INDUSTRIAL DIVERGENCE IN THE KENYAN AND UGANDAN COFFEE SECTORS:

KEY INDICATOR DATA

By Richard Damianopoulos

AGRODEV Co-Founder

This brief paper contains excerpts of text taken from the following source: Richard Damianopoulos, "Market Adaptability, Industrial Divergence, and the Politics of Liberalization in the Kenyan and Ugandan Coffee Industries" (MA, University of British Columbia, 2005). These excerpts have been reprinted in this document with the permission of the author for the purpose of promoting education on the issue of industrial divergence in the coffee sectors of Kenya and Uganda. For further information, please refer to the original source. Sole permission to reprint these excerpts in this report is given to the Agricultural Growers Resource Organization Developing Economic Viability (AGRODEV).

EXECUTIVE SUMMARY: DIVERGENCE IN THE COFFEE SECTORS IN KENYA AND UGANDA[1]

This brief paper presents key indicator data for the coffee industries in Kenya and Uganda. The data presented demonstrates that since 1980 the coffee industry in Kenya has been in a state of decline whereas Uganda's coffee sector has experienced success and industrial growth during the same period. Also of note is that the coffee industry in Uganda has been completely liberalized whereas Kenya's coffee sector remains the most illiberal in the region. In order to make this determination, the degree of involvement of the government and parastatal organizations in the sale and marketing structures of both the Kenyan and Ugandan coffee industries respectively has been used as a measure of liberalization. For the purposes of this paper Uganda is conceptualized as a completely liberalized case study because there is no government involvement in the marketing and sale of coffee. In Kenya the marketing and sale of coffee is completely controlled by government and parastatal institutions.

KEY INDICATOR DATA

This section presents indicator data on coffee area harvested, yields, and production for Kenya and Uganda.

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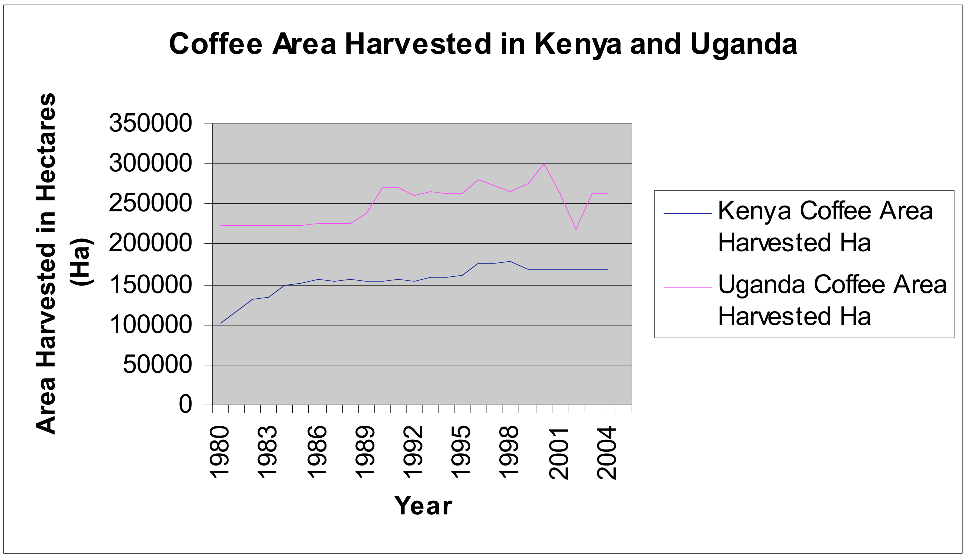
Figure 1[2] Coffee Area Harvested in Kenya and Uganda



Coffee area harvested refers to the totally area of land in hectares (Ha) that is being used for coffee cultivation and that is also harvested in a given harvest season. The coffee area harvested in Kenya has increased from 102,400 Ha in 1980 to 170,000 Ha in 2004. This represents a total increase of 67,700 Ha since 1980, an overall increase of 66 percent. In Uganda the coffee area harvested has also increased from 224,000 Ha in 1980 to 264,000 Ha in 2004. This represents a total increase of 40,000 Ha, or an increase of 18 percent since 1980.[3] Also of note is that while area harvested in Kenya has increased steadily since 1980 there have been varied fluctuations and a smaller overall increase in Uganda. This data appears to suggest that with increasing coffee area harvested in both Kenya and Uganda that coffee yields and coffee production should also have increased. However, as demonstrated in Figure 2 this is not the case.

