



# ETHIOPIA

## 2022/23

# CROP ESTIMATE

February 2023



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## EXECUTIVE SUMMARY

2022 saw the end of fighting between Government troops and Tigray Rebel Forces. The 2 year long war has brought misery to the population, displacing, and killing hundreds of thousands of people. Food production in the North of the country has also been badly affected. The monetary costs of the war were also huge and ultimately unsustainable forcing the opposing sides to the negotiating table. Insecurity has not enabled us to carry out our survey in optimal conditions however we delayed the publishing of our report to include as much field analysis and data as possible.

### 2021/2022 CROP

Our estimate was for a record crop at 470 K MT. The higher crop and higher market levels resulted in record exports for the period Oct 21 to Sep 22. We have revised our domestic consumption by increasing this figure by 50 k bags and we have reduced our previously estimated export figures to reflect the official exports made available by the Coffee and Tea Authority resulting in a decrease in our export figure by 191 K bags. Carry in stocks at October were higher by 142 K bags, this fact, coupled with the sharp fall in the terminal market led to prices bid by buyers declining. We then saw exports decline in December and January to the lowest in the last 5 years. It is our conclusion that the stock build up in 2022 is as much as 650 K bags, i.e. as of end February 2023 8% of the 21/22 crop remains in the hands of stakeholders, much of this coffee is Lekempti and a fair volume is Washed.

### 2022/23 CROP

We are estimating a decrease in production of 11% vs the 2021/22 crop, this is not surprising considering the very high production of 21/22. We expect the 22/23 crop to yield 420 K MT. The highlight of the 22/23 crop is the decline in Washed coffee production, which we estimate will decline by 57%. This means that only 7% of the crop will be washed. The increase in proportion of Natural coffee production will mean that Natural production will be very similar to the Natural production of 21/22. Production in 22/23 is down in every region of the of the country, however in regions where production was sharply up in 21/22 such as South West the decline in production 22/23 will be more sharply lower. Prices paid for fresh cherry were much higher this year as farmers demanded inflation matching increases for their produce. This explains why Washed production is lower, washing stations were reluctant to buy and process cherries from November to January knowing that export prices were lower following the steep drop in the terminal market.



# 1. INTRODUCTION

## 1.1 General Thoughts on the 2022/23 Crop

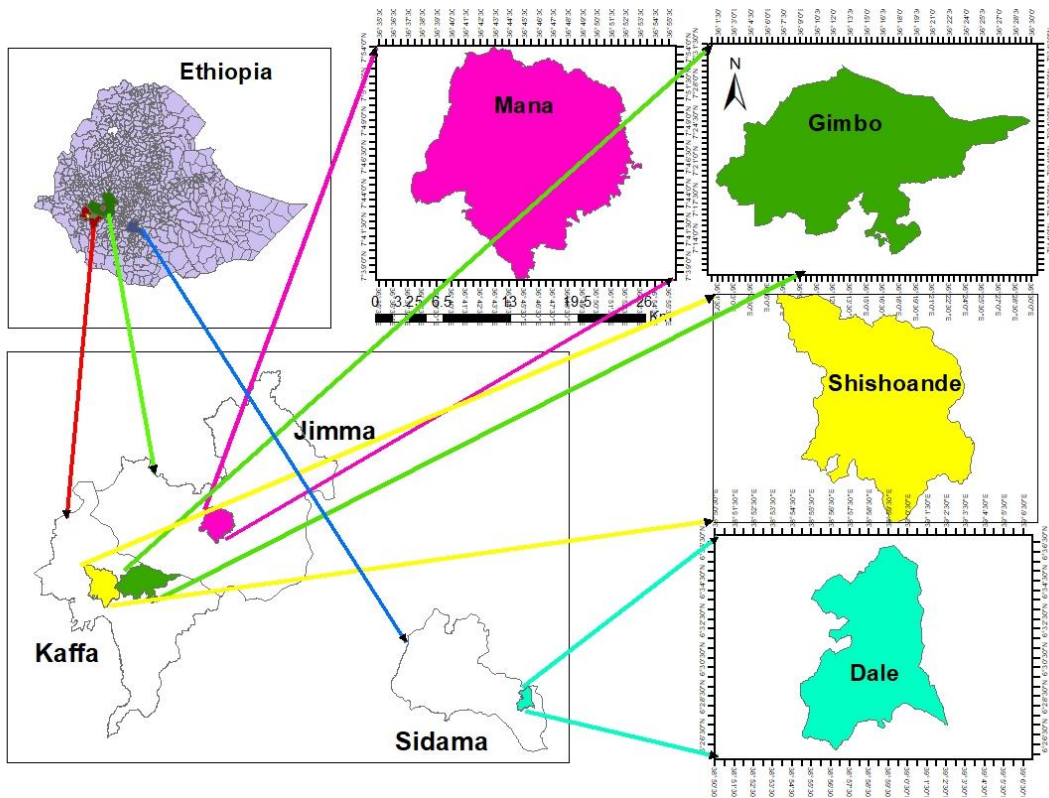
2022/23 crop is estimated at 419,597 MT (6,993 K bags) which 11% lower than the 2021/22 crop.

