



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Scheduled Report - public distribution

Date: 5/13/1999

GAIN Report #IV9009

Cote d'Ivoire

Coffee

Coffee Annual

1999

Prepared by:

Bruce Zanin

U.S. Embassy

Drafted by:

Antoine Anzele

Report Highlights:

Coffee production in 1999/00 is forecast to increase due to good rainfall conditions and entry of new trees into production. Coffee marketing following the liberalization has been lackluster because of falling world market prices which have adversely affected producer prices. Post has revised downwards its 1998/99 production estimate. Similarly, export estimates for 1998/99 have been revised downwards due to the low world market price.

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

| | |
|-------------------------|-------------------|
| Executive Summary | 1 |
| Production | 2 |
| Consumption | 4 |
| Trade | 4 |
| Stocks | 5 |
| Policy | 6 |

Executive Summary

Coffee production in 1999/00 is forecast to increase due to good rains, entry of new trees into production and the fact that the crop falls on the higher side of the coffee production cycle. Since January 1999, weather conditions have been favorable characterized by alternate rainfall and sunshine which have led to abundant crop flowering and cherry formation.

The 1998/99 marketing year marked the beginning of the coffee marketing liberalization. However, marketing activities have been lackluster due to farmers' inertia, difficulties of farmers to adapt to price fluctuations, the constant falling world market price and difficulties of exporters' access to commercial banks' credit facilities. Currently, marketing activities have virtually come to a standstill because of the low world market price. Farmgate producer price which started at 650 F CFA/kg at the beginning of the marketing year has fallen to 460 F CFA/kg. Exporters are not eager to buy for lack of contracts and producers are not willing to sell at the current price.

Post's estimate of the 1998/99 coffee crop has been revised downwards. Coffee arrivals at the port from upcountry as of May 2, 1999 is estimated at 2,333,333 bags against 3,416,666 bags for the same period of 1998.

New planting and replanting is estimated at 9,600 HA in 1998 and is expected to be 13,500 HA in 1999.

Coffee exports in 1998/99 is estimated to fall due to the very low world market price. However, exports are forecast to increase in 1999/00 due to the expected large increase in supply. Soluble coffee exports increased in CY 1998 and will continue to increase in CY 1999 due to rising production and increasing demand in the subregion.

The Nouvelle Caistab, the new agency to replace the Caistab (the government agency responsible for coffee and cocoa and marketing and stabilization) started operation on April 27, 1999 with the first meeting of its Administration Board. Mr Jean Baptiste Fofana, the Director General of SIFCA (Cote d'Ivoire's leading coffee and cocoa exporting firm), became the President of the Administration Board. The former Director General of the dissolved Caistab was maintained as the new Director General.

Exchange Rate : U.S. \$1 = 616 Francs CFA on May 14, 1999.

| | | | | | | |
|------------------------|---------------|---------|-------------|---------|---|---------|
| PSD Table | | | | | | |
| Country | Cote d'Ivoire | | | | | |
| Commodity | Coffee, Green | | | | (1000 HA)(MILLION TREES)(1000 60 KG BAGS) | |
| | Revised | 1998 | Preliminary | 1999 | Forecast | 2000 |
| | Old | New | Old | New | Old | New |
| Market Year Begin | | 10/1997 | | 10/1998 | | 10/1999 |
| Area Planted | 1451 | 1451 | 1465 | 1465 | 0 | 1480 |
| Area Harvested | 1225 | 1225 | 1245 | 1245 | 0 | 1285 |
| Bearing Trees | 1537375 | 1537375 | 1562475 | 1562475 | 0 | 1612675 |
| Non-Bearing Trees | 288650 | 288650 | 276100 | 276100 | 0 | 244725 |
| TOTAL Tree Population | 1826025 | 1826025 | 1838575 | 1838575 | 0 | 1857400 |
| Beginning Stocks | 2915 | 2915 | 1885 | 1885 | 0 | 1693 |
| Arabica Production | 0 | 0 | 0 | 0 | 0 | 0 |
| Robusta Production | 4080 | 4080 | 3750 | 3300 | 0 | 5000 |
| Other Production | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Production | 4080 | 4080 | 3750 | 3300 | 0 | 5000 |
| 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 | 6995 | 6995 | 5635 | 5185 | 0 | 6693 |
| Bean Exports | 4651 | 4651 | 4500 | 3000 | 0 | 4500 |
| Roast & Ground Exports | 3 | 3 | 4 | 4 | 0 | 4 |
| Soluble Exports | 401 | 401 | 420 | 430 | 0 | 440 |
| TOTAL Exports | 5055 | 5055 | 4924 | 3434 | 0 | 4944 |
| Rst,Ground Dom. Consum | 27 | 27 | 28 | 28 | 0 | 29 |
| Soluble Dom. Consum. | 28 | 28 | 30 | 30 | 0 | 31 |
| TOTAL Dom. Consumption | 55 | 55 | 58 | 58 | 0 | 60 |
| Ending Stocks | 1885 | 1885 | 653 | 1693 | 0 | 1689 |
| TOTAL DISTRIBUTION | 6995 | 6995 | 5635 | 5185 | 0 | 6693 |