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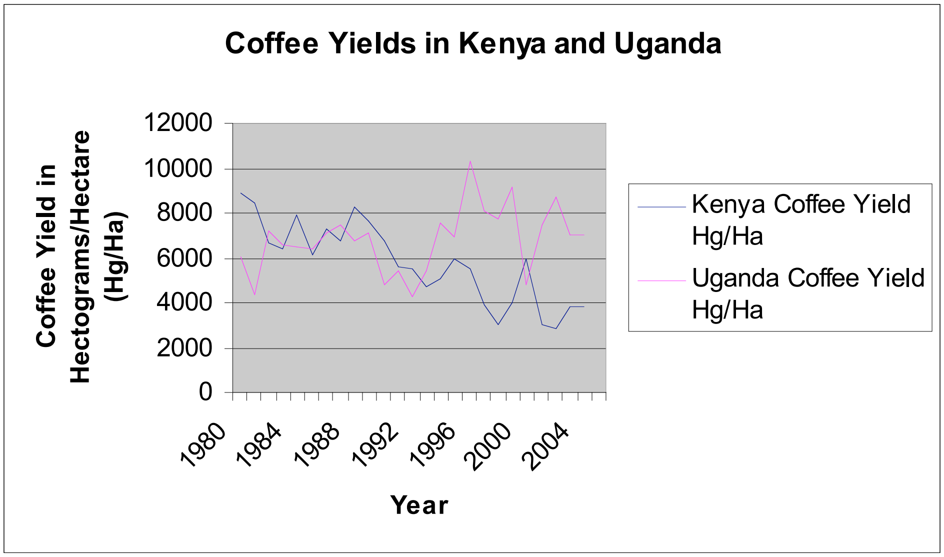
[2] FAO, *Faostat Database* (Food and Agriculture Organization of the United Nations, Last updated 29 December 2004 [cited June 24 2005]); available from http://faostat.fao.org/faostat/servlet.

[3] Ibid.([cited).

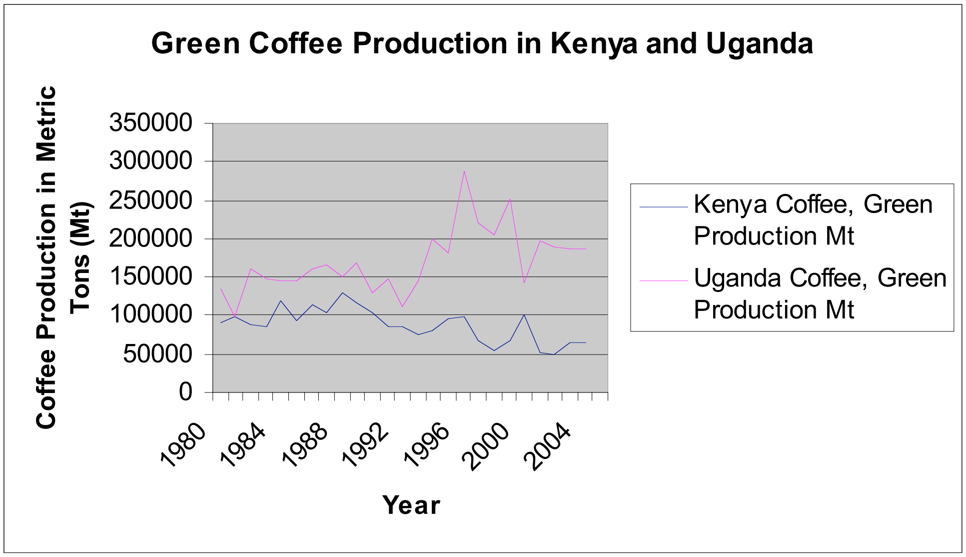
Figure 2[4] Coffee Yields in Kenya and Uganda



