



COFFEE ITHAKA
2019/20 CROP REPORT
OCTOBER 2019 - UPDATE





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EXECUTIVE SUMMARY

2018/19 crop (on-year)

The 2018/19 crop is revised to **426,987 MT** (7.12 M bags), which is 10% higher than the 2017/18 crop. Washed and sundried production estimates are revised at **63,674 MT** (15%) and **363,313 MT** (85%), respectively.

Disappearance has remained fairly constant with end of year 2018/19 stocks increasing by approximately 0.5 M bags. However, the composition of these stocks is heavily skewed towards Naturals from the Western region.

Southern coffee stocks are at minimal levels; disappearance during the 2018/19 season has been very good due to falling differentials, in particular for Washed coffees, which reached levels below Colombia.

2019/20 crop (off-year)

The 2019/20 crop is estimated to be **411,119 MT** (6.85 M bags), which is 4% lower than the 2018/19 crop. The volume of washed and sundried production is estimated at **57,866 MT** (14%) and **353,254 MT** (86%), respectively.

Coffee harvesting has started in some areas of the South-Western region during the second half of August 2019. Coffee harvesting is expected to peak in November 2019 for most coffee producing regions, and more than 90% of the crop will have been harvested by December 2019. Harvesting of the 2019-20 crop will be completed on February 2020.

Farmers along Guji, Sidamo and Yirgacheffe area started picking and selling red cherry during late September. Most coffee washing stations of Southern region have completed maintenance of pulping machines and construction of coffee drying beds before mid-September 2019. Coffee washing stations started processing washed coffee in late September.

The report highlights the discrepancy between the ECX prices and FOB prices for the same qualities. The authorities have indicated that they wish to address this discrepancy by forcing shippers to sell at a price that is higher than the price paid at the ECX. A new regulation is to come into force that gives the Coffee Liquoring Unit (CLU) authority to stop shippers from exporting when they cannot prove that the sales price is above the ECX price paid for the coffee they are wanting to ship.

In November 2019 there will be a referendum in Southern Ethiopia, to decide on splitting the Southern Region into 2 smaller Regions, granting limited autonomy to the people of these areas. This could be a reason for the downstream flow of 2018/19 stocks, meaning that the remaining coffee will be in the hands of exporters, as farmers and akrabis (local traders) prefer having cash to holding stocks in times of instability.



In May 2020 there will be elections in Ethiopia. Whereas we hope that this exercise is peaceful, past elections have brought some disruption to the normal flow from farmer to exporter. If farmers and akrabis feel that there will be security problems, this would imply a faster than normal coffee flow from local players to exporters. On the other hand, if there is instability in coffee producing areas after the elections there could be disruption to the normal flow from up-country to export during the second half of the year.

2020/21 crop (on-year)

The 2020/21 crop is projected, under normal conditions, at **478,690 MT** (7.98 M bags) and the weighted production probability is **449,121 MT** (7.49 M bags).

1) INTRODUCTION

1.1) General thoughts on the 2019/20 crop survey (off-year)

The 2019/20 crop will be 4% lower than the 2018/19 crop (**6.85 M bags** vs. **7.12 M bags**), but 6% higher than the 2017/18 crop (6.48 M bags). The weather conditions in 2019 were highly favourable for agricultural crop production. Almost all the coffee growing regions have received above normal to excessive rainfall. The pattern and intensity of rainfall along major coffee belts is generally above normal during the first phase of rainfall period.

The crop along Southern and Eastern regions have received before normal blossom set. The rainfall in February and March 2019 has contributed a lot to trigger blossom set. The crop along Eastern region has also been improving for the last two years.

Weather conditions of the season have supported Yirgacheffe coffee to recover from effects of bad weather of 2017. Note that Yirgacheffe crop has been increasing for the last two consecutive seasons after a record low crop in Yirgacheffe in 2017/18. But the crop along Sidamo, Guji, Wolaita and Kembata areas is slightly lower than the 2018/19 crop. There is severe Coffee Berry Disease (CBD) infestation and crop damage along Sidama, Kembata and Wolaita areas, and thus part of the crop is mummified. Abnormal yellowing of coffee fruits is also observed during fruit development stages of the 2019/20 crop.

The crop along South-Western region is higher than the 2018/19 crop because this region is in on-year crop cycle. Prevailing weather situation has also made a lot for the bounce back of the crop along Keffa, Bench Maji and Sheka areas. The crop in Meti and Anderacha areas is also better than the 2018/19 crop.

The 2019/20 crop in Wellega and Ilubabor areas is lower due to effects of off-year crop cycle and disease. But the 2019/20 crop in Jimma is slightly higher than in 2018/19 due to improvement of weather conditions and on-year crop cycle effect.

1.2) Methodology

Ethiopia 2019/20 crop survey is conducted from 12th August 2019 to 11th September 2019 across all coffee growing areas of Eastern, Southern, South-Western and Western regions. Northern region was not visited since coffee production is still limited, very scattered and almost exclusively destined to local consumption. A total of 483 samples were visited out of 500 targeted samples – see Table 1.1 below.

Table 1.1. Number of samples visited in Coffee Ithaka's 2018/19 and 2019/20 Crop Surveys.

Regions	West	SW	South	East	North	Total
Oct/18	205	63	196	32	0	496
Sep/19	205	62	196	20	0	483

The survey was conducted to estimate the overall production of coffee in the country. Effort was made to cover all coffee growing belts of the country except Eastern Harar and Bale areas. The coffee regions are defined as follows (see Figure 1.1 below):

West: Jimma, Ilubabor, Wellega.