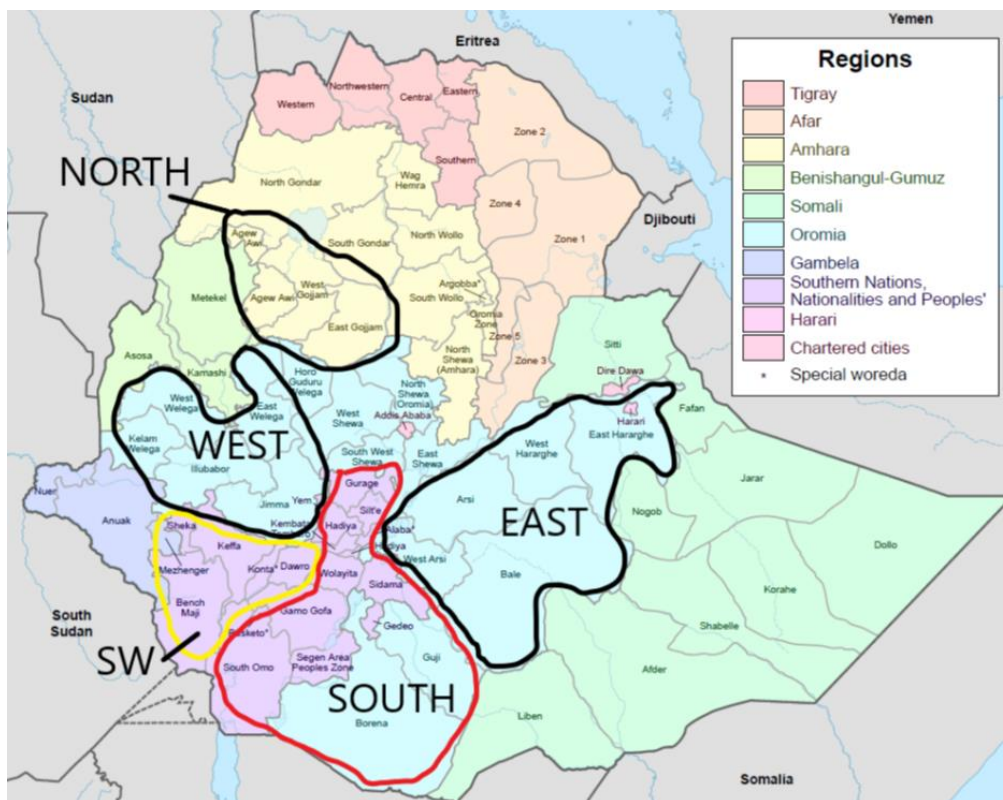
Harvesting was normal this season and the weather was generally good for crop development, maturing and post-harvest processing. The big change is the reduced production of Washed Coffee, whereas in 2021/22 we estimated production at 72 k MT of Washed coffee in 2022/23 we only estimate that the crop will yield 31 k MT. In the regions where washed coffee production is greater such the South region (which includes areas such Yirgacheffe, Guji and Sidamo) the decrease in production of washed is greatest, 57% decline in washed production viz-a-viz 2021/22. Overall, we are expecting a decrease in the South region of 10%, however we expect that Natural production will increase by 14%, which is encouraging for Sidamo 4 users!

