U.S. MEAT EXPORT FEDERATION

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September 13, 2022

Office of the United States Trade Representative
600 17th Street, N.W.
Washington, D.C. 20508

Re: Docket Number USTR-2022-0008 Comments by the U.S. Meat Export Federation Regarding Negotiating Objectives for the United States-Kenya Strategic Trade and Investment Partnership (STIP)

The U.S. Meat Export Federation (USMEF) appreciates the opportunity to submit comments on Docket Number USTR-2022-0008 concerning negotiating objectives for the U.S.-Kenya Strategic Trade and Investment Partnership (STIP). USMEF is a non-profit trade association that represents the export interests of the U.S. beef, pork, and lamb industries through its network of offices and representatives in foreign markets. USMEF's membership includes a broad cross-section of American agriculture and includes farmers; meat packers, processors, purveyors and traders; agribusinesses with an interest in U.S. meat exports; and other agricultural organizations. In addition, USMEF works closely with the United States Department of Agriculture (USDA) and is a long-standing partner of the Foreign Agricultural Service (FAS) through the Market Access and Foreign Market Development programs.

USMEF appreciates the administration's efforts to open new market opportunities. Kenya would truly be a new market for U.S. red meat. Although the market is technically open to U.S. red meat, current trade is virtually zero because of various barriers. With the removal of tariff and technical barriers, combined with marketing activities and support, we see medium- to long-term potential for growth and immediate niche market opportunities.

STIP Commitments: Agriculture, Standards Collaboration and Trade Facilitation and Customs Procedures

As with all trade agreements, USMEF supports USDA and USTR efforts to advocate for science-based standards and for enforcement mechanisms to be included in the partnership agreement. We strongly urge the agencies to address common market access issues seen in other markets, such as through the adoption of Codex standards for veterinary drug residues, animal health standards that align with those established by the World Organization for Animal Health (WOAH), establishing science-based microbiological standards, and recognizing a systems-based approval for U.S. establishments. Alignment in these areas will also benefit the STIP goals of increasing Kenya's food security and increasing farmer productivity. Other non-tariff barriers, outlined below, must also be addressed.

Due to minimal information presented for Kenya in the USDA Food Safety and Inspection Service (FSIS) Export Library and negligible historical exports to the market, little is known about existing or possible barriers to trade for U.S. red meat. Upon a review of the FSIS Export Library and FAS GAIN reports, USMEF has compiled the following list of possible market access concerns – each of which could impact trade, even with a favorable reduction or removal of tariffs.

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- It should be confirmed that U.S. pork is eligible for Kenya, in a manner that would exclude burdensome animal-health related requirements.

- USMEF has concerns that Kenya's existing import license system, as cited in previous FAS GAIN reports, is a barrier to imports of U.S. red meat and will limit future opportunities. Ambiguous import licensing processes in other countries have been used to informally restrict access of certain imported products. Without a well-defined and transparent import license process, U.S. exports into this market could be purposefully limited or controlled.

- FAS GAIN Report No. KE2019-0007 states that the animals from which the meat, meat products, and meat by-products were derived originated from the country of origin. This is not currently listed as a requirement for beef in the FSIS Export Library for Kenya. However, USMEF raises this as a potential market access concern, citing its inclusion in Kenya's Imported Meat and Meat Products Regulations (1997). Any restriction on animals originating from a country for which they can be legally imported into the U.S. will result in an USDA Agricultural Marketing Service (AMS) Export Verification (EV) program – adding undue burden and cost to product destined for Kenya. This will compromise the commercial viability of U.S. red meat exports to the Kenyan market.

- FAS GAIN Report No. KE2019-0007 states that the meat/meat products shall be transported directly from the country of origin to Kenya without any trans-shipment. Based on current carrier routes, this would very likely limit direct shipments from the U.S. to air freight only. Removing waterborne and land trans-shipment options excludes common trans-shipment points in that region used for U.S. product, most notably the Republic of South Africa. Restricting trans-shipment options will severely impact any potential opportunities for U.S. red meat (due to lack of direct ocean carrier routes from the U.S. to Kenya) as the vast majority of meat are shipped via ocean carrier.

- Clarification is necessary on the testing requirements for import into Kenya, as a zero or limited tolerance on certain pathogens and veterinary drug residues can result in non-science-based trade barriers.

STIP Commitment: Environment and Climate Change Action

The United States is a world leader in sustainable agricultural production. This has been achieved by the continual creation and adoption of technologies and innovations that allow the U.S. to produce more food with fewer natural resources and lower emissions. USMEF supports collaboration between the U.S. and Kenya to further both country's food security, productivity, and environmental goals. However, sustainability or environmental-related requirements should not be included in any market access discussions (e.g. resulting in an additional regulatory requirements for trade).