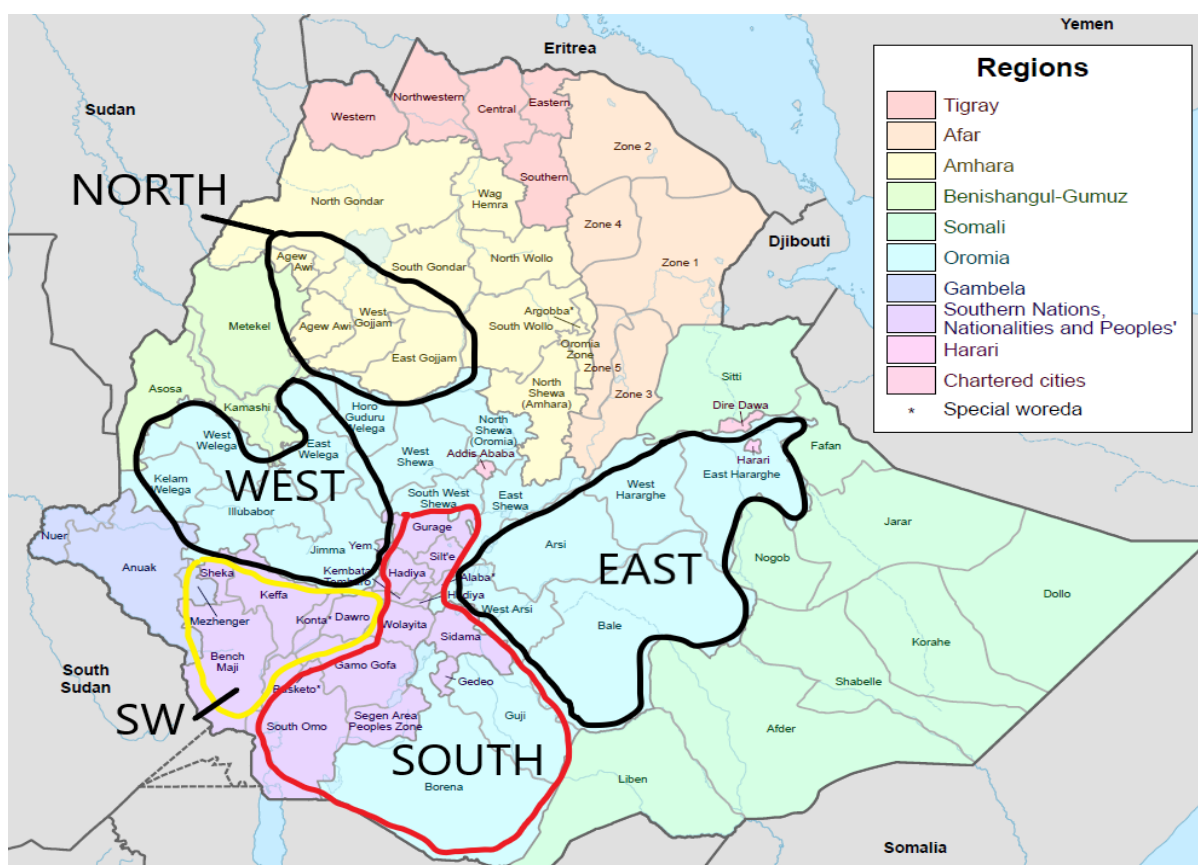
South-west: Gambella, Bench Maji, Kaffa, Sheka, Dawero.

South: Wolaita, Gurage, Kembata Tembaro, Sidamo, Gedeo, Borena, Amaro, South Omo, Gamo Gofa, Yirgacheffe, Gudji.

East: West Arsi, Bale, West Harar, East Harar.

North: Awi, Zege and Gojam.

Figure 1.1. Ethiopia's Coffee Regions.



1.3) Production, Exports, Domestic Consumption and Stocks

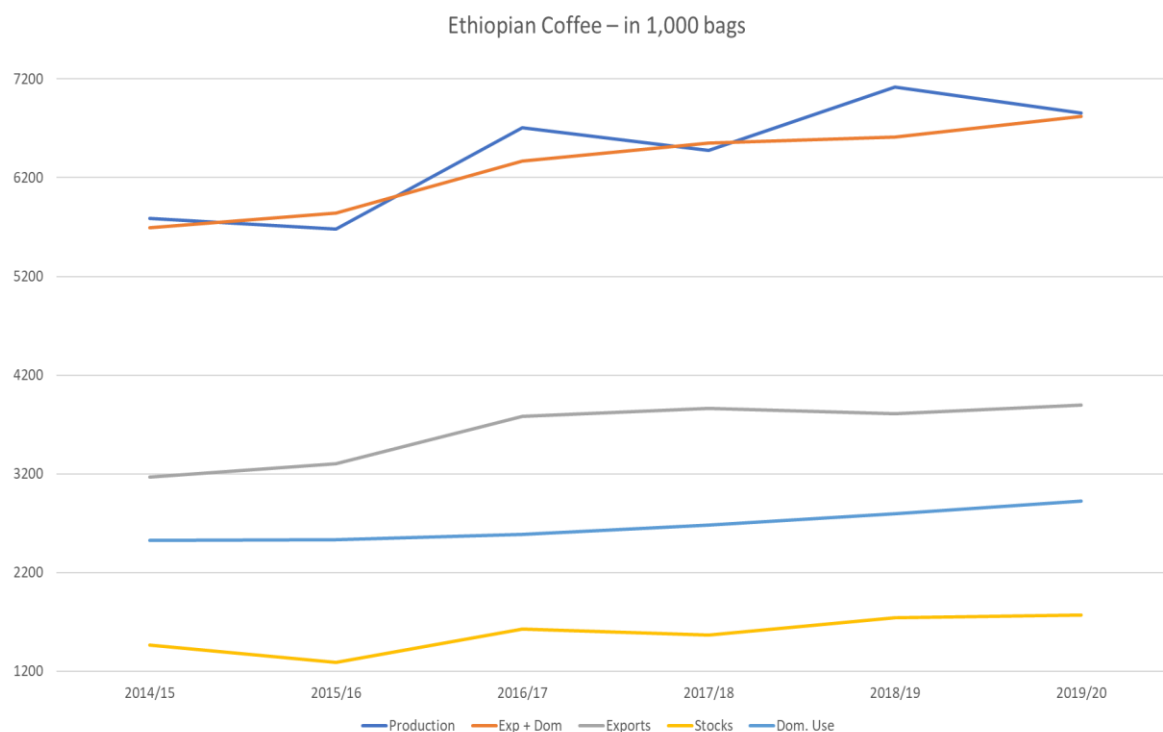
As we can see in Table 1.2 and Graph 1.1 below, figures for production, exports and domestic consumption show a general up-trend (biennial effects on crops considered).

Table 1.2. Figures for Supply and Demand of Ethiopian Coffee: 2014 to 2021 (in 1,000 bags)¹.

OCT/SEP	SUPPLY			DEMAND				
<i>in k bags</i>	Carry in	Prod.	TOTAL	Dom. Use	Exports	Stocks	Cycle	Remarks
14/15	1373	5788	7161	2548	3175	1438	ON	<i>off-year in SW</i>
15/16	1438	5662	7099	2616	3297	1187	OFF	<i>on-year in SW</i>
16/17	1187	6730	7916	2634	3785	1498	ON	<i>off-year in SW</i>
17/18	1498	6477	7975	2706	4030	1239	OFF	<i>on-year in SW</i>
18/19	1239	7116	8355	2799	3810	1747	ON	<i>off-year in SW</i>
19/20*	1747	6852	8599	2924	3900	1775	OFF	*estimate
20/21**	1775	7978	9753				ON	**projection

¹ Numbers may not add up due to rounding.