## 1.2 Methodology

We focused particularly on 4 woredas to collect data points that we consider important for our analysis, such as prices for fresh and dried cherries. These woredas are located in 3 Regions:

Woreda	Region
1. Mana	West
2. Gimbo	South West
3. Shishoande	South West
4. Dale	South





### 1.3 Production, Exports, Domestic Consumption and Stocks

The 2021/22 Crop was large and shipments between Oct 21 and Sep 22 reflected this totalling 287 K MT. We had projected that shipment would have been even higher, however a combination of stock build up and increased domestic consumption meant that we did not achieve the projected total. Still at 287 K MT, exports between Oct 21 and Sep 22 will be the highest for that period ever! The Potential for 22/23 that we had projected last year was not achieved due to a combination of off-cycle and instability.

Table. 1) Supply and Demand

October to September ('000 bags)							
	SUPPLY			DEMAND			
	Carry In	Production	Total	Dom. Use	Exports	Carry out	
19/20	1,355	7,197	8,552	2,924	4,063	1,565	
20/21	1,565	7,320	8,885	2,647	4,622	1,616	
21/22	1,616	7,838	9,454	2,940	4,777	1,737	
22/23*	1,737	6,993	8,731	2,815	4,266	1,650	*estimate
23/24**	1,650	7,500	9,150				**Projection



## 2. REVIEW OF THE 2022/23 CROP

### 2.1 Internal market situation

The war that had been raging for nearly 2 years came to an end with the cessation of fighting and the signing of peace agreements. Slowly the northern region of Tigray is returning to normality. Much reconstruction of infrastructure and trust “bridge building” remains to be done, however the end of the fighting is a significant achievement and allows for stability in the North of the country and in the capital Addis Ababa. The predominance of direct treaty to trade coffee internally has made controlling the flow of coffee to the internal market much harder. Anyone can move coffee anywhere in the country, inevitably, more coffee is finding its way to the local market which has the advantage over the export market because of high internal prices, liquidity and quick cash turnover. We therefore believe that an extra 50 k bags found their way to the internal market than initially projected. The decline in prices offered by overseas buyers after the invasion of Ukraine in February also limited the export potential resulting in an increase in stocks in exporter warehouses and importantly in stores upcountry.

Table. 2) Review of the 2021/22 Crop

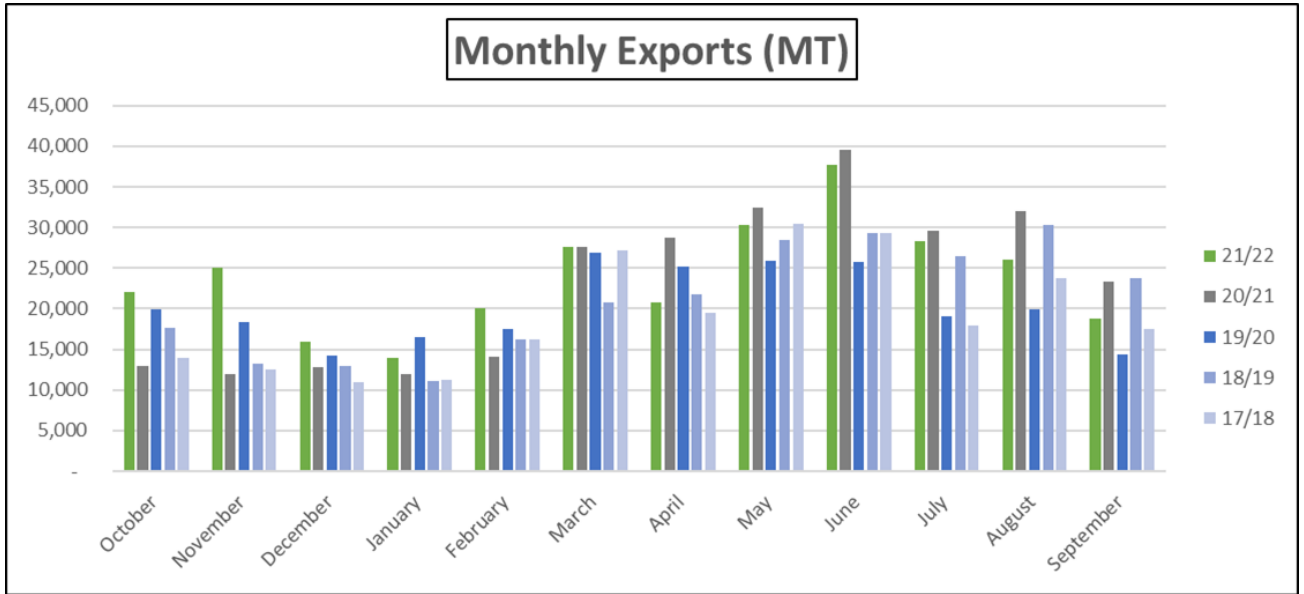
Region (MT)	Production 21/22
West	214,576
South-West	81,506
South	148,994
East	24,530
Others	715
Ethiopia	470,320
K Bags	7,839

