

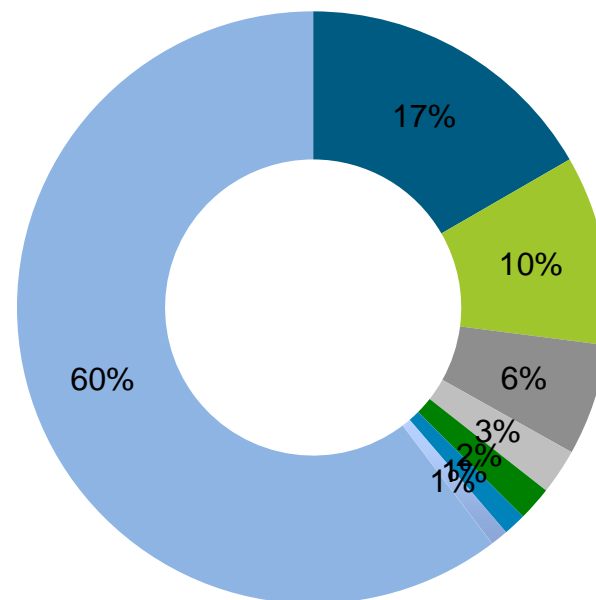
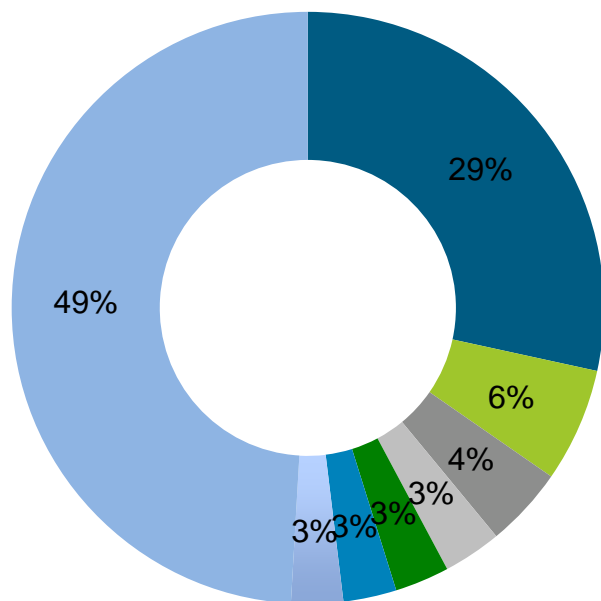
The coffee sector in Sub-Saharan Africa

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Africa has a small share of world coffee production