Graph 1.1. Production, Exports, Domestic Consumption and Stocks of Ethiopian Coffee.



2) REVIEW OF 2018/2019 CROP

2.1) Internal market situation in 2018/19

Ethiopia's 2018/19 trade season has faced a lot of socio-economic and political challenges. The country is still striving to reduce national trade deficits. Ethiopian inter-ethnic conflict and violence continues to lead to displacements in large scale in coffee season 2018/19.

There is a lot of violence in the rural and urban communities of SNNP, Oromia, Somalia and Benishangule regions. Bear in mind that almost all (99.8%) of Ethiopian coffee is produced in the two regions: **Oromia** (Djimmah, Lekempti, Ilubabor, Harar, Bale, Gudji) and **SNNP** (Sidamo, Yirgacheffe, Kaffa, Shaka, Bench Maji).

Most parts of SNNP and Oromia regions were not yet ready for safe economic activity. During the 2018/19 season, crop harvesting and processing were highly affected due to rebellions, interethnic conflict and violence. As a result, farmers in the Western and Southern regions failed to supervise and pick coffee during the normal period, which caused harvest loss and deterioration of sundried coffee quality. This led to distortions in pricing and marketing along the supply chain.

During September 2019, there is a significant volume of 2018/19 crop moving across all coffee growing regions of the country. Informal coffee trading is not yet controlled as expected by government.

Farmers in Western regions are transporting coffee to nearby towns to sell coffee to collectors and suppliers (akrabis), and 20 to 30 trucks of coffee are waiting at the gate of each of ECX's coffee warehouses to enter the formal market.

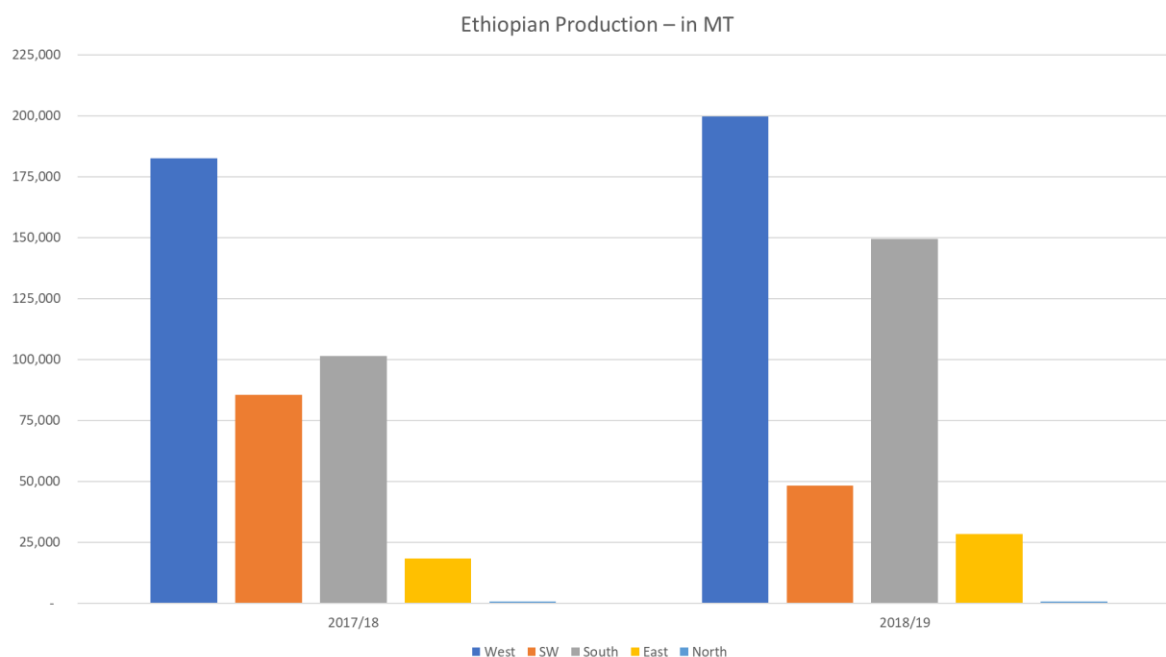
The 2018/19 crop is revised down by about 2% from 437,267 MT (7.29 M bags, pre-harvest estimate) to **426,987 MT** (7.12 M bags, post-harvest estimate), which is about 10% higher than the 2017/18 crop.

Revision of the crop is based up on reconciliation of balance stock along upstream coffee supply chain, volume of coffee traded at ECX and volume of coffee exported during the season.

Table 2.1. Review of the 2018/19 crop.

Region	Production (MT)		% Var	Area (ha)		% Var	Yield (MT/ha)		% Var
	2017/18	2018/19		2017/18	2018/19		2017/18	2018/19	
West	182,613	199,759	9%	348,611	352,799	1.2%	0.52	0.57	8%
SW	85,462	48,280	-44%	105,975	108,312	2.2%	0.81	0.45	-45%
South	101,547	149,586	47%	198,643	195,722	-1.5%	0.51	0.76	50%
East	18,345	28,494	55%	65,089	65,155	0.1%	0.28	0.44	55%
North	842	868	3%	978	1,008	3.1%	0.86	0.86	0%
Ethiopia	388,809	426,987	10%	719,296	722,996	0.5%	0.54	0.59	9%
	6.48 M	7.12 M	(bag)				9.01	9.84	(bag/ha)

Graph 2.1. Ethiopian Production figures for crops 2017/18 and 2018/19.



