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Report Highlights:

Ethiopia's coffee production for MY20/21 (Oct-Sep) is forecast to be 7.5 million 60-kilogram bags (450,000 metric tons). Exports are forecast to reach a record 4.12 million bags (247,200 metric tons). The United States was the fourth largest buyer of Ethiopian coffee in 2018/19, accounting for nearly ten percent of total Ethiopian coffee exports by volume. U.S. coffee imports totaled US$ 5.7 billion in the MY 2018/19 with $120 million of that from Ethiopia. For the 2019/20 marketing year, experts say Ethiopian exports will reach around 3.9 million bags of coffee (234,000 metric tons). This export downturn is due to the COVID-19 crisis causing reduced orders from importers and a slowdown in local and international transport. Coffee is Ethiopia's most important export commodity, accounting for about 29 percent of the value of all exports in 2018/19.

Production:

For the MY20/21 (Oct-Sep), we predict an increase in Arabica coffee production to 7.5 million 60-kilo bags (450,000 metric tons). This scenario assumes minimum disruption due to COVID-19, new coffee trees coming into production in the western part of coffee growing area, better rainfall, and less disease pressure compared to previous years will result in robust output. Farmers also continue to benefit from improved agricultural extension services from the Government of Ethiopia (GOE) and NGOs supporting coffee production and marketing.

Table1: Ethiopia's Coffee Production estimate with respect to area					
	2016/17	2017/18	2018/19	2019/20	2020/21
Production (000 tons)	416.4	423.6	441	447	450
Area (1000 ha)	529	532	535	538	540
Productivity (ton/ha)	0.79	0.80	0.82	0.82	0.82

Source: Post Estimates for MY2016/17-2020/21

In order to achieve better production, supply chain bottlenecks and low productivity issues will need to be addressed. For example, if farmers had access to improved seed, proper tree management, and irrigation systems in areas where irrigation is possible, they would see great gains in productivity. The Jimma Agricultural Research Center (JARC) is responsible for research on the suitability of coffee varieties in different agro-ecological zones and produces and distributes improved seeds to farmers. The Ethiopia coffee sector would benefit from additional public and private sector partnerships geared toward increasing innovation and speed of service.

Figure: Coffee growing areas of Ethiopia

As elsewhere in the world, the COVID-19 pandemic will have overarching effects on health, the economy and security in Ethiopia and its export markets, and it is too early to predict its influence on coffee production in the 2019/20 MY. At the time of the writing of this report, very low virus levels are being reported in rural areas, where the majority of coffee farmers are working their own farm with family labor. On the other hand, commercial farms, which make up about five percent of total coffee farms, are experiencing difficulties in employing laborers due to travel restrictions currently in effect.

The replacement of coffee trees with *khat* (*Catha edulis)*, a bushy plant with stimulant properties, has had an adverse effect on coffee production. The *khat* plant has many attractive qualities that induce farmers to plant it instead of coffee. These qualities include, 1) a heightened ability to withstand drought, diseases and pests; 2) speedy growth allowing it to be harvested up to three times a year in areas with good water availability; and 3) higher sales prices than coffee.

Table 2: Unit value of coffee compared to Khat in the Addis market (USD/kg)				
Particulars	2016/17	2017/18	2018/19	2019/20
Coffee bean	3	3.5	3.3	4
Khat	8	8.4	8.5	9

Source: Post survey

Consumption:

Ethiopia domestic coffee consumption in 2019/20 is estimated to be 3.14 million bags (188,400 metric tons), 50,000 bags less than in 2018/19. This reduction could be due to social distancing measures put in place in response to COVID-19, which has resulted in lower demand at informal outdoor coffee stands. Also, coffee is typically served at meetings and social events and these gatherings are currently restricted. This drop in social coffee consumption has not been off-set by an increase in at-home family consumption.

Post forecasts Ethiopia coffee consumption in MY 2020/21 will reach 3.4 million bags, an increase of 260,000 bags (15,600 metric tons) over the 2019/20 estimate. This estimate assumes a return to normal consumption levels after global COVID-19 pandemic effects diminish.

Trade:

Assuming a complete recovery worldwide from the COVID-19 crisis, we project MY 2020/21 coffee exports to reach 4.15 million bags (249,000 metric tons), 250,000 bags more than 2019/20 exports.

The COVID-19 pandemic is negatively affecting the 2019/20 coffee supply chain. Coffee farmers and traders are facing transportation shortages and limited access to local markets due to stay-at-home and physical distancing directives. In addition to the COVID-19 crisis, coffee export volumes are also being affected by minimum export price directives imposed by the Ethiopia Coffee and Tea Authority (ECTA) and ongoing security concerns in certain parts of the country. We also see increased labor and logistical costs in the sector. All of these factors are exerting downward pressure on the volume of coffee arriving at the Ethiopia Commodity Exchange (ECX), resulting in a decline of 25-30 percent year on year. As a result, we estimate 2019/20 coffee exports at 3.9 million bags (234,000 MT), which is 16,400 metric tons less than 2018/19 exports.