% share of world Arabica production, 2012/13

% share of world Robusta production, 2012/13



Brazil
 Colombia
 Ethiopia
 Honduras

Peru
 Guatemala
 Mexico
 Others

Vietnam
 Brazil
 Indonesia

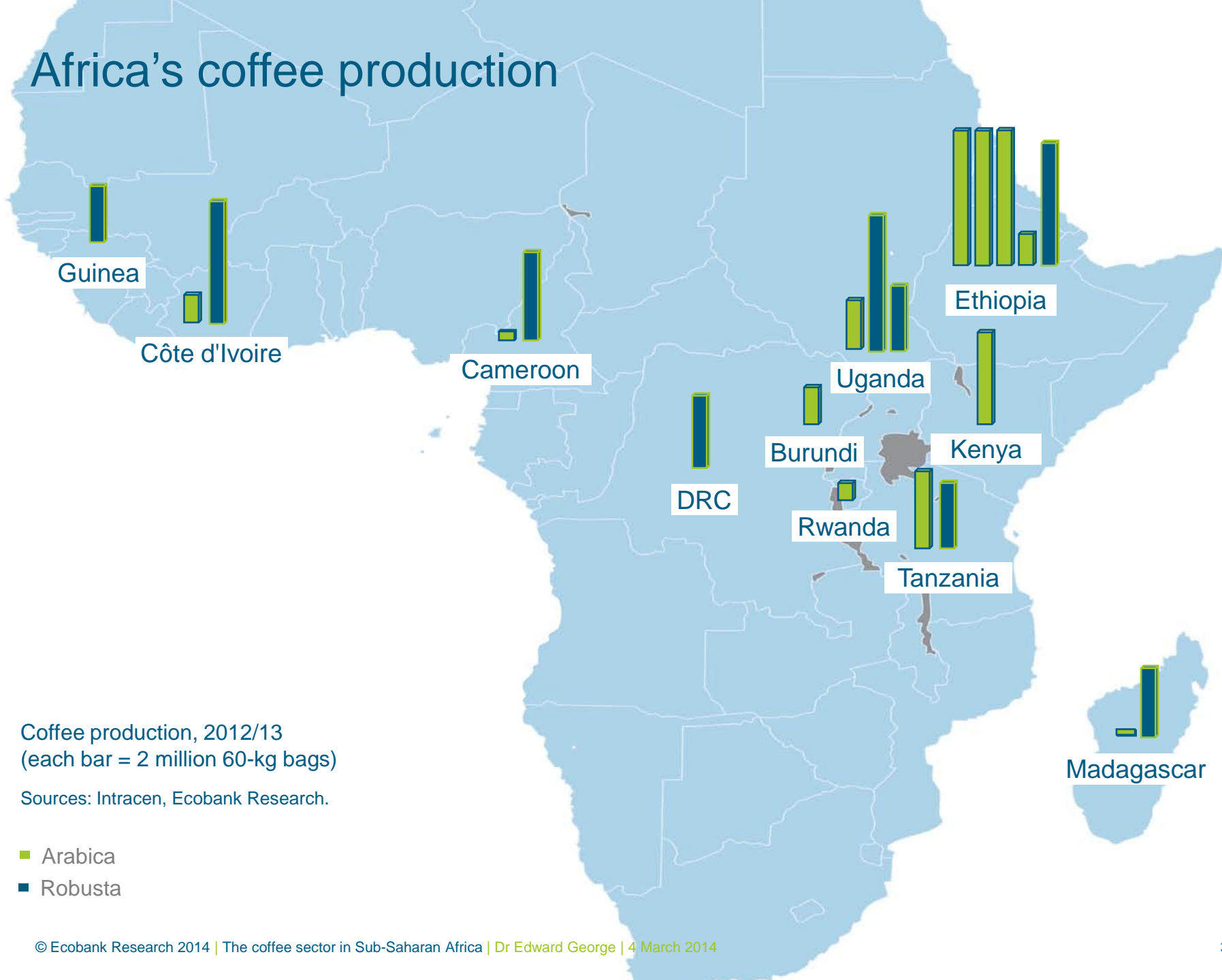
India
 Uganda
 Côte d'Ivoire

Malaysia
 Others

- Brazil and Vietnam account for nearly 60% of world Arabica and Robusta output
- Africa accounts for 12.8% of world coffee output, led by Ethiopia & Uganda

Sources: ICO; USDA, Ecobank Research.

Africa's coffee production



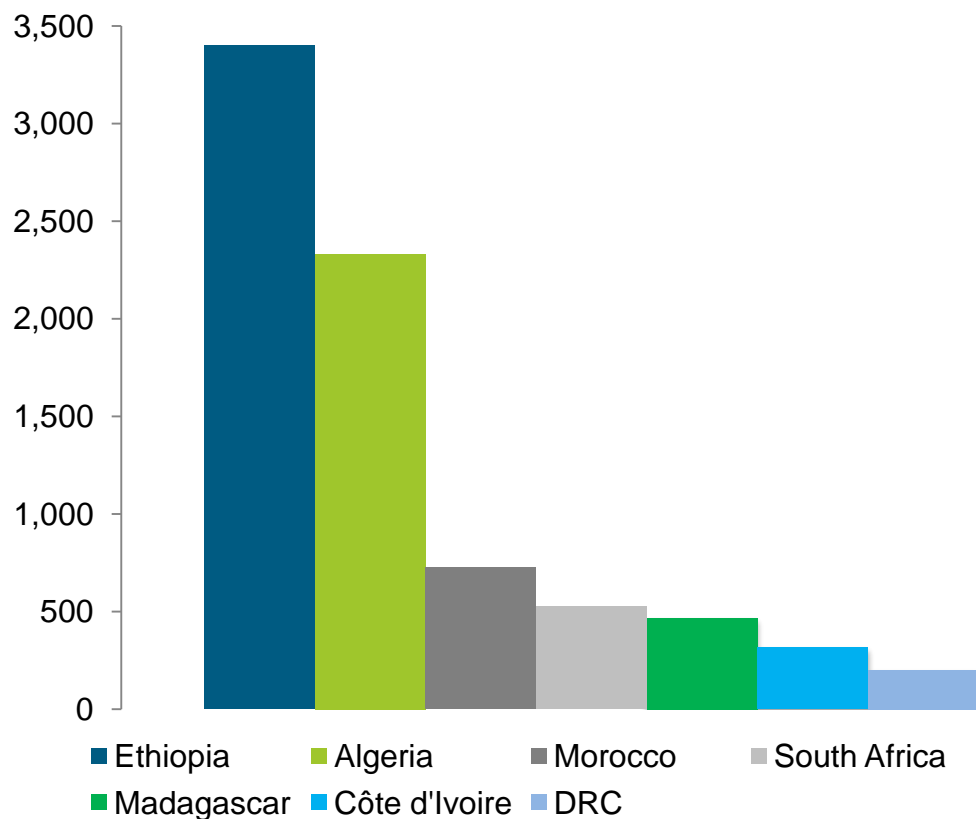
Coffee production, 2012/13
(each bar = 2 million 60-kg bags)

Sources: Intracen, Ecobank Research.

