



The Current Coffee Marketing System in Kenya

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Kenya Coffee Traders Association



Kenya coffee marketing



Who is K.C.T.A.

The Kenya Coffee Traders Association (K.C.T.A.) was registered on 17th April 2002 under Section 10 of the Societies Act. It is a voluntary, non-profit and non-political Association with the following objectives :

1. To represent all member companies engaged in the coffee industry, either in the export trade or its related services – it is important to mention that the current member register includes Millers / Marketing Agents / Warehousemen / Coffee Equipment suppliers and Transporters.
2. To act as a forum for discussion and exchange
3. To disseminate coffee industry information to its members
4. To assist in the promotion of Kenyan coffee and its industry on the international market



- Members benefit from regular information / feedback such as statistics, and a Monthly Report reporting on the activities of the Management Committee which is active in tackling industry issues.
- All members subscribe to a code of conduct which provides a framework for responsible and correct business practices within the laws of the republic of Kenya. Various social functions throughout the year ensure that members meet regularly amongst each other, providing for continuous active dialogue.
- The Management Committee (eight members) is elected each year at the Association Annual General Meeting, held in October. The trade representative to the Coffee Board is automatically a seconded member of the management committee. The Chairman and Vice-Chairman are both eligible to run for office for two subsequent years, following which they must step down. This ensures a rotation of office bearers and hence a dynamic leadership.



Production

- The coffee industry in [Kenya](#) is noted for its cooperative system of production and processing. About 60-70% of Kenyan coffee is produced by small scale holders.
- The major coffee growing regions in Kenya are the High Plateaus around [Mt. Kenya](#), the [Aberdares Range](#) and some parts of Nyanza and Rift Valley.
- The high plateaus of Mount Kenya, plus the acidic soil provide excellent conditions for growing coffee. A total of 104,000 hectares of arable land in Kenya is planted with coffee.
- Although coffee has lately benefitted from an increase in global prices, output has contracted from a high of about 130,000 thousand metric tons in 1989 to 55,000 tons in 2014.

Crop production figures for 22 years



Crop Year (Oct/Sept)	National Production (MT) -Approx
1992/93	75,207
1993/94	73,516
1994/95	95,806
1995/96	97,576
1996/97	68,678
1997/98	55,678
1998/99	68,406
1999/00	103,340
2000/01	51,944
2001/02	51,895
2002/03	55,443
2003/04	48,431
2004/05	45,245
2005/06	48,300
2006/07	54,000
2007/08	41,000
2008/09	57,000
2009/10	42,000
2010/11	36,000
2011/12	49,000
2012/13	42,000
2013/14	55,000

TEA DIRECTORATE

KENYA TEA PRODUCTION



OVERALL PRODUCTION

MONTH	MONTHLY PRODUCTION				CUMULATIVE PRODUCTION			
	MONTHLY PRODUCTION 2014 KGS	MONTHLY PRODUCTION 2013 KGS	MONTHLY PRODUCTION VARIANCE	PERCENT VARIANCE (+/-)	CUM. PRODUCTION 2014KGS	CUM. PRODUCTION 2013 KGS	CUM. PRODUCTION VARIANCE	PERCENT VARIANCE (+/-)
JANUARY	44,969,640	45,389,817	(420,177)	-0.93%	44,969,640	45,389,817	(420,177)	-0.93%
FEBRUARY	33,774,381	38,503,232	(4,728,851)	-12.28%	78,744,021	83,893,049	(5,149,028)	-6.14%
MARCH	33,336,338	33,367,736	(31,398)	-0.09%	112,080,359	117,260,785	(5,180,426)	-4.42%
APRIL	39,974,557	38,229,911	1,744,646	4.56%	152,054,916	155,490,696	(3,435,780)	-2.21%
MAY	41,186,290	39,599,837	1,586,453	4.01%	193,241,206	195,090,533	(1,849,327)	-0.95%
JUNE	31,944,583	30,530,170	1,414,413	4.63%	225,185,789	225,620,703	(434,914)	-0.19%
JULY	30,789,645	26,229,331	4,560,314	17.39%	255,975,434	251,850,034	4,125,400	1.64%
AUGUST	26,755,910	26,338,236	417,674	1.59%	282,731,344	278,188,270	4,543,074	1.63%
SEPTEMBER	33,321,224	32,800,016	521,208	1.59%	316,052,568	310,988,286	5,064,282	1.63%
OCTOBER	45,367,517	44,282,728	1,084,789	2.45%	361,420,085	355,271,014	6,149,071	1.73%
NOVEMBER	38,613,864	35,462,628	3,151,236	8.89%	400,033,949	390,733,642	9,300,307	2.38%
DECEMBER	45,070,785	41,719,058	3,351,727	8.03%	445,104,734	432,452,700	12,652,034	2.93%
TOTAL	445,104,734	432,452,700						



