

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Ethiopia

Coffee Annual

Coffee Annual Report

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Report Highlights:

Ethiopia's coffee production for MY19/20 (Oct-Sep) is forecast at 7.35 million 60-kilogram bags (441,000 metric tons). Exports are forecasted to reach a record 4 million bags (240,000 metric tons). The United States was the fourth largest buyer of Ethiopian coffee in 2017/18, accounting for nearly 11 percent of total Ethiopian coffee exports by volume. U.S. global purchases of imported coffee totaled US\$ 5.7 billion in 2018 and Ethiopia supplied \$142.1 million worth of coffee during the same period to US market. In 2018/19, Ethiopian exports are estimated to reach 3.98 million bags of coffee (238.8 metric ton), making it, once again, the most important African coffee exporter and the tenth largest exporter in the world. Coffee is the most important export for the country, accounting for about 34 percent of the value of all exports in 2017/18.

Commodities:

Coffee, Green

Production:

The MY19/20 (Oct-Sep) Arabica coffee forecast shows an increase in production reaching 7.35 million 60-kilo bags or 441,000 metric tons due to the expectation of better rainfall and less disease pressure compared to last year. Farmers are also benefitting from improved agricultural extension services from the government to support coffee production and marketing.

Table1: Ethiopia's Coffee Production with respect to area

	2015/16	2016/17	2017/18	2018/19	2019/20
Production (1,000 MT 60-kg bags)	6,510	6,943	7,055	7,250	7,350
Area (1,000 HA)	528	529	532	535	538
Productivity (tons/ha)	0.74	0.79	0.80	0.81	0.82

Source: Official USDA PSD for MY2015/2016 and Post Estimates for MY2016/17-2019/20

Ethiopia's coffee production in 2018/19 is estimated at 7.25 million 60-kilo bags. 150,000, 60- kilo bags more than USDA and post estimate. This situation is due to favorable weather conditions, low disease and pest pressure, enough rainfall in coffee growing areas of the regions and better extension services in some coffee growing areas.

All coffee production is rain fed; thus, precipitation is the most important production factor. Small land holder farmers produce 95 percent of Ethiopia's coffee in varied environments, including forest, semi-forest, garden, and plantation coffee. Under the government's second Growth & Transformation Plan (GTP II), MY19/20 production is predicted to come in at 1.1 million metric tons. Coffee productivity is also projected to increase from 0.75 tons/ hectare in 2014/15 to 1.1 tons per hectare by 2019/20. Total production is projected to increase from 420 thousand tons in 2014/15 to 1103 thousand tons by 2019/20.

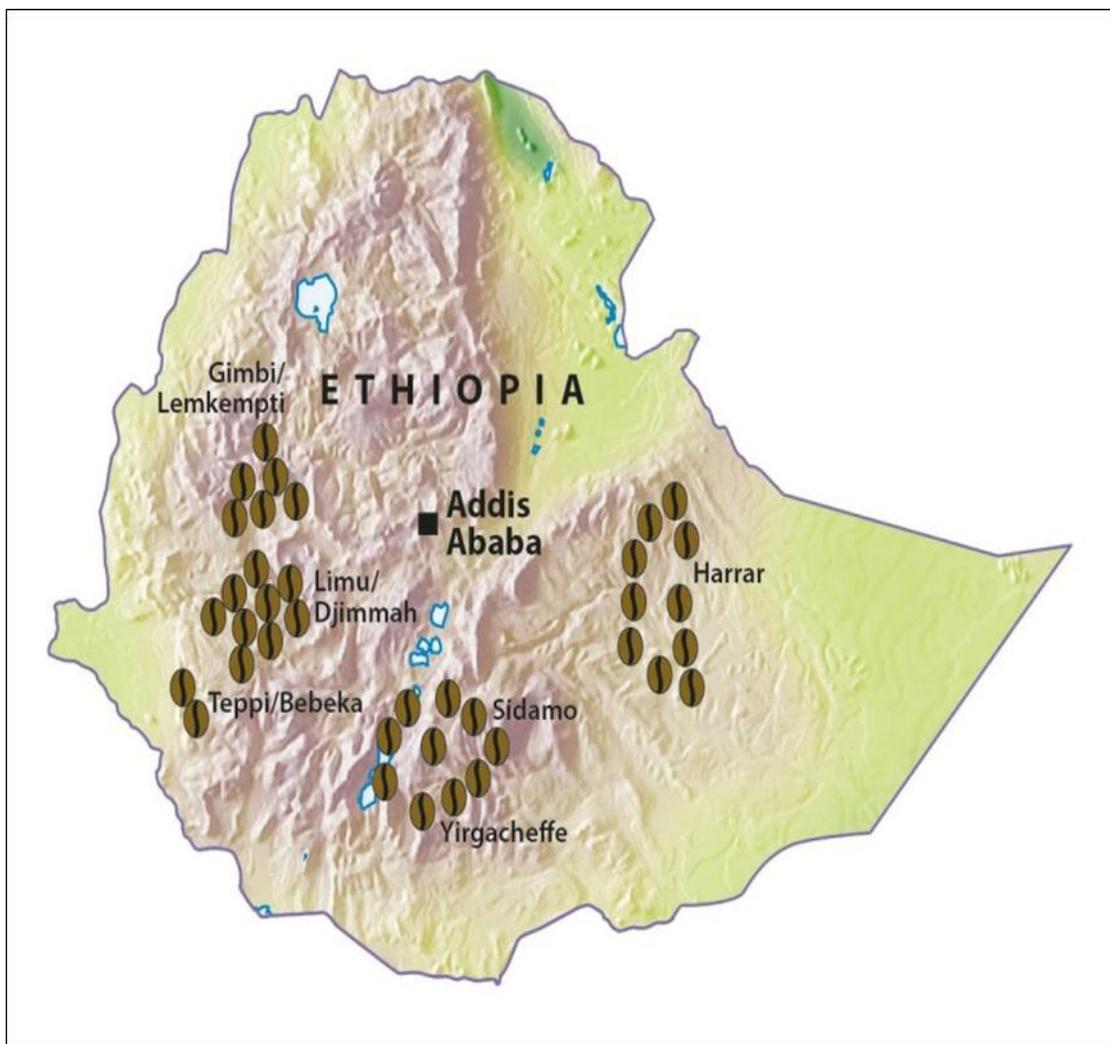
Post believes that the government planners are not familiar with the real on the ground situation and given existing tree management practices and lack of modern inputs, the producers will not be able to make these gains. Post estimated coffee productivity at this reporting period to be around 0.82 tons/ha. To achieve the planed target, the major bottlenecks to increase production and productivity must be addressed. For example, improved seed, proper tree management, and price incentives for coffee producers and promotion of irrigation system in area where irrigation is possible. One of the major challenges the Ethiopian coffee sector is facing is that many coffee producers, mostly from the eastern part of the country are tearing out the coffee bushes and replacing them with *khat* (*Catha edulis*) a plant with stimulant properties. The *Khat* plant can withstand drought, diseases and pests. It can also be