### 2.2 2021/22 Export Performance

A mixed picture, with the first 6 months indicating very strong exports, up to March 2022 and subsequently from April 2022 to September 2022, a slower pace of exports in spite of plenty of coffee being available, lower export prices and an Ethiopian economic downturn reduced the purchasing power and demand for some imported goods, these factors weighed down on export sales. Many exporters have import businesses that are under pressure due to lower purchasing power of the population that is suffering the effects of the war and inflation.

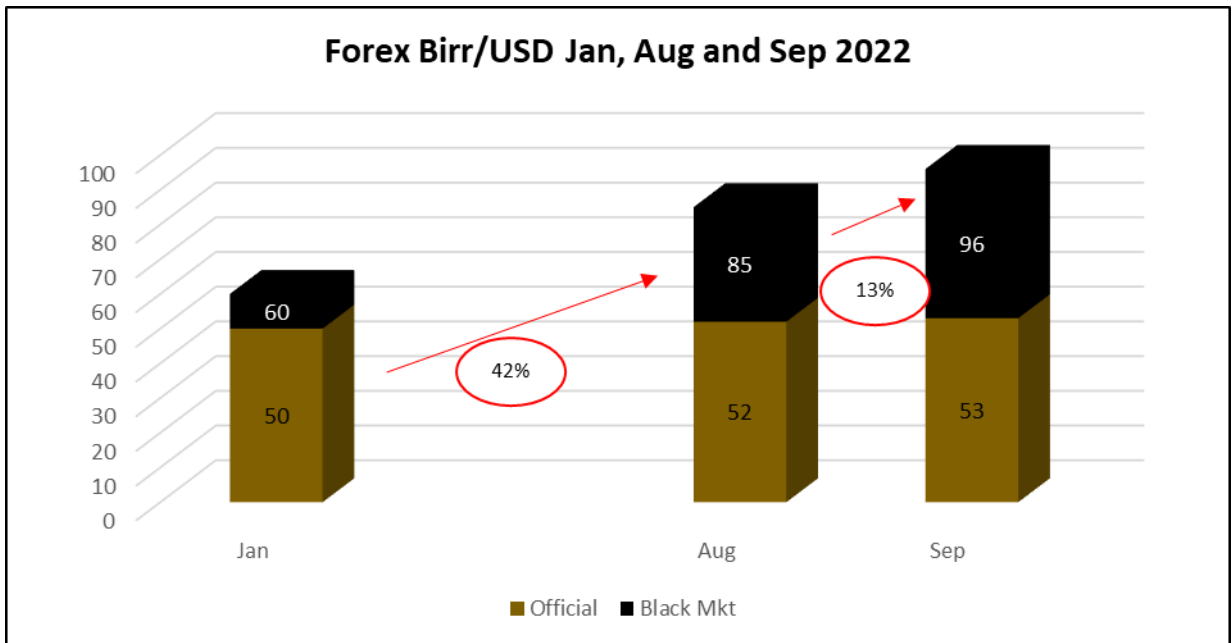


Table.3) Export Performance



The currency devalued, as expected, however the official rate appears completely divorced from the black market rate, which currently values the Birr 100% lower than the official rate!