Coffee yields refers to the actual amount of coffee beans, also referred to as cherry, in hectograms (Hg) that is collected per hectare of coffee area harvested. Since 1980 coffee yields in Kenya have actually decreased from 8,919 Hg/Ha to 3,794 Hg/Ha. The data indicates a substantial total decrease of 5,125 Hg/Ha, or an overall decrease of 57 percent. During the same period coffee yields in neighbouring Uganda have increased from 6,036 Hg/Ha to 7,045 Hg/Ha. This is a total increase of 1,009 Hg/Ha or 17 percent.[5] Kenyan yields have remained in relatively steady decline since 1980 with a brief and temporary serge circa 2000. While Ugandan yields peaked circa 1995, they dropped sharply circa 2000 when Kenyan yields experienced an increase. As Uganda now yields significantly larger amounts per hectare than Kenya it is likely that this section in the graph was triggered by a crisis in Ugandan growing which made more room for Kenyan coffee in the global market. Ugandan yields have recovered and remain nearly 20 percent higher than they were in 1980. Coffee yields provide a key indicator of industry efficiency and success in Kenya and Uganda. Overall coffee production is another key indicator and can be seen in the figure below.

[4] Ibid.([cited).
[5] Ibid.([cited).

Figure 3[6] Green Coffee Production in Kenya and Uganda



Green Coffee production refers to the total volume of processed green coffee in Metric Tons (Mt) that is produced and available for sale each year. Processing involves drying the cherry and removing a layer of parchment and a protective skin to expose the green coffee bean. Figure 3 indicates that green coffee production in Kenya has decreased from 91,334 Mt in 1980 to 64,500 Mt in 2004. This is an overall decrease of 26,834 Mt or 30 percent. The steepest decline in Kenyan coffee yields comes between 1990 and 2004 where yields fell from 103,900 Mt to 64,500 Mt, a decline of 38 percent. While coffee production in Kenya has been in a state of decline since 1980, production over the same time period has risen in Uganda from 135,200 Mt to 186,000 Mt. This is a total increase of 58,800 Mt or 38 percent. Ugandan production has increased even more rapidly in the period between 1990 and 2004, a period of industry liberalization, where yields increased by 57,253 Mt or 44 percent.[7]

INTERPRETING THE DATA

The data presented in Figures 2 and 3 demonstrate that the coffee industry in Kenya is in a state of decline and stagnation whereas the coffee industry in Uganda is growing. This is evident in the

[6] Ibid.([cited).
[7] Ibid.([cited).

divergence between the two countries in coffee yields and production. The coffee industry in Uganda experiences a boom around the year 1990 whereas during that same period the Kenyan coffee sector remains in steady decline. It is interesting to note that the Ugandan coffee boom coincides with an ambitious and complete liberalization campaign focused on the domestic coffee industry. During the same period there was no such liberalization in Kenya. Presently, Uganda has overtaken Kenya in terms of coffee yields and coffee production. Why has Uganda been able to aggressively and successfully exploit the international coffee market whereas Kenya has not? Richard Damianopoulos provides an answer to this question in his thesis entitled *Market Adaptability, Industrial Divergence, and the Politics of Liberalization in the Kenyan and Ugandan Coffee Industries*. It is also important to note what appears to be an anomaly, that although the two countries' coffee sectors are moving in the opposite direction the total coffee area harvested in both countries is increasing.[8]

[8] For an explanation of this and other related phenomena see {Damianopoulos, 2005 #223}

Works Cited

Damianopoulos, Richard. "Market Adaptability, Industrial Divergence, and the Politics of Liberalization in the Kenyan and Ugandan Coffee Industries." MA, University of British Columbia, 2005.

FAO. *Faostat Database* Food and Agriculture Organization of the United Nations, Last updated 29 December 2004 [cited June 24 2005]. Available from http://faostat.fao.org/faostat/servlet.