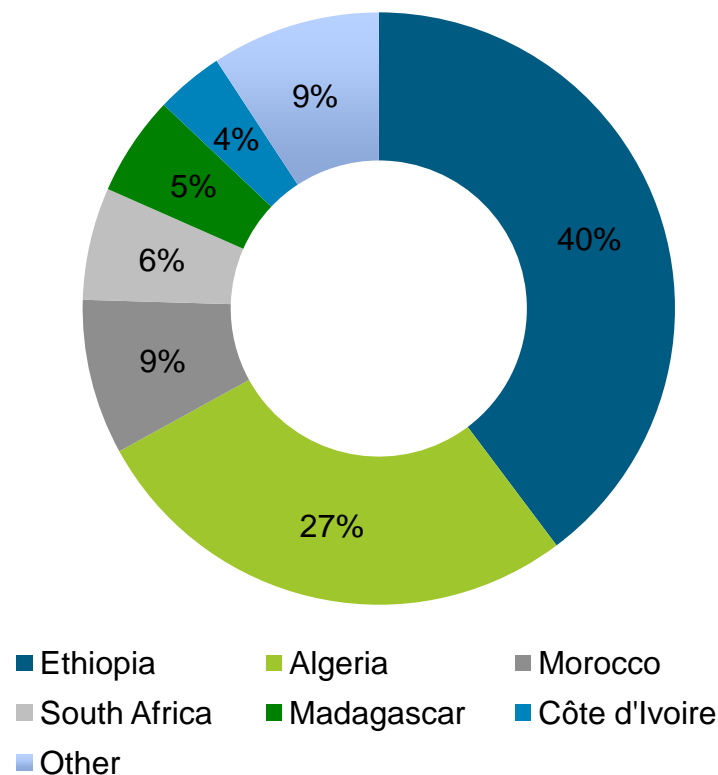
- Arabica
- Robusta

Ethiopia & Algeria dominate coffee consumption

African coffee consumption, 000s 60-kg bags, 2012/13



% share of African total, 2012/13

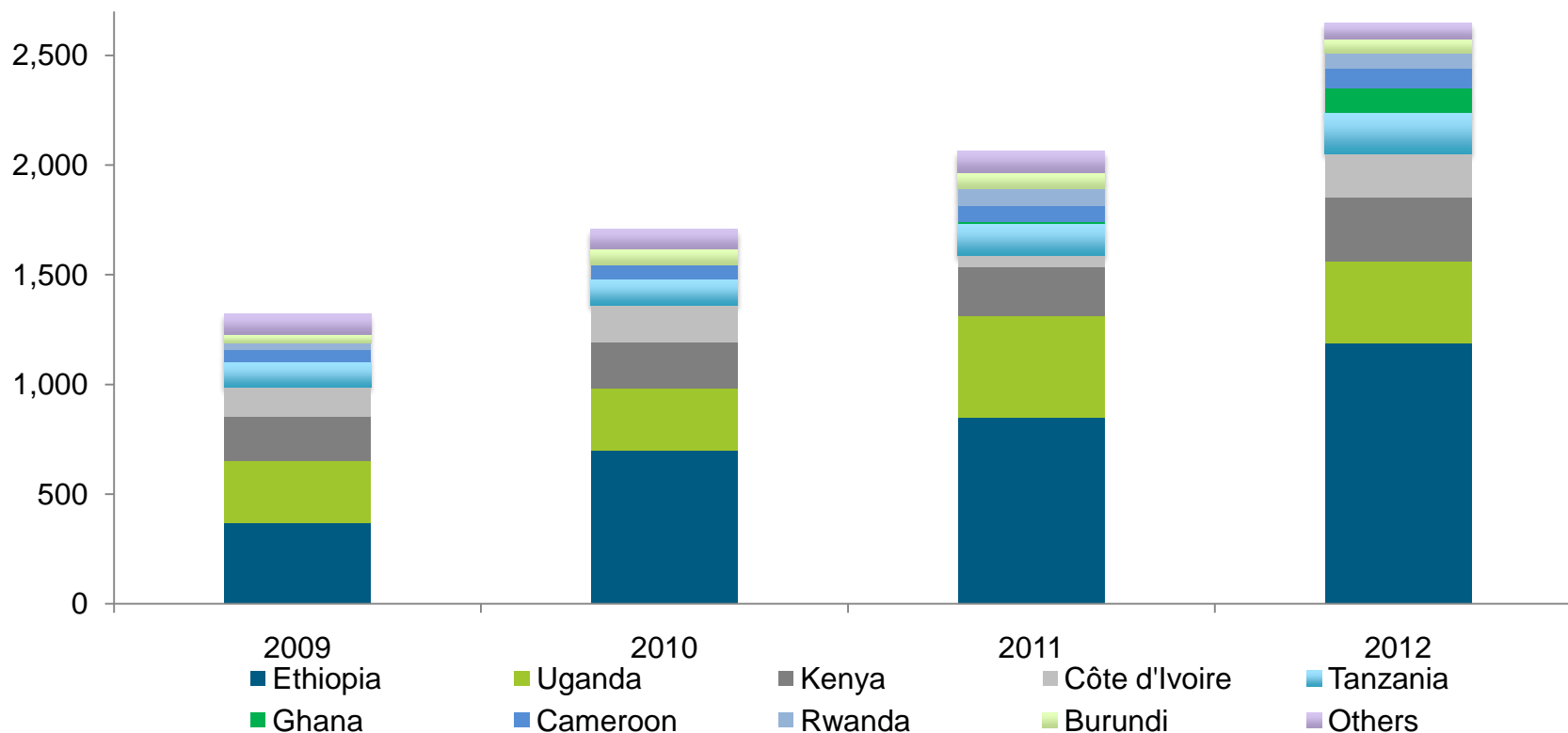


- Ethiopia & Algeria account for $\frac{3}{4}$ of Africa's coffee consumption.
- Most producers view coffee exclusively as a cash crop for export.