Key Highlights on Coffee Regulation in Kenya

- 1893 - Coffee is first planted in Kenya at Bura in Taita Hills by Catholic missionaries
- 1900 – Coffee is introduced at Kibwezi, under irrigation
- 1904 – Coffee is planted in Kikuyu near Nairobi
- 1923 – Following the enactment of the Devonshire White Paper Report of 1923, the Colonial Government allows the controlled planting of coffee outside the European settled areas, specifically in Kisii and Meru



- 1932 – The Coffee Industry Ordinance is enacted, which led to the establishment of the Coffee Board (CB) in January 1933
- 1934 - The Kenya Coffee Auctions, as a mode of selling Kenyan coffee, is established

First Sale of Coffee in Kenya, on 25th September 1935



KENYA COFFEE AUCTIONS
2, Mincing Lane,
NAIROBI.

SALE OF COFFEE
AT
THE AUCTION ROOM,
2, MINCING LANE.
(Room 7)
ON
WEDNESDAY, 25th SEPTEMBER, 1935.
at 2-30 p.m.

SALE No. 1.

1547 Bags }
Sundry Pockets } **COFFEE**

Conditions of Sale as per Rules and Regulations of Kenya Coffee Auctions and of the Coffee Trade Association of Kenya

UNLESS OTHERWISE STATED THE NETT WEIGHT OF EACH BAG IS 187 lbs

Lying in Express Warehouse.

Mark.	Lot No.	Bags	Pockets.
420/K. R. F. A	1	20	

Rent from 5th October, 1935 (Approx.)



- 1935 – The liquoring department of Coffee Board is created to improve grading and selling of coffee. The first auction is carried out in September that year
- 1946 - The Coffee Marketing Board (CMB) is established under the Coffee Marketing Ordinance No. 6 and becomes fully operational in July 1947 to cater for the coffee marketing activities with its functions being central warehousing, sale of coffee at central auction, liquoring and financing



- 1960 – Kenyan's are officially allowed to grow coffee
- 1960 - Ordinance No 26 of 1960 consolidates the Coffee Industry Ordinance and the Coffee Marketing Ordinance into the Coffee Ordinance Cap 333. The Coffee Ordinance, Cap 333, establishes the Coffee Board of Kenya (CBK) and Coffee Marketing Board under the same law

