USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

Voluntary - Public

Date: 7/8/2010

GAIN Report Number:

Uganda

Post: Nairobi

Uganda Coffee Annual Report

Report Categories:

Coffee

Approved By:

Stephen Hammon

Prepared By:

Mary Onsongo

Report Highlights:

Since the Marketing Year (MY) 2006 (October 2005/September 2006) near-term, record-low coffee exports of about two million, 60 kilogram bags, Ugandan exporters have increased exports to where during MY 2011, FAS/Nairobi forecasts that Ugandan coffee exports will nearly reach three million bags. Robusta coffee exports continue to dominate, but Arabicas may be gaining ground, spurred largely by the price differential with Robustas, which trade at as little as one-third the price of Arabicas sold into the North American and European markets.

Executive Summary:

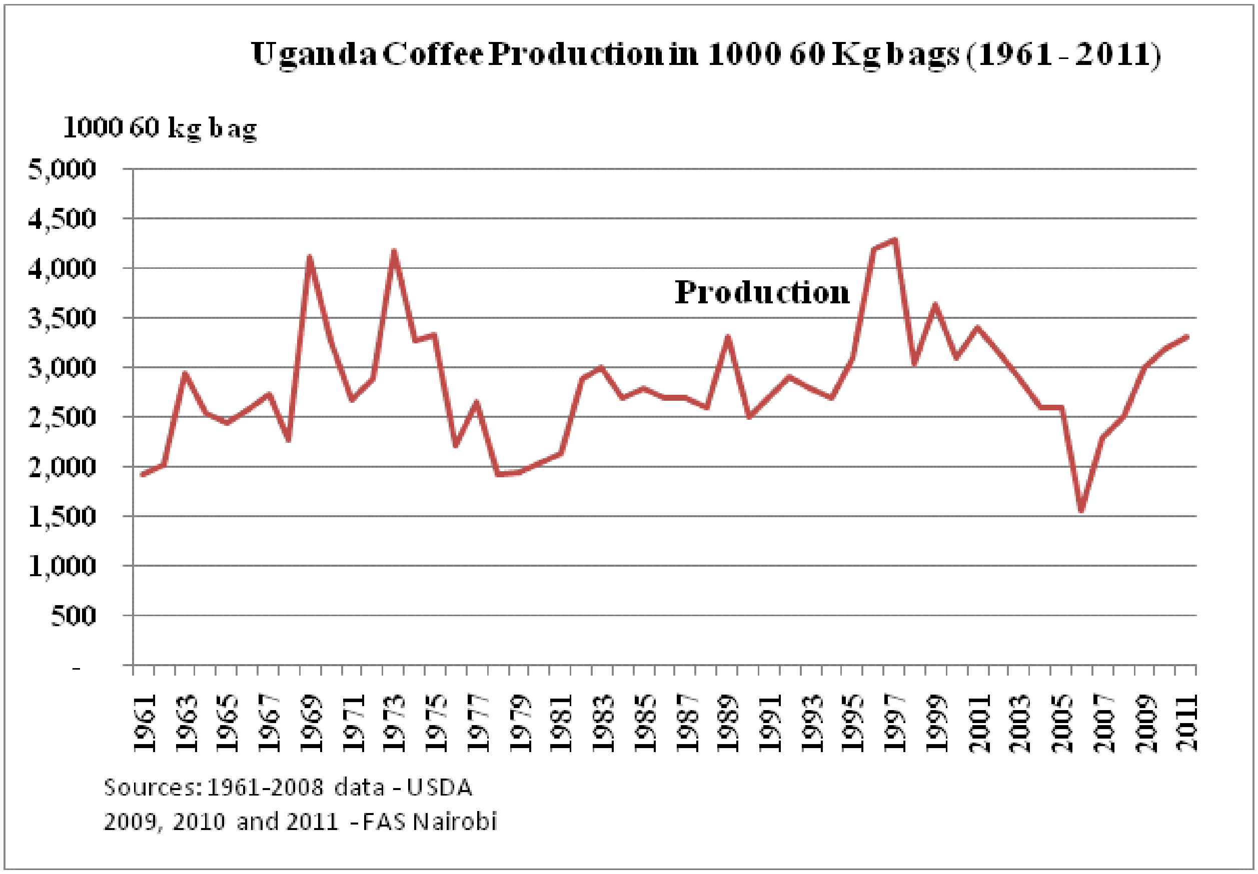
In the world of coffee exports, the Ugandan coffee industry may yet remain captive to the history of the Robusta coffee tree itself and the inland location at which it produces coffee beans. Robusta coffee trees are indigenous to Uganda and the Great Lakes region. Reportedly, small-holder Robusta coffee farmers, who may only have a few trees on their farms, produce 99 percent of the Ugandan exportable coffee surplus. Held hostage by nature, tradition, lack of education, limited market opportunities and the price effects of very high freight rates to get the coffee to a port of export, the small-holder farmers appear to have learned to cope by minimizing their fixed and variable costs of production from the native trees. This has traditionally been the only means they have had to secure enough profit from their coffee trees to supplement the family's food supply.