Sources: ICO; USDA, Ecobank Research.

East & West Africa dominate coffee exports

Coffee exports, 000s 60-kg bags

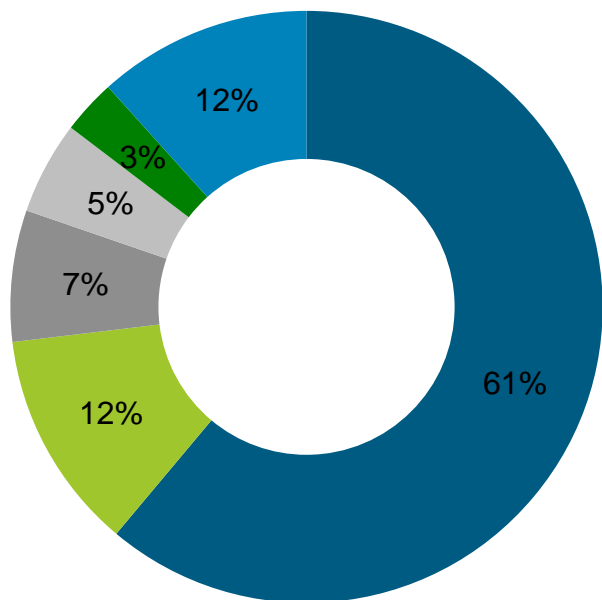


- Africa's coffee exports have doubled in value in 2009-12, to US\$2.6bn.
- Ethiopia has increased its dominance, while Uganda's exports have fluctuated.
- Côte d'Ivoire is re-emerging as West Africa's largest coffee exporter.

Sources: ICO; Ecobank Research.

The EU is the leading oftaker of African coffee

Share of imports of African coffee, US\$, 2012

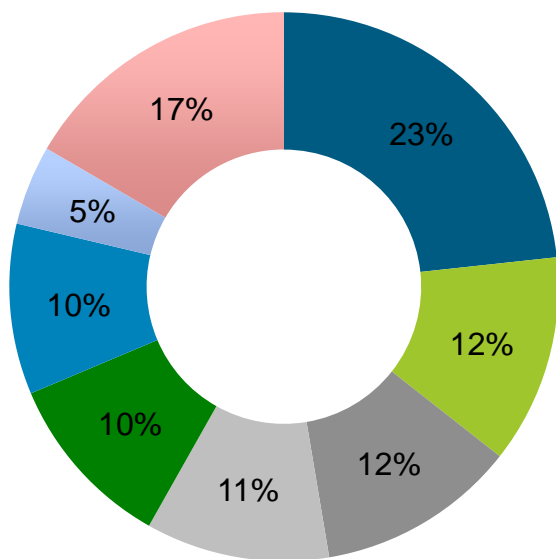


- In 2012 the EU imported US\$1.3bn of coffee from Africa, or 61% of the total.
- Europe's largest importers were France, Switzerland, the UK & Portugal.
- The USA & Canada accounted for US\$263mn of imports.
- Algeria's imports of African coffee were primarily from Côte d'Ivoire, while Japan's were mostly from Tanzania.

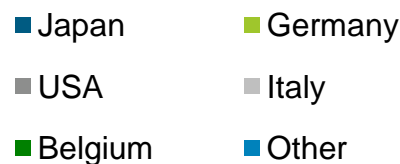
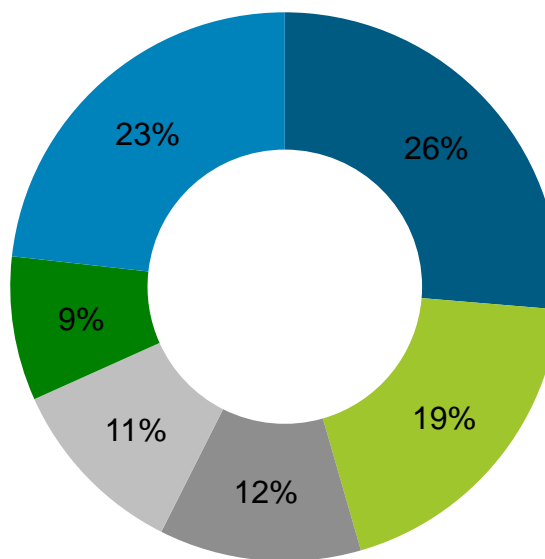
Sources: ICO; Ecobank Research.