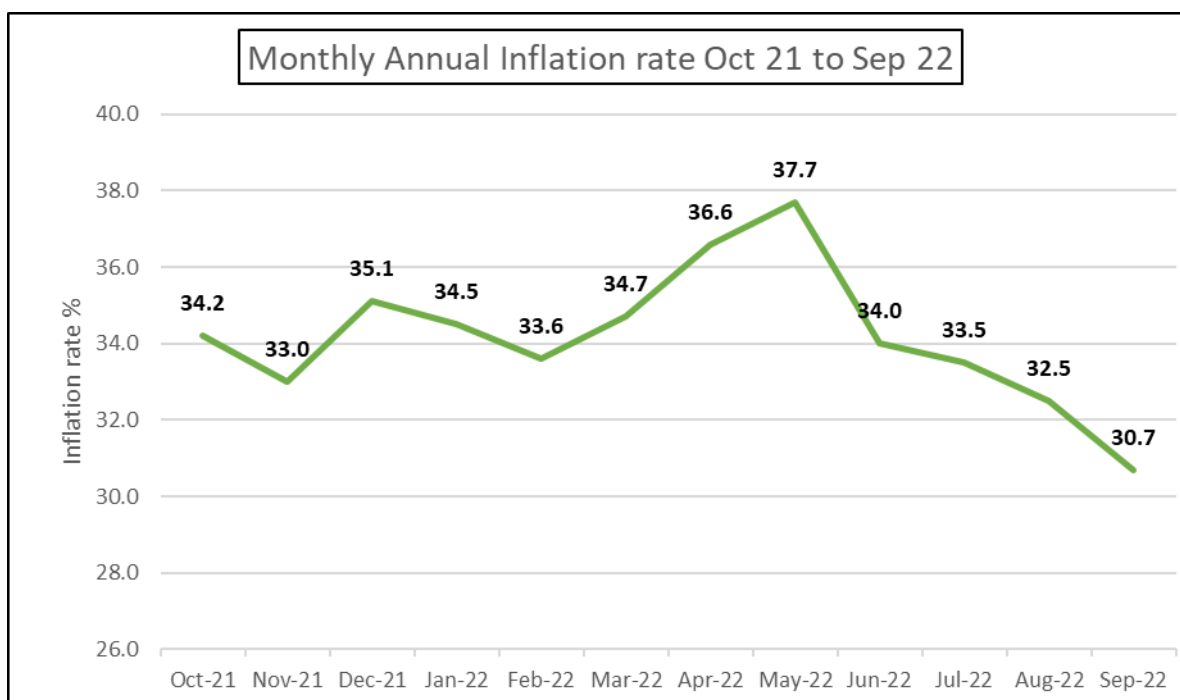
Table.4) Forex



The official forex rate USD/Birr has devalued the Birr by 3 Birr to the USD over the 12 month period, 6%. However, the black market rate puts the Birr at around 100 to the USD. This disparity could spell trouble for government moving forward.



Table.5) Inflation rate



The inflation rate over the 12 month period Oct 21 to Sep 22 hovered around the 35% mark. Food inflation was even higher, above 40%. The previous 12 months inflation was below 20%. So, with price hikes as steep as these it is not surprising that farmers were so reluctant to depart with their cherries at what might be perceived low prices! Particularly when a cup of “Buna” bought on the streets of Addis costs around USD 1! The high price of coffee internally and other economic pressures are likely to negatively impact internal consumption in 22/23.