NAIROBI COFFEE EXCHANGE



NAIROBI COFFEE EXCHANGE

LOTNUMBER	BUYER NAME	PRICE	QTY
1		0	1

NCE SALE No 1 15

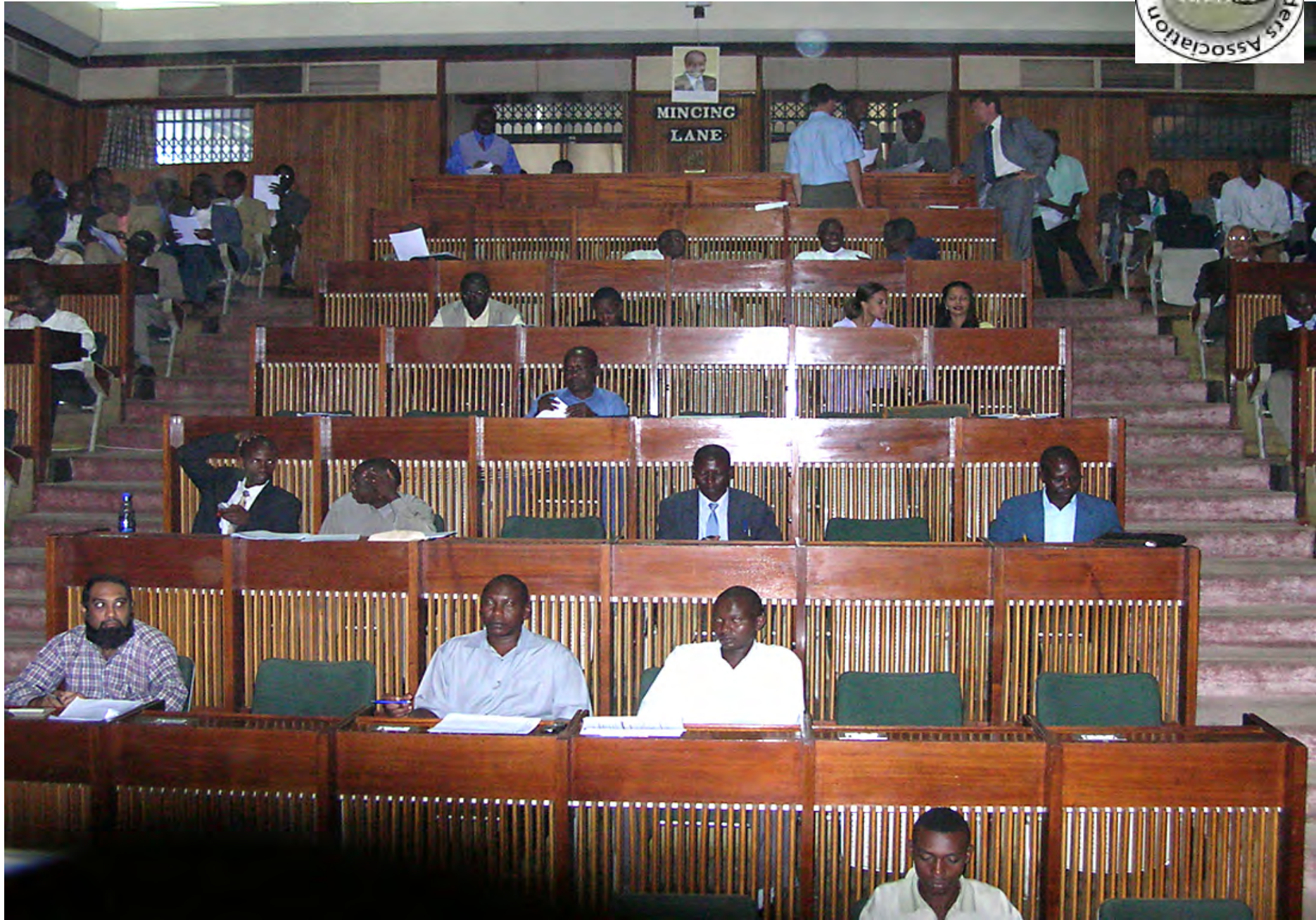
Q.T. & MARK	GR	BAGS	KGS
1602003	1	10	639
KIFISSIA			

NEXT LOTS

S/N	LOT	GR	BAGS	KGS
2	1634001/T	T	29	1796
3	1105001/NYAROCHE	TT	12	720
4	1840003/BULK	TT	84	5094
5	1215001/SOMBO	TT	13	780