Kenya & Tanzania are focused on developed markets

% share of Kenya's coffee exports, 2013



% share of Tanzania's coffee exports, 2013

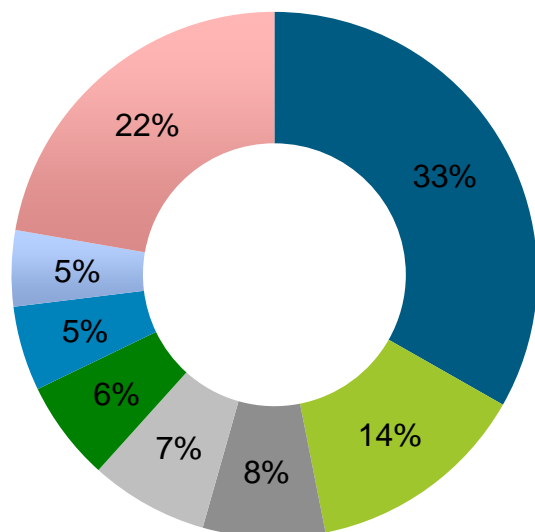


- 78% of Kenya's coffee & 51% of Tanzania's coffee are exported to Western Europe.
- The former colonial powers are the second largest importers of beans.

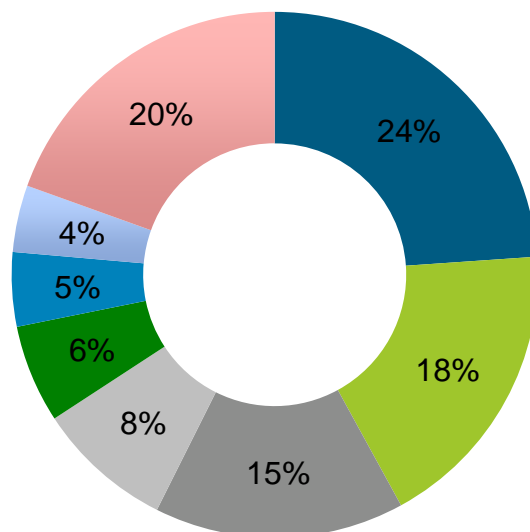
Sources: ICO; Ecobank Research.

Other exporters are developing niche markets

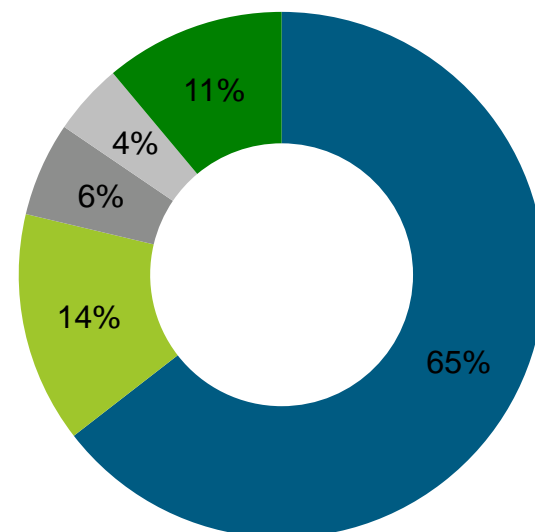
% share of coffee exports of Ethiopia, Uganda & Côte d'Ivoire, US\$, 2013



■ Germany ■ Saudi Arabia
■ Belgium ■ Japan
■ USA ■ France
■ Italy ■ Others



■ Switzerland ■ Sudan
■ Germany ■ Italy
■ Spain ■ Singapore
■ USA ■ Others



■ Algeria ■ Spain ■ Italy
■ France ■ Others

- Although Western Europe remains the largest market, niche markets are being developed.
- 14% of Ethiopia's coffee goes to Saudi Arabia, 18% of Uganda's coffee goes to Sudan, & 2/3 of Côte d'Ivoire's coffee goes to Algeria & 20% to Spain & Italy.

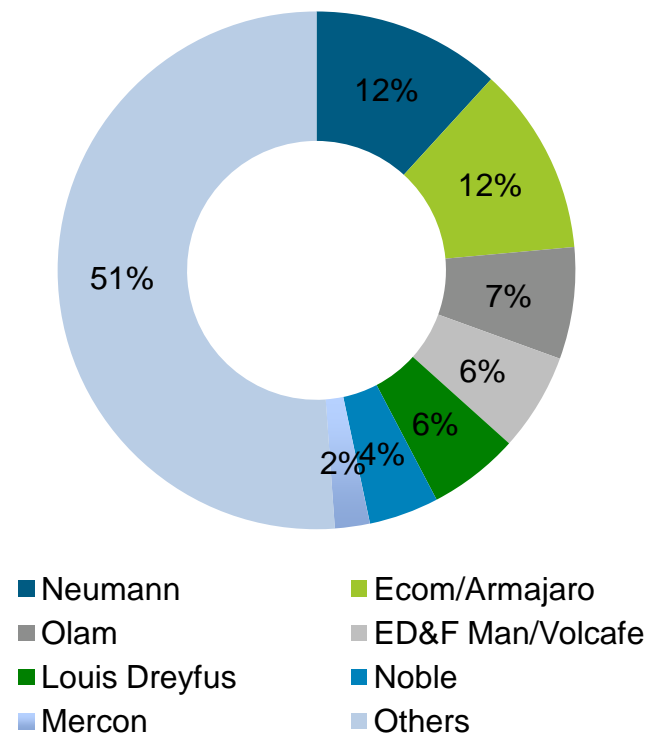
Sources: ICO; Ecobank Research.

