Ethiopian Coffee: Challenges and Opportunities

Ethiopian Coffee Export Conference
8 – 9 November 2012
Addis Ababa, Ethiopia

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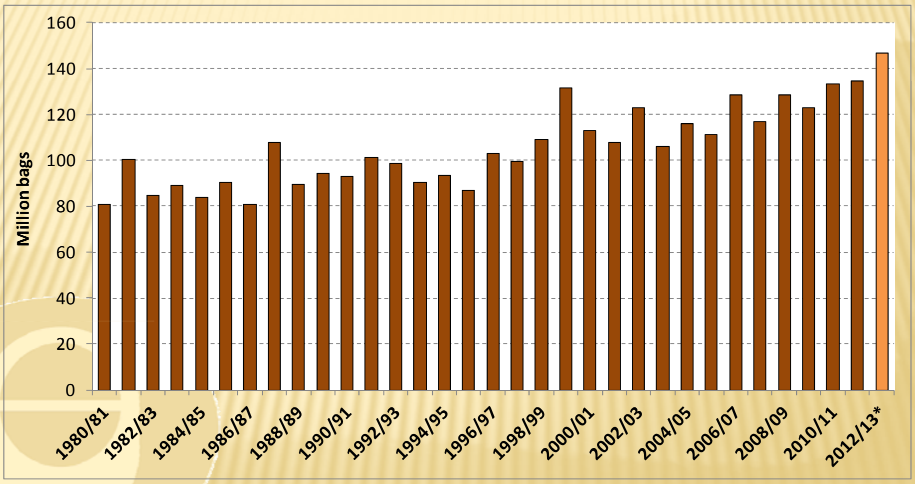
SUMMARY

1. Key demand trends
2. Key consumption trends
3. Challenges to the coffee sector in Ethiopia
4. Opportunities for the coffee sector in Ethiopia

World coffee production

Crop years 1980/81 – 2012/13*



* Provisional

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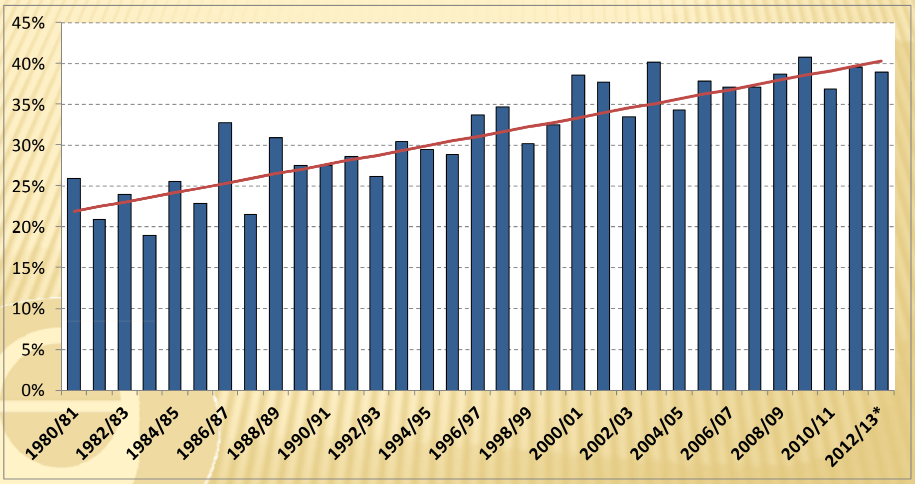
Share of Robusta (%) in World Production

