

MORE FROM THE CUP

BETTER RETURNS FOR EAST AFRICAN COFFEE PRODUCERS



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FOR GOOD

More from the cup

Better returns for East African coffee producers

About the paper

East Africa produces some of the world's most valuable specialty coffees, yet only a small share of profits go to coffee producers. Using case studies from Africa and beyond, the report explores how to get better prices for green coffee beans, learn about branding and develop business partnerships in international markets.

Direct trade from origin, also feasible through e-auctions, can result in better average prices for green beans. Roasted coffee offers significantly higher margins, but may not be practical to export. New alternatives exist for contract roasting, packaging and outsourced marketing, to transform green beans into branded coffee close to the customer.

Comments to this paper are welcome. Conclusions will be part of a forthcoming new edition of the ITC Coffee Guide.

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Foreword

Coffee is one of the world's most popular beverages. More than 2.6 billion cups of coffee are consumed every day and over 120 million people live off the coffee value chain worldwide. From fields to factories, from beans to baristas – coffee has moved from a simple commodity to a movement.

The dark side of the coffee business however, is that some of those farmers who grow the crop, the women who harvest the beans and those who pack the more than 140 million bags of coffee produced each year, are not benefiting from the large profits generated at the top of the value chain.

Coffee commodity prices reached new lows in 2019 (before recovering slightly) and the pain was felt in the low prices paid to producers. The cost-efficient producing countries of South-East Asia or South America, which focus on bulk production, absorbed the drop in prices to some degree. But in East Africa, a region renowned for the variety and quality of its specialty coffees, smaller-scale production and higher costs meant that low commodity prices resulted in losses or unsustainably low earnings for farmers.

Looking at the international value chain that delivers the '\$5 cup of coffee', less than 1% of the price remains in the hands of the men and women who cultivated the crop. Almost all value is created after the farm gate. Even allowing for the expected returns of the retailer, enough value should be generated to allow farmers a greater share of the global earnings.

Fair trade initiatives seek to do this by taking into account the cost of production and establishing generous benchmarks for the purchase price of raw coffee. But what if groups of farmers could be supported in adding value to their crop – not just selling the 'green beans', but by roasting and packaging their coffee, even selling it under their own brands? This is a priority for policymakers in East Africa who are working on initiatives to promote roasting facilities and encourage local coffee consumption.

This report examines these initiatives and seeks to go further. Can we learn lessons from farmer-owned coffees marketed internationally? Is it possible to contract with foreign partners to transform the product and market it on behalf of the farmers? Does the changing nature of coffee consumption and new service models and distribution channels open up new potential for coffee producers to earn more money for their work, escape poverty and eventually thrive from higher value added?

Historically, East Africa has had very few convincing success stories of farmer groups integrating into developed country consumer-level retail; Central and South America are only now beginning to show some success with these models. This publication recommends reimagining the experience of East African farmers and illustrating the profit potential of retail sales in developed countries, while highlighting the risks and need for long-term strategy and investment.



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