harvested three to four times a year and provides better revenue for farmers than other cash crops such as vegetables, oil crops or even coffee.

Table 2: Status of GTP II Coffee Production Targets (1,000 Metric Tons)					
	2015/16	2016/17	2017/18	2018/19	2019/20
GTP II Target	504	605	726	871	1,103
Production	391	417	423	438	444
% Achieved	78	69	58	49	40

Source: GTP II plan, Official USDA/ post estimates for MY 15/16-19/20

Figure: 1 Coffee growing areas of Ethiopia



Consumption:

Coffee consumption in MY 19/20 is forecasted at 3.35 million bags (approximately 201 metric tons) an increase of 75,000 bags from MY 18/19 post estimate. Coffee Consumption for MY18/19 is expected to increase slightly to 3.27 million bags (196.2 metric tons). This trend runs contrary to the government's attempt to lower domestic coffee consumption in order to have more beans for export. This official estimate is slightly above post and USDA estimate. The main reasons for the consumption increase are exportable-grade coffee entering the informal domestic market to take advantage of strong local prices and the increase of small roadside coffee stalls in and around major towns as income generating schemes for young, unemployed women. These shops serve coffee in the traditional sit-down fashion and have become popular among consumers. These informal stalls pay neither VAT nor exorbitant rental costs, making their cost of serving coffee relatively lower and more competitive than the regular coffee shops. Ethiopians drink more coffee than any other African country. Close to half of Ethiopia's coffee production is consumed locally. Coffee plays an important role in traditional and cultural gatherings. Ethiopians drink it during virtually all social occasions such as family gathering, festivities and times of mourning.

Trade:

Exports forecast for 2019/20 remain at a record level 4 million bags (240,000 metric tons). Around 20,000 bags more than 2018/19 estimate, keeping Ethiopia's place among the world's coffee leaders. The Ethiopia Commodity Exchange (ECX) was established in 2008 to reduce price volatility and incentivize farmers to plant coffee. However, the lack of traceability at the ECX did not meet consumers' demand for traceable, farmer-specific or organic certified coffees. To address traceability issues, starting 30 April 2017 exporters with valid export license of for the marketing year can sell directly to international buyers, under the condition that the coffee loaded trucks must be sold within three days of arriving at the processing warehouses in the capital. If the coffee remains unsold after three days, they will be forced to sell on the existing ECX platform, but with traceability intact. The other major change is that farmers may sell beans directly to the roaster without entering to the Ethiopian Coffee Exchange platform.

