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Report Highlights:

The United States is buying green coffee beans from Tanzania, despite a coffee market that is volatile and faces dramatic political hurdles and unstable policies. FAS/Dar es Salaam forecasts an increase in production from 1.25 million bags in MY 2019/2020 to 1.35 million bags in MY 2020/2021 due to favorable weather conditions in all coffee growing areas and across the crop cycle. Post forecasts a 16 percent decrease in Tanzania's total coffee export in MY 2020/2021 due to low quality, changes in the marketing system, and restrictions in movement due to COVID-19 outbreak in Tanzania.

Crop area

Coffee remains Tanzania's most important cash crop, accounting for about 39 percent of land under permanent crops and cultivated by more than 40 percent of farmers. The crop is produced under an intensive mixed cropping system. Some farmers, especially those who own large plots of land, also practice coffee mono cropping. Land under cultivation varied between 0 and 0.8 hectares with an average of 0.63 hectares dedicated for coffee production. Tanzanian farmers have few but very old trees (averaging 22 years) with varying coffee tree numbers (389-1962 plants) in the western and southern parts (see map figure 1 below). According to the Tanzania Coffee Board (TCB), the total coffee production area for Arabica and Robusta exceeds 265,000 hectares. Throughout the country coffee is produced under three main production systems:

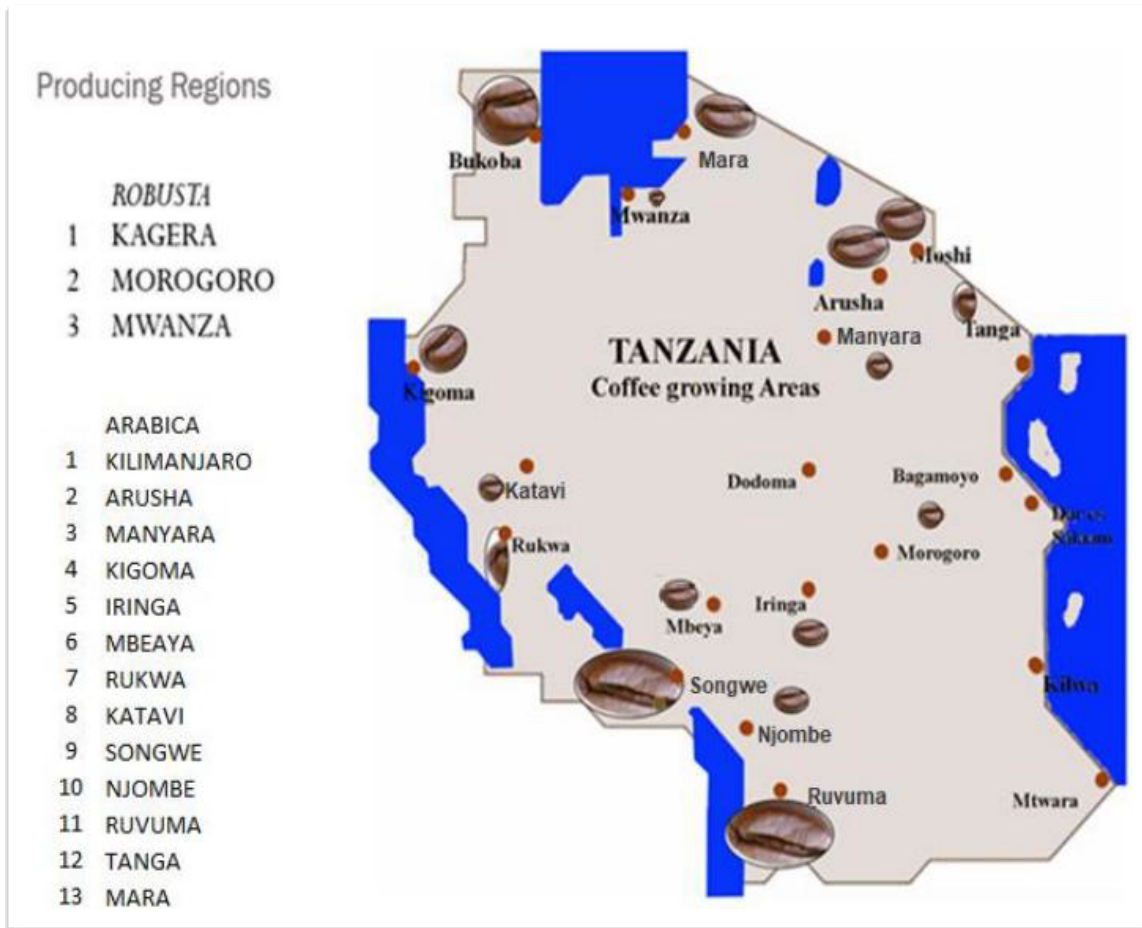
- Pure stand / smallholder (mainly in the South)
- Intercropped coffee and bananas / smallholder (mainly in the North and the West)
- Estate sector (less than 10 percent of total production).

