



Kenya Agricultural & Livestock Research Organization (KALRO)

Viability Of Coffee Farming As a Business

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Introduction

- ❑ Since the early 1800s, coffee trade has evolved into a complex and high value global activity that employs nearly 400 million people and annual turnover of about US \$ 80 billion.
- ❑ In Kenya, the coffee sector currently contributes about 8% of the total exports earnings with an annual inflow of about Ksh 20 billion. The industry also provides a source of livelihoods to an estimated 700,000 rural households.

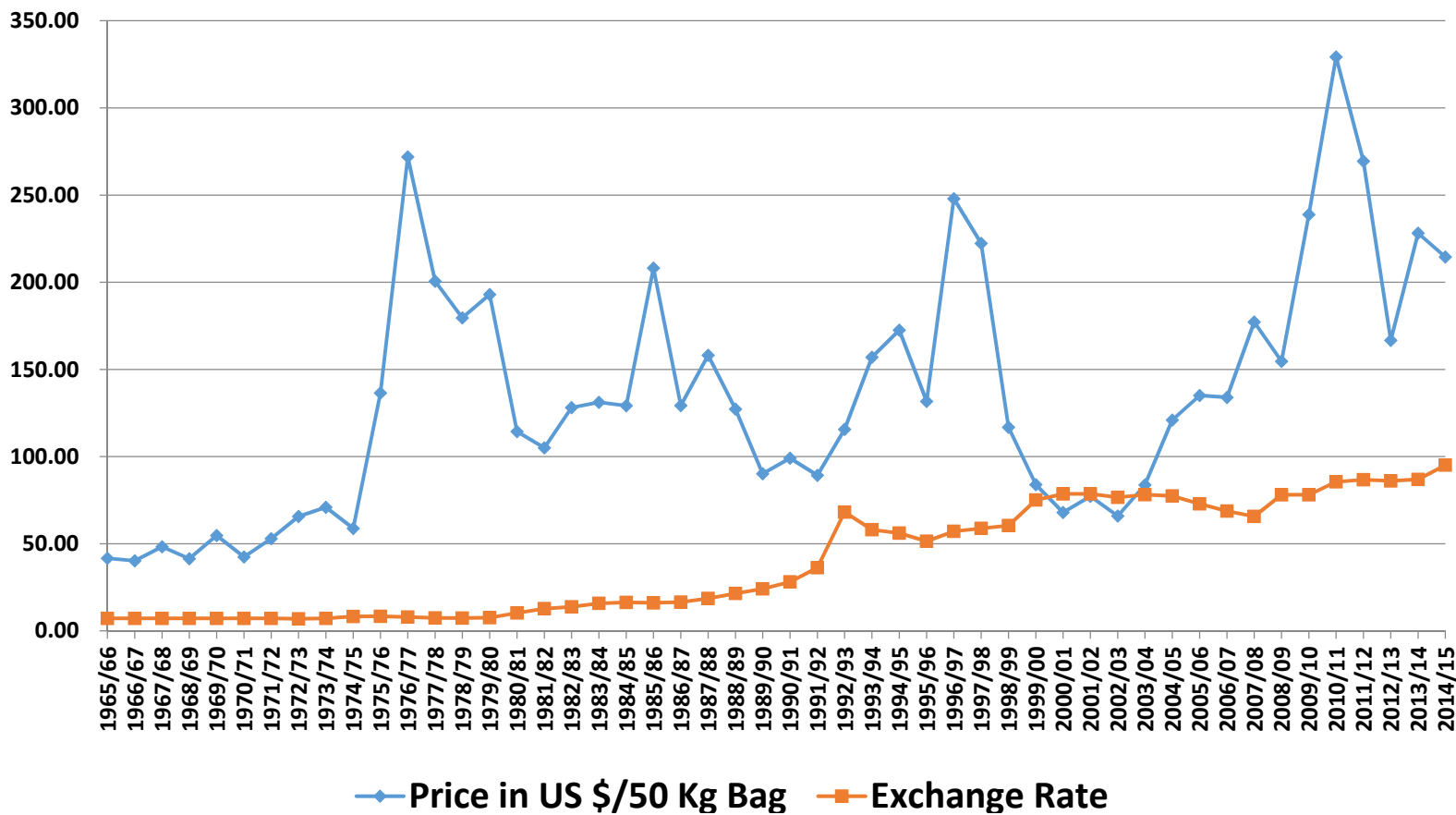


Cyclical trends

- ❑ Throughout the years the coffee industry has been characterized by cyclical market trends.
- ❑ Since 2003, the coffee markets have been on a steady recovery. The recovery has been largely attributed to the increasing global deficit, as the expanding consumption outpaced the growth in supply.
- ❑ This global deficit hold true even now with the 2015/16, consumption estimates by the International Coffee Organization (ICO) at about 149.8 million bags against a supply of about 143.4 million bags



Price in USD per 50 Kg bag against the Exchange rate





- It has further been projected that globally coffee supply will continue to be constrained by various factors including climate change and resource competition, while consumption will continue to grow in both traditional and emerging markets.

