



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.08

Voluntary Report - public distribution

Date: 11/8/2004

GAIN Report Number: TZ4001

Tanzania, United Republic of

Coffee

Tanzania Coffee Update Report

2004

Approved by:

Kevin N Smith
U.S Embassy

Prepared by:

Mary Onsongo

Report Highlights:

The Tanzanian coffee industry experienced an upsurge in production during MY 2004/05. Production estimates for MY 2004/05 are 45,000 mt as compared to 32,000 mt the previous year. The rebound has been driven by favorable weather conditions and relatively good prices during the 2003/04 crop season.

The Government has zero rated VAT on farm inputs to facilitate coffee production and agriculture as a whole.

Includes PSD Changes: No
Includes Trade Matrix: Yes
Unscheduled Report
Nairobi [KE1]
[TZ]

TABLE OF CONTENTS

Executive Summary **3**

Production **3**
 Coffee Processing Capacity..... 3

Coffee Quality **3**
 Coffee Auction and Direct Sales..... 3

Trade..... **4**

Policy **4**

Executive Summary

The Tanzanian coffee industry recorded a production increase from 32,000 mt in 2003/04 to about 45,000 mt for 2004/05. The increase is primarily due to a slight increase in coffee prices and favorable weather. The 2005/06-production forecast is 50,000 mt, assuming good weather and improved prices.

The EU and Japan are the major destinations for Tanzanian coffees, a trend likely to continue.

The GOT has zero rated VAT on farm inputs.

Production

Since the mid 1990s the coffee industry in Tanzania has experienced a steady production decline primarily due to low world coffee prices that have eroded farmers' income and profit margins. The Tanzania Coffee Board (TCB) estimates coffee production for 2004/05 at 45,000 mt, a 40 percent increase from the previous year. Relatively good prices for the 2003/04 crop, coupled with favorable weather led to the increase in production. Production for 2005/06 is forecast at 50,000 mt, assuming favorable weather and continuing good prices.

Tanzania has the potential for increased production from the expansive volcanic highland areas and the lake basin areas that provide ideal conditions for producing both robusta and arabica coffees. The coffee and banana based cropping system is the most widespread farming practice in the Kilimanjaro, Mbeya, Kagera and Arusha regions of Tanzania. With dwindling land sizes and reduced coffee prices, intercropping has become a common practice offering farmers food security.

Coffee Processing Capacity

There are over 19 processing plants spread in the coffee growing areas. A total of 147,000 tons processing capacity exists but only about 40-50,000 tons is utilized every year resulting in under utilization. There are six curing (processing) factories that compete for the produced coffees.

Coffee Quality

The 2004/05 crop recorded higher quality, obtained better prices, and encouraged farmers to adopt better crop husbandry practices. With the pre-release of five improved coffee varieties the industry aspires to obtain more export class coffees (classes 4-6) by replacing old trees.

Coffee Auction and Direct Sales

The Tanzania Coffee Board (TCB) indicates that over 90 % of national coffee output is sold through the auction system. Direct sales are mainly for top class coffees and commonly practiced by estate and farmer groups. TCB supervises the acquired contracts under direct sales. Germany and Japan are the major destinations of direct sales. The U.S. is an upcoming market for Specialty and Gourmet coffees.

Trade

The EU and Japan are the major destinations for Tanzania coffees, a trend likely to continue.

COFFEE SHIPMENTS AS PER DESTINATION						
	1.10.2002 -30.09.2003			1.10.2003 - 31.8.2004		
	Total Exports			Total Exports		
DESTINATION	KGS	USD	USD/50kgs	KGS	USD	USD/50kgs
U.S.	1,574,590	2,508,505	79.66	2,248,530	2,932,762	65.22
Germany	14,842,543	14,763,425	49.73	10,224,968	11,835,985	57.88
Japan	8,647,470	17,971,709	103.91	7,963,238	14,571,611	91.49
Netherlands	1,166,064	1,736,465	74.46	2,084,546	2,623,268	62.92
Belgium	6,609,505	4,362,255	33.00	2,082,100	2,474,536	59.42
Morocco	1,124,790	744,423	33.09	1,850,724	672,050	18.16
Italy	6,107,109	4,048,489	33.15	1,114,548	1,199,143	53.8
Finland	419,481	389,447	46.42	882,276	978,454	55.45
France	1,378,620	873,137	31.67	594,069	536,359	45.14
Hungary	1,363,695	1,575,579	57.77	400,725	357,374	44.59
Poland	1,592,593	996,109	31.27	395,340	373,004	47.18
UK	296,107	416,018	70.25	366,911	795,319	108.38
Israel	989,239	1,151,354	58.19	363,446	423,822	58.31
Sub Total	46,111,806	51,536,915	54.04385	30,571,421	39,773,687	59.07
Others	4,333,269	3,552,554		1,766,546	1,751,654	
Total	50,445,075	55,089,469	54.6	32,337,967	41,525,341	64.21
Source: Tanzania Coffee Board						
Total: Include Mild Arabica, Hard Arabica, Robusta and Soluble Coffees.						

Policy

Farm input procurement is problematic; the Government of Tanzania is assessing various procurement methods that will benefit farmers. Presently farmers purchase farm inputs from local suppliers. Due to perceived high prices, most small-scale farmers do not use farm inputs (fertilizers, herbicides, fungicides).

Despite the increase in coffee production, the coffee industry is still constrained by less than desired economic performance and limited access to credit.

The GOT zero-rated VAT on Farm inputs a move that might encourage farmers to adopt better crop husbandry practices and boost coffee production.