Crop years 1980/81 – 2012/13*



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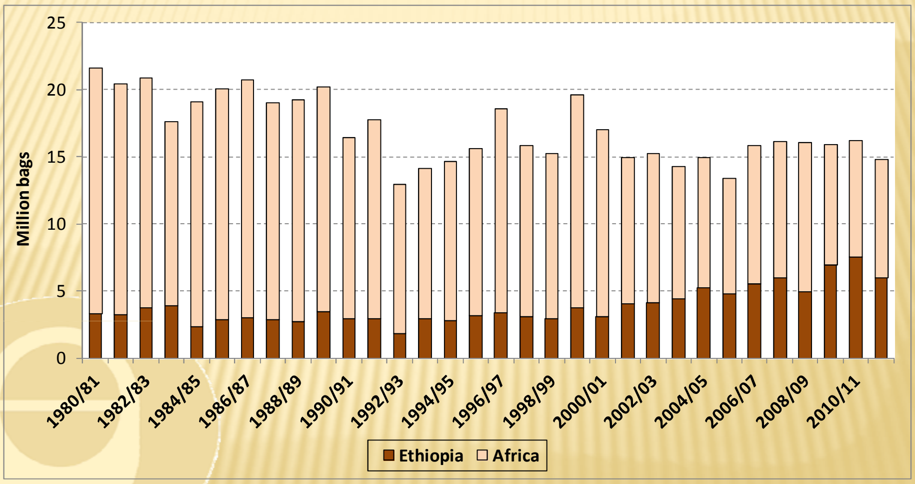
Production in Africa

Crop years 1980/81 to 2011/12



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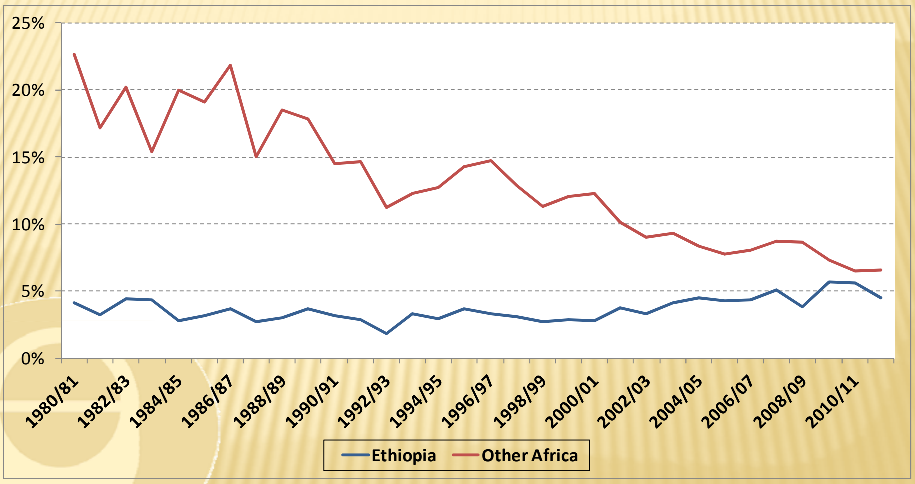
% share of Africa & Ethiopia in world production

Coffee years 1980/81 to 2011/12



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Africa: Coffee Production

(Averages in thousand bags)

	1980-89	1990-99	2000-09	2010-12
TOTAL AFRICA	**19 888**	**16 078**	**15 372**	**15 712**
Ethiopia	**3 128**	**2 973**	**4 904**	**6 450**
Uganda	2 724	2 811	2 924	3 002
Côte d'Ivoire	4 338	3 448	2 692	1 291
Cameroon	1 771	1 022	821	845
Tanzania	875	779	796	686
Congo, D.R.	1 610	1 019	383	681
Kenya	1 726	1 377	766	669
Madagascar	1 092	780	490	566
Others	2 625	1 868	1 597	1 522

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Africa: Coffee Exports

(Averages in thousand bags)

	1980-89	1990-99	2000-09	2010-12
TOTAL AFRICA	**16 664**	**14 636**	**11 546**	**10 676**
Uganda	2 448	3 002	2 769	2 939
Ethiopia	**1 370**	**1 481**	**2 368**	**2 927**
Côte d'Ivoire	3 806	3 823	2 393	1 311
Tanzania	851	783	766	709
Kenya	1 631	1 363	747	661
Cameroon	1 643	1 050	741	515
Guinea	59	123	344	373
Burundi	508	483	321	304
Rwanda	594	336	303	254
Others	3 755	2 193	793	683