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Opportunities for U.S. Red Meat in Kenya

If duties are eliminated and market access barriers are minimized through a partnership agreement, USMEF sees potential for frozen U.S. beef cuts across several categories, including at high-end retail, hotels and restaurants. There could also be demand for U.S. beef variety meats, including liver, similar to South Africa and elsewhere in the continent.

Various U.S. pork products could potentially be utilized for further processed products produced in Kenya, particularly for use at quick service and other restaurants as well as hotels, modern retail and ecommerce, realizing price and thus seasonality will be important. Although niche, there could also be opportunities for further processed U.S. red meat products, including sausages, particularly for sale through e-commerce.

Several foreign-owned retail and hotel brands are operating in Kenya, with further investment on the horizon. Working through distributors serving these end-users will be key to successfully launching U.S. red meat in the country. Kenya has the third largest tourism economy in sub-Saharan Africa, with further growth expected as air connectivity increases. There are still short-term challenges for tourism due to COVID-19 but this demand should return, and with it, niche market potential for U.S. red meat.

Nairobi is the largest city between Cairo and Johannesburg and Kenya's transportation system is more advanced than most countries in the region. Although logistics in Africa can be challenging, the Mombasa port is expected to expand, and cold chain infrastructure continues to improve. However, U.S. red meat needs trans-shipment options to facilitate exports into Kenya and to take advantage of these infrastructure and cold chain improvements.

Per capita beef consumption is vastly larger than pork consumption but is almost entirely from domestic production (primarily informal production). Imports are minimal. The small amount of pork consumed comes from both domestic production and imports, primarily from the EU. With income growth and urbanization, there is vast potential to grow overall red meat consumption. USMEF continues to explore opportunities in this market, including those related to tourism, plus established modern retail and ecommerce prospects.

Please see attached Appendix for USMEF's full Kenya market assessment.

Duty Rates

We understand the Administration is not seeking to address tariff barriers at this time. However, the tariff barriers in this price sensitive market are substantial. Thus, for the public record, we would like to offer context on this for future consideration. Kenya has an applied tariff rate of 35% across all beef and pork products (raised from 25% in May 2022), which is trade-prohibitive. An agreement that does not address these tariff barriers will not be meaningful in moving the needle on red meat opportunities. It should also be noted that Kenya's bound rates are 100%. As tariffs are eliminated, the introduction of tariff rate quotas and safeguards should also be avoided.

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USMEF appreciates the opportunity to comment on the objectives for STIP. Please do not hesitate to contact USMEF if you have additional questions.

Sincerely,

Dan V. Halstrom

Dan V. Halstrom
President and CEO
U.S. Meat Export Federation

Appendix attached

Kenya Market Background
April 2020

Economy and Politics

Kenya is the fourth largest economy in sub-Saharan Africa after Nigeria, South Africa, and Angola, and Kenya's economy grew at an average of 5.9% per year over the past decade. While the economies in Nigeria and Angola are driven by oil exports, Kenya's economy is driven by agriculture. Agriculture is the largest sector in Kenya, contributing over 25% of GDP and employing 17% of the formal workforce. When including the informal workforce, FAO estimates that 40% of the population is employed in agriculture, with 70% of the population employed in agriculture in rural areas. Kenya's main agricultural products include tea, coffee, corn, wheat, sugarcane, cut flowers, fruit, vegetables, dairy products, beef, and fish. Kenya's exports are mainly to the Africa/Middle East region and to Europe, while imports are mostly from Asia Pacific and the Africa/Middle East region. Only 8% of Kenya's exports and 3% of imports were to/from North America in 2019. The tourism sector in Kenya has experienced strong growth in recent years, with Kenya as the third largest tourism economy in sub-Saharan Africa after South Africa and Nigeria. Oil was discovered in Kenya in 2012 with construction for a pipeline authorized in 2019.

Uhuru Kenyatta has been president since April 2013. He was reelected to his second and final term in 2017 after the Supreme Court nullified the results of the first 2017 election and the opposition boycotted the second election. The next presidential election will be held in 2022. English and Kiswahili are the official languages of the country. Kenya is a member of the East Africa Community (EAC) along with Burundi, Rwanda, South Sudan, Uganda, and Tanzania.

