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Report Name: Coffee Annual

Country: Ethiopia

Post: Addis Ababa

Report Category: Coffee

Prepared By: Abu Tefera

Approved By: Elizabeth Mello

Report Highlights:

Coffee is Ethiopia's main export commodity, contributing to the livelihoods of more than 15 million smallholder farmers and other actors in the coffee sector. Ethiopia's coffee production for MY 2022/23 (Oct-Sep) is forecast at 8.25 million 60-kilogram bags (495,000 MT). Exports are forecasted to reach a record 4.72 million bags (280,560 MT). Exports in MY 2021/22 reached to 4.70 million bags (282,000 MT). Ethiopia's primary export destinations in 2020/21 were Germany, Saudi Arabia, US, Belgium, and Japan. Local consumption in MY 2021/22 is estimated to increase to 3.45 million bags (207,000 MT). Many coffee farmers are switching from growing coffee to khat for economic reasons. Ethiopia is in crisis recovery phase from the COVID-19 pandemic.

Production:

Ethiopia is the country that gave coffee arabica to the world. Weather in 2021/22 has been generally good throughout the production year with minimum pest and disease infestation in the coffee growing regions, although delayed rains in the southern regions were observed without major effects except prolonged harvest in the region.

Ethiopia coffee production is expanding slowly from between 6 million bags 10 years ago to over 8.15 million bags today in 2022 and has become the world's third largest grower of arabica coffee and the biggest producer overall in Africa. The newly planted coffee seedling planted between 5-10 years ago is in production now.

MY 2022/23 coffee production is forecasted at 8.25 million bags (495,000 MT), 100,000 bags higher than the current 2021/22 production estimate, assuming suitable weather, minimum pest and disease pressure, and adequate rain. The 2020/21 coffee production estimate is revised upwards to 8.15 million bags compared to our projections in 2019/20 which was 7.6 million bags. The growth in production volume is mainly due to the higher yields observed in the coffee growing belts mainly in southern and western regions and new tree arrival for harvesting. The amount and distribution pattern of rain was normal to higher than normal during the coffee growing season of MY 2020/21. Coffee experts are also advising coffee farmers to take all possible phytosanitary measures such as regular field monitoring to uproot and burn infected coffee trees mainly due to Coffee Berry Disease (CBD).

The two common coffee processing methods of are sun-dried and wet processing. Ethiopian coffee is currently 70-80% unwashed or sun-dried, and 20-30% washed coffee. Unwashed coffee earns a lower price in many markets, including the U.S where consumers prefer "cleaner" washed coffee. Other countries, like Japan, specifically require unwashed coffee for a more natural and richer taste.

Ethiopia is a leading khat producer in East Africa. Khat is a bushy plant used us stimulate. In recent decades farmers in some parts of the country have moved toward growing only khat than coffee. It is a drug banned in most countries but legal in Ethiopia and neighboring countries. The transition has led to greater farmer incomes but also declines in food security, biodiversity, soil health, and women's empowerment. A farmer would need ten coffee trees to earn the same as one kilo of khat. While one coffee plant yields 8 to 12 kg of cherries, khat plants require less care and are drought resistant compared to coffee. The Government of Ethiopia (GOE) neither encourages the cultivation of khat in any form nor takes any action against its cultivation, trade, and use. The GOE collects significant revenue from the export and local taxation of khat.

In June 2021, Ethiopia launched a state-of-the-art coffee training center to deliver modular and practice-based training that aims to enhance the sustainability and value chain in the country's coffee sector located in the premises of the Ethiopian Coffee and Tea Authority (ECTA) in Addis Ababa. The center provides training programs on the fundamentals of coffee, processing, drying and storage, trade, and maintenance of coffee processing equipment. There are four factors that are considered for coffee quality during export in Ethiopia:

- Certification (e.g., Fair-trade)
- Coffee grade and coffee cupping tests.

- Geographical origin: from well-recognized geographical location in particularly Harar and Yirgacheffe.
- Post-harvest treatment: sun dried or washed coffee.