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World Coffee Consumption

2001 – 2011

(In thousand bags)

	2001	2011	% change	Absolute change	Average annual growth rate
WORLD TOTAL	**109 581**	**139 000**	**26.8%**	**29 419**	**2.4%**
Exporting countries	27 799	42 435	52.6%	14 636	4.3%
Traditional markets	64 300	70 799	10.1%	6 499	1.0%
Emerging markets	17 482	25 766	47.4%	8 285	4.0%

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Key Trends: Traditional Markets

- Quality: specialty coffee "revolution"
- Innovation: single-serve machines; RTD etc.
- Sustainability: certification/verification
  - Fairtrade / Rainforest Alliance / Utz Certified / 4Cs / organic / others
- Strong competition from other beverages (water juices, tea, energy drinks etc.)

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Key Trends: Emerging Markets & Producing Countries

- Rising income levels
- Aspirational values
- Large populations
- Affordability
  - Soluble
  - “3-in-1”
- Marketing
  - Generic promotion
  - Coffee and health

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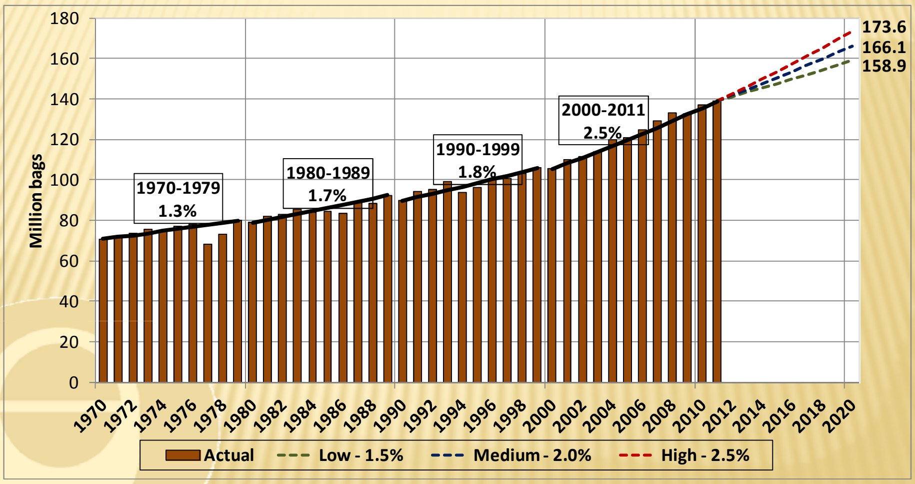
World Consumption Outlook

(1970 to 2020)



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Challenges (1)

1. Structural challenges:
   - Lack of competitiveness (low yields & productivity);
   - Poor access to market & long supply chain;
   - Lack of infrastructure;
   - Inadequate access to services (particularly financial services, risk management etc.);
   - Low value addition; and
   - Inadequate technology transfer & research (coffee genome, conservation, biodiversity etc.).

Challenges (2)

2. Policy environment:
   - Low levels of public investment in agriculture;
   - Disengagement of the state in production & marketing activities;
   - Liberalisation/agricultural reforms historically poorly executed; and
   - Weak institutional framework in many countries.

Challenges (3)

3. Sustainability:
   - Adaptation and mitigation to climate change (and other adverse weather events)
   - Conservation of biodiversity
   - Social sustainability: empower women and attract youth
   - Competition for land (subsistence farming, biofuels)

