

PROMOTING DOMESTIC COFFEE CONSUMPTION IN AFRICA

Locations	Ethiopia, Ghana, Kenya, Nigeria, Tanzania, Uganda, Zambia
Dates	01/09/2019 - 31/05/2020

Summary

Coffee is a primary source of income for more than 12 million households in Africa, and, in particular for rural-based populations. Over 38% of the total population of Burundi, 23% Tanzania, 22% Uganda, 17% Côte d'Ivoire and 14% Ethiopia, for example, depend on coffee farming. Production of the crop has, for over two decades, been on a downward spiral in the continent, Ethiopia and Uganda excluded, driven by low and volatile international coffee prices. Increasing domestic coffee consumption is seen as a viable avenue for cushioning coffee smallholders in Africa against price decline and volatility. CABI is undertaking this study to identify the factors underpinning domestic coffee consumption, the potential market size and possible paths for facilitating its growth. The study will provide statistical evidence on the existing market landscape and the concomitant investment opportunities.

The problem

Due to over-supply and bargaining power of international coffee producers, the international prices for unprocessed coffee referred to as 'green coffee' in international markets have followed a sharp downward trend, either stagnant or declining. Whilst the cost of inputs, such as fertilizers, pesticides and labour are increasing and making the cost of production rise.

The effects of these two trends are making it difficult for smallholder coffee growers, in most producing countries, to cover their production costs or make an

income which, in turn, jeopardizes their economic viability and significantly reduces the purchasing power of producers.

Coupled with increasing weather extremes as a result of climate change, continued sustainability of smallholder coffee business in Africa will be seriously undermined unless actions that promote smallholder resilience are urgently rolled out.

Unlike the case of the green coffee, the consumer prices per cup of coffee, both in the importing and the producing countries, have remained high. Increasing the domestic consumption of coffee, therefore, presents a viable opportunity for in-country value addition of coffee. It promises higher and stable prices and jobs in the roasting and barista ends of the coffee value chains.

What we are doing

In order to help build a sustainable coffee sector in Africa, this project aims to promote domestic coffee consumption as well as a local processing industry.

CABI will conduct an analytical review of domestic coffee consumption and roasting activities in seven IACO (Inter-African Coffee Organisation) member countries in Africa: Ethiopia, Ghana, Kenya, Tanzania, Uganda, Nigeria and Zambia, with a view of understanding the drivers and barriers of domestic coffee consumption.

For this, CABI will:

- assess the capacity building requirement for existing local coffee roasting enterprises
- quantify the potential for domestic coffee consumption in the study countries
- evaluate the business enablers for local coffee roasting activities.

We will capture relevant information for investment opportunities in the coffee processing sector and produce recommendations on viable options for improving domestic coffee consumption.

Desk analysis of the current coffee value chain, in the target countries, will be undertaken to reveal the demographic and socio-economic factors impacting domestic coffee consumption, coffee production and productivity, existing value addition activities, coffee marketing systems and policy and regulatory framework impacting on the national and regional coffee chains.

Simultaneously, primary data will be collected through interviews with key informants and individual interviewees. These will be analysed using descriptive statistics and regression in order to provide information on existing barriers to the export of processed coffee, drivers of and barriers to domestic coffee consumption, challenges faced by coffee roasters and the requisite measures to overcome challenges to local coffee roasting.

Results so far

Preliminary results indicate that increasing domestic consumption provides the opportunity to cushion smallholder farmers against green coffee price volatility and will lead to better retention of coffee incomes in the producing countries.

The outlook for increased job creation is likewise positive. To fully reap the benefits of increased domestic/regional coffee consumption, building a critical mass of specialised apprentices, in areas such as barista, will be required alongside investment. Access to finances, particularly for start-ups, as well as supportive policies, governing domestic and regional coffee trade, will also be essential.

Given the rapid growth in the middle-income category of the population, to help increase the domestic coffee trade, targeting this segment of the population for

	marketing campaigns on coffee consumption and health, would be rewarding.
Donors	International Coffee Organisation (ICO), Inter African Coffee Organisation (IACO)
Partners	Commodities & Export Trade Department, Zambia Coffee Growers Association, Uganda Coffee Development Authority, Tanzania Coffee Board, Agriculture and Food Authority (AFA) - Coffee Directorate, Ghana Cocoa Board, Ethiopian Coffee and Tea Authority Head Office






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