

# Deep Dive Analysis of the Coffee Value Chain in Kenya

Policy Prioritisation through  
Value Chain Analysis (PPVC)



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Context:



**Kenyan coffee** trades at an **international price premium** due to quality characteristics. The industry contributes an annual average of

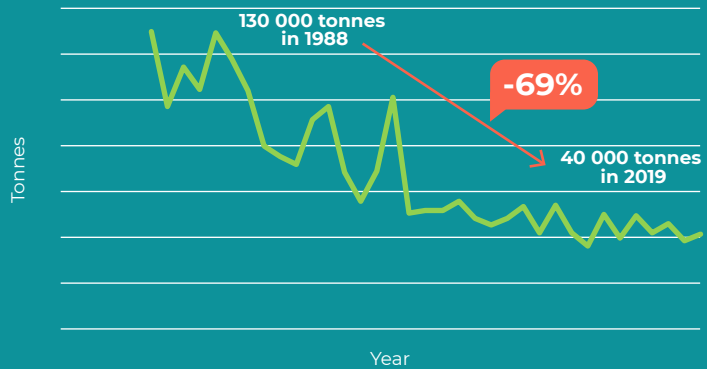
**US\$230 million**

in foreign exchange earnings as Kenya's **fourth most important export**, after horticulture, tourism and tea.

Since coffee, as a high-value cash crop, contributes to the **income of many small-holder farmers** in Kenya, it plays a key role in **fighting poverty**.

## Problem statement:

However, the **industry is declining** due to challenges such as **high cost of production, mismanagement, inefficiencies in cooperative societies and delayed coffee payments.**



### Additional levies are proposed on the sale of coffee.

If introduced without the required Governance, it would result in further decline. In contrast, with effective Governance, it should be a means to **fund extension** and **institution structures to support the key interventions.**



With a current lack of consistency and conflicting policies, there is an urgent need for **coordinated action within and between government and the industry.**

## Deep Dive Analysis Findings:

### FINDING 1

**Unsustainable economics** of coffee farming for **smallholders**:

Smallholders were found to produce coffee at **significantly lower yields and higher costs** than commercial or estate producers.



### FINDING 2

**Inefficiencies** in the **downstream coffee value chain**:

- Coffee producer owns coffee until sold at auction, often leading to
  - Significant payment delays
  - High-interest payments
- High cooperative operating cost
- Governance related inefficiencies at cooperatives
- Input supply systems administrated inefficiently



# Recommended Market-Led Interventions:

Markets need to be well regulated with fair competition rather than inhibiting control practices.



## The impact:

Implementing the proposed interventions can result in **12.66 thousand tonnes** additional green coffee production by **2030**.

The economy-wide effect of successfully implementing the recommended interventions across the value chain results in a

**\$161million increase**

in total Agri-food system GDP, and sustainability lifts over

**58,000 people**

**out of poverty.**



The Deep Dive analysis highlights the importance of **attributing additional funding streams** to activities that will enable the delivery of extension services and effective communication channels to assist farmers in **enhancing cost-effective productivity** and ultimately **increasing the value they receive** for their coffee.

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