ROYAL NEWS

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If you have ever visited our office, you know how much time we spend cupping… every day, morning and afternoon. Patrick Kennedy has been our primary sample roaster for many years and has set up thousands of cuppings. During the Kenya auction season he prepares a weekly cupping tournament in which 8-15 lots compete for our approval. Despite this extra work, I would guess that Kenya is still his favorite coffee. In March Patrick went to Kenya in order to see first-hand how it all works.

KENYA COFFEE

Here, slightly revised and updated, is the report in two parts that I provided my comrades on returning from Kenya.---P. Kennedy

ORIGIN, VARIETY: Coffee cultivation in Kenya dates back to 1893, when fathers of the Congregation of the Holy Spirit brought the first Arabica trees from Ethiopia and planted them in Kiambu district, just north of Nairobi. That original bourbon type is known as French Mission. In the 1950s Scott Laboratories, led by Guy Gibson, developed a number of variations to the strain, numbered SL1 through SL40. The most successful and well-known of these are SL28 and SL34, and they account for the majority of the coffee grown today. While these are bourbon varieties, they are grown in full sun on nearly all farms. The Jungle Estate is one place where they are just starting to plant some shade trees, the reasons given being to modify the microclimate, to provide nutrients to the soil, and to provide mulching material.

Little further developments have occurred with the coffee variety since the fifties with the exception of Ruiru 11. Differing from the French Mission more than the SL types, Ruiru 11 is a dwarf variety aimed at disease resistance and increased yield. After the first four or five years, however, results have been poor, and Ruiru 11 makes up only two or three percent of the coffee grown in Kenya at present. Regardless of where it was developed, Ruiru 11 is no more likely to be grown in the Ruiru area than anywhere else and there's no reason for us or our customers to avoid this area or Ruera estate.

COOPS AND ESTATES: Kenya's coffee crop is a combination of estates and smallholders – the proportion is about 75% of the acres in coffee cultivated by some six hundred thousand small growers, accounting for over half the national production. While small farms are said to average 1 to 5 acres, land inheritance laws that require the division of land between offspring each generation has resulted in much smaller farms in some areas (as demonstrated by the 0.15 hector average farms in the Ruthanga co-op in Nyeri) and threatens to make coffee farming unsustainable as a livelihood.

Kenya's coffee auction system dates back to 1934, and its co-op system formed after the end of World War II. The co-ops (societies) vary greatly in size, and merging and splitting are common. One co-op I visited was formed in 1996 after the split of another very large co-op, and now plans to join with two other co-ops. Co-ops can have just one wet mill (factory), though two is common, and some have more. Factories average 600 to 800 members, though they can have a few as 300 and Ruthanga appears to average 1,000 members per factory.

CULTIVATION AND PROCESSING: Estates generally employ fertilizers, pesticides, herbicides, and fungicides, as well as irrigation, but small farmers can't afford these things. They don't have irrigation systems, and mulching is much employed for water conservation and weed control. Dursban is used at times as a pesticide, but copper nordox is the primary chemical agent employed as a fungicide to combat coffee berry disease. This fungus can substantially lower yields, and is the reason generally given for why organic coffee isn't happening in Kenya. What *is* getting started is Utz Kapeh, with the first certified lots recently sold, and Socfinaf mill certified.

When a farmer brings his cherry to the factory, it is run separately to determine how much of his cherry is P1 (parchment), and how much P2 and P3, so he can be compensated accordingly. The first step is a water density separation, with the heavy cherries (P1) going into AA, AB, C, PB, and E, and the light beans (P2) making up the lower grades TT and T. P3s go into the miscellaneous section of the auction catalog.

After pulping, the beans are fermented for 48 to *72* hours at the higher altitude factories. The beans are thoroughly rinsed, then a sixteen hour soak is employed, followed by more rinsing and finally sun drying down to 15 % moisture on raised screen beds. Then the parchment is moved to conditioning bins in the shade to rest for a month, during which time the moisture goes down to about 12%. By this point, the coffee from the different members using a factory is merged, and the factory collectively decides when and how often to deliver parchment to the mill. Last fall, much was heard about co-ops withholding coffee in hopes of higher prices amid the confusion caused by Tetu, (a proposed scheme promising guaranteed double the highest prices ever paid to farmers for their crop, and indeed, to eliminate poverty in the country by 2009, once a heretofore unknown company is given a 10-year monopoly on the coffee crop) and the announcements of battling government ministers.

MILLING AND MARKETING: There are currently eight mills in Kenya and three marketing agents: Thika markets the coffee from Thika Mills, Socfinaf markets the coffee from Socfinaf Mills as well as Kibubuti Mills. KPCU markets coffee from its Nairobi Mill (being phased out), its Dandora Mill, its Sagana Mill, its Meru Mill, and its Bungoma Mill.

The mills use gravity separation, grading and hand picking. The grades are: E= 19+ screen; AA= 17/18; AB= 15/16 with 10% tolerance below 15; C= 14 with nothing below. TT consists of shells and other light beans, and T is the same under 14 screen meaning: chips. Socfinaf's mill is state-of-the-art, with safe guards throughout the process to insure that coffees are kept separate, etc.

When milling is complete, the coffee is moved to the Nairobi warehouse adjacent to the auction house. There, samples are drawn by each of the three marketing agents, and sent to the approximately 50 members of the Nairobi exchange. If a member (exporter) doubts the accuracy of any of the 500 plus samples received in a given week, he can go to the warehouse to get a resample. After the auction, members pay the marketing agents promptly for their purchases, and move the coffee to their own warehouses. The marketing agents should, in turn, promptly pay the co-op or estate, via their bank.