These good quality coffees are sometimes labelled under specialty coffee and account for an estimated amount of 25% of export volumes.

Item	2018/19	2019/20	2020/21	2021/22	2022/23 (forecasted)
Production (000 tons)	423.6	448.5	456	489	495
Area (1000 ha)	532	538	540	575	580
Productivity (ton/ha)	0.8	0.83	0.84	0.85	0.85

Source: Post calculation

Consumption:

Ethiopians are among the largest coffee consumers in Africa, and the coffee consumption trend in Ethiopia is growing at a steady pace. Domestic coffee consumption in MY 2022/23 is forecast at 3.5 million bags (210,000 MT). For MY 2021/22, post estimates local consumption to reach 3.45 million bags (207,000 MT). Coffee consumed in the local market is mainly coffee rejected or failed to meet the Ethiopian Commodity Exchange (ECX) export quality standards. However, the local price is usually higher than international price for coffee arabica. Coffee plays a vital role in both cultural and social life of Ethiopians. The price of coffee in the local market is increasing from year to year due to better export coffee price in the last two years.

Item	2020/21	2021/22	2022/23 (forecasted)
Total coffee supply ('000MT)	491.28	495.6	501.6
Export ('000MT)	280.6	282	283.2
Consumption ('000MT)	204	207	210
% Export	57	57	56.5

Source: Post calculation

Trade:

According to the Ethiopia Coffee and Tea Authority report, Ethiopia's six-month coffee export revenue grew by \$274 million more than half a billion U.S. dollars in the first half of the current 2021/22 fiscal year. Ethiopia is now exporting over 1000 tons of coffee per day. The six-month revenue figure makes coffee the top performing export product for Ethiopia.

In 2021/22, an estimated 42% of coffee production goes to the domestic market of which around 5% is smuggled for cross-border trade and the black market. The remaining 58% is channeled to the export market, of which around 80–85% goes through the ECX, 5–10% through direct trade by cooperatives, and 5% through commercial farms.

In January 2022 only, Ethiopia sold around 11,200 bags (672 MT) of coffee online during the Ethiopian coffee brands launch on China's largest E-commerce platform, Alibaba (Tmall Global) because of joint effort with the United Nations Economic Commission for Africa (ECA) and the Government of Ethiopia.

The main reason behind the increased coffee export from Ethiopia is the recurrent drought and the frost that occurred in parts of Coffee Arabica producing areas of South America which affected the volume and quality of coffee arabica production.

Table:3 Value of coffee export as share of total export (in billions)					
Item	2016/17	2017/18	2018/19	2019/20	2020/21
Total export value	2.9	2.8	2.7	2.67	3.41
Total value of Agricultural export	2.34	2.38	2.3	1.94	3.16
Agricultural exports share out of total exports (%)	81	85	85	73	93
Coffee exports	0.897	0.767	0.789	0.82	1.1
Coffee exports share of total agricultural exports (%)	38	32	34	42	35
Coffee exports share of total exports (%)	31	27	29	31	32

Source: Post calculation

Table 4: Coffee Export by Volume and value for 2019/20 and 2020/21						
Countries	2019/20			2020/21		
	volume (MT)	value ('000USD)	volume %	volume (MT)	value ('000USD)	volume %
Saudi Arabia	46598	136548	19	48532	160183	17.3
Germany	46500	123099	18.7	53182	186684	19
Japan	25240	72310	10.2	20045	73546	7
USA	23615	124674	9.5	29657	102083	10.5
Belgium	21146	74413	8.5	27018	125241	9.6
Sudan	12758	25855	5.2	9079	20261	3.2
South Korea	14076	57478	5.7	17739	79059	6.3
Italy	7805	26930	3	8384	34686	3
France	9497	24829	3.8	8157	30545	2.9
UK	2612	11900	1	2778	13626	1
Australia	3878	14887	1.5	6770	30952	3
Taiwan	4505	21607	2	3972	23612	1.4
Russia	2789	7880	1	4352	15303	1.6
Jordan	4047	14257	1.6	3942	18126	1.4
Spain	1657	5378	0.7	1881	8781	0.01
others	21406	77724	8.6	35119	215566	12.5
Total	248,129	821,140	100	280,607	1138254	100

