Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Required Report - public distribution

Date: 5/13/2002

GAIN Report #IV2003

Cote d'Ivoire

Coffee

Annual

2002

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Report Highlights:
Post forecasts coffee production in 2002/2003 to remain unchanged from 2001/2002 despite impressive tree flowering and cherry formation. Prospects for a good crop are expected to be undermined by farmers' reluctance to make any efforts in farm clearing and maintenance. Exporters are unenthusiastic about coffee purchases because of the low export margins. With the exception of SIFCA/COOP, an offshoot of ANAPROCI (the farmers association), most middlemen and purchasing agents have not purchased coffee this season. Green coffee exports fell in 2001 due to the slump in world market price. The government has decided to use the EU's Stabex fund to support coffee prices.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Abidjan [IV1], IV

Executive Summary

Post forecasts coffee production in 2002/2003 to remain unchanged from 2001/2002 despite impressive tree flowering and cherry formation. If international prices were higher, Post would expect a production increase of 30 percent. Low farm price resulting from the collapse in world market price has led to poor farm management, abandoned farms and improper harvesting. Prospects for a good crop are expected to be undermined by farmers' reluctance to make any efforts in farm clearing and maintenance. Post has revised downwards its 2001/02 production estimate due to previously cited reasons plus high post harvest losses.

Marketing of the 2001/2002 crop started in the first week of January 2002. Marketing activities have been dull due to low farm price. Farmers considered prices too low to merit any expenses to bring their products to market. Exporters also are unenthusiastic about coffee purchases because of the low export margins. As a result, most middlemen and purchasing agents have refused to handle coffee in the current marketing season. Only the newly formed cooperative group, SIFCA-COOP, an offshoot of the ANAPROCI (the farmers association which spearheaded the new marketing reforms) has been active purchasing coffee upcountry.

The BCC (Bourse du Café et Cacao) set the minimum producer price at 200 F CFA/kg in January 2002, at the beginning of the coffee marketing. However, farm prices have been ranging between 160 and 280 F CFA/kg with average price being about 210 F CFA/kg. Capral/Nestle, a local soluble coffee company, has been buying green coffee at a higher rate of between 250 and 280 F CFA/kg, but insists on top quality coffee.

Domestic consumption of green coffee fell in 2001 due to the unstable political situation. In 2002, domestic consumption is expected to increase due to improvement in the political situation, availability of cheap raw materials and increased demand of processed products from the subregion.

Green coffee and product exports accounted for about 4 percent of Cote d'Ivoire's total export earnings in 2001. Green coffee exports fell in 2001 due to the slump in world market price. World market price remains depressed in 2002 and exports are expected to remain at low levels.

The government of Cote d'Ivoire (GOCI) has decided to subsidize coffee producers due to the

collapse of world market price and detrimental effects on coffee producers. The GOCI views this action in the framework of the fight against poverty in the rural sector. The GOCI has given its support to the minimum price of coffee of 200 F CFA/kg fixed by the BCC (nominally a private marketing board) The government intends to use European Union assistance, under Stabex 1999, of 10 billion F CFA to support 2001/2002 coffee prices. The GOCI has also exempted coffee exporters from payment of several fees and taxes instituted under the new cocoa and coffee marketing system. However, the details of the subsidy scheme were too vague to induce many of the larger exporters to purchase coffee.

Exchange Rate: U.S.$1 = 719 F CFA on May 13, 2002.

PSD Table						
Country	Cote d'Ivoire					
Commodity	Coffee, Green				(1000 HA)(MILLION TREES)(1000 60 KG BAGS)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		10/2000		10/2001		10/2002
Area Planted	1485	1490	1486	1492	0	1492
Area Harvested	1296	1296	1298	1170	0	1160
Bearing Trees	1626	1626	1630	1630	0	1630
Non-Bearing Trees	237	243	235	243	0	243
TOTAL Tree Population	1863	1869	1865	1873	0	1873
Beginning Stocks	1347	1347	1562	1573	1711	1186
Arabica Production	0	0	0	0	0	0
Robusta Production	4333	4333	4166	3300	0	3300
Other Production	0	0	0	0	0	0
TOTAL Production	4333	4333	4166	3300	0	3300
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	5680	5680	5728	4873	1711	4486
Bean Exports	3672	3660	3500	3200	0	3000
Roast & Ground Exports	2	3	3	3	0	3
Soluble Exports	382	382	450	420	0	450
TOTAL Exports	4056	4045	3953	3623	0	3453
Rst,Ground Dom. Consum	30	30	31	31	0	32
Soluble Dom. Consum.	32	32	33	33	0	33
TOTAL Dom. Consumption	62	62	64	64	0	65
Ending Stocks	1562	1573	1711	1186	0	968
TOTAL DISTRIBUTION	5680	5680	5728	4873	0	4486