GROWING AREAS: Kenya's coffee growing regions are well delineated. In the past coffee was grown in more parts of the country, but as farmers began struggling in the nineties, especially, coffee died out in some of the more marginal areas in the southeast, far north, and west. What remains are eight primary regions: Nyeri, Murang'a, Kirinyaga, Embu and Meru surrounding Mount Kenya, Kiambu and Machakos to the south, and Nakuru (or Solai) to the west.

Kiambu is predominately estates, and we've bought a number of estate lots from that region. So concentrated are the estates as you drive northeast out of Nairobi, that catalog codes exist for areas around the towns of Ruiru and Thika, as well as small areas named Juja and Makuyu as you continue up. The growing areas flanking Mt. Kenya are predominately smallholder, though there are small farmers in Kiambu and estates scattered throughout all of the growing regions. Nyeri's reputation is well deserved; the outstanding lots with the most complex flavors are frequently from Nyeri. But it would be a mistake to get stuck on one region, for these top lots can come from any of the main areas. The other growing regions are in the west, in the Rift Valley and the far west. Most of these areas are known as "Blue Mountain" coffee, referencing the Jamaican, both because of their appearance (longer bean, darker blue-green, little silverskin) and cup (lower acidity, good body, pleasant mild flavor).

Average elevation is around 6,000 ft for the highest grades. The limitation on altitude is "die back", a microclimatic, probably temperature-related condition in which the stem dies from the inside out, and the cherry falls off. The highest grown coffee in Kenya is 7,200 ft, at an estate in the Nakuru area. Die back doesn't affect tea, so it grows higher, and you can see the lighter green tea crops above the coffee on the hillsides.

Another thing to note is that the areas on the south and southwestern side of Mt. Kenya – Nyeri, Murang'a, Kirinyaga and Kiambu – are strongest in the main crop. Those to the east – Meru and Embu, especially, and also Machakos – shine in the fly crop.

During my time in Kenya I was witness to many discussions (and asked a lot of questions of my own) on the subject of how much money the farmer gets for his efforts, especially in relation to auction prices. The Nyeri farmers we met with were ADAMANT that they were getting way too little and, like me, they wanted to know why.

The question is at once simple, and very complicated. Simple because it boils down to rampant corruption throughout the government and society. Complicated because there are so many parties involved, from numerous governmental bodies, (ministers of agriculture, cooperative development, etc) to the Coffee Board of Kenya, the KPCU – separated from the CBK but still overly powerful - the other marketing agents and mills and co-operative banks and cooperative SACCOs (savings and loans), the co-op bureaucracies themselves…. Kenya's coffee marketing system is unique, but I don't know to what extent its "money flowthrough problem" is shared by other African countries, or other coffee producing countries around the world. I far from understand the problems, much less the solutions. But I'll share a few thoughts and bits of received information.

Rampant corruption throughout the government and society; that makes a quick fix difficult – so many parties have an "interest". If you were to get more specific pointing fingers, the mill/marketing agent system would deserve attention, as would the coop/coop savings and loan system, and cooperative banks.

Part of the problem is timeliness of payment by the marketing agent to the coop. The farmer delivers his cherry to the factory, and months and months can go by before he sees any money. Some are encouraging co-ops to try Socfinaf or Thika instead of KPCU, as they have tended to be much more prompt and efficient in post-auction payments. Recent events could provide more motivation, as news accounts reveal theft of over 1,900 bags of high quality coffee from KPCU warehouses after months of complaints by dealers of not receiving all the coffee they had purchased. We can only hope that irregularities have come to a head with KPCU, especially since they still account for nearly 70% of Kenya's coffee.

The co-op concept seems to be broader in Kenya than in other places, carrying out functions of banking and finance. The co-op savings and loan "invests" the farmers' money in, at times, dubious projects. But before funds from the auction can even reach the co-op, the co-op bank will demand repayment of loans taken out by the co-op on behalf of the farmers. The E.U. might extend a loan at 5% interest rate. The Kenya government then sells the loan to the coop at 25%. Then the co-op bank manager will compound it in a way that amounts to up to 150% being charged to the cooperative, because he realizes that the co-op chairman is illiterate. In theory cooperative banks should be upholding the rights of farmers, but in Kenya co-op banks tend to have the highest lending rates. Where a commercial bank will lend money at between 6 and 10%, the co-op bank will charge 12%, and with much higher compounding and administrative methods.

While this kind of thing goes on with SACCOs and cooperative banks, much attention has focused in the last year on the auction system. Though the Tetu proposals are unlikely to get anywhere (the company president, Mr. Kareithi, is not allowed in the U.S., his supposed place of business) calls for major changes have continued by parties within and out side the government. The proposals circulating in government lately involve a "second window", keeping the auction but allowing some coffee to bypass. Apparently Tanzania did this some years ago, with anything but the desired outcome. Opinions are divided among Kenya's farmers about this idea. The president of the Ruthanga co-op had this to say on the subject: "…the government is considering opening a second marketing window. We are urging the government to reconsider this decision as it is prone to manipulation and corruption and can cause collapse of the auction system. Instead the government should consider strengthening the auction system and adopt a two cheque system of payment. Marketing agents must not be allowed to receive farmers' proceeds. One cheque is paid to the miller for milling charges and the other to the farmer directly. This will facilitate speedy payments." It's true that the auction system itself does provide a certain amount of transparency; the whole world can see that lot 000 from Kagumoini went for $250/50 kg. (That wouldn't be the case without the auction, and the individual farmer could get screwed worse in other scenarios.) The question is, how much of that filters down to the people who grew it, and when.

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