NAIROBI COFFEE EXCHANGE





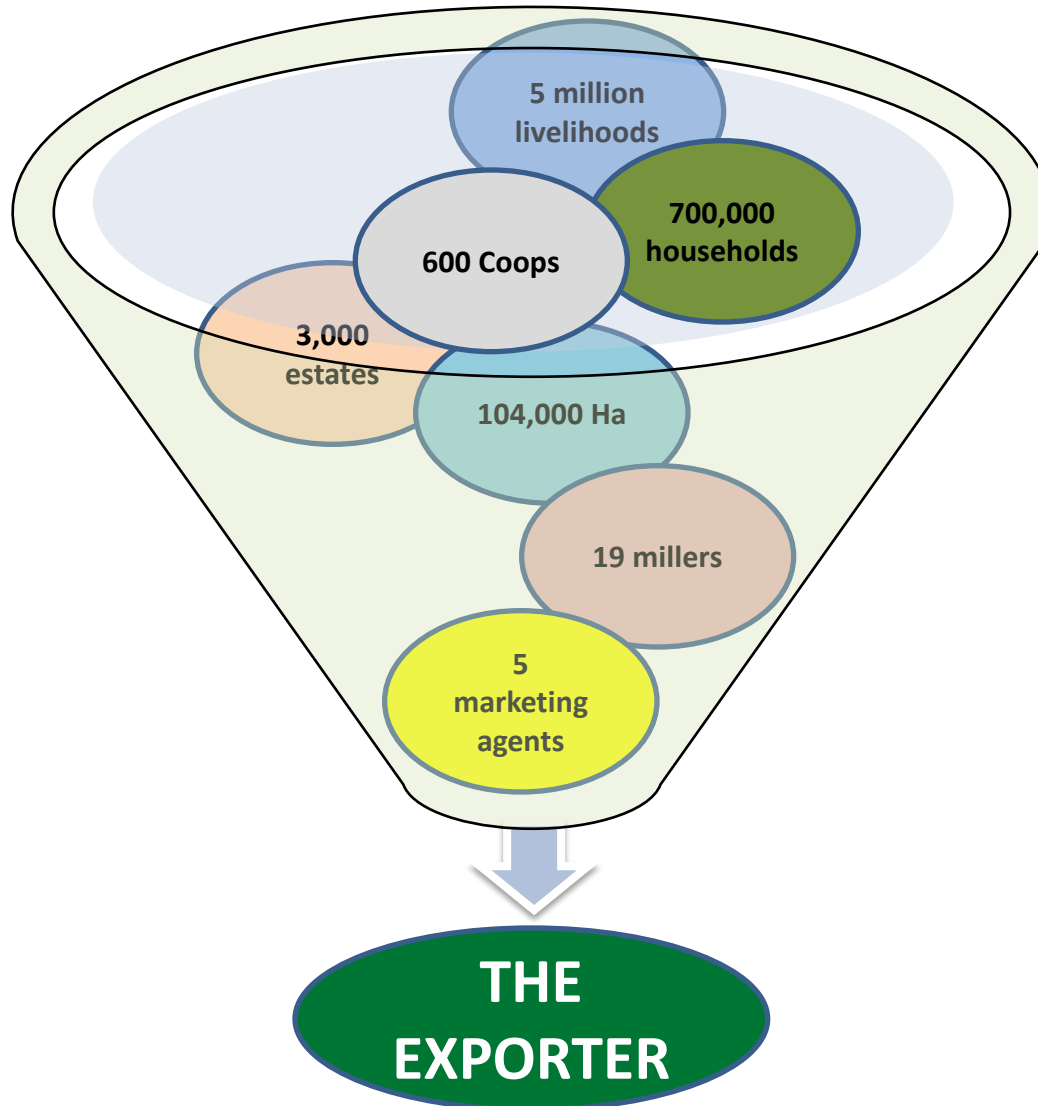
- 1971 - Act 13 abolishes the CMB and consolidates the function of coffee marketing with the regulatory functions of the CBK.
- 2001 - A new Coffee Act is enacted to amend Cap 333 that specified new roles for CBK as an industry regulator.



