOK is also expected to use the one-year import safeguard extension granted by the Common Market for Eastern and Southern Africa (COMESA) to improve efficiency in the industry, including the long promised privatization of the state owned sugar mills.

Production:
FAS/Nairobi forecasts a flat growth in sugar production in Kenya in the MY 2015/2016 as the sugar sector recovers from the effects of the near-collapse of the Mumias sugar mills, the largest sugar company in Kenya. The lower production in the western sugar belt will be compensated by production from new plantations in Kwale County in the coast region. The sector is still beset by several challenges including low yields, obsolete milling technology, and poor transport infrastructure. The cost of production, estimated at $600 USD per ton against an average of $350 USD per ton in other COMESA countries, remains a major hindrance to improving the competitiveness of the sector. The GOK is keen on attracting investments in modern technology for the sector, and is now actively moving forward with the privatization of the five state-owned sugar mills.

Consumption:
Post projects that sugar consumption will continue to increase in the MY 2015/2016 due the growth of the industrial and food service sectors in the country. Local production will cover sixty-five percent of the consumption demand with rest being met by imports, mainly from the COMESA region.

Stocks:
Post forecasts an increase in ending stocks in the MY 2015/2016. Stocks will be held by the private millers and traders, as the GOK has no stock holding programs.

Policy:
In March 2015, Kenya successfully lobbied for a one-year extension of safeguards to limit duty- free imports from COMESA countries to a maximum of 350,000 tons. This is the second extension since the February 2014 expiration of the ten-year window provided under the COMESA treaty. The latest extension was on the basis that GOK had already commenced the implementation of conditions related to the granting of the safeguards including privatization of the state owned sugar millers and the introduction of a sucrose-content-based cane payment system. In an effort to bring in efficiency in the regulatory function, the GOK in July 2014 disbanded the Kenya Sugar Board (KSB) and created the Sugar Directorate under a new overarching state agency, the Agriculture Food and Fisheries Authority (AFFA). In addition, the GOK, through the Ministry of Agriculture, the Sugar Directorate, and the Kenya Revenue Authority (KRA) has announced measures to enhance surveillance to stop illegal imports and halt the diverted transshipments destined for neighboring countries that illegally enter the Kenyan market.

Production, Supply, and Distribution (PSD) Table

Sugar, Centrifugal	2013/2014	2014/2015	2015/2016
Market Begin Year	May 2013	May 2014	May 2015

Kenya	USDA Official	New post	USDA Official	New post	USDA Official	New post
Beginning Stocks	14	14	59	59		139
Beet Sugar Production	0	0	0	0		0
Cane Sugar Production	520	520	525	550		550
Total Sugar Production	520	520	525	550		550
Raw Imports	95	95	100	100		100
Refined Imp.(Raw Val)	230	230	250	250		250
Total Imports	325	325	350	350		350
Total Supply	859	859	934	959		1,039
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	800	800	820	820		830
Other Disappearance	0	0	0	0		0
Total Use	800	800	820	820		830
Ending Stocks	59	59	114	139		209
Total Distribution	859	859	934	959		1,039
1000 MT						

Data Sources: Global Trade Atlas (GTA) – GOK - Sugar Directorate, AFFA –otherwise Post Estimates
Note: Refined sugar multiplied by 1.07 to convert to raw value basis

Notes on the PSD table

- Production for the MY 2014/2015, has been updated with new data from the Sugar Directorate
- Production growth in MY 2015/2016 is projected to be flat due to lower production in the Western Kenya sugar belt, but compensated by new production in the Coastal region
- Imports expected to be contained at MY 2014/2015 levels due to increased GOK surveillance on unlicensed imports
- Stocks in MY 2015/2016 expected to close higher compared with MY 2014/2015

Marketing:

Sugar marketing in Kenya has in the past largely been undertaken by state controlled companies. In the last five years however, more private mills have been put up, increasing competition in the sector. Currently the sector is characterized by an extensive distributor network, and a vibrant, highly segmented retail market. Most of the supermarket stores are also doing in-house repackaging of imported sugar. Although the higher imports have led to the stabilization of retail prices at about $0.90 USD per kilogram, most of the local sugar mills have reported cash-flow problems due to difficulties in moving their relatively higher priced stocks.