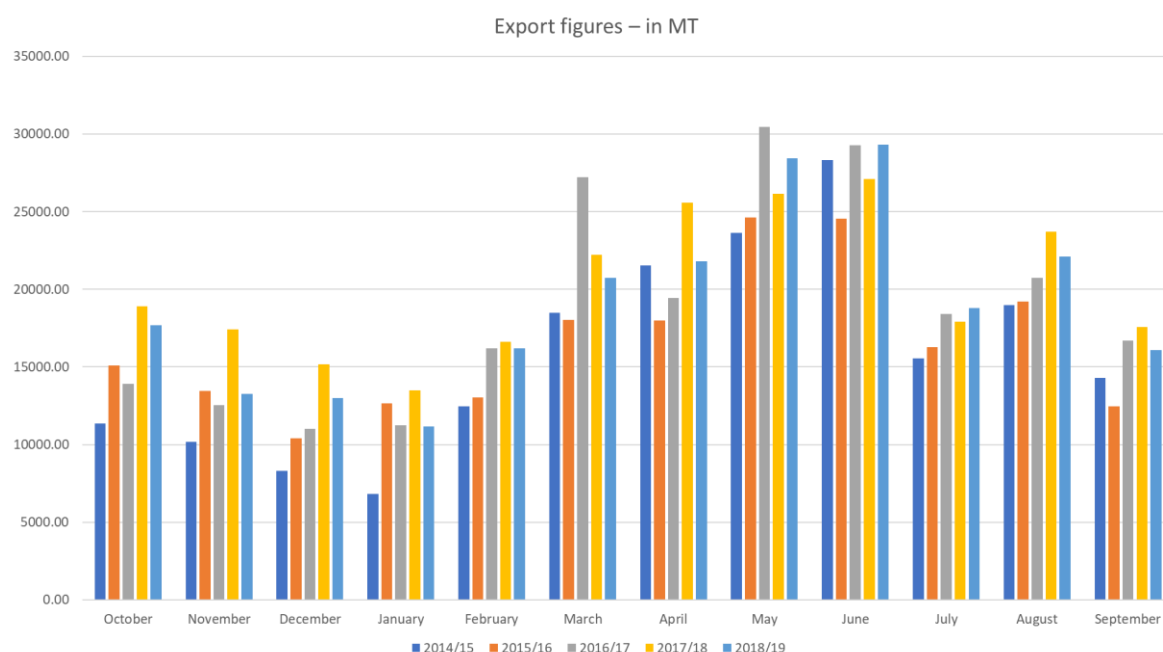
2.2) 2018/19 Trade season export performance

There are number of factors that are affecting Ethiopian coffee export businesses. The 2018/19 coffee export volume is lower than expected. An impact of declining NY futures price was one of the main causes for the reduction of 2018/19 coffee exports volume, and there was also inconsistent quality of sundried coffee and late shipments. An impact of inter-ethnic conflicts of Somalia and Afar people has also affected the transportation of export goods from Addis Ababa to the export port of Djibouti. But actual coffee exports were increasing from 2014/15 to 2017/18 trading seasons (see Graph 2.2 below).

Most Ethiopian exporters are under pressure to generate the foreign currency needed to support their import business. They are selling coffee for almost 25-30% less than their break-even costs. As a result, Ethiopian Coffee and Tea Authority banned about 81 coffee players from trading within ECX, and 26 of these players are coffee exporters, which are banned from the coffee export business for unlimited time.

On the other hand, foreign exchange value of ETB/USD on the black market is about 35-45% higher than the official exchange rate at NBE, currently at 29 ETB/USD. The purchasing power of the Ethiopian Birr is getting weaker as time goes by, and there is a higher rate of inflation during the year 2019. As a result, most factories are short of foreign currency, which in turn hinders imports of manufacturing inputs and machinery parts.

Graph 2.2. Yearly comparison of monthly export figures.



2.3) Reconciliation of balance stock

The total coffee production of the 2018/19 crop is revised to **426,987 MT** (7.12 M bags). Carry in of the season is estimated at **74,334 MT** (1.24 M bags), thus the overall coffee supply of the 2018/19 trade season is estimated to be **501,321 MT**. The total coffee export volume in the season is **228,574 MT** (3.81 M bags), which is lower than expected and lower than the volume of coffee exported during the 2017/18 trade season (off-year).

On the other hand, the volume of domestic coffee consumption is increasing slightly each year due to growth of the Ethiopian population. The growth rate of the Ethiopian population is projected to be within the range of 2.4-2.8% as per data from the Central Statistical Agency of Ethiopia. The Ethiopian coffee consumption in the 2018/19 trade season is estimated at **167,927 MT** (2.80 M bags).

The balance stock along the up-country supply chain is therefore estimated at **104,820 MT** (1.75 M bags). The breakdown of estimated stock is also in line with implied balance stock of the season. Farmers in Wellega reported that the level of stock is about 8% of the production (6,576 MT), while farmers in Ilubabor zone are holding about 5% of the crop (5,148 MT). The level of stock with farmers in Southern and South-Western regions is minimal compared to the level of stock with farmers in major sundried coffee producing regions (see Table 2.2 below for further details).

The volume of stock with exporters and up-country coffee traders is estimated at 12,304 MT and 11,250 MT respectively. The volume of coffee available in the informal market is estimated at 43,859 MT and it will be used for local consumption during the next three months.

Table 2.2. Reconciliation of balance stock.

2018/19	MT	k bags
Carry in from 2017/18	74,334	1,239
Production 2018/19	426,987	7,116
Total Supply	501,321	8,355
Dom. use (Oct 18/Sep 19)	167,927	2,799
Exports (Oct 18/Sep 19)	228,574	3,810
Total Demand	396,501	6,608
Estimated Stocks	104,820	1,747
Exporters	12,304	205
ECX Warehouses	2,425	40
Upcountry traders	11,250	188
Farmers	34,981	583
Domestic market	43,860	731