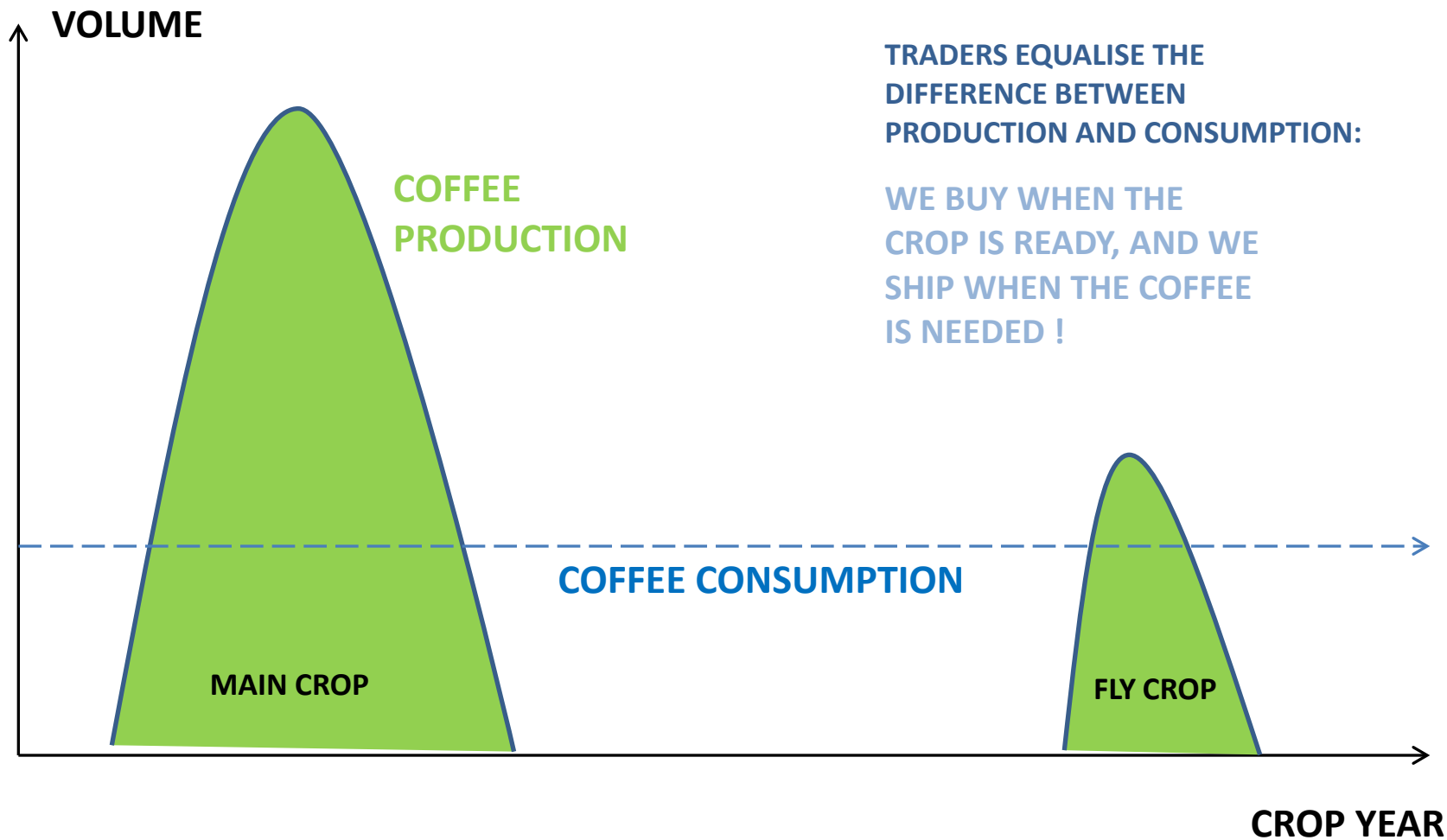
Kenya produces coffee through two main streams:

