



EAFCA COFFEE OUTLOOK 2010

INTRODUCTION

Africa produces about 10% of total world coffee. Ethiopia is the largest coffee producer in Africa, turning out 3.5% of the world coffee in the 2008/09. Uganda tails the top ten largest coffee producers in the world, producing 2.6% during the same crop year, according to the International Coffee Organization (ICO). Kenya produces only 0.7 percent of coffee in the world.

The Eastern African Fine Coffees Association (EAFCA), a body of stakeholders in the coffee sector, notes that despite high coffee production figures in the region, domestic coffee consumption remains insignificant due to drinking patterns in several countries in the region.

As a result, **EAFCA countries** consume only about 3% of the coffee produced in the world. Out of this Ethiopia consumed about a half of the coffee it produced in 2008/09 crop year.

Despite being big producers in Africa, Kenya, and Uganda consume only about 3% of the coffee produced locally, a dismal proportion especially compared to Ethiopia.

On the global perspective despite the economic crisis, **world consumption** in recent years has remained buoyant. The total volume of consumption in calendar year 2008 is estimated at 7.8 million Metric Tonnes.

World consumption continued to grow in 2009 and, is expected to reach around 132 million bags (approximately 7.9 million Metric Tonnes) according to the ICO.

Production vs. Consumption in EAFCA Countries
(Figures in Metric Tonnes 08/09)

	Production	Consumption (including imported coffee)
Kenya	57300	3000
Uganda	198000	8400
Tanzania	55020	2820
Ethiopia	270000	135000
Rwanda	22,000	60
Burundi	6000	120
Malawi	1400	120
Zimbabwe	500	240
Zambia	1400	60
South Africa	50	22000
TOTAL	611,120	171,820

According to EAFCA, most of the coffee produced in EAFCA region qualifies as specialty coffee. EAFCA notes that consumption of high quality coffee is increasing more rapidly than mainstream coffee.

COFFEE PRODUCTION IN THE REGION IN 2008/2009

Kenya

The country produced 57,000 Metric Tonnes (MT) of coffee in 2008/09 crop year. Out of this, specialty is currently estimated at 50% and should stay about the same. The volume of coffee produced in the country has been on a decline from a high of 128,000 metric tonnes in 1987/88 to 42,000 produced in 2007/08. According to EAFCA, high production costs as well as limited availability of land, labour and water remain key challenges for the coffee industry.

In Kenya there are hundreds of thousands of small-holder coffee farmers belonging to coffee co-operative societies. Efforts are made to increase productivity by small holder farmers through extension services (both public and private) as well as to increase transparency at the co-operatives level.



Tanzania

Tanzania produces an estimated 33,000 MT Arabica and 22,000 MT Robusta, with specialty Arabica currently estimated at about 25%. The coffee industry in Tanzania affects the livelihoods of over 2.1 million farmers and their dependants.

Burundi

Out of the estimated **6, 000** MT of coffee, specialty is currently estimated at 2% but this could rise to 50% over time.. There are 800,000 coffee growers in Burundi. Shipping and transport are major issues in landlocked Burundi as well as seasonal variations in production.

Ethiopia

Ethiopia produced about 270,000 MT of coffee in the 2008/09 crop year. Out of this 60% of the exported coffee is specialty. The Ethiopian government is working hard in adding value to the beans by trade-marking some regions for example Irgacheffe, Sidamo, Harar.

Rwanda

Out of the estimated 22,000 MT, specialty is currently estimated at 20%, but this is increasing rapidly and should rise. Land, shipping and transport remain a challenge for the landlocked country. There are about 400,000 small-scale coffee farmers in Rwanda.

Uganda

Uganda produced an estimated 200,000 tonnes of coffee in 200/09. Out of this, the Robusta variety made up approximately 160,000 (or 80%) while the rest was Arabica. There is much room to increase specialty in both areas. Currently, the country exports about 5% as specialty, but over time this could increase to as much as 40%. About 99 % of the coffee in Uganda is produced by small-holders. The country has initiated value-adding programmes to improve value to the Robusta variety through a process called "wet-processing."

