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Tanzania, United Republic of

Coffee

Update Report

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Report Highlights:
Tanzania coffee experienced a 35 percent drop in production. Figures obtained from Tanzania Coffee Board give production at 37,466 mt for the year 2001/02. A rebound in production in Tanzania has been constrained by serious problems including poor economic performance, poor farmer morale, limited access to credit and failure of the payment system to farmers in the co-operative sector despite recent reforms.

Includes PSD changes: No
Includes Trade Matrix: Yes
Unscheduled Report
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Executive Summary

Tanzania coffee experienced a decline in performance during the year 2001/2002. Production dropped by about 35 percent. Tanzania has a great potential to increase both volume and value of coffee in terms of productivity, acreage expansion and quality. Tanzanian coffee farmers are abandoning coffee cultivation as world prices fall. A rebound in production in Tanzania has also been constrained by serious structural problems, which include poor economic performance, limited access to inputs and failure of the payment system to farmers in the co-operative sector despite recent reforms.

Production

Tanzania produces both arabica and robusta coffee. Arabica coffee is mainly grown in Northern (Arusha and Kilimanjaro region) and Southern zones (Ruvuma, Mbeya and Iringa). There are about 240,000 farm families producing coffee scattered all over with an average farm size of 0.5 hectares. About 5 percent of the national output is by the plantation farms (ranging between 60-1,000 hectares) with the balance coming from the smallholder farmers (There are about 170 private estates).

Figures obtained from the Tanzania Coffee Board give production at 47,811mt, 58,275mt, 37,466mt for 1999/2000, 2000/2001 and 2001/2002 respectively. An upsurge is forecast for the year 2002/03 to about 55,000 mt. This will mainly be from robusta coffees estimated at almost 24, 000 mt tonnes and is attributed to the good weather experienced. Over the years Tanzanian production has averaged 70 percent arabica and 30 percent robusta a scenario likely to change as robusta is on the increase.

Coffee yield

Tanzania has very low productivity presently averaging 200 kgs per hectare. The large scale farmers post a higher average estimated at about 600 - 1000 kgs per hectare. Some of the factors contributing to low productivity include non availability/inadequate supply of farm inputs, absence of adequate extension services, low farmer morale stemming from low income, which has been aggravated by poor world market prices. Traditionally smallholder coffee has been grown under low input - low output basis either in pure stand or intercropped.

Dissatisfied with prices, coffee farmers are switching to other more economically rewarding activities like horticulture and neglecting coffee farming. The farmers alone cannot revive the coffee industry and will require input from the GOT, private sector participation, improved extension services and a good research arm. The Tanganyika Coffee Growers Association have request the GOT to impose a temporary suspension of coffee taxes, particularly those levied on gross income such as district cess.

Credit

Coffee farmers used to receive incentives/credit through their Co-operative Unions during the 1970s, 1980s and in the early 1990's . TCB also stopped its credit system in 1993/94 leaving the farmers to acquire credit on their own. Due to the low returns from coffee most of the farmers have left coffee to the natural forces since they cultivate coffee as a source of cash income.

Policy

In recent years, Tanzania's macroeconomic situation, though characterized by greater stability, still remains fragile and vulnerable to external shocks. This requires a significant supply response in which GDP should show meaningful annual growth rate and allow a rise in per capita GDP. Tanzania's comparative advantage concentrates on agriculture and its primary processing. Coffee is a mainstay of Tanzania's economy. It is estimated that coffee employs some 4 out of 5 people of every Tanzanian engaged in agriculture, and accounts for over 15 percent of total national exports value every year, besides being a dependable source of government tax revenue.

The Tanzania Coffee Board has the legal mandate to regulate the industry and is, the GOT principal advisor on all matters affecting the development of coffee industry in Tanzania and all marketing aspects. The Coffee Research Station at Lyamungu handles the research aspects. There are efforts to revitalize the research center with the main objective of increasing productivity and quality. There are proposals for work on hybrid varieties that are resistant to major coffee diseases like CBD and leaf rust(LR).

Liberalization started in 1993 and during the same year TCB was established, conveniently coincided with the national policy changes which ushered in the era of liberalization on the coffee sub sector in 1994. TCB assumed the regulatory function amid complaints that liberalization was not being well managed, with some saying that the intended competition was lacking. In efforts to fully liberalize the coffee sector, changes have been introduced at various stages. However, the rebound in production in Tanzania has been constrained by structural problems, which include poor economic performance, limited access to inputs and failure of the payment system to farmers in the co-operative sector despite recent reforms. Liberalization of the industry has had both advantages and disadvantages. The farmers are being paid faster but are experiencing input supply problems since they now have to deal with the local supplier versus the earlier societal structures. There are about 15 factories that are involved in coffee curing with a cumulative processing capacity estimated at 145,000 mt. The introduction of liberalization is blamed by some in the industry for creating underutilization.

