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Tanzania

Coffee Annual

Tanzania Coffee Annual Report

Approved By:
Stephen Hammond

Prepared By:
FAS/Nairobi Staff

Report Highlights:
Coffee importers from Japan followed by Europe and the United States continue to provide the bulk of the export demand for Tanzanian Arabica coffee producers. European importers top the list of Robusta importers, buying more than 90 percent of Tanzania's exportable surplus. Importers from those three destinations will likely buy more than 90 percent of Tanzania's roughly one million 60 kilogram bags of exportable coffee surplus during marketing years (MY) 2012 and 2013.

Executive Summary:

Japanese coffee importers buy about 50 percent of Tanzanian Arabica coffee bean exportable surplus and European importers buy almost 90 percent of Tanzania's Robusta beans, while European and U.S. traders buy about 30 and 10 percent of the available Arabica beans, respectively. Reportedly, European coffee traders source Tanzanian Robusta beans to blend with Kenyan AA coffee beans to obtain one of the African blends served in Europe.

Reportedly, small amounts of Tanzanian Robusta coffee make their way into regional markets. As a result of the East African Community (EAC) trade alliance, all products should trade freely across EAC Member State borders. There remains an effort, however, to confine Tanzanian coffee production to sales at the Tanzania Coffee Auction.

Buyers of AA Arabica coffee at the Nairobi, Kenya coffee exchange distinguish between Arabica coffee beans produced on the foot hills of Mt. Kilimanjaro from Arabica beans produced on the foot hills of Mt. Kenya or Mt. Elgon. Reportedly, Tanzanian producers are improving the cupping quality of their Arabica production but equality may be some years away.

The record-high Arabica bean prices will influence short and medium-term Tanzanian production and exportable surpluses, likely pushing 2013 (and beyond) exports to record levels. Reportedly, the demand for new Arabica seedlings has been "astronomical" in Tanzania. The varieties have greater disease resistance, productivity and quality. Even though fertilizer and other input prices in Tanzania remain historically high, Tanzanian Arabica profit potential has encouraged growers to take the risk associated with the new investments.

For Tanzanian Robusta producers, prices peaked against Arabica prices in 2008/2009 reaching just over 70 percent of Arabica values for a short period. The Robusta prices peaked at record levels at about the same time Arabica bean values peaked but at a much lower 45 percent of Arabica values (please see price charts in the body of this report).

Production:

FAS/Nairobi forecasts MY 2013 Arabica bean production at a record 700 thousand 60 kilogram bags (TKB), exceeding the MY 2009 record crop and Robusta production at a steady 300 TKB. Price incentives will focus Tanzanian producer attention on quantity, even though current world prices have fallen below the record levels experienced during MYs 2011 and 2012.

Tanzania Coffee--FAS/Nairobi	2009	2010	2011	2012	2013
Beginning Stocks (1000 60 KG BAGS)	362	279	39	49	153
Arabica Production (1000 60 KG BAGS)	644*	392*	600	640	700
Robusta Production (1000 60 KG BAGS)	504*	202*	450	350	300
Total Production (1000 60 KG BAGS)	1,148*	594*	1,050	990	1,000
Total Supply (1000 60 KG BAGS)	1,510	873	1,089	1,039	1,153
Bean Exports (1000 60 KG BAGS)	1,200*	803*	1,008	850	950
Soluble Exports (1000 60 KG BAGS)	1*	1*	2	1	1
Total Exports (1000 60 KG BAGS)	1,201*	804*	1,010	851	951
Rst,Ground Dom. Consum (1000 60 KG BAGS)	30	30	30	35	35
Soluble Dom. Cons. (1000 60 KG BAGS)	0	0	0	0	0
Domestic Use (1000 60 KG BAGS)	30	30	30	35	35
Ending Stocks (1000 60 KG BAGS)	279	39	49	153	167
Total Distribution (1000 60 KG BAGS)	1,510	873	1,089	1,039	1,153

*Revised TCB estimates—Otherwise FAS/Nairobi estimates and forecasts

The Tanzania Coffee Board (TCB) chose the British grading system based on bean size, shape and density. The grades in order of quality include: AA; A; B; PB; C; E; F; AF; TT; UG, and, TEX.

Arabica coffee producers have found ideal coffee growing locations to Tanzania's northern border with Kenya and on its southern highlands, while coffee farmers around Lake Victoria produce the Robusta beans. Producers in the north of Tanzania produce coffee on the foot hills of Mts. Kilimanjaro and Meru, in the shade of banana trees. In both the north and southern highland, farmers harvest Arabica beans between July and December. Around Lake Victoria, farmers harvest Robusta beans from May through October.

