



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Required Report - public distribution

Date: 11/18/2003

GAIN Report #KE3009

**Kenya**

**Tree Nuts**

**Annual**

**2003**

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**Report Highlights:**

**kenyan macadamia production is forecast to grow further by 10 percent from the 2003 level, mainly because of increased hectarage and continued improvement in crop husbandry and post harvest practices. Post estimates an increase in macadamia export to the U.S. as domestic consumption is forecast to increase albeit in a slow manner.**

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Includes PSD changes: Yes  
Includes Trade Matrix: No  
Annual Report  
Nairobi [KE1], KE

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## Production

The Kenya Nut Company(KNC) the sole processor of macadamia recorded production at 6,500 tons nut in shell (NIS) for MY 2003. 10 percent production increase is forecast for the year 2004. The increase in production is attributed to increased hectarage and improved crop husbandry. The small scale farmers estimated at 100,000 play the role of major producers alongside the KNC farms. The farmers are organized through cooperative societies with over 700 nut collection points. KNC has also developed its own extension services with an aim of improving crop husbandry and post harvest practices.

**Table 1: Area, Tree and Nut Production (Wet in Shell Basis)**

PSD Table						
Country	Kenya					
Commodity	Macadamia, Inshell Basis				(HA)(1000 TREES)(MT)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		03/2003		03/2004		03/2005
Area Planted	8000	8000	8200	8200	0	8300
Area Harvested	6805	6800	6900	7000	0	7000
Bearing Trees	1500	1550	1600	1600	0	1600
Non-Bearing Trees	350	300	300	300	0	300
Total Trees	1850	1850	1900	1900	0	1900
Beginning Stocks	689	689	300	700	684	837
Production	6050	6400	7300	6500	0	7300
Imports	0	0	0	0	0	0
<b>TOTAL SUPPLY</b>	<b>6739</b>	<b>7089</b>	<b>7600</b>	<b>7200</b>	<b>684</b>	<b>8137</b>
Exports	6339	6155	6700	6030	0	6814
Domestic Consumption	100	234	216	333	0	377
Ending Stocks	300	700	684	837	0	946
<b>TOTAL DISTRIBUTION</b>	<b>6739</b>	<b>7089</b>	<b>7600</b>	<b>7200</b>	<b>0</b>	<b>8137</b>

### Area under macadamia

The area under macadamia is forecast to increase from the present estimate of 8,000 hectares to about 8,200 hectares in 2004. New interest from disgruntled coffee farmers has increased demand for planting material as the coffee sector is still trapped in a myriad of problems. KNC produces grafted seedlings for its own use and surplus seedlings are sold to smallholders. Macadamia is usually interplanted with other crops making area estimation very difficult. Macadamia and coffee are the most common intercrops (with different peak production seasons). A number of pests and diseases of macadamia nut are causing some economic losses.

## Consumption

Mature nuts from both out growers and KNC farms are collected processed and packed by KNC for both domestic and international markets. Macadamia nuts and by products have multiple uses. The fresh or salted kernels are used for desert, snacks, confectionary ice cream and chocolate making. The macadamia oil is used for salad, cooking, cosmetics or soap manufacturing, the cake is used for livestock feed, the hard shells are used as fuel for home and charcoal making and the wood produces timber.

### Domestic market

Domestic market consumption is estimated 50 tons of kernel and is forecast to grow albeit in a slow manner. KNC has branded their domestic products Nutfields and they are usually roasted and sold in major supermarkets, airlines (i.e Kenya Airways) and major hotels. KNC has diversified production to include chocolate, cookies, and ice-cream toppings with an aim of increasing demand.

### International markets

KNC International products are branded 'Out of Africa'. KNC is aggressively marketing its products in the U.S. and other emerging markets(Canada and Australia), and has opened an office in the U.S.

## Trade

### Export

Macadamia exports for 2003 are recorded as 1,207 tons of processed kernels. U.S. took the lead switching position with Japan the traditional leading market for Kenyan nuts. 507 tons of processed kernels were exported to U.S. with Canada and Australia being reported as emerging markets (Table 2 & 3).

**Table 2: Kenya Export of Macadamia Kernels**

Year/Country	2001	2002	2003	Expected 2004
Japan	684	698	365.5	400
USA	145	177	507	600
Germany	171	233	146	150
Canada	0	0	135	150
Australia	0	0	53.5	60
<b>Totals</b>	<b>1000</b>	<b>1108</b>	<b>1207</b>	<b>1360</b>

**Table 3: Export Destinations and Earnings for 2003**

	Quantity tons	Value Million(kshs)	Price/ton ksh/ton
Japan	365.5	171.05	468,000
USA	507	237.28	468,000
Germany	146	68.32	468,000
Canada	13.5	6.32	468,000
Australia	53.5	25.04	468,000

## Marketing

KNC is the sole Kenyan processor and has a capacity of 10,000 tons per year but has operated below capacity due to lack of raw material. KNC are expecting that as farmers develop interest the factory will move toward full capacity utilization.

**Table 4: Supply and Distribution of Macadamia Kernels (Tons)**

<b>Year</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Production (in shells)	5,800	6,400	6500	7,300
Conversion rate %	18	18	19	19
Beginning stocks	132	126	126	225
Production kernels	1,044	1,152	1,356	1,387
Total Kernels	1,176	1,278	1,482	1,612
Exports	1,005	1,108	1,207	1,295
Dom. Consumption	45	44	50	60
Ending Stocks	126	126	225	257
Total Distribution	1,176	1,278	1,482	1,612

### **Implementation Problems**

The growth of the macadamia nut industry has been slow. Kenya's domestic demand for macadamia and nuts generally is prohibited by lack of awareness on the nutritional importance, declining economy (lack of purchasing power or in some instances prohibitive prices). Kenya still remains a small market for macadamia nut consumption.