Marketing

The smallholder farmers use hand pulpers to demucialiage their coffee. They consequently dry the parchment and sell it at local buying points. The estates either primary process their coffee on farm with their own pulping stations or take their cherries to collection points for processing. There are about 15 factories that are involved in coffee curing. The auction is the apex where buyers assemble to buy coffee and the highest bidder goes with the coffee. The principal markets of Tanzania coffee are Germany, Japan, Belgium and Italy. There are efforts by Tanzania Coffee Board to market to other origins (i.e gourmet coffees, speciality coffees (Speciality Coffee Association of America), Organic coffee).

Trade

Coffee exports earned USD 81 and 69 million for 1999/00, 2000/01 respectively. By the end of May 2002 the earnings were recorded at USD 30 Million

TABLE 1: TANZANIA COFFEE EXPORTS FOR MY 1999/2000 (1.10.1999- 30.9.2000)

TYPE	MILD ARABICA		HARD ARABICA		ROBUSTA		SOLUBLE(GBE)		TOTAL EXPORTS	
Units ('000)	KGS	USD/50kg	KGS	USD/50kg	KGS	USD/50kg	KGS	USD/50kg	KGS	USD/50kg
USA	636	113	0	0	409	53	0	0	1,045	90
Germany	16,302	99	673	49	420	53	40	205	17,435	97
Japan	7,976	107	34	98	217	75	3	291	8,229	106
Netherlands	635	120	414	68	1,568	76	26	52	4,752	69
Belgium	916	83	126	70	3,685	66	26	52	4,752	69
Spain	38	60	72	64	820	57	0	0	931	57
Italy	1,673	103	0	0	642	53	13	94	2,328	89
Finland	943	97	0	0	126	51	0.3	27	1,069	91
Poland	252	106	0	0	114	57	16	92	382	91
Hungary	72	108	90	66	58	45	0	0	300	74
Switzerland	38	85	110	82	2,512	72	0	0	2,660	73
Total	29,481		1,519		10,571		124		43,883	
Others	1,823		213		888		394		1,130	
Grand total	**31,304**	**101**	**1,732**	**60**	**11,459**	**66**	**518**	**109**	**45,013**	**90**

Source: Tanzania Coffee Board

Table 2: TANZANIA COFFEE EXPORTS FOR MY 2000/01 (1.10.2000 - 30.9.2001)

TYPE	MILD ARABICA		HARD ARABICA		ROBUSTA		SOLUBLE(GBE)		TOTAL EXPORTS	
Units ('000)	KGS	USD/50kg	KGS	USD/50kg	KGS	USD/50kg	KGS	USD/50kg	KGS	USD/50kg
USA	278	77	18	50	200	41	-	-	1,228	71
Germany	19,934	73	1,076	50	2,372	52	38	204	23,420	70
Japan	7,311	82	36	68	18	47	8	244	7,373	82
Netherlands	721	70	180	49	1,091	64	9	181	2,002	65
Belgium	1,064	60	110	34	2,771	41	-	-	3,945	46
Spain	466	60	236	49	1,167	36	-	-	1,870	44
Italy	1,958	80	-	-	1,896	38	5	87	3,859	44
Finland	711	74	-	-	3	132	2	95	716	75
Poland	1,238	66	112	51	474	36	14	86	1,839	58
Hungary	789	69	72	48	-	-	-	-	861	67

Switzerland	278	80	-	-	1,989	34	-	-	2,267	40
Total	34,748		1,840		11,981		76		49,380	
Others	2,624		176		1,559		285		3,909	
Grand total	37,372	75	2,016	50	13,540	44	361	101	53,289	66

Source: Tanzania Coffee Board

Table 3: Tanzania coffee exports for MY 2001/02 (1.10.2001 - 31.5.2002)

TYPE	MILD ARABICA		HARD ARABICA		ROBUSTA		SOLUBLE(GBE)		TOTAL EXPORTS	
Units ('000)	KGS	USD/50kg	KGS	USD/50kg	KGS	USD/50kg	KGS	USD/50kg	KGS	USD/50kg
USA	446	91	-	-	14	32	3	69	437	91
Germany	9,601	57	162	41	90	116	52	142	9,686	58
Japan	4,945	68	-	-	504	39	29	106	5,141	65
Netherlands	622	57	108	37	655	45	17	165	1,188	53
Belgium	857	54	90	36	1,753	20	9	236	2,709	32
Spain	77	45	154	38	123	28	-	-	245	40
Italy	1,063	55	-	-	3,585	24	-	-	4,593	31
Finland	434	59	-	-	1	135	5	23	404	59
Poland	569	55	-	-	290	24	-	-	683	50
Hungary	333	56	162	39	107	168	29	66	630	71
Switzerland	96	61	-	-	90	107	-	-	167	86
Total	19,043		676		7,212		144		25,883	
Others	2,030		276		2,200		274		4,303	
Grand total	**21,073**	**61**	**952**	**37**	**9,412**	**29**	**418**	**94**	**30,186**	**51**