Coffee was first introduced to Tanzania in 1898 and now approximately 450,000 small-scale farmers produce about 90 percent of Tanzania's production. The remaining ten percent comes from 110 large-scale farms, commonly known as estate farms. A reported two million Tanzanians work directly or indirectly in the coffee industry.

Consumption:

The Japanese International Cooperation Agency estimates that Tanzanians drink roughly four percent of domestic production, more coffee per capita than any other east-Africans. The common method of local coffee preparation differs considerably from European techniques. Tanzanians traditionally boil the ground coffee beans to extract the coffee flavor. Anecdotally, in many of the major Tanzanian cities, coffee-shop owners have shifted away from traditional coffee preparation methods to European-style coffee-brewing techniques.

Trade:

The Tanzanian Coffee Board conducts coffee auctions in Moshi, Tanzania at the base of Mt. Kilimanjaro. Below, please find export data provided by the Tanzania Coffee Board.

Tanzanian MY2011 Coffee Exports (60Kg Bags)					
	Arabica				
Country	60 Kg Bags	$	$/60 Kg	%/Value	%/60 Kg Bags
Japan	322,339	1,595,131	4.95	53%	50%
Europe	162,789	653,827	4.02	22%	25%
USA	102,318	498,305	4.87	17%	16%
Russia	17,083	66,388	3.89	2%	3%
South Africa	10,623	57,408	5.40	2%	2%
Israel	7,860	35,559	4.52	1%	1%
All Others	20,039	91,579	4.57	3%	3%
Total	643,051	2,998,198	4.66	100%	100%
Tanzanian MY2011 Coffee Exports (60Kg Bags)					
	Robusta				
Country	60 Kg Bags	$	$/60 Kg	%/USD	%/60 Kg Bags
Europe	333,394	570,498	1.71	89%	91%
Japan	9,728	19,235	1.98	3%	3%
Israel	1,213	2,657	2.19	0%	0%
USA	550	847	1.54	0%	0%
All Others	19,674	45,329	2.30	7%	5%
Total	364,558	638,566	1.75	100%	100%
Tanzanian MY2011 Coffee Exports (60Kg Bags)					
	Total (includes Soluble GBE)				
Country	60 Kg Bags	$	$/60 Kg	%/USD	%/60 Kg Bags
Europe	498,170	1,233,856	2.48	34%	49%
Japan	332,067	1,614,365	4.86	44%	33%
USA	102,868	499,152	4.85	14%	10%
Russia	17,083	66,388	3.89	2%	2%
South Africa	10,623	57,408	5.40	2%	1%
Israel	9,073	38,216	4.21	1%	1%
All Others	39,825	137,424	3.45	4%	4%
Total	1,009,709	3,646,810	3.61	100%	100%

Source: Tanzania Coffee Board

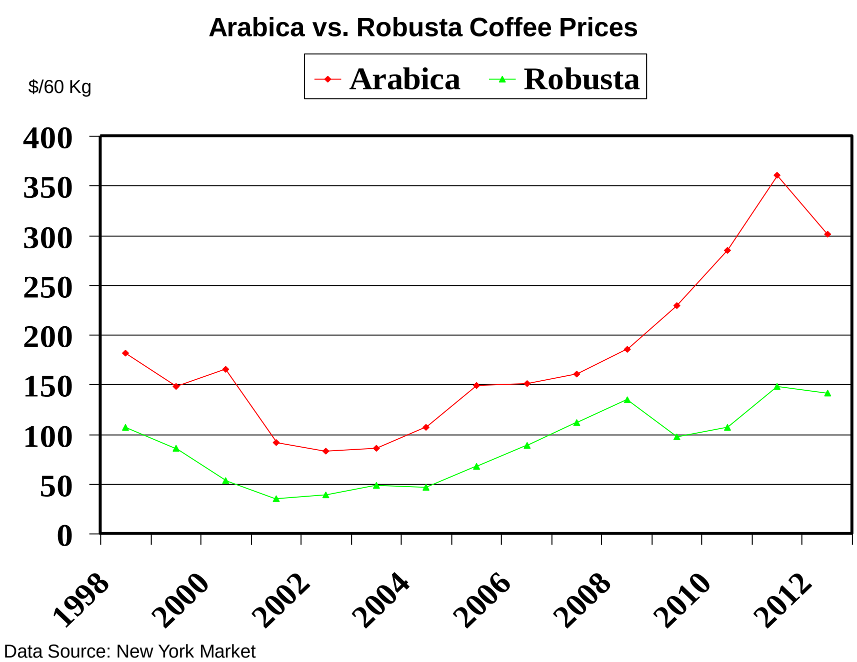
Policy

The Government of Tanzania (GOT) established the Tanzania Coffee Board by means of the Tanzania Coffee Industry Act No. 23 of 2001--amended in 2009. The TCB regulates the coffee industry, operates the coffee auction and advises growers and GOT officials on coffee growing, processing and marketing. Other coffee-invested groups include the: Tanzania Coffee Research Institute; Tanzania Coffee Association (Private Association of Coffee Traders); and, Tanganyika Coffee Growers Association (Association of Coffee Estate growers).