However, with a stated purpose of improving the livelihoods of Ugandan small-holder coffee producers and others along the coffee value-chain, the Government of Uganda (GOU), through the Uganda Coffee Development Authority (UCDA), implemented the Manifesto 2006-2011 plan (Plan), which is now in its final two years of operation. The Plan has continued as Uganda's coffee-policy corner piece since its inception (please read more in the Policy section of this report).

The chart here below suggests that the GOU's 2006-2011 policy intervention may be "bearing fruit." FAS/East Africa forecasts Uganda's coffee exportable surplus for MY 2011 at 2.8 million bags, a 100,000 bag increase from MY 2010 and an 800,000 bag increase from MY 2006.

Production:

As can be noted in the production graph here below, Ugandan coffee producers are achieving greater production since MY 2006. As part of the Plan, the GOU has promoted the rejuvenation of old coffee trees, improved agronomic practices and the planting of higher yielding new coffee-tree varieties (more on this in the Policy section of this report).



Coffee, Green Uganda	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Oct 2008			Market Year Begin: Oct 2009			Market Year Begin: Oct 2010		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Planted	0		236	0		242	0		248
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	33		33	43		78	18		113
Arabica Production	400		650	400		650	400		500
Robusta Production	2,800		2,610	2,600		2,350	2,800		2,800
Other Production	0		0	0		0	0		0
Total Production	3,200		3,260	3,000		3,000	3,200		3,300
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	3,233		3,293	3,043		3,078	3,218		3,413

Bean Exports	2,740		3,060	2,575		2,800	2,700		2,800
Rst-Grnd Exp.	0		0	0		0	0		0
Soluble Exports	0		0	0		0	0		0
Total Exports	2,740		3,060	2,575		2,800	2,700		2,800
Rst,Ground Dom. Consum	450		145	450		150	500		550
Soluble Dom. Cons.	0		10	0		15	0		0
Domestic Use	450		155	450		165	500		550
Ending Stocks	43		78	18		113	18		63
Total Distribution	3,233		3,293	3,043		3,078	3,218		3,413
Exportable Production	2,750		3,105	2,550		2,835	2,700		2,750

Source: 2008/09, 2009/10 and 2010 area planted – UCDA
2008/09 production and exports – UCDA
2009/10 (estimates) and 2010/11 (forecasts) production and exports – FAS

Consumption:

In 2009, the UCDA conducted a study to evaluate coffee perceptions and consumption in Uganda. The UCDA report pointed to very low but increasing per capita coffee consumption, especially for young Ugandans. In addition, the survey indicated that Ugandan coffee consumers generally believed that: 1) Ugandan hotels restaurants and coffee shops now offer improved coffee quality; and, 2) they can now buy better quality coffee in most markets and supermarkets in Kampala, its suburbs and other major Ugandan cities.

Trade:

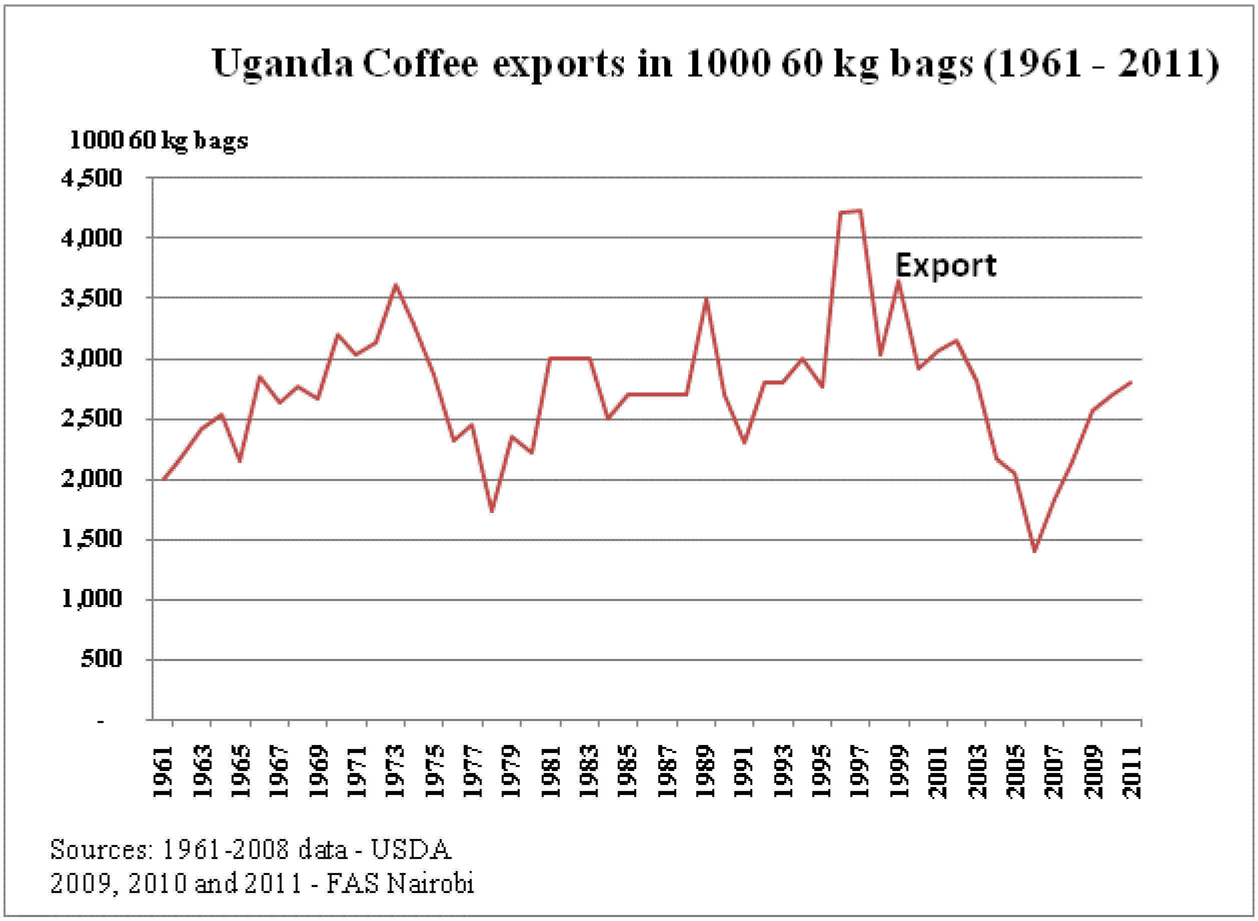
European Union Member States import the "lion's" share of Ugandan coffee.