Zambia

Zambia has a declining coffee industry, with the total crop estimated at 1,400 MT. coffee production has fell, due to collapse of two large estates in 2008. Out of this 40% is specialty coffee.

PRODUCTION COSTS HAMPER GROWTH IN THE SECTOR

High production costs have contributed to a slowdown in investment in the coffee sector in many producing countries. However, the continuing buoyancy of world consumption should make it possible to maintain relatively firm prices in upcoming months.

About **61%** of coffee produced in the world market was of the Arabica variety with the remainder being Robusta. Global Production of Robusta coffee has increased due to the rise of Vietnam which in less than 15 years became second largest producer in the world. About 15% of coffee is produced by Vietnam.

Brazil remains the largest producer accounting for **37%** of coffee produced on the **2008/09** crop year followed by Vietnam and Indonesia at 15 and 7.5 respectively. Coffee production took a tumble in Colombia in the last crop year.

Apart from Brazil, where production in 2009/10 will be reduced, a number of other exporting countries will also record lower production levels.

It should be noted that inflation has contributed towards increases in the cost of production in many countries, particularly on account of higher fertilizer prices, labour costs and the weak dollar (the currency used to in coffee trade). It is also expected that exchange rate movements will play an important role in determining attractiveness of investments in coffee production.

CONSUMPTION GROWING FASTEST IN EMERGING MARKETS

Western countries, including Japan, account for about **58%** of world's consumption while **producing countries** cater for **26%**, according to the ICO. The rest of the consumption is accounted for by the emerging markets.

However, **emerging markets** contributed the largest growth in global coffee consumption at **5.5%** between **2000** and **2008**. Due to the recent economic crisis, a shift in coffee consumption has been observed whereby cheaper coffee and more in-home consumption has increased to the detriment of coffee shops.

At **12.6 kgs**, Finland leads in per capita coffee consumption followed by **Switzerland (9.1 kgs)** and **Norway (9kgs)**.



PRODUCTION EXPECTED TO FALL CURRENT CROP YEAR WHILE DEMAND REMAINS STRONG

According to the ICO, market fundamentals favour a continuation of the current firmness in prices. **Total production** in crop year 2008/09 was about **128 million (60kg) bags** for a total demand of around **130 million bags**.

EAFCO predicts shortfall in production compared to demand and this is expected to continue. As a result prices are expected to remain stable.

Preliminary estimates for crop year 2009/2010 indicate that total production will be between 123 and 125 million bags.

In **Africa, Mexico** and **Central America** production could **increase slightly**. Bearing in mind the situation in Brazil and Colombia, production in South America will fall during crop year 2009/10 according to ICO. On the other hand, production in Asia and Oceania may show a slight fall.

Colombia, which in the previous crop year recorded its lowest production level since crop year 1973/74, is not expected to recover its normal production level in crop year 2009/10 since harvests in the first two months are below the historical average.

In short-term, the market fundamentals will be strongly influenced by external factors such as the role of investment funds in commodity markets, exchange rates as well as low production in Brazil, Colombia and Central America.