Post sees that there is a need for Government of Tanzania (GOT) through TCB to conduct a farm inventory and establish a reliable data base of coffee farmers and area under coffee in Tanzania.

Production

FAS/Dar es Salaam forecasts an increase in production from 1.25 million bags in MY 2019/2020 to 1.35 million bags in MY 2020/2021 (see PS&D table) due to favorable weather conditions in all coffee growing areas and across the crop bearing cycle. Inefficient use of fertilizer and other farming inputs, poor agricultural practices, waning farmer interest in coffee due to market volatility, ineffective government policies, and limited access to credit still hinders coffee productivity in Tanzania. About two-thirds of the coffee produced in Tanzania is mild Arabica, and the rest is hard Arabica and Robusta. About 90 percent of total coffee production comes from approximately 450,000 family operations. Estates produce the remaining 10 percent. Coffee contributes indirectly to the incomes of six to seven percent of Tanzania's total population (56 million).

Fig 1: Tanzania Coffee Growing Areas



Source: Tanzania Coffee Board

Inputs

Most farmers in Tanzania have few but very old trees (averaging 22 years) with varying coffee tree numbers (389-1962 plants) in the western and southern parts. The use of soil fertility inputs varies across the country. A survey by Tanzania Coffee Research Institute reported that only 40 percent of farmers in the south and 2 percent in west coffee growing zones use inorganic fertilizer. Most of smallholder farmers depends on rainfall for coffee production and irrigation systems are only found in large coffee estates. As a result, the yields were low (about 200-750 kg/ha) under small scale farms. The declining rainfall amounts received and unpredictable rainfall patterns in Tanzania has greatly affected crop production. Farmers are experiencing low rainfall and sometimes droughts that occur during main seasons leading to premature fall of flowers and beans.

Serious depletion and deficiencies of the following soil nutrients has been reported in many coffee growing areas in Tanzania: Nitrogen, Phosphorus, Calcium, and Zinc, calcium, Magnesium, and Potassium, Copper and zinc. Such deficiencies prevent optimal production. The soils are also acidic, pH <5.5. Such low pH conditions fix the already deficient nutrients in the form that is unavailable for plant use. The high cost of fertilizer hinders farmers' capacity to apply the recommended amounts of fertilizer and soil amendments. On average, farmers apply about 50 kg of fertilizer per hectare. Some interviewed when asked about fertilizer accessibility and use, all farmers reported that they either use low rates (averaging 1 bag per hectare) or apply nothing at all for coffee production since the available fertilizers are very expensive. Coffee trees extract a lot of nutrients. It has been reported that for every ton of green coffee beans, the plants extract about 40 kg nitrogen, 2.2 kg phosphorus and 53 kg potassium. These nutrients must be replaced yearly to guarantee better production.

Consumption

Post forecast no change in domestic coffee consumption due to consumer preference for tea, which comes in part due to the high price of coffee compared to the price of tea. The annual per capita coffee consumption in the country is 0.06 kg, and only seven percent of the country's total coffee production is consumed domestically. The TCB is promoting local consumption.

Stocks

MY 2020/2021 ending stocks are expected to increase by more than half compared to the preceding MY 2019/2020 due to the combination of high production and low bean exports, the outbreak of COVID-19, and a decrease in domestic consumption. Coffee stocks are held by small-scale farmer's cooperatives, farmer's groups, traders, exporters, and large-scale coffee growers.

Marketing

Tanzania's coffee market is volatile and faces dramatic political hurdles and unstable policies. Coffee is marketed through a government-monopolized system via an auction that is owned and managed by TCB in Moshi for Northern zone, Songwe and Mbinga for Southern Highlands. At the auction, the TCB sells coffee every Thursday during the season (July-June) where buyers purchase coffee for export and processing. Nearly 90 percent of Tanzania's coffee is exported. Most prominent exporters affiliated with multi-national companies sell coffee to roasters in consuming countries. Prices in the Tanzanian market are generally set in reference to the New York Futures market for Arabica coffee and the London Futures market for Robusta coffee. TCB allowed premium producers to establish direct contacts with overseas buyers, to engage with Agricultural Marketing and Cooperative Societies (AMCOS), and to by-pass the auction and sell coffee directly.