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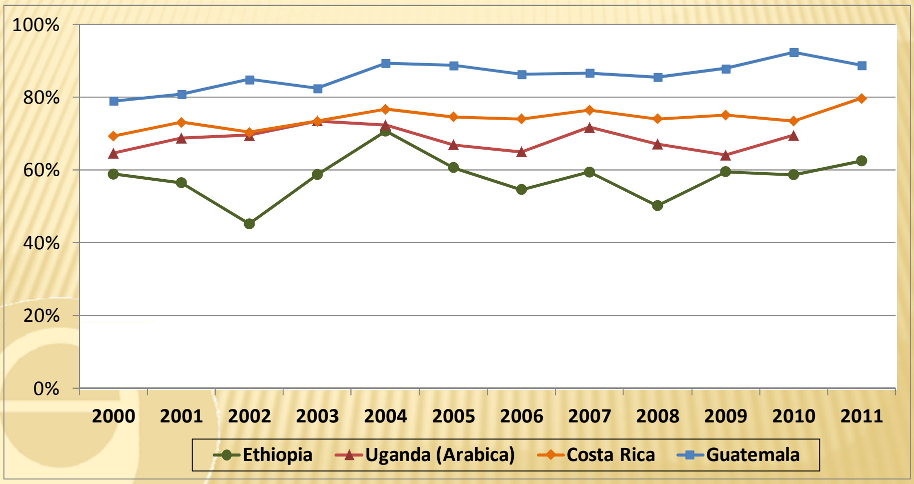
Price paid to growers as % of export value

Calendar years 2000 - 2011



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Opportunities (1)

The Ethiopian coffee sector has bright prospects:

- The country has suitable altitude, ample rainfall, optimum temperatures, appropriate planting materials, low labour costs and fertile soil.
- The country can sustainably produce and supply fine specialty coffee, with potential of producing all coffee types of the various world coffee growing origins.

Opportunities (2)

Grounds for optimism:

- Strong potential to increase supply capacity/yields (transfer of technology)
- Promote value addition
  - Differentiation through brand awareness (e.g. Yirgacheffe, Sidamo etc.)
  - Importance of traceability

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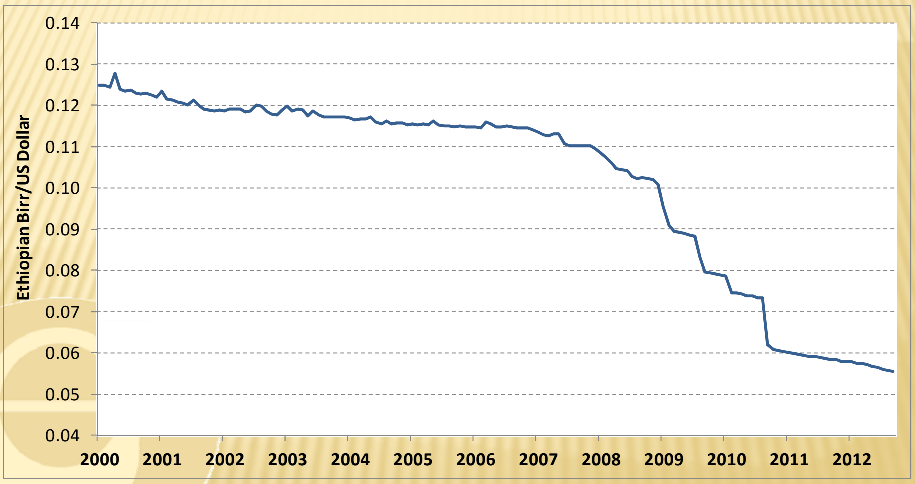
Opportunities (3)

Create an enabling policy environment:

- Support agricultural research and development
- Improve access to price risk management tools
- Sustainable development
- Promote a strong institutional framework to better coordinate policy
- Macroeconomic policy

Exchange rate of Ethiopian birr to US$

Monthly averages 2000 - 2012



Opportunities (4)

Stimulate local consumption:

- Ethiopia is not only the birthplace, an important producer, and a leading exporter of Arabica coffee, but also a heavy consumer.
- Ethiopians are the highest coffee consumers in Africa.
- Coffee is strongly ingrained in Ethiopian culture ("coffee ceremony").

Thank you

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