Current challenges include the high HIV prevalence, the large population of refugees, and high unemployment rates, and there are risks of terrorism from Al-Shabaab (active in northeastern Kenya), drought, and the wide fiscal deficit. Kenya's public debt was 64.3% of GDP in 2019. High debt levels will likely limit its response to covid-19 and the subsequent global recession. As of early April 2020, Kenya enacted travel bans in and out of Nairobi, Mombasa, Kilifi County, and Kwale county for 21 days to slow the spread of covid-19.

Demographics

In 2019, Kenya's population reached 52.6 million people, an increase of 20.6 million people since 2000, and 29% growth in just ten years.

Kenya has a very young population with a median age of 19.8 years in 2019, one of the lowest in the region, with nearly 40% of the population below 14 years of age.

The urbanization rate is low at only 27.5%, but Euromonitor expects the urbanization rate to reach 32.9% by 2029. The most population-dense areas of the country are in the west along the shore of Lake Victoria, in Nairobi, and in the southeast along the Indian Ocean coast. Nairobi is the main consumer market with a population of 4.4 million in 2019 followed by Mombasa at 1.2 million, and other top urban consumer markets include Ruiru, Nakuru, Eldoret, and Kisumu (all with populations over 300,000 people).

The population is predominantly Christian at 85.5% of the total. The main Christian religions are Protestant (33.4%), Catholic (20.6%), and Evangelical (20.4%). 10.9% of the population is Muslim.

Unemployment is high at 11.8% in 2019, with youth unemployment at 24.3% (ages 15 – 24). Underemployment rates are high, and the informal economy provides more jobs than the formal economy.

Disposable income per capita in 2019 was up 54% from 2009 and is expected to increase another 49% over the next ten years. Subsequently, poverty rates are falling, with the share of the population living on less than $3.10/day down from nearly 60% of the population in 2009 to 43% in 2019. While the share of households with disposable income over $25,000 is small, the share doubled from 2% in 2009 to 4% in 2019 and is expected to reach 8% in 2029.

Kenya Population and Income Indicators	**2009**	**2019**	**2029**
Total Population	40.9 million	52.6 million	65.1 million
Urbanization Rate	23.2%	27.5%	32.9%
Disposable Income per Capita (Constant US$)	$1,081	$1,668	$2,448
Urban Disposable Income per Capita (Constant US$)	$1,840	$2,569	$3,226
Population Living on Less Than $1.90/day*	34.3	24.5	
Population Living on Less Than $3.10/day*	59.5	43.3	
Total Number of Households	8.7 million	11.5 million	14.4 million
Percentage of Households with a Disposable Income over $10,000 (Constant US$)	9%	16%	29%
Percentage of Households with a Disposable Income over $25,000 (Constant US$)	2%	4%	8%
Unemployment rate	12.2%	11.8%	11.9%

Source: Euromonitor International, *Forecasts not available

Meat Production, Consumption, Trade

Beef is the primary protein consumed in Kenya, followed by fish, while poultry and pork consumption are minor in comparison. Meat consumption in Kenya is almost entirely from domestic production because of government protection for producers and negligible import levels. GIRA estimates that Kenya's beef production was 450,000 mt in 2015 (similar to Japan's beef production) while pork and poultry production is minimal.

Relatively high applied tariffs

Ad valorem tariffs on all meat products including sausages and 0504 casings are 25%, with rates bound at 100%. EAC member countries Burundi, Rwanda, Tanzania, and Uganda have duty-free access.

2015 Production and Consumption Estimates from GIRA

	Beef	Pork	Poultry
Production	450,000 mt	16,000 mt	23,000 mt
Consumption per capita (kg, carcass weight equivalent)	10.24	0.38	0.54

Below is a summary of major points on Kenya's meat sector by species from GIRA's 2016 Sub-Saharan African Meat Market Opportunities report:

Beef

- Commercial beef production only accounts for about 10% of total production.
- Since most production is informal, it does not rely on feed.
- About 2 million head of cattle per year are slaughtered at licensed plants out of an estimated cattle herd of around 18 million.
- The Maasai population in Kenya was estimated around 840,000 people. The Maasai are semi-nomadic and view cattle numbers as wealth. The Maasai own 14 – 19 head of cattle per person on average, and cattle are rarely slaughtered since herd size indicates wealth.
- Kenyans prefer to consume beef with the bone-in and with fat to enhance the flavor.
- Most beef is consumed on the day of slaughter as there is an undeveloped distribution system and cold chain is limited.

Pork

- Commercial production represents 30% of pork production.
- Farmer's Choice is the biggest processed meat company and owns 3,000 sows.
- Imported pork products focus on further processing, mainly low value cuts, ears, tails, feet etc.