2.4) Prices: September 2018 to August 2019

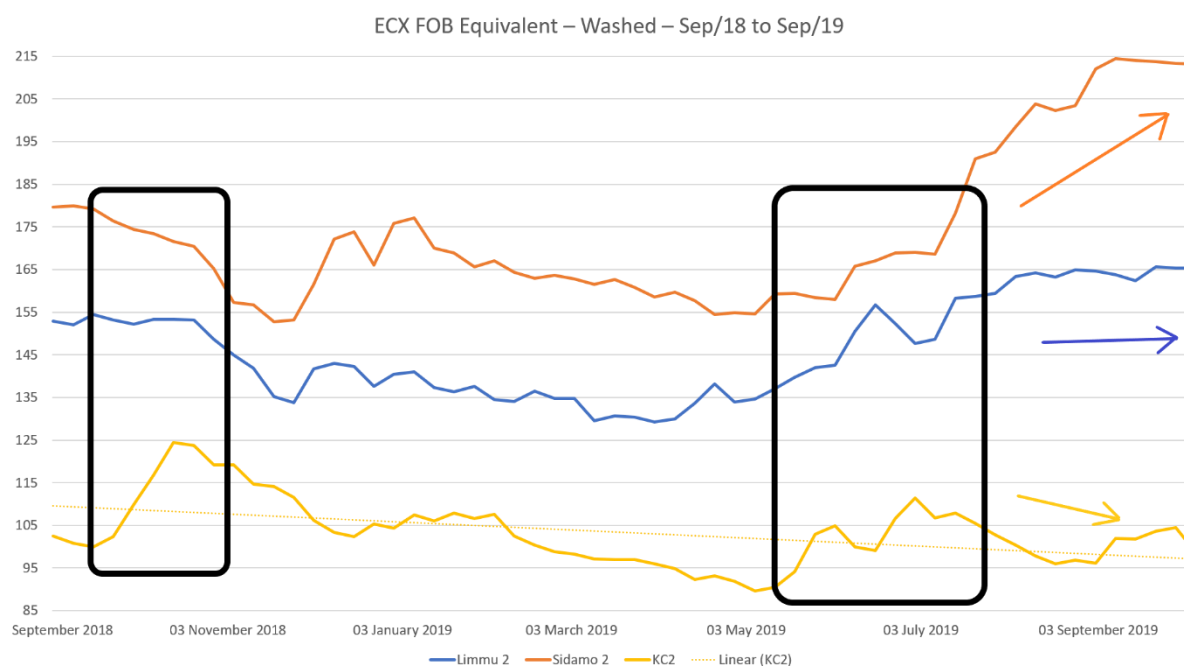
Looking at Graphs 2.3 and 2.4 below, we can see that the October 2018 rally in New York didn't lead to an increase in ECX prices, suggesting exporters' long positions and high availability of unsold 2017/18 upcountry stocks, which were liquidated taking advantage of the sustained rally in Oct/Nov 2018. As soon as fresh crop (2018/19) washed qualities started trading at ECX, prices rise, despite New York's downtrend.

Moving on, focusing on the rally in New York in the end of May 2019, it is noticeable that ECX followed KC. Moreover, akribis were able to keep ECX prices high due to the end of Ethiopian financial year ending in June and exporters' willingness to cover short positions.

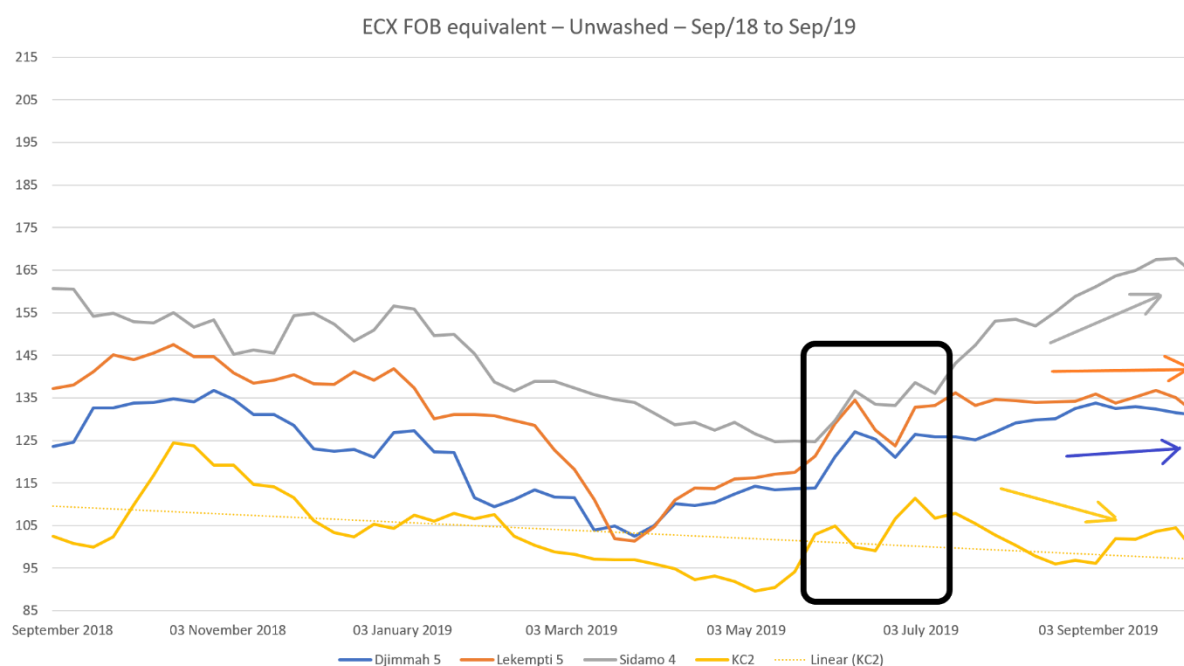
In the end of June 2019, there was a second peak in New York, after which ECX prices didn't go down, instead we see a strong uptrend in Sidamos and some stability in Western qualities. Overall, these 2 peaks in the KC contract might have led to strong disappearance in washed qualities, as well as higher-end naturals (Sidamo 4). This, together with a high default rate in Sidamos due to quality (faded/old cup profile, fermented cups) from July onwards and unusually high prices for Yirgacheffe 2 – leads us to conclude that there is currently a real shortage of Southern coffee, despite the good 2018/19 harvest. Also, this implies that the carry-in stocks at the start of the 19/20 season is mainly composed of naturals from the Western regions.

NB: Coffee exporters' break-even prices for Unwashed coffee (Djimmah 5 and Lekempti 5) are much higher than their usual NBE registration prices, as is expected of exporters who are short of USD to finance their import businesses. This is not the case with Washed coffee or higher-end Naturals.

Graph 2.3. Exporters' break-even prices for Washed Coffee – weekly average (in ct/lb).



Graph 2.4. Exporters' break-even prices for Unwashed Coffee – weekly average (in ct/lb).



3) 2019/2020 CROP ESTIMATE – BASED ON PRE-HARVEST SURVEY

3.1) Production estimate

Overall, the 2019/20 crop is about 4% lower than 2018/19 - see Graph 3.1 and Tables 3.1, 3.2 and 3.3 below. This is due mainly to biennial effects (off-cycle) and to Coffee Berry Disease. Crops along some areas of Sidamo and Ilubabor were devastated by hailstone during July 2019.

Higher yields were achieved in the major sundried coffee producing areas like Wellega and Ilubabor zones (West) and Bedesa, Gelemso and Mechera zones in Western Harar. Similarly, the 2018/19 crop of Southern region was better than the 2017/18 crop as well as the 2019/20 crop estimate according to farmers' reports and field observation.

The 2019/20 crop of Sidamo, Gudji, Wolaita and Kembata zones is lower than the 2018/19 crop due to dominant off-cycle effect and CBD. But the crop along Yirgacheffe zone is slightly higher than the 2018/19 crop. The level of CBD infestation in Yirgacheffe is also minimal compared to other washed coffee producing areas in the Southern region.