Source: TDM

Policy:

Many coffee traders used to export the coffee at a loss to earn more foreign currency and then use that currency to import construction materials and vehicles to sell at a huge profit domestically. This practice distorted the market price of agricultural products. On January 28, 2020, the Coffee and Tea Authority coordinated with the National Bank of Ethiopia to establish a directive called the “Export Coffee Contract Administration”. This directive fixes a minimum coffee export price based on the global weighted average price given to different grades of coffee from various regions. This directive impact exporters, coffee roasters, and coffee farmers. Coffee exporters submit their contracts to the National Bank of Ethiopia (NBE). At the end of each day, the NBE delivers the contracts to an Association-team. The team compares the prices with international and local coffee prices. Then, they use an average weighted method to calculate a new minimum price. Coffee exporters base their contract prices on the new minimum the next day.

The minimum coffee price directive forces coffee exporters in Ethiopia to sell their coffee at or above a minimum price level. If exporters offer below the minimum price, legal action will be taken by the administration and Ministry of Trade.

Due to critical shortage of foreign currency in the country, the National Bank of Ethiopia has announced a directive on the amount of foreign currency exporters can retain and use for importing other goods from their export earnings. As most exporters use coffee export earnings to pay for their imported goods and services, this new directive partially limits the amount of import of other goods and services. The directive states that only 20% of coffee exporters earnings made through export may be retained in USD for their import. The remaining earnings must be converted to Birr for local use. This directive has caused some dissatisfaction among exporters and provoked campaigns against the new directive to have the 20% limit raised. The ongoing security concerns in the country are still putting pressure on availability of labor and logistic services

Production, Supply, and distribution

Coffee, Green Market Year Begins Ethiopia	2020/2021		2021/2022		2022/2023	
	Oct 2021		Oct 2022		Oct 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	542	542	550	585	0	590
Area Harvested (1000 HA)	538	538	540	575	0	580
Bearing Trees (MILLION TREES)	1334	1334	1335	1438	0	1450
Non-Bearing Trees (MILLION TREES)	32	32	33	40	0	45
Total Tree Population (MILLION TREES)	1366	1366	1368	1478	0	1495
Beginning Stocks (1000 60 KG BAGS)	210	210	135	110	0	110
Arabica Production (1000 60 KG BAGS)	7600	7976	7620	8150	0	8250
Robusta Production (1000 60 KG BAGS)	0	0	0	0	0	0
Other Production (1000 60 KG BAGS)	0	0	0	0	0	0
Total Production (1000 60 KG BAGS)	7600	7976	7620	8150	0	8250
Bean Imports (1000 60 KG BAGS)	0	0	0	0	0	0
Roast & Ground Imports (1000 60 KG BAGS)	0	0	0	0	0	0
Soluble Imports (1000 60 KG BAGS)	0	0	0	0	0	0
Total Imports (1000 60 KG BAGS)	0	0	0	0	0	0
Total Supply (1000 60 KG BAGS)	7810	8186	7755	8260	0	8360
Bean Exports (1000 60 KG BAGS)	4675	4676	4600	4700	0	4720
Rst-Grnd Exp. (1000 60 KG BAGS)	0	0	0	0	0	0
Soluble Exports (1000 60 KG BAGS)	0	0	0	0	0	0
Total Exports (1000 60 KG BAGS)	4675	4676	4600	4700	0	4720
Rst,Ground Dom. Consum (1000 60 KG BAGS)	3000	3400	3000	3450	0	3500
Soluble Dom. Cons. (1000 60 KG BAGS)	0	0	0	0	0	0
Domestic Consumption (1000 60 KG BAGS)	3000	3400	3000	3450	0	3500
Ending Stocks (1000 60 KG BAGS)	135	110	155	110	0	140
Total Distribution (1000 60 KG BAGS)	7810	8186	7755	8260	0	8360
(1000 HA) ,(MILLION TREES) ,(1000 60 KG BAGS)						

Attachments:

No Attachments