A handful of multinationals dominate purchases

Coffee purchases by leading offtakers, m 60-kg bags, 2012

Company	HQ	Total bags purchased	% world exports
Kraft Foods Inc	USA	13.5	11.8
Nestlé SA	Switzerland	12.8	11.2
Sara Lee	USA/Netherlands	8.5	7.4
JM Smucker	USA	5.5	4.8
Elite	UK	3.5	3.1
Tchibo	UK	2.8	2.4
Starbucks	USA	2.7	2.4
Lavazza	Italy	2.4	2.1
Melitta	Germany	2.0	1.7
Segafredo Zanetti	Italy	1.9	1.7
Aldi	Germany	1.8	1.6

% market share of coffee traders

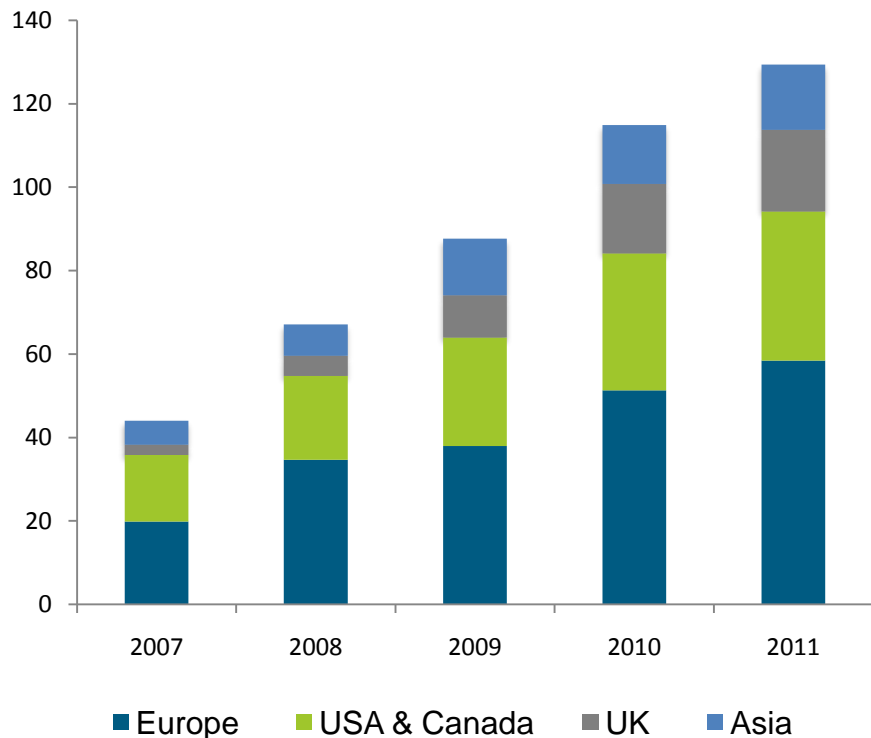


Source: 2012 Coffee Exporters Guide..

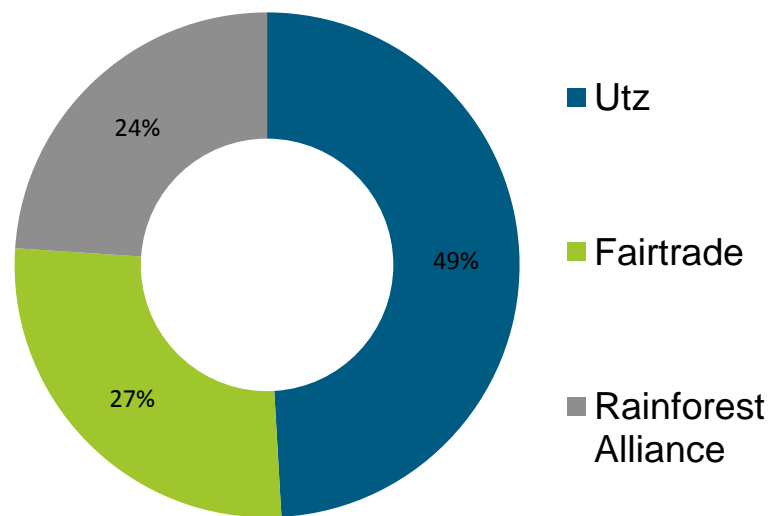
- Kraft & Nestlé purchase around ¼ of the world's traded coffee.
- The world's top five coffee traders account for 40% of traded volumes.
- For the largest offtakers the key issue is securing a regular supply of beans.