On the other hand, the 2019/20 crop of South-Western region is dominantly on-cycle. The region has received above normal to excessive rainfall during fruit set and fruit development. But there is damage to the crop due to CBD, which has caused cherries to mummify and drop before ripening.

Table 3.1. Estimates for crop 2019/20.

Region	Production (MT)		% Var	Area (ha)		% Var	Yield (MT/ha)		% Var
	2018/19	2019/20		2018/19	2019/20		2018/19	2019/20	
West	199,759	165,397	-17%	352,799	353,916	0%	0.57	0.47	-17%
SW	48,280	82,234	70%	108,312	113,580	5%	0.45	0.72	62%
South	149,586	130,853	-13%	195,722	197,572	1%	0.76	0.66	-13%
East	28,494	31,571	11%	65,155	65,237	0%	0.44	0.48	11%
North	868	1,065	23%	1,008	1,288	28%	0.86	0.83	-4%
Ethiopia	426,987	411,120	-4%	722,996	731,593	1%	0.59	0.56	-5%
	7.12 M	6.85 M	(bag)				9.84	9.37	(bag/ha)

Graph 3.1. Production figures for crops 2017/18, 2018/19 and 2019/20 (estimate).

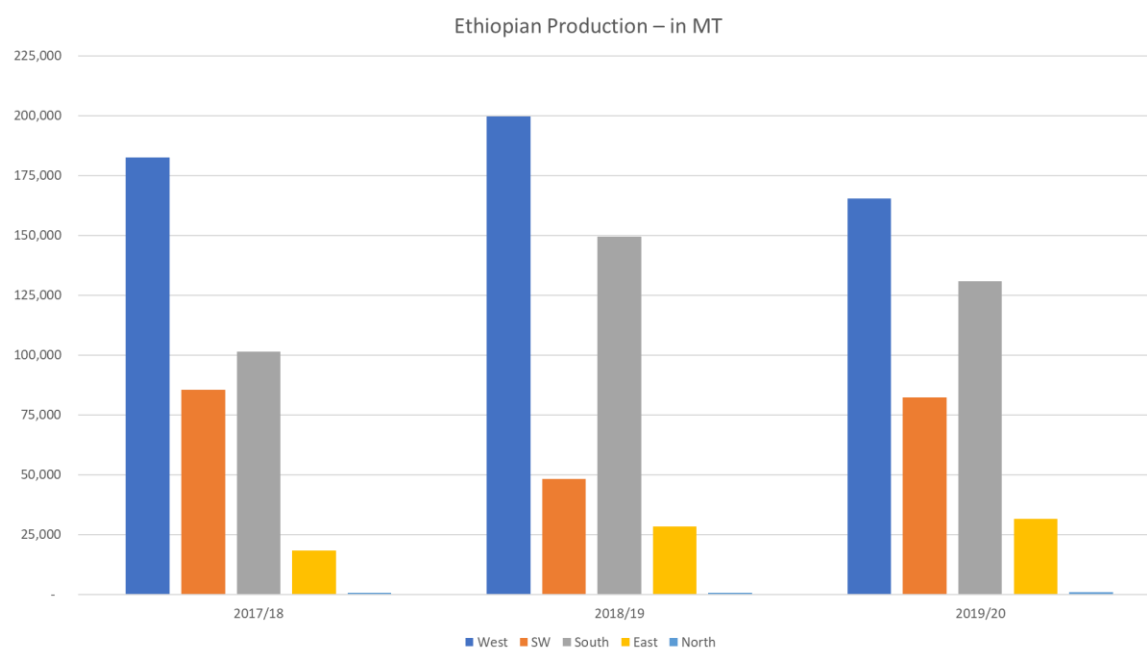


Table 3.2. Unwashed/Washed split in crops 2018/19 and 2019/20.

Region	2018/19					2019/20					Var 19/20 vs 18/19 (%)	
	Unwashed		Washed		Total	Unwashed		Washed		Total		
	MT	%	MT	%	MT	MT	%	MT	%	MT	U	W
West	182,907	92	16,852	8	199,759	149,307	90	16,090	10	165,397	- 18	- 5
SW	45,213	94	3,067	6	48,280	77,881	95	4,353	5	82,234	72	42
South	105,832	71	43,754	29	149,586	93,430	71	37,423	29	130,853	- 12	- 14
East	28,494	100	0	0	28,494	31,571	100	0	0	31,571	11	0
North	868	100	0	0	868	1,065	100	0	0	1,065	23	0
Ethiopia	363,314	85	63,673	15	426,987	353,254	86	57,866	14	411,120	- 3	- 9

Table 3.3. Breakdown of Unwashed and Washed production by zone and region (in MT).

Zone	2017/18			2018/19			2019/20 (estimate)		
	Unwashed	Washed	Total	Unwashed	Washed	Total	Unwashed	Washed	Total
Jimma	51,715	9,392	61,107	36,363	9,502	45,865	50,855	9,687	60,542
Ilubabor	49,329	5,471	54,800	64,346	5,912	70,258	49,406	4,886	54,292
Wellega	63,415	3,290	66,705	82,198	1,439	83,637	49,046	1,517	50,563
West	164,459	18,153	182,612	182,907	16,853	199,760	149,307	16,090	165,397
Gambella	8,503	202	8,705	3,631	68	3,699	6,337	113	6,450
Bench Maji	32,932	1,576	34,508	16,984	1,488	18,472	31,824	1,263	33,087
Kaffa	10,207	1,781	11,988	7,571	955	8,526	13,112	1,578	14,690
Sheka	25,640	1,160	26,800	14,943	427	15,370	23,863	1,224	25,087
Others	3,287	173	3,460	2,083	129	2,212	2,745	175	2,920
South-West	80,570	4,891	85,461	45,213	3,067	48,280	77,881	4,353	82,234
Wolaita	1,981		1,981	2,981		2,981	1,908		1,908
Kembata Tembaro	10,772		10,772	17,820		17,820	11,761		11,761
Sidamo	21,133	21,085	42,218	27,723	28,854	56,577	21,182	22,947	44,129
Gedeo	18,862	6,467	25,329	28,024	9,471	37,495	34,840	10,618	45,458
Borena	13,528	3,883	17,411	22,479	5,249	27,728	18,187	3,725	21,912
Amaro	1,099	87	1,186	1,847	142	1,989	1,353	102	1,455
South Omo	568	17	585	1,104	38	1,142	748	30	778
Gamo Gofa	2,066		2,066	3,853		3,853	3,450		3,450
South	70,009	31,538	101,547	105,832	43,754	149,586	93,430	37,423	130,853
Bale	2,700		2,700	4,270		4,270	5,219		5,219
West Harar	9,921		9,921	16,130		16,130	17,115		17,115
East Harar	5,725		5,725	8,094		8,094	9,237		9,237
East	18,345		18,345	28,494		28,494	31,571		31,571
North	842		842	868		868	1,065		1,065
ETHIOPIA	334,225	54,583	388,808	363,313	63,674	426,987	353,254	57,866	411,120

3.2) Farmers' harvesting pace of 2019/20 crop

2019/20 crop harvesting has started in some big coffee plantations along the lowland parts of South-Western region in the end of August 2019. Farmers in South-Western region have started picking and drying during the first half of September 2019. Harvesting of the season is expected to start earlier than normal, but it is similar to the harvesting pace of the 2018/19 crop.