Table.6) Comparison of Export figures

Month	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Oct	15,108	13,923	18,902	17,674	19,966	13,018	22,120	22,543
Nov	13,453	12,547	17,409	13,263	18,328	11,964	25,005	14,844
Dec	10,420	11,013	15,167	12,992	14,188	12,757	15,910	8,400
Jan	12,652	11,259	13,508	11,166	16,570	11,995	13,935	8,777
Feb	13,044	16,196	16,607	16,199	17,456	14,132	20,120	12,390
Mar	18,020	27,214	22,236	20,739	26,949	27,673	27,664	25,000
Apr	17,984	19,443	25,588	21,809	25,135	28,800	20,723	25,000
May	24,614	30,441	26,142	28,449	25,967	32,371	30,310	30,000
Jun	24,555	29,262	27,082	29,294	25,790	39,604	37,765	35,000
Jul	16,265	18,412	17,928	26,512	19,015	29,600	28,303	30,000
Aug	19,198	20,722	23,694	30,279	19,995	32,015	25,971	27,000
Sep	12,450	16,692	17,557	23,696	14,433	23,368	18,772	17,000
<b>Total</b>	<b>197,764</b>	<b>227,124</b>	<b>241,819</b>	<b>252,072</b>	<b>243,791</b>	<b>277,297</b>	<b>286,598</b>	<b>255,954</b>
<b>Production-MT</b>	<b>339,691</b>	<b>403,785</b>	<b>388,645</b>	<b>426,987</b>	<b>416,835</b>	<b>439,218</b>	<b>470,322</b>	<b>419,597</b>

At 287 K MT of exports the period under analysis recorded the highest shipment figure ever, reflecting increasing prices up to February 2022 and strong production in both 2020/21 and 2021/22.





## 2.3 Reconciliation of Supply, Demand and Stocks

We have increased our Domestic Consumption estimate by 50 K Bags reflecting the ease that traders currently have in moving coffee from the producing areas to Addis and other centres of high internal consumption. We had projected exports to be higher by 191 K bags, this figure was reduced to reflect the actual exports as reported by the Coffee & Tea Authority. Carry Out stocks have therefore increased by 142 k bags; in Wellega (Lekempti) there has been stock build up following the destocking that occurred to meet the higher export price environment of 2020/21. Furthermore, shippers even today are sitting of Washed coffee stocks from previous crops having been caught out by the fall in terminal prices and lower global demand for washed coffees.

Table.7) Reconciliation 21/22 crop figures

K Bags			
2021-22	Revised	Estimated	Reconciling
Carry in	1,616	1,616	0
Production 21/22	7,839	7,839	0
<b>Total Supply</b>	<b>9,455</b>	<b>9,455</b>	<b>0</b>
Dom Use (Oct 21-Sept22)	2,940	2,890	50
Exports (Oct 21-Sept22)	4,777	4,968	-191
<b>Total Physical Disappearance</b>	<b>7,717</b>	<b>7,858</b>	<b>-141</b>
Implied stocks/Carry out	1,738	1,596	<b>142</b>

## 3. 2022/23 CROP ESTIMATE

### 3.1 2022/23 Crop Production Estimate

The 2022/23 crop estimate is revised downwards viz-a-viz what we had projected in our last report. Poor husbandry and instability are the main explanations for the decline. Farmers have a perception that prices that they are being offered are low. This may be true in Birr terms, however without a substantial devaluation of the currency exporters are unable to pay what farmers perceive to be a fair price. Indeed, farmers faced with inflation rates of 35% expect their own produce to fetch higher prices otherwise they would rather sell only small amounts to earn cash for their immediate needs and keep coffee, rather than Birr/cash which is continuously losing purchasing value. Farmers have no consideration for terminal market levels or global supply/demand, etc...

This farmer reluctance to part with coffee for “reduced future value” cash is the main reason why Washed Coffee production in 22/23 is so reduced. This is the second year in a row where Washed Coffee production has not reached potential.