Demand for certified & speciality beans is surging

Demand for certified coffee, 000s tonnes, 2011



% share of world certified coffee market

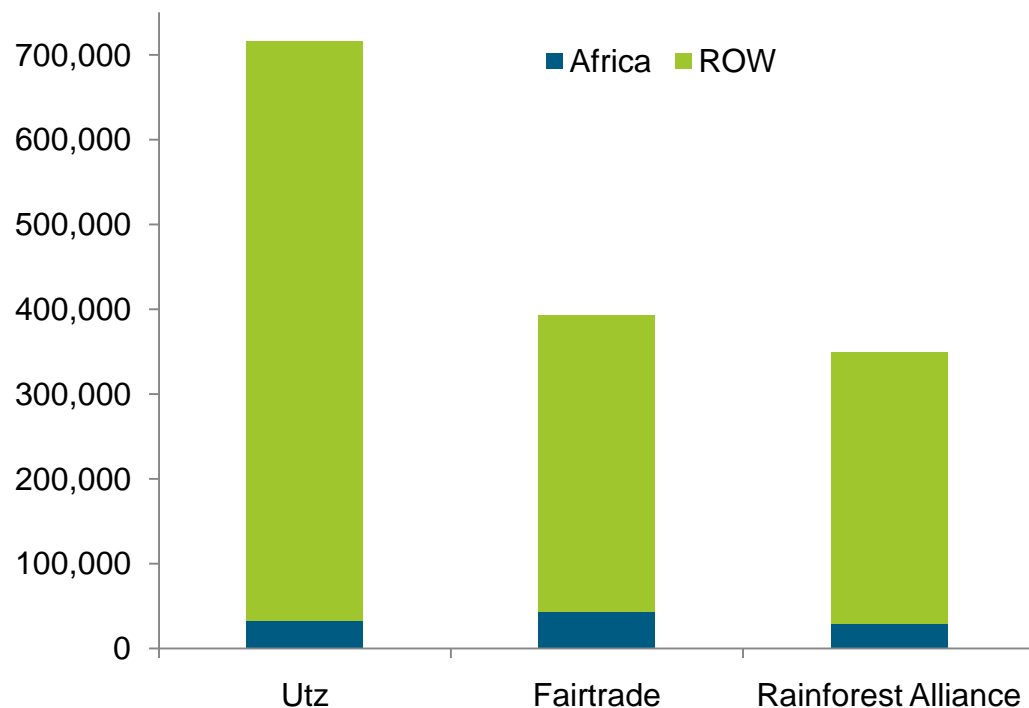


Sources: 4 Coffee Alliance, Utz, Fairtrade, Rainforest Alliance, Ecobank Research.

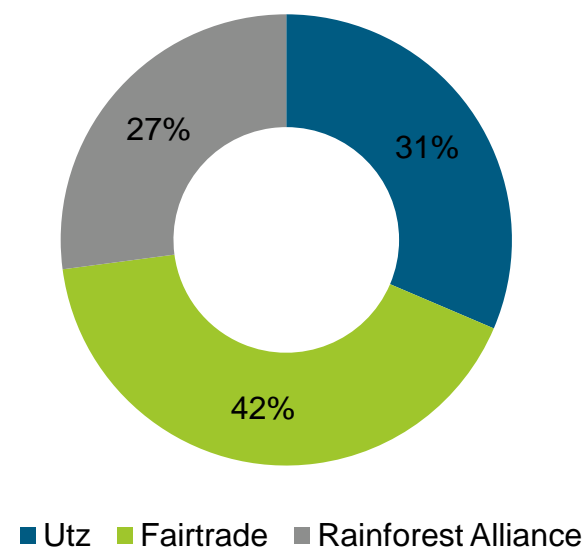
- Numerous coffee certification schemes are in operation, led by Utz from the Netherlands.
- Demand for certified coffee trebled between 2007 and 2011, to 129,000 tonnes.
- Asia is set to become an increasingly important market for certified coffee.