Most coffee washing stations of Southern and South-Western regions are expected to start coffee washing in October 2019 at a time where most farmers of Sawlo Gofa, Gamo Gofa, Bench Maji and Anderacha zones are picking and drying coffee cherries for sundried coffee supply. Most farmers of Sidamo and Gudji zones are expected to start harvesting and selling fresh red cherry to washing stations in the beginning of October 2019. Most coffee washing stations in the region will have completed processing by mid-January 2020. Similarly, Jimma/Limu coffee harvesting is expected to start in the beginning of October 2019.

Coffee harvesting for Wellega and Ilubabor area is expected to start in mid-November 2019, while most coffee washing stations of Ilubabor zone are expected to start coffee washing by the end of November 2019. Coffee harvesting for 2019/20 crop in the Eastern region is expected to start at the end of September 2019 and will be completed in January 2020. Coffee harvesting in the season will be completed before mid-February 2020.

Peak coffee harvesting and processing for major washed coffee producing regions is expected in November 2019, and washed Sidamo coffee is expected to arrive at ECX in mid-November 2019. Sundried Sidamo is expected to arrive at ECX warehouses in the end of November 2019.

Table 3.4. Harvesting pace of 2019/20 crop.

Zone	Harvesting pace of 2019/20 crop					
	Sep/19	Oct/19	Nov/19	Dec/19	Jan/20	Feb/20
West	0%	16%	39%	33%	10%	1%
SW	1%	25%	43%	28%	3%	0%
South	4%	31%	43%	21%	2%	0%
East	3%	33%	39%	22%	3%	0%
Ethiopia	2%	23%	41%	28%	6%	1%
Cumulative	2%	24%	65%	93%	99%	100%

3.3) Farmers' selling pace of 2019/20 crop

2019/20 crop selling is expected to start in mid-September 2019 for farmers along lowland parts of the Southern region, where most of the coffee is processed as sundried. Most coffee washing stations of Southern and South-Western regions will purchase fresh red cherry in October-November 2019, and most washing stations in Jimma and Ilubabor will purchase fresh red cherry in November-December 2019.

About 20% of the 2019/20 crop will have been sold before the end of January 2020 for sundried coffee processing, while about 14% of the crop will have been sold as fresh red cherry to washing stations by that time. About 50% of the total coffee production will have been sold before the end of February 2020.

Table 3.5. Selling pace of 2019/20 crop.

Zone	Selling pace of 2019/20 crop										
	Sep/19	Oct/19	Nov/19	Dec/19	Jan/20	Feb/20	Mar/20	Apr/20	May/20	Jun/20	Stock Jun
West	0%	2%	6%	6%	11%	16%	17%	13%	12%	9%	10%
SW	0%	1%	11%	14%	15%	15%	15%	11%	7%	5%	6%
South	2%	10%	16%	13%	11%	11%	12%	10%	7%	4%	5%
East	0%	0%	7%	9%	18%	21%	16%	12%	9%	2%	7%
Ethiopia	1%	4%	9%	9%	12%	15%	15%	12%	10%	6%	7%
Cumulative	1%	5%	14%	24%	35%	50%	65%	77%	86%	92%	100%

3.4) Farm gate coffee prices

Farmers along Sidamo, Gudji and Yirgacheffe zones were selling 2018/19 **fresh red cherry** by about 10-12 ETB/kg on average, while farmers in South-Western zones were selling 2018/19 crop red cherry at about 8 ETB/kg.

Dry cherry selling price in the Eastern region was of about 34-36 ETB/kg in 2018/19 crop, while dry cherry price for Sidamo and Gudji (South) coffee was at 30-32 ETB/kg. Farmers in the South-Western region were selling dry cherry at about 24 ETB/kg, and the price of dry cherry in Jimma and Wellega (West) was of about 28 ETB/kg.

Farmers in Bedesa and Gelemse area were selling **green coffee beans** at 90-95 ETB/kg in Western Harar. But the price of coffee beans in Mizan Teferi and Bonga areas (South-west) was 55-60 ETB/kg. The price of coffee beans in Jimma, Metu and Gimbi town was 60 ETB/kg.

Expected selling price of 2019/20 crop is expected to be lower than previous seasons. Current farm gate coffee prices are not covering the costs of coffee production. As a result, many Ethiopian coffee farmers prefer to plant khat, eucalyptus tree and tea as an alternative source of income. Some farmers in Chora, Yayo and Hurumu zones (Ilubabor) have also started shifting from coffee to khat cultivation and some are inter-cropping khat with coffee.

Table 3.6. Farm gate coffee prices.

Region	Average 2018/19 Price (ETB/kg)			Expected 2019/20 Price (ETB/kg)			2019/20 vs. 2018/19		
	Fresh	Dry	Bean	Fresh	Dry	Bean	Fresh	Dry	Bean
West	9	31.4	66.5	8	28	60	-11%	-11%	-10%
SW	8	24.3	54.4	6	22	52.5	-25%	-9%	-3%
South	11.5	32.67	79	9	31	75	-22%	-5%	-5%
East		35	90		32	80		-9%	-11%

Notes:

- 1 USD = 29 ETB
- 100 kg of fresh red cherry = 20 kg of green beans
- 100 kg of dry cherry = 50 kg of green beans

3.5) Current weather conditions

East

Prevailing weather situation is favourable for blossom set and fruit development. The region has received excessive to above normal rainfall during fruit development. Rain has started early before normal flowering period, and thus the existing weather situation has contributed for the improvement of coffee productivity. There has been an early blossom set and fruit development. 2019/20 crop harvesting is expected to start in the beginning of October 2019. Good crops are observed along Bedesa, Gelemso and Mechara areas of Western Harar.