Poultry

- 80% of poultry production is backyard production that directly supplies local wet markets.
- Poultry meat is a secondary output with most birds kept for table eggs.
- Poultry imports are essential for the processing industry to make low-cost products.
- Demand for processed chicken is increasing for modern QSR and for low-cost sausages.
- 65% of Kenyan households keep chicken with an average flock size of 12.

Meat Trade Data

See the tables below for meat trade data for Kenya. Brazil and Egypt are the top suppliers of beef to Kenya, and imports consist almost entirely of 160250 prepared/preserved beef. Pork imports are nearly all frozen 020329 pork (frozen boneless pork). Spain and Germany are the top suppliers of pork with small volumes from China (cooked HS 160249) and a tiny volume of cured pork from Italy and Spain, for example (HS 021019). Separately, imports of sausages are mainly from Spain and China and totaled 24 mt in 2019.

For poultry, the table shows reported exports of poultry to Kenya, rather than Kenya's poultry import data, because Kenya's data does not show imports from Brazil, the top supplier. Brazil had 75% share of reported poultry exports to Kenya in 2019, with the majority of the volume listed as HS 020712 meat and edible offal of chickens, not cut in pieces, frozen. Thailand's exports to Kenya were all HS 020714 chicken cuts and edible offal (including livers) frozen.

Kenya's Beef and Variety Meat Imports

Partner	Unit	Calendar Year (UOM1: T)					January-February		
		2015	2016	2017	2018	2019	2019	2020	%Δ 2020/19
World	T	147	151	276	246	180	73	2	-97.26
Brazil	T	64	100	221	204	140	72	0	-100
Egypt	T	0	12	12	4	29	0	1	0

Kenya's Pork and Variety Meat Imports

Partner	Unit	Calendar Year (UOM1: T)					January-February		
		2015	**2016**	**2017**	**2018**	**2019**	**2019**	**2020**	**%Δ 2020/19**
World	T	1072	1091	885	859	898	78	133	70.51
EU 28	T	1070	1079	854	850	890	78	131	67.95
Spain	T	88	52	37	383	497	25	51	104
Germany	T	863	892	809	454	376	52	77	48.08
China	T	1	1	1	2	8	1	2	100

Reported Poultry Exports to Kenya

Reporter	Unit	Calendar Year (UOM1: T)					January-February		
		2015	**2016**	**2017**	**2018**	**2019**	**2019**	**2020**	**%Δ 2020/19**
_Total	T	648	262	216	538	1262	80	518	648
Brazil	T	281	26	130	388	944	50	455	810
Thailand	T	63	0	0	27	105	0	63	0
EU 28	T	154	98	67	40	75	2		
United States	T	75	0	0	51	56	28	0	-100

Source: Trade Data Monitor

Feedgrains and Oilseeds Imports

Corn is a staple food crop with expected growth in demand for human consumption. Feed demand for corn is also expected to grow, especially from poultry and dairy. Kenya prefers white corn and imports mostly from Uganda and other countries in the EAC and the Common Market for Eastern and Southern Africa (COMESA) that are not subject to the 50% ad valorem most favored nation duty. There is an import ban on genetically modified products, which limits U.S. imports of corn, wheat, and soybeans.

	2019 Total Imports	**2019 Imports from U.S.**	**Main Suppliers**
Corn	227,352 mt	41 mt	Tanzania, Zambia, South Africa
Wheat	1,998,803 mt	114,525 mt	Russia, Argentina, EU, Ukraine, Canada, Latvia, U.S.
Soybeans	23,776 mt	0 mt	Ukraine, Tanzania, Ethiopia, Malawi

Source: Trade Data Monitor

HRI Sector

Retail Sector

Informal retailing accounts for an estimated 70% of retail sales. The traditional grocery sector accounts for a large share of informal retailing with large open-air markets and market stalls targeting low and middle-income consumers. Top modern grocery retailers include Tuskys, Naivas, Carrefour, Eastmatt Supermarket, Chandarana Food Plus, Ukwala, and Shoprite.

Ecommerce

Mobile penetration is high in Kenya at over 90% in 2019, with ecommerce penetration reaching 37%. Just as mobile phone technology leapfrogged landlines in Africa, the high penetration of mobile phones and relatively low development of formal grocery retail could lead to a leapfrogging of development of brick and mortar chains in favor of ecommerce. Grocery retailers Carrefour, Naivas, and Chandarana Food Plus already offer online shopping through partnerships with e-commerce firms Jumia and Grocerypik. Tuskys expects sales through its online portal to account for 20% of sales by 2021. Additionally, some grocers are using the delivery firm Glovo to deliver groceries to consumers in areas where they do not have brick and mortar stores. Mobile payment platforms like M-Pesa serve the unbanked population, and Amazon and Alibaba are providing payment options for the unbanked to try and gain customers. Euromonitor expects e-commerce retail value to increase at an average of 20% per year from 2019 to 2024, but the lack of infrastructure and its effect on delivery services remains a challenge.