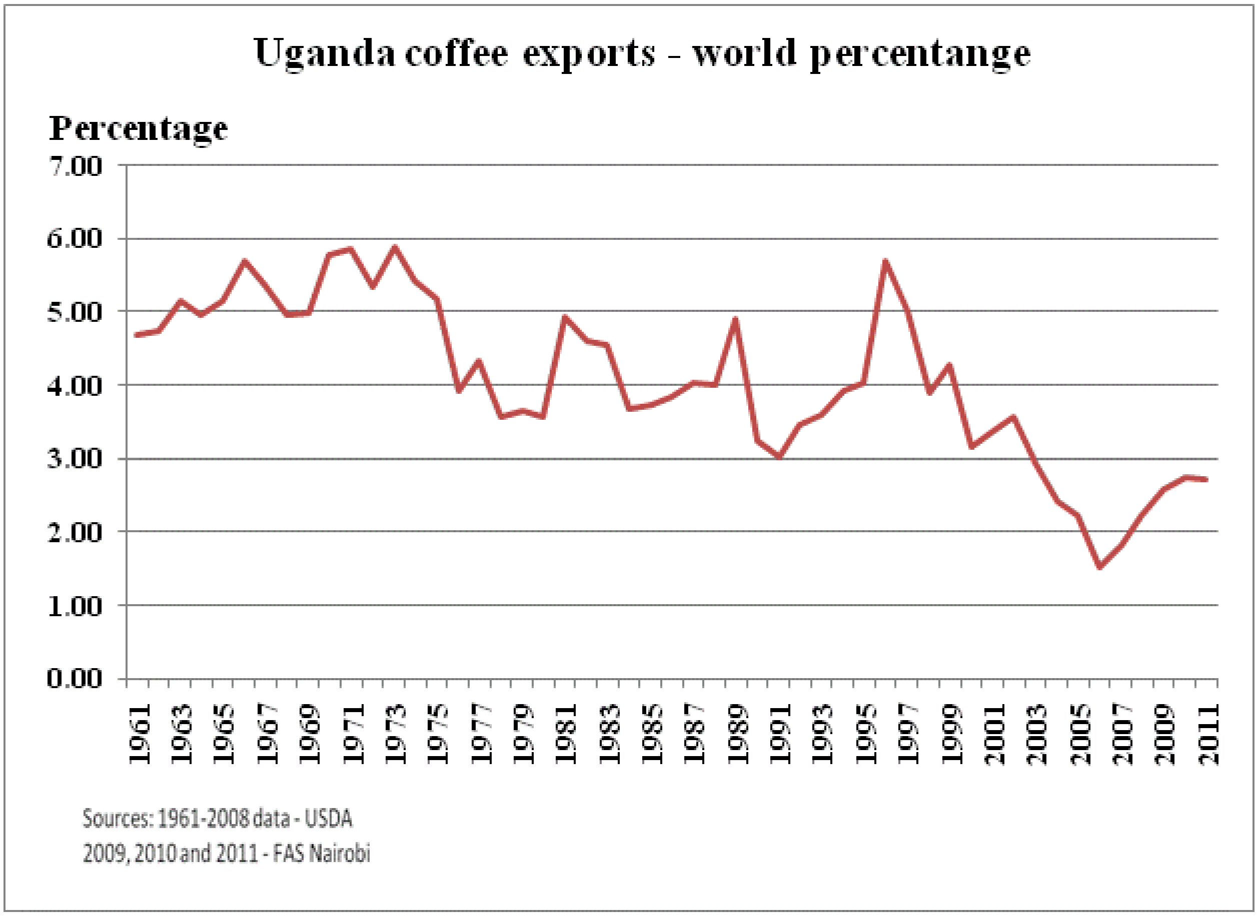
COFFEE EXPORTS BY DESTINATION 2007/08-2008/09 IN METRIC TONNES

COFFEE YEAR	**2007/08**			**2008/09**			
DESTINATION	**ROBUSTA**	**ARABICA**	**Total**	**DESTINATION**	**ROBUSTA**	**ARABICA**	**Total**
EU UNSPECIFIED	97,878	8,592	106,470	EU UNSPECIFIED	78,773	18,824	97,597
SUDAN	26,431	19	26,450	SUDAN	25,778	21	25,799
BELGIUM	10,901	2,527	13,428	BELGIUM	10,206	3,315	13,521
ITALY	5,167	129	5,296	ITALY	6,411	327	6,739
SPAIN	4,010	690	4,700	GERMANY	5,525	10,041	15,565
INDIA	2,718	1,515	4,234	USA	4,153	1,198	5,352
SWITZERLAND	2,508	1,858	4,366	SPAIN	2,874	223	3,097
GERMANY	2,202	10,889	13,090	INDIA	2,808	199	3,006

SINGAPORE	1,662	-	1,662	POLAND	1,550	818	2,368
SLOVENIA	1,513	-	1,513	SLOVENIA	1,119	64	1,183
UK	1,330	136	1,466	UK	914	264	1,178
POLAND	1,223	178	1,401	ISREAL	555	203	758
PORTUGAL	1,046	-	1,046	PORTUGAL	544	77	621
USA	1,022	623	1,646	SINGAPORE	541	-	541
OTHERS	**3,198**	**2,670**	**5,868**	**OTHERS**	**2,558**	**3,339**	**5,897**
GRAND TOTAL	**162,810**	**29,826**	**192,636**	**GRAND TOTAL**	**144,308**	**38,913**	**183,221**

Source: UCDA





Stocks:

Coffee processors, wholesalers and retailers hold the bulk of Ugandan coffee stocks.

Policy:

Uganda's coffee Plan (referenced in the Executive Summary) consists of five pillars: 1) Research; 2) Production; 3) Quality Improvement; 4) Promotion and Value Addition; and 5) Recognition and support of Donor-Funded Coffee Projects.

Under pillar 1), the Plan aims for: commercial multiplication of seven coffee lines resistant to Coffee Wilt Disease; coffee scientist capacity building; the control of pests and other coffee-tree diseases; and, the use of cloning to rapidly disseminate the seven new lines.

Pillar 2) calls for: the propagation of Robusta and Arabica coffee "planting materials" at specified seed farms; the preservation of the genetic material from the original clones; and, improved production and quality from the existing coffee trees. The Plan looks to improve Robusta yields from 500-to-1,500 kilograms per hectare by 2011.

As a result of Pillar 3), the UCDA will attempt to establish a "Q" rating system for Robusta coffee, so that Ugandan Robustas can be sold into the specialty coffee market at premium prices.

Pillar 4) calls for: coffee producers to put in place practices that will enable them to take economic advantage of the standards for Specialty coffees; the promotion of “Good African Coffee;” and, improved value-chain practices to provide the consumer with a better and more varied coffee availability. The Specialty-coffee denominations specifically mentioned include: Organic; Common Code for Coffee Communities; Fair Trade; Utz Certified; and, Rain Forest Alliance.

Supporting and encouraging donors to assist the GOU with its efforts at poverty alleviation through improved coffee returns to small-holder farmers makes up the substance of Pillar 5). The Plan references a number of projects supported through the USAID-Lead project.