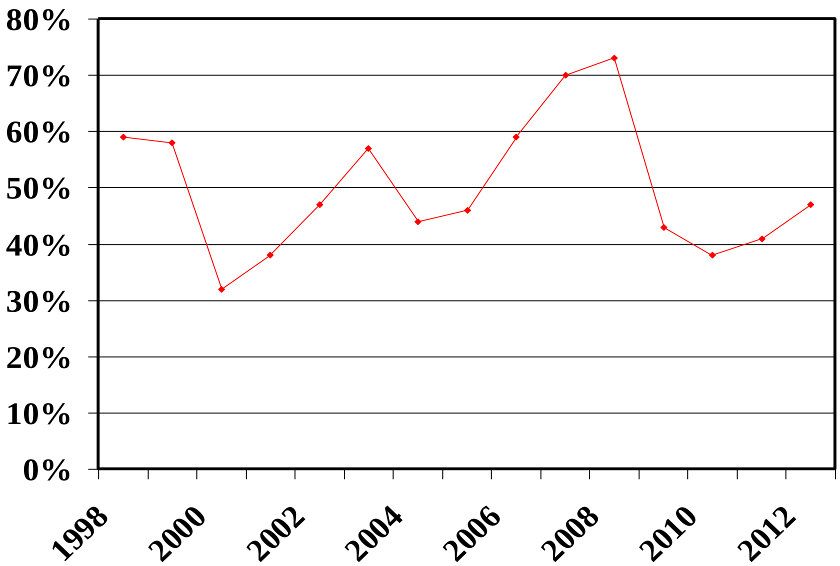
The TCB formulated and released a coffee-development strategy in 2010 that provides a vision of where stakeholders would like to take Tanzanian coffee production. One of the most important goals will be to increase production by five thousand tons by 2016. To achieve the increase, coffee producers will need to increase by 2,500 the hectares dedicated to coffee production and replace some 20 million seedlings.

Prices

In the Tanzania coffee export table above, the price differentials between Robusta and Arabica paid at auction are striking. On average during MY2011, Arabica yielded \$4.66/60 Kg bag while Robusta averaged just \$1.75/60 Kg bag. The price data from the New York Coffee Market represented in the charts here below corroborates the premium paid for Arabica coffee during the period of the exports noted above.

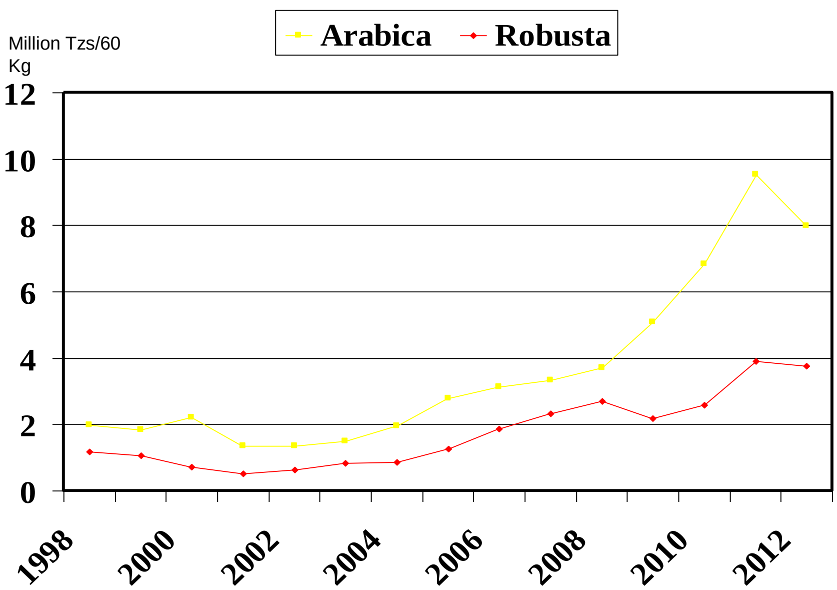


Robusta Coffee Prices as a percent of Arabica Coffee Prices



Data Source: New York Market

Arabica vs. Robusta Coffee Prices In Tanzanian Shillings (Tzs)



Data Sources: New York Market--Oanda Historical Ex Rate