Production

Despite impressive tree flowering and cherry formation, Post forecasts coffee production in 2002/2003 to remain unchanged from 2001/2002. Low farm price resulting from the collapse in world market price has led to poor farm management, abandoned farms and improper harvesting. Farmers have not been able to afford to hire sufficient farm laborers to undertake farm work. The situation is complicated by farm laborers' disinterest in the share cropping system normally used in payment of farm labor. They consider remuneration generated from the sale of coffee insufficient to compensate for the difficult work on coffee farms. Despite the production difficulties, timely rains in producing areas have led to heavy tree flowering and cherry formation. However, prospects for a good crop are expected to be undermined by farmers' reluctance to make any efforts in farm clearing and maintenance. In addition, farmers will refuse to undertake proper harvesting should market prices remain depressed. This will decrease crop quality in addition to reducing quantity harvested.

Field visits indicated that most coffee farms are covered by bush and have not been maintained for the past year. Farmers interviewed expressed a clear understanding of the grim reality of their situation which includes insufficient revenue to pay for farm labor. Still the crop is developing well in many areas visited; there were more cherries on trees than the same period in 2001.

Post has revised downwards its 2001/02 production estimate due to improper harvesting, abandoned farms, poor farm management and high post harvest losses.

Marketing of the 2001/2002 crop started in the first week of January 2002. Marketing activities have been dull due to low farm price. Farmers considered price too low to merit any expenses to bring their products to market and have been halfhearted in all coffee operations. Many farmers are disillusioned with coffee because this is the third consecutive year they have held their crop hoping for higher prices. Some farmers have sold the cherries they held from last season simply to get a little cash. About 25 percent of upcountry purchases was this old crop. Others continue to build up stocks in anticipation of a better price. They view the price evolution as a cyclical process and expect improvement in price to be very soon. Exporters are unenthusiastic about coffee purchases because of the low export margins. As a result, many middlemen and purchasing agents have refused to handle coffee in the current marketing season. It is the newly formed cooperative group, SIFCA-COOP, an offshoot of the ANAPROCI (the farmers association which spearheaded the new marketing reforms) which has been doing most of the coffee purchases upcountry. Its activities are said to be financed from the FDPCC (Agricultural Development Fund), a recipient of the check-off funds from the new coffee and cocoa marketing system. Local analysts believe SIFCA-COOP has been purchasing with such confidence because of its unusual access to this fund and its close relationship with the government (which has promised subsidies without clarifying how such will be paid). However, most middlemen, purchasing agents and exporters are wary of the government reimbursement plan and have shown little interest in coffee purchasing. SIFCA-COOP has purchased about 350,000 bags as of this season.

The BCC (Bourse du Café et Cacao) set the minimum producer price at 200 F CFA/kg in January 2002, the onset of the coffee marketing. However, farm prices have been ranging between 160 and

280 F CFA/kg with the average price about 210 F CFA/kg. Capral/Nestle, a local soluble coffee company, has been buying green coffee at a higher rate of between 250 and 280 F CFA/kg but insists on top quality and has limited capacity. The SIFCA-COOP has been buying green coffee at between 220 and 230 F CFA/kg, while other purchasing agents have been buying at a lower price. At these farm prices and considering the evolution in world market prices, farmers have been receiving 60 to 70 percent of world market prices.

The depressed domestic coffee market has little tolerance for low quality coffee and farmers are obliged to supply only high quality coffee. As farmers were not motivated to spend efforts on quality, they usually delivered unsorted green coffee to purchasing centers. These centers hired assistants to sort out defective and black beans at a rate of 15-20 F CFA/kg. The acceptable coffee quality level is a maximum of 10 percent foreign materials (black and broken beans).

The activities of Cutting Production Centers (CBC) for the supply of cuttings to farmers for planting have virtually halted. With the prevailing prices of coffee, farmers have little incentive to undertake new coffee planting or replanting.