- Cooperative societies – that own, process and market the coffee on behalf of its members
- Large scale coffee growers – that produce and market their production

The Supply Chain



Role of the Exporter in the Crop Cycle





Threats to coffee marketing

Threats to the current marketing system:

- Declining production & supply of coffee available for marketing
- Process of decentralisation AGRICULTURE, needs to be carefully managed

Let's look at these issues in more detail and analyse the root problems:

Declining production & supply

– the symptoms



- less area devoted to coffee (now only 104,000 Ha according to CBK)
- Estates disappearing (80% of coffee land now occupied by smallholders)
- Ageing population of farmers, now averaging 60 or above (youth not interested in smallholder farming)



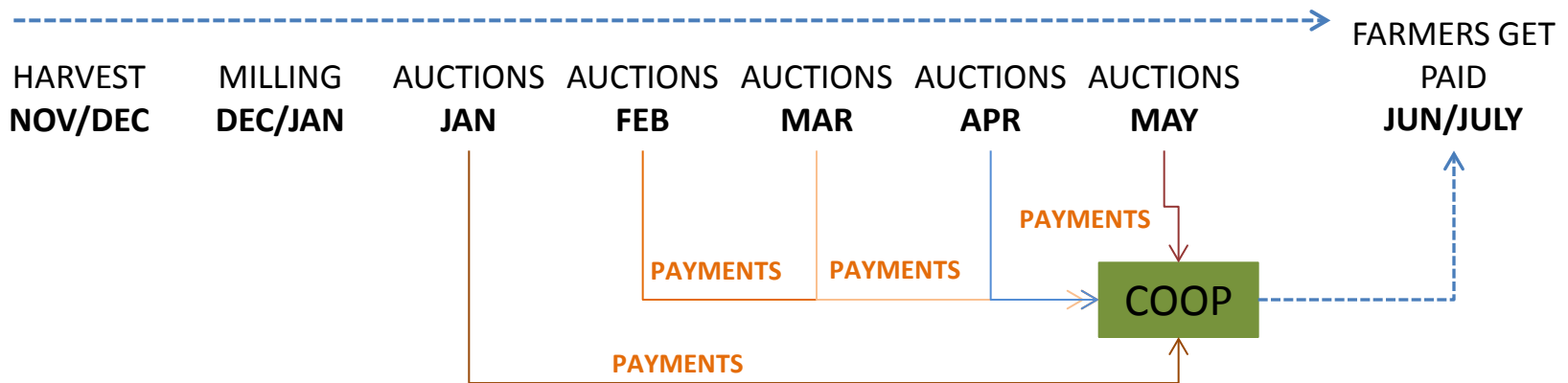
Payment cycle

- Dealer pays MA within 7 days
- MAs pay grower groups within 7 days
- Within 14 days, Coops have money....but cherry payments are not made until June-July
Consequence: farmers don't have cash for fertiliser or pest control, or have to borrow expensively. Lack feedback from the market (were prices up or down at the time they sold their coffee?), disenchantment is high
- The industry needs to find a way to address the lengthy payment cycles from Coop to farmer !



Payment cycle

6 TO 7 MONTHS !!
NO INDUSTRY, LET ALONE
AGRICULTURE CAN GROW WITH
SUCH A CASH FLOW CONSTRAINT





Way forward

- Put the future of the sector in the hands of the people who understand the market (use examples of the tea board that is controlled by the market players – and that has spawned the biggest tea auction in the world)

EATTA AUCTION ROOM





Devolution

- Created temporary confusion but coffee is now flowing through traditional established channels



Kenya Coffee Traders Association



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