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Tanzania - United Republic of

Coffee Annual

2019 Coffee Report

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Report Highlights:
The United States is buying green coffee beans from Tanzania, despite unreliable traceability mechanisms. In Marketing Year (MY) 2018/19 Tanzania exported more than five million bags of green coffee to the United States, which was valued at more than US$ 21.5 million and accounted for 13.2 percent of Tanzania's total coffee exports. FAS/Dar es Salaam forecasts a drop in production from 1.3 million bags in MY 2018/19 to 1.25 million bags in MY 2019/20, due to poor weather conditions, poor agricultural practices, and waning farmer interest in coffee.

Crop Area:

According to the Tanzania Coffee Board (TCB), the total coffee production area for Arabica and Robusta exceeds 265,000 hectares.

Production

FAS/Dar es Salaam forecasts a decrease in production from 1.3 million bags in MY 2018/2019 to 1.25 million bags in MY 2019/20 (see PS&D table) due to unfavorable weather conditions in the northern coffee growing areas, 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. Tanzania has abundant land with appropriate altitude, temperature, rainfall and soil that is suitable for high quality Arabica and Robusta production. 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 56 million population.

Fig 1: Tanzania Coffee Growing Areas

Source: Tanzania Coffee Board

Consumption

Domestic coffee consumption is forecasted to remain flat due to consumer preference for tea. The annual per capita coffee consumption in the country is 0.1 kg, and only seven percent of the country's total coffee production is consumed domestically. The TCB is promoting local consumption.

Stocks

MY 2019/20 ending stocks are expected to decrease by eleven percent from 2018/19 due to the combination of low production and high bean exports. Coffee stocks are held by small-scale farmer's cooperatives, farmers 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. At the auction, the TCB sells coffee every Thursday during the season (July-June) where buyers purchase coffee for export and processing. Nearly 90% 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. The Tanzanian Government banned direct coffee exports in January 2018; however, the TCB relaxed the ban after a year of instability. 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.

Policy

Coffee is one of six prioritized traditional export crops as stipulated by the Government of Tanzania (GOT) circulars. Tanzania's coffee industry is increasingly unpredictable due to many factors, which include unstable production and processing, shifting marketing policies, political interference in technical matters and sector management, impractical implementation of ineffective rules and regulations, and poor coffee development strategies. Stakeholders – from smallholder coffee growers to processors, traders, to customers – suffer. For example in January 2018, the GOT issued the following new procedures of coffee production, processing and marketing:

1. Ban on direct export of coffee by local and foreign traders who had agreements with farmers; *(Ban temporarily lifted January 2019)*
2. Dissolve all producer groups and require farmers to join AMCOS;
3. Dissolve the Coffee Development Trust Fund (CDTF) due to allegations of misuse of funds and corruption;
4. Ban private investors from providing extension services, credit, and farm inputs to the small farmers (produce more than 90 percent of Tanzania's coffee); and
5. Require all coffee beans to be auctioned at the central TCB auction in Moshi; prohibit all producers, exporters or processors from bypassing auction.

Because of these radical changes, many coffee-related business along the supply chain have reconsidered their operations in this unstable business environment. Moreover, the shifting requirements disrupted systems and coffee quality traceability, a key value-proposition for leading coffee brands, and increased illegal exports to neighboring countries.

Trade

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

Coffee, Green	2017/2018		2018/2019		2019/2020	
Market Begin Year	Jul 2017		Jul 2018		Jul 2019	
Tanzania, United Republic of	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	220	220	290	290	0	310
Arabica Production	600	600	700	700	0	650
Robusta Production	550	550	600	600	0	600
Other Production	0	0	0	0	0	0
Total Production	1150	1150	1300	1300	0	1250
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	1370	1370	1590	1590	0	1560
Bean Exports	1000	1000	1200	1200	0	1200
Rst-Grnd Exp.	0	0	0	0	0	0

Soluble Exports	30	30	30	30	0	30
Total Exports	1030	1030	1230	1230	0	1230
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	290	290	310	310	0	280
Total Distribution	1370	1370	1590	1590	0	1560
(1000 HA) ,(MILLION TREES) ,(1000 60 KG BAGS)						

Source: TCB, Global Trade Atlas (GTA)-Otherwise FAS/Dar es Salaam estimates

Exports

The United States imports green coffee beans from Tanzania, despite unreliable traceability mechanisms. In Marketing Year (MY) 2018/19 Tanzania exported more than five million bags of green coffee to the United States, which was valued at more than US$ 21.5 million and accounted for 13.2 percent of Tanzania's total coffee exports. Total coffee exports from Tanzania to the world increased by 16 percent in 2018 compared to 2017. 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. Post forecasts negligible increases in total exports of coffee beans in MY 2019/20.

Table 2: Leading destinations for Tanzania's green coffee exports (1000 60-Kilogram Bags)

Reporting country	2014 Quantity	2015 Quantity	2016 Quantity	2017 Quantity	2018 Quantity
Japan	12	11	12	8	15
Italy	1	11	13	11	8
Germany	5	6	6	4	5
United States	5	6	5	5	5
Belgium	4	4	7	2	3
Finland	2	1	1	1	1

Others	1	1	1	1	1
Total	30	40	45	32	38

Source: TCB, Global Trade Atlas (GTA)

Imports:

Tanzania does not imports green coffee beans.