Consumption

Domestic consumption of green coffee fell in 2001 due to the unstable political situation. In 2002, domestic consumption is expected to increase due to improvement in the political situation, availability of cheap raw materials and increased demand of processed products from the subregion. Domestic consumption consists of processing into soluble coffee accounting for about 95 percent of consumption. Soluble coffee processing is undertaken by one firm, CAPRAL/NESTLE, which processes about 460,000 bags annually. Processing of roasted and ground coffee is undertaken by five firms which account for the remaining 5 percent of domestic green coffee consumption.

Trade

Green coffee and product exports accounted for about 4 percent of Cote d'Ivoire's total export earnings in 2001. Green coffee exports fell in 2001 due to the slump in world market price which made exports unattractive. World market price remains depressed in 2002 and exports are expected to remain at low levels. Exports for the first three months of 2002 were 215,117 bags compared to 476,850 bags for the same period in 2001.

Soluble coffee exports fell slightly in 2001 due to the uncertain political situation. Soluble coffee exports in CY 2001 were 396,933 bags compared to 400,140 bags in 2000. Export quantity is expected to increase in 2002 due to the easing of political tension. Exports for the first three months of 2002 were 129,220 bags as against 110,673 bags for the same period in 2001.

Cote d'Ivoire: Soluble Coffee Exports in CY 1999 and CY 2000
(Green Coffee equivalent in 60 kg bags)

	2000	2001
Greece	271,527	282,490
Senegal	40,560	35,490
Mali	12,047	14,950
Nigeria	15,817	12,003
Others	60,189	52,000
Total	400,140	396,933

Export Trade Matrix			
Country	Cote d'Ivoire		
Commodity	Coffee, Green		
Time period	Jan-Dec	Units:	60 kg bags
Exports for:	2000		2001
U.S.	225583	U.S.	56783
Others		Others	
France	1902317	France	1439917
Belgium	958300	Belgium	314650
Italy	659217	Italy	498917
Poland	280016	Poland	136717
Algeria	607117	Algeria	550350
Spain	354867	Spain	372517
Germany	16933	Germany	93600
Morocco	95867	Morocco	55783
Portugal	91150	Portugal	49950
U.K.	85800	U.K.	36017
Total for Others	5051584		3548418
Others not Listed	431566		171299
Grand Total	5708733		3776500

Stocks

Stocks fell in 2000/2001 and are expected to continue to fall in 2001/2002 due to the drop in production. Stocks consist mainly of coffee cherries held by farmers at farm level, green coffee with cooperatives and middlemen and those held at exporters' warehouses. In 2002/2003, the downward trend in stocks are expected to continue as world market price remains crumble and supply level threatened.

Policy

The government of Cote d'Ivoire (GOCI) has decided to subsidize coffee producers due to the collapse of world market price. The GOCI views this action in the framework of the fight against poverty in the rural sector. The GOCI has given its support to the minimum price of coffee of 200 F CFA/kg fixed by the BCC. The government intends to use the European Union assistance, under Stabex 1999, of 10 billion F CFA to support the 2001/2002 coffee marketing. Meanwhile, the BCC and ARCC (the coffee and cocoa regulating authority) have agreed to use funds from the contingency fund, another check off from cocoa marketing system, for subsidies. This will be refunded when the Stabex fund is ready.

The GOCI has also given the following exemptions to coffee exporters: Exemption from payment of export duty of 10 F CFA/kg ; Registration fee of 2.3% of CIF; Agricultural Development Fund payment of 10 F CFA/kg; BCC fee of 6.2 F CFA/kg. Exporters are to limit their intermediary cost to 151 F CFA/kg. The intermediary costs start from collecting charges upcountry through export, including exporter revenue of 3.05 F CFA/kg. Therefore, the following equilibrium levels for refunds have been established for the four grades of coffee exports with grade 2 as reference point:

Grade	Price (F CFA/KG)
1	301
2	351
3	391
4	501

There is no limit in exports of grade 4, but the tonnage eligible for compensation should be less or equal to 3 percent total coffee exported by an exporter.

The GOCI has banned exports of black beans and broken coffee, but exports continue.

A technical committee established by the government has set up procedures to be followed for reimbursement by December 31, 2002. The deadline for coffee purchases for the 2001/2002 crop is unchanged at September 30, 2002.