Source: Post calculation

Table 3: Share of total coffee supply, consumption, and export estimate (metric tons)				
	2017/18	2018/19	2019/20	2020/21
Total coffee supply ('000MT)	424.2	442.6	447.6	475.2
Export ('000MT)	233.6	250.4	234	249
Consumption ('000MT)	189	191.6	188.4	204
% export	55	57	42	52

Table 4 : Coffee Export by Volume and value for 2017/18 and 2018/19						
Countries	**2017/18**			**2018/19**		
	volume (MT)	**Value ('000USD}**	**%volume share**	**volume (MT)**	**Value ('000USD)**	**%volume share**
Germany	49259	137028	22	42215	113203	17
Saudi Arabia	37786	116016	17	47519	125428	19
Japan	24448	72063	11	33824	93269	13.5
USA	21736	114120	8	24080	119915	9.6
Belgium	15767	60254	7	17921	58509	8
Sudan	1334	29426	0.6	13059	25304	5.2
South Korea	9552	38205	4.27	10913	41320	4.4
Italy	10146	36041	4.54	10477	34210	4.2
France	7649	22584	3.42	6069	16881	2.4
UK	3736	18380	1.7	4106	17569	1.6
Australia	3978	17089	2	4616	17610	1.85
Taiwan	2555	11614	1.15	3457	15098	1.4
Russia	2123	6579	1	3334	9003	1.34
Jordan	2547	10791	1.14	3222	10019	1.3
Spain	2394	9270	1	2528	8622	1
others	28767	67974	12.9	23115	83381	9.2
Total	**223777**	**767434**	**100**	**250455**	**789341**	**100**

Source: Trade Data Monitor (TDM)

Ethiopia is the largest coffee exporter in Africa. Coffee captures between twenty-seven and thirty-one percent of the country's commodity exports averaged over the last four years. International buyers value Ethiopia's Arabica coffee for its unique, smooth taste. Ninety-five percent of the country's coffee is cultivated by 4.5 million farming households.

Table 5 : Values of coffee exports as a share of total (in billion)				
	2015/16	2016/17	2017/18	2018/19
Total export value	2.65	2.9	2.8	2.7
Total value of Agricultural exports	2.3	2.34	2.38	2.3
Agricultural exports' share of total exports (%)	86	81	85	85
Coffee exports	0.722	0.897	0.767	0.789
Coffee exports' share of total agricultural exports (%)	31	38	32	34
Coffee exports' share of total exports (%)	27	31	27	29

Source: Post calculation based on the data from Ethiopia Revenue and Custom Authority

Policy:

The coffee sector reform enacted in 2018/19 is now being implemented. The reform seeks to address the main challenges facing the sector through improved coordination between the government and the private sector through improved value-chain integration. Factors addressed include traceability, improved service by ECX, and strengthened research and development efforts to breed high-producing coffee varieties.

Past efforts by the GOE to streamline the coffee value chain have borne fruit, and farmers are now able to export coffee directly to international buyers instead of using middlemen.

We also note an improvement in marketing resulting from ECTA reforms in coffee growing areas. For example, more primary market centers have been established closer to farmers, leading to a more transparent and competitive selling process. Farmers have a greater choice of traders to whom they can sell and have more trust in the weighing practices of those traders. However, some challenges remain. For example, farmers now have more access to price information from wholesale markets, but they are still often unable to obtain the highest prices for their coffee at the marketing centers.
As a result of ongoing foreign currency shortages in Ethiopia, traders sometimes sell their coffee at below market price in order to earn foreign currency to import machinery and consumer goods to sell at a profit in the local market. In order to discourage this practice, in 2019 the GOE made it illegal to sell coffee below the international market price.

Ethiopia has recently initiated a Homegrown Economic Reform Plan, a three-year program to liberalize the economy, improve the business climate, and boost export capacity. As Ethiopia's largest export and a key foreign currency earning sector in Ethiopia, the coffee sector plays an important part in this plan.

Stocks:

Ending stocks for 2019/20 are estimated at 25,200 metric tons due to reduced demand due to COVID-19 effects. Some coffee processers are stockpiling coffee at the processing plant and have reduced staff to comply with social distancing protocols. Overland transportation has slowed in producing regions causing problems bringing beans to market and to Djibouti (the main port for Ethiopia) for export.

Production, Supply, and Demand Data Statistics

Coffee, Green	2018/2019		2019/2020		2020/2021	
Market Begin Year	Oct 2018		Oct 2019		Oct 2021	
Ethiopia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	535	0	538	0	540
Area Harvested	0	528	0	528	0	529
Bearing Trees	0	1327	0	1328	0	1333
Non-Bearing Trees	0	28	0	30	0	31
Total Tree Population	0	1355	0	1358	0	1364
Beginning Stocks	27	27	27	10	0	420
Arabica Production	7250	7350	7350	7450	0	7500
Robusta Production	0	0	0	0	0	0
Other Production	0	0	0	0	0	0
Total Production	7250	7350	7350	7450	0	7500
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	7277	7377	7377	7460	0	7920
Bean Exports	3980	4174	4000	3900	0	4150
Rst-Grnd Exp.	0	0	0	0	0	0
Soluble Exports	0	0	0	0	0	0
Total Exports	3980	4174	4000	3900	0	4150
Rst,Ground Dom. Consum	3270	3193	3350	3140	0	3400
Soluble Dom. Cons.	0	0	0	0	0	0
Domestic Consumption	3270	3193	3350	3140	0	3400
Ending Stocks	27	10	27	420	0	370
Total Distribution	7277	7377	7377	7460	0	7920
(1000 HA) ,(MILLION TREES) ,(1000 60 KG BAGS)						

Attachments:

No Attachments