Coffee is the most important foreign currency earner for Ethiopia. In addition to ensuring the volume and quality of coffee exports, exporters must properly manage the contracts. While most exporters assist the economy by supplying quality coffee to the international market, the government is also taking strict actions against those who fail to comply with their contracts. In March of 2019 alone 81 coffee exporters have been banned from trading with the Ethiopian Commodity Exchange (ECX) because they defaulted on their contracts. Ethiopia has more than 400 coffee exporters, 395 coffee farmers who directly export coffee, and over 30 import-export companies who export coffee and use the foreign currency to import other materials like vehicles and construction inputs. Ethiopia exports coffee to over 60 countries. Based on the coffee export data in 2017/18, the principal export markets for Ethiopian coffee were: Germany (22 %), Saudi Arabia (16 %), United States of America (11%), Belgium (7 %), Sudan (6 %) and Italy (5 %).

Table: 3 Coffee exports by volume and value for 2016/17 and 2017/18

Country	2016/17			2017/18		
	Volume (MT)	Value ('000 USD)	%Share (Volume)	Volume (MT)	Value ('000 USD)	%Share (Volume)
Germany	40107	135985	17	51634	145101	22
Saudi Arabia	36313	131772	16	37406	120993	16
Japan	25861	83696	11	23461	69192	10
USA	23877	130380	10	26657	140900	11
Belgium	20770	86159	9	17410	67906	7
Sudan	10959	23803	5	14558	39839	6
Italy	11189	46578	5	10893	39839	5
Korea Republic	11874	46578	5	10060	41618	4
France	10059	50809	4	8816	26642	4
UK	6388	33418	3	4651	23211	2
Australia	4917	21360	2	3854	16532	2
China	1749	8229	1	2712	11746	1
Russia	3334	10246	1	3186	120993	1
Jordan	2931	10993	1	2467	9181	1
Greece	1472	4763	1	1267	3890	1
Taiwan	2775	13916	1	2423	10825	1
Sweden	2263	9777	1	1730	7648	1
Others	14337	48705	6	10391	20917	4
Total	231175	897167	100	233576	916973	100

Source: Ethiopia Revenue Custom Authority

Table: 4 Values of Coffee Exports as a Share of Total Exports (billion)

Item	2014/15	2015/16	2016/17	2017/18
Total export value	\$2.75	\$2.65	\$2.76	\$2.74
Total value of Agricultural export	\$2.35	\$2.27	\$2.32	\$2.13
Agricultural exports share out of total exports	86	86	84	78
Coffee exports	\$0.812	\$0.722	\$0.897	\$0.917
Coffee exports share of total agricultural exports (%)	35	32	39	43
Coffee exports share of total exports (%)	30	27	33	34

Source: Post calculations based on Ethiopia Revenue Custom Authority data.

Coffee, the backbone of Ethiopia's economy, is the most important export. During the 2017/18 marketing year alone Ethiopia registered a record almost 917 million U.S. dollars from coffee exports. Recent market trends mean that certification and traceability have become significant new requirements to increase marketability and prices of Ethiopian coffee. The government has responded to market demand by creating certifying bodies and new marketing systems.

Policy:

The Government of Ethiopia took control of the coffee marketing system to try and keep exporters from hoarding exportable coffee and to give the growers direct access to international markets. The government has banned certain exporters from the coffee market because of hoarding coffee. The Ethiopian Coffee and Tea Development and Marketing Authority revoked their licenses, closed their warehouses, seized their coffee stocks, and sold them on their behalf. A policy was put in place to limit the amount of coffee an exporter can store. An exporter, for example, selling and buying coffee on the ECX will have his or her right to trade revoked if found to be storing more than 500 metric tons of coffee without a signed contract.

Production, Supply and Demand Data Statistics:

Coffee, Green Market Begin Year	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
Ethiopia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	532	532	0	535	0	538
Area Harvested	525	525	0	528	0	528
Bearing Trees	1310	1315	0	1327	0	1328
Non-Bearing Trees	20	25	0	28	0	30
Total Tree Population	1330	1340	0	1355	0	1358
Beginning Stocks	15	15	10	27	0	27
Arabica Production	7055	7055	7100	7250	0	7350
Robusta Production	0	0	0	0	0	0
Other Production	0	0	0	0	0	0
Total Production	7055	7055	7100	7250	0	7350
Bean Imports	0	0	0	0	0	0
Roast & Ground Imports	0	0	0	0	0	0
Soluble Imports	0	0	0	0	0	0
Total Imports	0	0	0	0	0	0
Total Supply	7070	7070	7110	7277	0	7377
Bean Exports	3950	3893	3980	3980	0	4000
Rst-Grnd Exp.	0	0	0	0	0	0
Soluble Exports	0	0	0	0	0	0
Total Exports	3950	3893	3980	3980	0	4000
Rst,Ground Dom. Consum	3110	3150	3120	3270	0	3349
Soluble Dom. Cons.	0	0	0	0	0	0
Domestic Consumption	3110	3150	3120	3270	0	3349
Ending Stocks	10	27	10	27	0	28
Total Distribution	7070	7070	7110	7277	0	7377

(1000 HA) ,(MILLION TREES) ,(1000 60 KG BAGS)