South

Current weather situation of the 2019/20 crop shows excessive and above normal rainfall. There was also excessive rainfall and hailstone in some areas of Leku wereda and Yirgalem in July 2019. There is higher level of CBD infestation across Sidamo zone and crop damage in 2019 when compared to previous seasons.

About 7% of the crop is devastated by CBD during fruit development stage. The 2019/20 crop of Sidamo is slightly lower than the 2018/19 crop. The crop along Wansho, Dale and Aleta Wendo wereda are lower due to dominant off-cycle effect and excessive rainfall. The level of the disease is higher along Aleta Chucko and Bensa Daya wereda.

The 2019/20 crop of Gedeo/Yirgacheffe is slightly higher than in 2017/18 and 2018/19. Remember that in the 2017/18 crop a part of the area was highly destroyed by frost. There is improvement in the coffee farms' performance in Yirgacheffe. The pattern and intensity of rainfall of the 2019/20 season is in general above normal. There is CBD infestation in the region in general.

The 2019/20 crop in Borena/Gudji is dominantly off-cycle. The crop of Shakiso and Hagere Maryam areas are much lower, but better crop is observed along areas like Tore, Uruga and Kercha areas (Gudji coffee).

The 2019/20 crop is generally off-cycle in Wolaita, Kembata, Hadiya and Gamo Gofa areas.

South-west

The 2019/20 crop in the region is dominantly on-cycle. Above normal rainfall was received during blossom set and fruit development. There is above normal to excessive rainfall since May 2019. There is about 3-5% of crop damage due to CBD infestation, and that has resulted in fruit drop and mummified cherries. The crop is at the ripening stage.

Crop harvesting has started in Bebek coffee farms during the last week of August 2019, and crop harvesting has started 2-3 weeks earlier than the normal harvesting seasons along Bench Maji, Meti wereda and Tepi area. Most coffee washing stations will start processing after mid-September 2019. The region still has a heavy military presence after social unrest in 2018, especially along Tepi and Masha areas.

On the other hand, some big coffee farmers have started planting tea instead of coffee, and these farmers have established some sort of out-grower scheme to increase their supply.

The 2019/20 crop is dominantly on-cycle in Bench Maji and Keffa and production is higher than in 2018/19. Above normal to excessive rainfall was received during 2019. Crop harvesting is expected to start after mid-September 2019.

The 2019/20 crop is generally on-cycle in Sheka, Tepi and Gemadero, as well as in Gambella and Meti wereda. The 2019/20 crop has received above normal to excessive rainfall during 2019.

West

The 2019/20 crop in Wellega and Ilubabor is lower than the 2018/19 crop, but in Jimma the crop is dominantly on-cycle. Crop harvesting will start in the beginning of October 2019 in Jimma area and crop harvesting has started about one month earlier than last year in the region. Farmers are planting new seedling for gap filling and area expansion.

The weather conditions in Jimma area is favourable for fruit development and maturation. The pattern and distribution of rainfall during the 2019/20 crop is normal to above normal. The 2019/20 crop is higher than in 2018/19. Better crop is observed along Seka and Shebe area and Horizon coffee farms like Limu kossa. There are good crops along major Jimma coffee producing areas like Gomma and Mana wereda. But the crops along Limu genet and Limu kossa are lower than in 2018/19 crop. Crop harvesting will start beginning of October 2019.

The 2019/20 crop in Ilubabor is lower than in 2018/19. The smaller crop is observed along Ilubabor coffee areas like Yayo, Hurumu, Metu, Becho, Gore and Bure. The 2019 weather situation shows excessive to above normal rainfall. Hailstone and excessive rainfall have caused fruit drop in some areas of Nopa and Suphee last July. Crop harvesting is expected to start in November 2019. There are huge coffee and tea expansion operations in Ilubabor.

The 2019/20 crop in Wellega is generally off-cycle and has suffered from the effects of excessive rainfall. Raining has started mid-May 2019 and there was a higher intensity of rain in June and July 2019. The economic activity in the area is hampered due to political tension. Wellega is still military control.

4) 2020/2021 CROP ESTIMATE – BASED ON BUD GROWTH AND WEATHER

Ethiopia's 2020/21 crop has a weighted probability projection of about **449,121 MT** (7.49 M bags), which is about 9% higher than the current estimate for 2019/20 (411,120 MT). The projection of the crop number is based upon observed bud wood growth and on-cycle effects.

The crop along the Eastern region is expected to increase by about 4% when compared to 2019/20, while in the Southern region the crop is expected to grow by about 38%. The crop in the Western region is expected to increase by about 12%.

The crop in the South-west is expected to be dominantly off-cycle. As a result, 2020/21 will probably see a decrease of about 40% when compared to 2019/20.

Table 4.1. Weighted probability projection for the 2020/21 crop (on-year).

Region	Production (MT)		% Var	Area (ha)		% Var	Yield (MT/ha)		% Var
	2019/20	2020/21		2019/20	2020/21		2019/20	2020/21	
West	165,397	185,082	12	353,916	355,028	0.3	0.47	0.52	12
SW	82,234	49,005	-40	113,580	116,097	2.2	0.72	0.42	-42
South	130,853	180,498	38	197,572	199,439	0.9	0.66	0.91	37
East	31,571	32,914	4	65,237	65,338	0.2	0.48	0.50	4
North	1,065	1,622	52	1,288	1,408	9.3	0.83	1.15	39
Ethiopia	411,120	449,121	9	731,593	737,310	0.8	0.56	0.61	8
	6.85 M	7.49 M	(bag)				9.37	10.15	(bag/ha)



ABBREVIATIONS USED

CBD – Coffee Berry Disease, caused by the fungal pathogen *Colletotrichum kahawae*

ECX – Ethiopian Commodity Exchange

ETB – Ethiopian Birr, Ethiopia's national currency (= 1/29 USD)

EUR – Euro, Eurozone's official currency

KC – New York's Arabica Coffee Futures Contract

NBE – National Bank of Ethiopia

SNNP – Southern Nations, Nationalities, and People's Region (Sidamo is part of it)

USD – United States Dollar (= 29 ETB)

UNITS OF MEASUREMENT

bag – 60-kg bag of green coffee (without parchment, not roasted)

ct – United States Dollar cent (= 0.01 USD)

ct/lb – USD cents per pound

frs – Feresula (= 17 kg)

ha – hectare (= 10,000 m² or 2.471 ac)

kg – kilogram (= 2.20462 lb)

lb – pound (= 0.4536 kg)

MT – Metric ton (= 1,000 kg)

NB: in this document, a point (.) will be used for decimals, whereas a comma (,) will be used to separate thousands/millions.