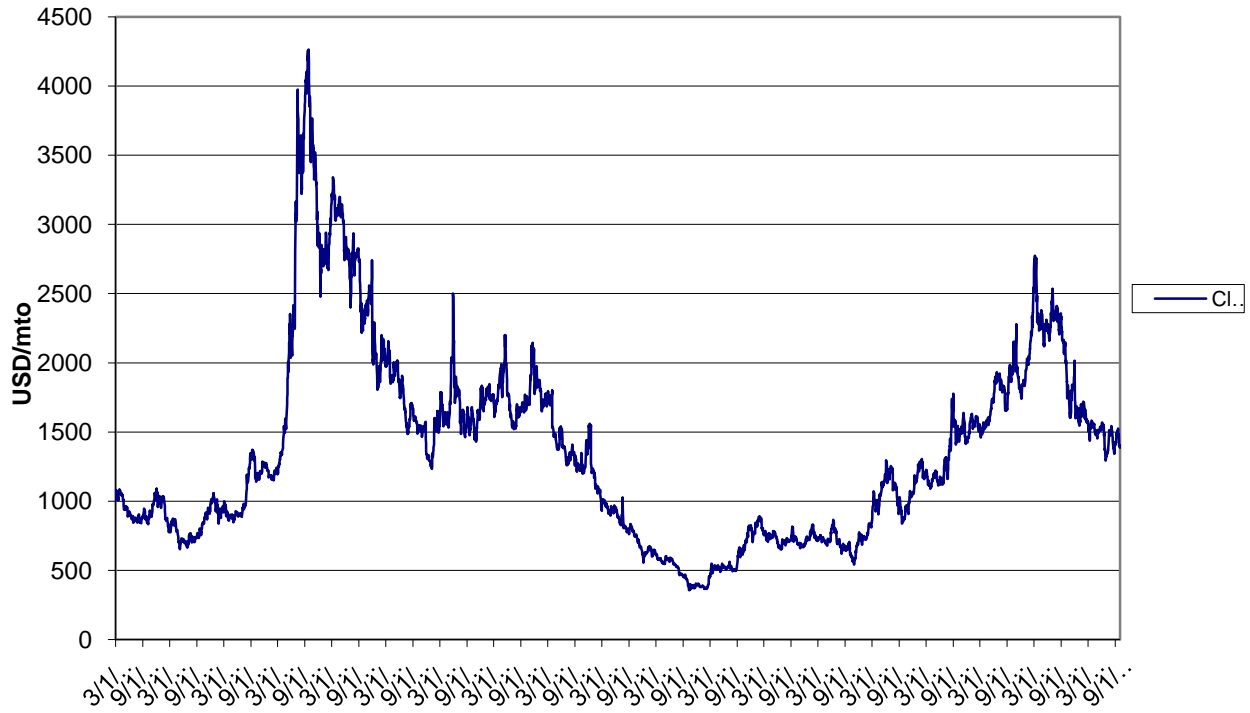
In medium term the market will be influenced by expectations regarding Brazilian production for 2010/11. Going forward, response to various interventions will not be uniform, but vary from country to country.

In recent years, **consumption** has increased steadily at a rate of **2.5% p.a.**, from **104.6 million bags** in **2000** to **128 million bags** in **2008**.

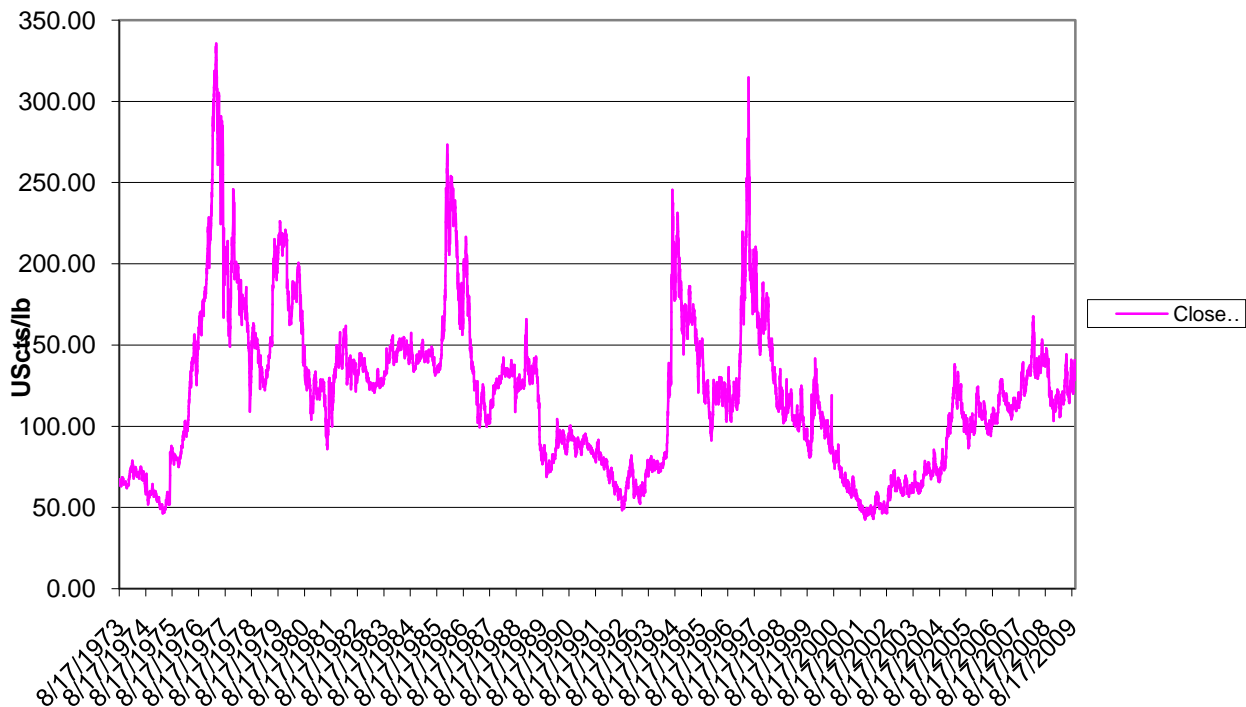
This growth rate is not evenly distributed. Growth rates are more vigorous in emerging markets (such as the Russian Federation and Ukraine) and in producing countries, particularly in Brazil. Current crisis is not expected to have a significant adverse effect on overall level of demand.