- This overall position presents a generally viable proposition for producers of coffee across the world.



Cost of production and returns

- Is coffee farming in Kenya still profitable? This question can only be answered by the interrogation of the cost of production against incomes.
- Opportunities exist to improve the profitability of the coffee enterprise in Kenya. Key among these is yields. Currently, farms in the country produce 2-3 Kgs per tree on average against a potential of over 30 Kgs per tree.



Production costs and returns in selected counties 2014/15

(a) Bungoma County

Society	KIKAI		
	Farmer 1	Farmer 2	Farmer 3
Farmers Name			
No of Trees	540	650	1000
Coffee Variety	Traditional	Traditional/Ruiru 11	RUIRU 11
Production/ tree (kg of cherry)	0.7	2.9	3.4
Production kgs of cherry/Acre	378	1885	3400
Payment rate/ksh/Kg of cherry	53.7	53.7	53.7
Gross revenue Ksh/Acre	20,299	101,225	182,580
FERTILIZERS:	0	12,605	16,005
MANURE	4,799	8,725	7,850
FUNGICIDES	0	5,575	0
INSECTICIDE	0	2,012	1,406
Canopy Management:-Pruning	0	1,600	1,600
:-Handling			
& Desuckering	0	1,600	3,200
Hand weeding	5,688	0	9,600
HERBICIDE	0	2,172	0
Picking	1,315	7,050	12,780
Transport of cherry to the factory	472	2,356	4,278
Total Cost of production/Acre	12,274	43,695	56,719
Grossmargin/Acre	8,025	57,530	125,862
Cost per kg of cherry	33	23	17
Net return/kg of cherry	21	31	37



(b) Embu County

Society	MURUE FCS		
	Farmer 1	Farmer 2	Farmer 3
Farmers Name			
No of Trees	540	540	540
Coffee Variety	Traditional variety	Traditional	Traditional
Production/ tree (kg of cherry)	1.9	8.8	13.2
Production kgs of cherry/Acre	1026	4752	7128
Payment rate/ksh/Kg of cherry	69.05	69.05	69.05
Gross revenue Ksh/Acre	70,845	328,126	492,188
FERTILIZERS:	17,287	21,640	51,189
MANURE	9,450	10,140	12,150
FUNGICIDES	14,027	67,495	60,258
INSECTICIDE	2,716	1,700	8,370
Canopy Management:-:Pruning	1,350	8,450	10,920
: -Handling &	2,025	8,450	10,920
Desuckering			
Hand weeding	6,075	5,070	9,360
HERBICIDE	0	0	0
Picking	5,694	26,415	39,702
Transport of cherry to the factory	1,285	5,939	8,923
Total Cost of production/Acre	59,908	155,299	211,792
Grossmargin/Acre	10,937	172,826	280,397
Cost per kg of cherry	58	33	30
Net return/kg of cherry	11	36	39



c) Nyeri county

Society	GIKANDA FCS		
Farmers Name	Farmer1	Farmer 2	Farmer 3
No of Trees	540	540	540
Coffee Variety	Traditional	Traditional	Traditional
Production/ tree (kg of cherry)	4.8	7.2	8.8
Production kgs of cherry/Acre	2592	3888	4752
Payment rate/ksh/Kg of cherry	57.55	57.55	57.55
Gross revenue Ksh/Acre	149,170	223,754	273,478
FERTILIZERS:	20,232	23,540	26,210
MANURE	15,465	8,348	14,620
FUNGICIDES	16,528	17,331	17,729
INSECTICIDE	3,964	4,799	2,595
Canopy Management:- :Prunning	1,970	4,770	3,225
:Handling & Desuckering	1,970	7,155	3,225
Hand weeding	7,880	14,310	10,750
HERBICIDE	0	0	0
Picking	14,437	21,537	26,445
Transport of cherry to the factory	3,246	4,846	5,949
Total Cost of production/Acre	85,691	106,635	110,749
Grossmargin/Acre	63,478	117,119	162,729
Cost per kg of cherry	33	27	23
Net return/kg of cherry	24	30	34



Conclusion

There is need for farmers to improve productivity per unit area (Kgs per tree) so that they can increase their profit margin in relation to world prices.



Thank you for listening