Processed Meats

Demand for processed meats is growing as urbanization leads to demand for quick, convenient products. Local processor Farmer's Choice leads the processed meat market, and sausages and smokies are its top products. According to Euromonitor, Farmer's Choice had 44% market share of processed meat and seafood sales in 2019, followed by Meatons Kenya Ltd with 21.3% and Quality Meat Packers Ltd with 13.9%.

Foodservice Sector

Foodservice is dominated by traditional outlets, but the demand for convenience foods is increasing, and the growing middle class and increasing tourism are expected to spur expansion in the foodservice sector. Fast food chains present in the market include Simbisa Brands, KFC, Naked Pizza, Subway, Domino's Pizza, Cold Stone Creamery, Burger King, Big Square, Debonair's Pizza, and Ocean Basket. Food delivery is also growing, driven by business from offices in Nairobi and Mombasa.

Hotels

Kenya saw a rapid increase in tourist arrivals from 2017 to 2018, with international arrivals increasing 37% from 1.475 million in 2017 to 2.025 million in 2018 due to improved political stability and security. 2019 tourist arrivals increase 1% from the previous year to 2.048 million, with growth slowing because of a terrorist attack on the DusitD2 Hotel in January 2019. However, increased air connectivity is expected to spur further tourism growth, with increased flight frequency from Paris and Ethiopia in 2019. There are also direct flights from New York and Doha. In 2019, 63% of international tourists visited Kenya for vacation, while 13.5% visited on business travel. The U.S. had the largest number of international visitors to Kenya in 2019 followed by Uganda, Tanzania, the UK, India, China, Germany, France, Italy, and South Africa. The growth in tourism has led to the development of the hotel sector, and as of December 2018, 68 global hotel brands were operating in Kenya, the second highest in sub-Saharan Africa behind South Africa. International hotel brands in the market include Best Western Group, Radisson Hotel Group, Kempinski, Crowne Plaza, Marriott Group, Dusit International, Accor, Hilton, Holiday Inn, Movenpick, and Intercontinental.

Logistics and Cold Chain

Nairobi is the largest city between Cairo and Johannesburg, and Kenya's transportation system is more advanced than most countries in the region. Kenya has two ports, Mombasa and Kisumu. Mombasa is half-way between Durban and major Middle Eastern ports, and specialized railtainer services operate from the port to inland container depots.

The Global Cold Chain Alliance (GCCA), in collaboration with the Department of Commerce, conducted an assessment of Kenya's cold chain infrastructure in 2015. Kenya is one of the biggest exporters of cut flowers and is a major supplier to the EU. Because the cut flower industry is dependent on exports, the assessment found that it has developed relatively advanced cold chain systems (primarily set up for air freight exports) unlike those for horticulture, meat, and dairy that are dependent on local customers (and thus suffer from breaks in the cold chain). The assessment states that most local consumers buy products directly from farms or roadside shops where livestock and poultry are slaughtered by hand in the open. The expansion of QSR chains in the country was expected to incentivize cold chain development, but at the time of the assessment, third party logistics operators were basically nonexistent, and most Kenyans were not connected to the power grid.

U.S. Opportunities

If duties were eliminated and market access barriers were minimized through an FTA, USMEF can imagine potential across several categories, including at high-end retail, hotels, and restaurants for frozen U.S. beef cuts. There could also be demand for U.S. beef variety meats, particularly livers, similar to South Africa and other markets in the region. Various U.S. pork products could potentially be utilized for further processed products produced in Kenya, particularly for use at quick service and other restaurants as well as hotels, modern retail and ecommerce, realizing price and thus seasonality will be important. Although niche, there could also be opportunities for further processed U.S. red meat products, including sausages, particularly for sale through ecommerce. There will be short-term challenges related to covid-19, but current red meat consumption is limited to domestic supply availability and minimal imports, and availability of U.S. product should enable larger overall consumption as the growing middle class and urbanization lead to increased demand for red meat.

Sources: CIA World Factbook, Euromonitor International, FAO, GIRA, Global Cold Chain Alliance, Kenya Tourism Board, USDA/FAS, Trade Data Monitor, World Bank