Future growth in consumption, which has been largely attributable to the development of emerging markets and increases in the domestic consumption of coffee producing countries, could be hampered by the vulnerability of these economies to the world economic crisis.

CTML Grade Robusta 1991 - today



NY "C" Grade Coffee (Arabica) - 1973 - today



EAFCA COFFEE INDUSTRY OUTLOOK 2009/2010

According to EAFCA, a number of countries will see production trends change from one country to the other in 2009/2010. Coffee production is expected to rise in Ethiopia, Burundi and Tanzania. Production is expected to fall in Kenya and Uganda.

It is estimated that Kenya will produce 45,000 tonnes in the current crop year. This will be mainly attributable to climate change and its effects on the bi-annual coffee production cycle. Overall coffee production in EAFCA countries is expected to remain the same in the 2009/2010 crop year.



NOTE TO EDITORS:

ABOUT EAFCA

The Eastern African Fine Coffees Association (EAFCA) is a regional non-profit, non-political, member-driven body of coffee producers, processors, marketing people and organisations in ten countries. EAFCA draws members from Kenya, Uganda, Tanzania and Ethiopia. Other countries represented are Rwanda, Burundi, Zambia Zimbabwe, Malawi and South Africa.

EAFCA's mission is to "promote the production, quality, consumption and trade of African Fine Coffees." Eastern African countries produce about 10% of the specialty coffees of the world and have a potential to produce more.

The idea of establishing EAFCA was born from exchange of views, experiences and bottlenecks faced with the trade and industry late 1990s. A group of leading coffee traders, exporters and farmers in Eastern and Southern Africa in the western countries therefore sought to establish a leading regional voice for the coffee industry which would be recognized worldwide for its efforts to improve the lives of all those involved in coffee.

Using the synergy of member countries EAFCA has been able to develop the awareness of producing high-quality coffee for the growing market for fine coffees.

Coffee is the leading foreign exchange earner for several sub Saharan African countries and many of the coffee stakeholders realized the urgent need to combine the efforts of the private and public sectors to create synergy that would offer the coffee farmers improved market access, improve quality throughout the coffee value chain and improve domestic consumption.

The ideas and recommendations of these think tanks have since bore fruit in form of the EAFCA which almost ten years on, has impacted positively on those in the regional coffee industry.

After the establishment of the EAFCA Secretariat in Kampala, Uganda in 2000, the organization with ten country chapters has worked closely with several development partners like United States Agency for International Development (USAID), COMESA (Common Market for Eastern and Southern Africa), DfID (Department for International Development) EAFCA has also worked with SIDA (Swedish International Development Corporation), CFC (Common Fund for Commodities), EU (European Union), GTZ / Common Code for the Coffee Community Association and others to implement its numerous coffee development programs in the region.

NB: Statistics in this report have been compiled using data from EAFCA and the International Coffee Organisation