Table.8) Crop Production breakdown and analysis

Areas	2021-22			2022-23			Δ 2021/22 to 2022/23		
	washed	Sundried	Total	washed	Sundried	Total	Total	Washed	Natural
Jimma	8,439	75,951	84,390	4,220	62,449	66,669	-21%	-50%	-18%
Ilubabor	2,527	48,016	50,543	834	51,566	52,400	4%	-67%	7%
Wellega	1,593	78,050	79,643	526	73,974	74,500	-6%	-67%	-5%
West	12,559	202,017	214,576	5,580	187,989	193,569	-10%	-56%	-7%
Gambella	-	11,723	11,723	-	8,400	8,400	-28%		-28%
Bench Maji	5,626	16,878	22,504	1,857	16,543	18,400	-18%	-67%	-2%
Kaffa	2,658	23,929	26,587	877	19,595	20,472	-23%	-67%	-18%
Sheka	1,486	13,392	14,878	490	15,910	16,400	10%	-67%	19%
Others	-	5,814	5,814	-	3,200	3,200	-45%		-45%
South-West	9,770	71,736	81,506	3,224	63,648	66,872	-18%	-67%	-11%
Wolaita	1,298	5,191	6,489	428	2,982	3,410	-47%	-67%	-43%
Kembata Tembaro	1,406	5,626	7,032	464	11,936	12,400	76%	-67%	112%
Sidamo	17,561	39,527	57,088	8,781	38,695	47,476	-17%	-50%	-2%
Gedeo	12,308	18,463	30,771	6,154	31,846	38,000	23%	-50%	72%
Borena	14,973	22,458	37,431	4,941	21,459	26,400	-29%	-67%	-4%
Amaro	1,938	896	2,834	640	1,300	1,940	-32%	-67%	45%
South Omo	-	1,889	1,889	-	960	960	-49%		-49%
Gamo gofa	-	5,460	5,460	-	4,170	4,170	-24%		-24%
South	49,484	99,510	148,994	21,408	113,348	134,756	-10%	-57%	14%
Bale	-	7,106	7,106	-	6,100	6,100	-14%		-14%
West Harar	-	15,066	15,066	-	12,400	12,400	-18%		-18%
East Harar	-	2,360	2,360	-	4,100	4,100	74%		74%
East	-	24,530	24,530	-	22,600	22,600	-8%		-8%
Others	-	715	715	594	1,206	1,800	152%		69%
<b>Ethiopia</b>	<b>71,813</b>	<b>398,507</b>	<b>470,320</b>	<b>30,806</b>	<b>388,791</b>	<b>419,597</b>	<b>-11%</b>	<b>-57%</b>	<b>-2%</b>

The most important point to make about the 22/23 crop vs 21/22 is the reduction in availability of Washed Coffee. Whereas in 21/22 Washed Coffee production was 1.2 M bags in 22/23 it is 500 K bags. This is a very large drop in production. The flip side is that the production of Natural Coffee in 22/23 is very close to the Natural Coffee produced in 21/22. Overall production declines 11% nearly all this decline is in Washed coffee, only 10 K MT are Natural Coffee production reduction.

Washed Coffee in 22/23 will only represent 7% of total production, in 21/22 Washed Coffee production represented 15% of Production.

Farmers expectations are that Naturals will fetch ever increasing prices in Birr to compensate for the high inflation. This will only happen if NY prices increase and/or the local currency devalues. Since both these points are difficult to predict only time will tell if farmers expectations will be met.

### 3.2 Farm Gate prices

We have looked in detail at prices paid in 4 woredas as follows:



Table.9) Farmgate prices

Woredas	Fresh Cherry (birr /kg)		Sundried (birr/kg)	
	2021/22	2022/23	2021/22	2022/23
Mana	30-40	55-60	70	80
Gimbo	15-26	35-60	110	75
Shishonde	20-25	40-50	100	80
Dale	40	47	200	150

A quick observation is that Fresh Cherry prices for Washed Coffee production increased between 21/22 and 22/23, whereas Sundried cherry decline.

Considering that official Birr devaluation is a mere 6% and that terminal market declined from one crop to the other, it is difficult to understand higher fresh cherry prices, however this is what happened. These higher prices are currently reflected in exporter offer prices for washed coffees.

Naturals have a much better chance of being offered by shippers at tradable/market prices since these will only be bought by agrabes (middlemen) if they find liquidity, otherwise they will stay upcountry in farmers' hands. If prices are not attractive to farmers, we could again see some retention by farmers, however the capacity to withhold coffee from the market is limited, farmers will eventually need cash and will have to sell coffee stocks.

#### 4. 2023/24 CROP PROJECTION

Given the disappointment on returns from coffee growing we expect that production will decrease in 23/24 as farmers will focus on food production vs cash crops.

Our projection for 23/24 follows:

Region (MT)	Production 23/24
West	174,211
South-West	60,184
South	121,279
East	20,340
Others	1,800
<b>Ethiopia</b>	<b>377,814</b>
K Bags	6,297