Production

Coffee production in 1999/00 is forecast to increase due to good rainfall conditions, entry of new trees into production and the fact that the crop falls on the higher side of the coffee production cycle. Since January 1999,

the weather conditions have been favorable characterized by alternate rains and sunshine which are excellent for the coffee tree. Crop flowering has been abundant and crop development and cherry formation have been satisfactory. Tree vigor can also be attributed to the alternate production cycle of the coffee tree. Many trees from farms created between 1994 and 1996 are also entering production and may contribute to the expected increased production with their high yields.

Field visits indicate that there are far more cherries on trees this year than the same period last year. There was a sufficient amount of cherry on every farm visited. The situation is similar throughout the entire production area. Farmers interviewed are unanimous about the increased production prospect for 1999/00 crop.

The liberalization of coffee marketing started in the 1998/99 marketing year. Marketing activities have been lackluster due to farmers' inertia, difficulties of farmers to adapt to price fluctuation inherent in the system, the falling world market price and difficulties of exporters' access to credit facilities. The 1998/99 coffee marketing started late because farmers were uncertain when to sell and also the delay by the government in setting up PRIMAC (a program to provide market information on coffee and cocoa) to provide price guidelines to farmers. The situation was worsened by commercial banks' refusal to provide credit facilities to many exporters because of bad past performance and the need to minimize risk under a liberalized system in the absence of guarantees provided by the CAISTAB. Under this situation, only the few exporters with access to foreign bank credits were able to operate. The falling world market price, as publicized by PRIMAC, created doubts in the minds of many farmers as they misconstrued world market price for farmgate producer prices. This confusion made many farmers hesitant to sell.

As of now, there is a lull in marketing activities because of the low world market price. Producer price which started at 650 F CFA/kg at the beginning of the marketing year has fallen to 460 F CFA/kg which represents about 57 percent of the current world market price. In 1997/98, the producer price was 520 F CFA/kg. Exporters are not eager to buy from upcountry because of unattractiveness of world market and farmers are also refusing to sell at prices being proposed by middlemen. Farmers claim that existing stocks of coffee upcountry are low and are holding on to their crop in anticipation of price increase. Most middlemen and cooperative groups are also holding on to their stocks because of the price drops. They claimed to have bought the coffee from farmers at between 560 and 580 F CFA/kg upcountry but exporters are currently proposing 540 F CFA/kg at the port, Abidjan and San Pedro.

Post's estimate of 1998/99 coffee crop has been revised downwards. Coffee arrivals at the port from upcountry as of May 2, 1999 is estimated at 2,333,333 bags against 3,416,666 bags for the same period of 1998. Other sources estimate arrivals at 260,000,000 bags, while official estimates put arrivals at 1,833,333 bags for the same period.

Crop quality in 1998/99 was good with the average rate of foreign material estimated at 1.5 percent against 2 percent in 1997/98. The improvement in quality was due to farmers' efforts to reduce the level of discount applied on poor quality. However, there was the problem of color and the high proportion of gravel in the coffee. A high proportion of the coffee crop looks dark and is attributed to poorly dried coffee stored for a long period. The presence of gravel is due to the drying of coffee on bare ground along the roads.