Smallholder coffee producers were allowed to sell their coffee to direct coffee exporters through AMCOS, cooperatives unions, or associations that only influence inefficient traceability. Recently, GOT has made improvement on the system of Direct Export sales procedure for Robusta and Hard Arabica by establishing forward sale option, whereby the exporters will be entering into the agreement with the producer through their respective Cooperative Societies/Unions well in advance before the deliveries. In the implementation of this new improved system TCB provides a matrix which shows coffee availability per grade and delivery months from three cooperatives societies namely Karagwe Development Cooperative Union, Kagera Cooperative Union and Ngara Farmers' Cooperative Union. An exporter is required to indicate price differential against each lot which will be added with terminal price at the time of delivery.

Policy

Coffee is one of six prioritized traditional export crops as stipulated by the GOT circulars. Tanzania's coffee industry is increasingly unpredictable due to many factors, which include:

1. low adoption of improved varieties and old coffee trees;
2. poor coffee agronomy and ineffective agricultural extension services;
3. frequent drought and increasing temperatures that are unfavorable for coffee production; pests and disease;
4. soil infertility and low fertilizer use;
5. poverty and low access to agricultural credit;
6. coffee market monopoly and low prices;
7. unstable production and processing;
8. shifting marketing policies;
9. political interference in technical matters and sector management;
10. impractical implementation of ineffective rules and regulations, and
11. poor coffee development strategies.

As a result, stakeholders – from smallholder coffee growers to processors, traders, to customers – suffer. The coffee production is highly regulated by the national government which sets the prices. The price is sometimes unduly influenced by the middlemen leading to low prices. Prices that are as low as 50-70 percent of the auction prices have been experienced. Many farmers confirm that price fluctuations and the monopoly of the market hinder coffee profitability. This disincentivize farmers to produce more of the crop. Lack of sufficient market information and knowledge is also leading to this exploitation. The high cost of transportation due to bad roads and far situated collection and pulping centers further increase production costs incurred by the farmers.

Trade

Table 1: Production, Supply and Distribution (PSD) table

Coffee, Green Market Begin Year Tanzania, United Republic of	2018/2019		2019/2020		2020/2021	
	Jul 2018		Jul 2019		Jul 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total Tree Population	0	0	0	0	0	0
Beginning Stocks	290	290	310	310	0	280
Arabica Production	700	700	650	650	0	700
Robusta Production	600	600	600	600	0	650
Other Production	0	0	0	0	0	0
Total Production	1300	1300	1250	1250	0	1350
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	1590	1590	1560	1560	0	1630
Bean Exports	1200	1200	1200	1200	0	1000
Rst-Grnd Exp.	0	0	0	0	0	0
Soluble Exports	30	30	30	30	0	30

Total Exports	1230	1230	1230	1230	0	1030
Rst,Ground Dom. Consum	50	50	50	50	0	50
Soluble Dom. Cons.	0	0	0	0	0	0
Domestic Consumption	50	50	50	50	0	50
Ending Stocks	310	310	280	280	0	550
Total Distribution	1590	1590	1560	1560	0	1630
(1000 HA), (MILLION TREES), (1000 60 KG BAGS)						

Sources: GOT, Trade Data Monitor LLC, otherwise Post estimates

Exports

The United States imports green coffee beans from Tanzania, despite unreliable traceability mechanisms. Compared to MY 2019/2020 post forecast 16 percent decrease in total coffee export in MY 2020/2021 from Tanzania. This is due to low quality, changes in marketing system, restrictions in movement due to COVID-19 outbreak in Tanzania. The main export destinations are Japan, Italy, Germany, the United States, Belgium, and Finland. Tanzania also exports soluble coffee manufactured at a plant in Bukoba. According to the TCB, coffee accounts for about five percent of Tanzania's total exports by value and generates earnings averaging US\$100 million per year. The industry provides income to about 400,000 smallholders who produce 90 percent of the Tanzania's coffee.

Imports

Tanzania does not import green coffee beans.

Attachments:

No Attachments