Coffee Regeneration Program continues. In 1998, coffee cuttings covering an area of 9,600 HA were used by farmers for new planting or replanting. In 1999, farmers are expected to use cuttings covering an area of 13,500 HA. The cutting production operation is being financed by the sale of cuttings to farmers by ANADER (the

government agency responsible for technical assistance to farmers) at a rate of 10,000 F CFA/HA since the government budgetary allocation towards replanting is inexistent. The government proposed budgetary allocation in 1998 was 500 million F CFA and 150 million F CFA in 1999. Pruning of aged trees fell slightly in 1998 because most farmers find difficult the two year waiting period for the trees to re-enter into production. In 1998, an area of 779 HA was pruned as against 795 HA in 1997 and is expected to fall further to 750 HA in 1999.

Consumption

Domestic consumption of green coffee increased by 10 percent in 1998 and is estimated to increase about the same rate in 1999 due to rising domestic processing. Soluble coffee processing accounts for about 95 percent of domestic green coffee consumption. CAPRAL/NESTLE is the only soluble coffee processing company in the sub-region with annual processing of about 450,000 bags of green coffee. Production of roasted and ground coffee is undertaken by four firms.

About 10 percent of domestic production of soluble coffee and 80 percent of roasted and ground coffee is consumed locally.

Trade

Green coffee and product exports accounted for 8.8 percent of Cote d'Ivoire's total export earnings in 1998. Green coffee exports are expected to fall in CY 1999 due to low world market prices. This will adversely affect 1998/99 exports and post has revised downwards its estimates. Green coffee exports for the first three months were about 340,000 bags compared to 956,000 bags for the same period in 1998. The sharp drop is due to low world market price and the delay in the start of the marketing year. Informal coffee exports to neighboring countries has also been reduced to a minimum. Post estimates informal exports to be about 35,000 bags.

Soluble coffee exports increased in CY 1998 and will continue to increase in CY 1999 due to rising production and rising demand in the subregion. Soluble coffee exports in CY 1998 were 401,917 bags against 384,063 bags for the same period in 1997. Soluble coffee exports for the three months of 1999 were 133,733 against 125,840 bags for the same period of 1998.

Cote d'Ivoire: Soluble Coffee Exports CY 1997 and CY 1998.
(Green coffee equivalent in 60 kg bags)

| | 1997 | 1998 |
|---------|---------|---------|
| Greece | 256,923 | 273,433 |
| Poland | 21,450 | 31,720 |
| Senegal | 28,123 | 29,900 |
| Mali | 14,820 | 16,207 |
| Niger | 14,690 | 13,607 |
| Others | 48,057 | 37,050 |
| Total | 384,063 | 401,917 |

| | | | |
|---------------------|---------------|----------|------------|
| Export Trade Matrix | | | |
| Country | Cote d'Ivoire | | |
| Commodity | Coffee, Green | | |
| Time period | Jan-Dec | Units: | 60 kg Bags |
| Exports for: | 1997 | | 1998 |
| U.S. | 162067 | U.S. | 205517 |
| Others | | Others | |
| France | 1132750 | France | 1133600 |
| Italy | 757100 | Italy | 712300 |
| Benelux | 631283 | Poland | 405900 |
| Poland | 362517 | Benelux | 269600 |
| Algeria | 285000 | Algeria | 372483 |
| Spain | 239300 | Spain | 243217 |
| Morocco | 136150 | Morocco | 103133 |
| Portugal | 115433 | Portugal | 88733 |
| Israel | 97550 | Germany | 67383 |
| Germany | 75217 | U.K. | 73033 |
| Total for Others | 3832300 | | 3469382 |
| Others not Listed | 326250 | | 286668 |
| Grand Total | 4320617 | | 3961567 |

Stocks

Post has revised upwards its estimate of 1998/99 ending stocks due to reduced exports resulting from falling world market price. The ending stock in 1999/00 is forecast to remain about the same level because of the increase in production and exports.

Policy

The Nouvelle Caistab started operation on April 27, 1999 with the first meeting of its Administration Board. Mr Jean Baptiste Fofana, the Director General of SIFCA, the President of the Administrative Board. The former Director General of the dissolved Caistab was maintained as the new Director General. The Nouvelle Caistab is to operate as a limited company with a capital of 1 billion F CFA. It is owned 25 percent by the state, 33 percent by producers' organization, 6 percent by buyers and middlemen, 28 percent by banks and exporters and the remainder by processing firms and interested groups. It will employ 150 people and will hire additional 50 temporary workers during peak marketing period. However, the size of the Nouvelle Caistab is the subject of contention between the IMF/World Bank and the GOCI (Government of Cote d'Ivoire), with discussion continuing.