African production of certified coffee is growing

World certified coffee production, tonnes, 2011



% share of Africa's certified coffee production

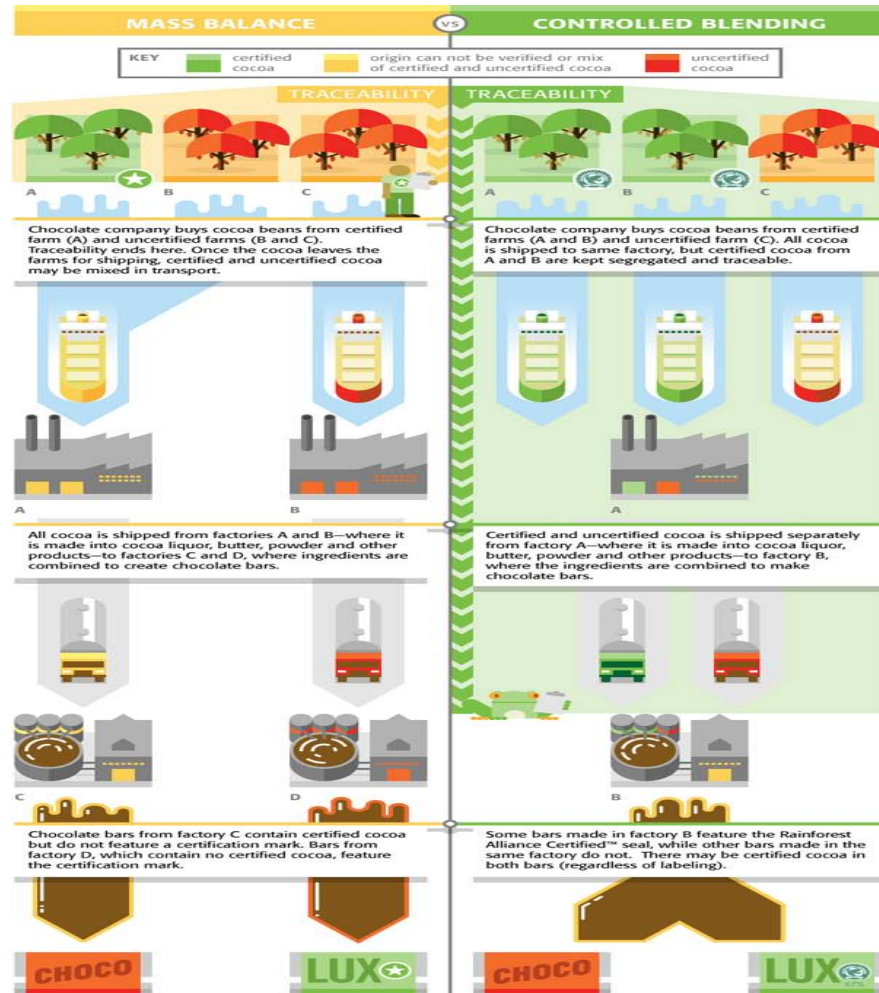


- Africa is a marginal producer of certified coffee, producing 104,000 tonnes in 2011.
- Fairtrade is the leading certified producer in Africa, with a 42% market share.
- Ethiopia & Kenya enjoyed a 7% share of the global speciality coffee market in 2012.

Sources: 4 Coffee Alliance, Utz, Fairtrade, Rainforest Alliance, Ecobank Research.

But there are problems with certification

Mass balancing versus controlled blending in the cocoa chain

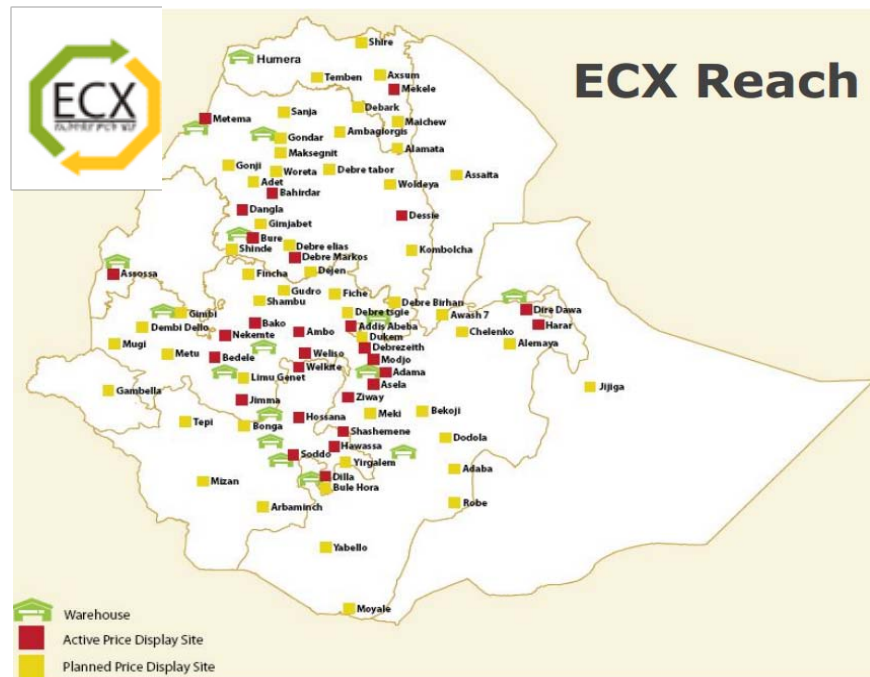


- Mass balancing, controlled blending and segregation have not been properly explained to consumers.
- There is a risk of serious damage to the reputation and branding of certification schemes if this issue is taken up by consumer groups.
- The system for paying premiums is problematic, focusing farmers on money rather than on improving farming practices.
- The erosion of premiums in recent years, plus uneven demand for certified beans, is further undermining support for certification.
- In the long run a premium must be paid by the offtaker and/or the consumer to justify the farmer's time and cost to certify his beans.

Source: Rainforest Alliance.

Commodity exchanges could transform coffee marketing

ECX geographical reach, 2012



- Many initiatives are under way across SSA to create commodity exchanges (CEX)
- The Ethiopia Commodity Exchange (ECX) opened in 2008, trading five commodities
- The ECX currently trades around 60% of Ethiopian coffee production.
- But problems over the transparency and management of the Nairobi Coffee Exchange (NCE) persist, resulting in periodic boycotts by traders.
- Commodity exchanges are no panacea, but they can catalyze crop marketing.
- A high and diversified level of production is required to set up a successful exchange.

Benefits for farmers:

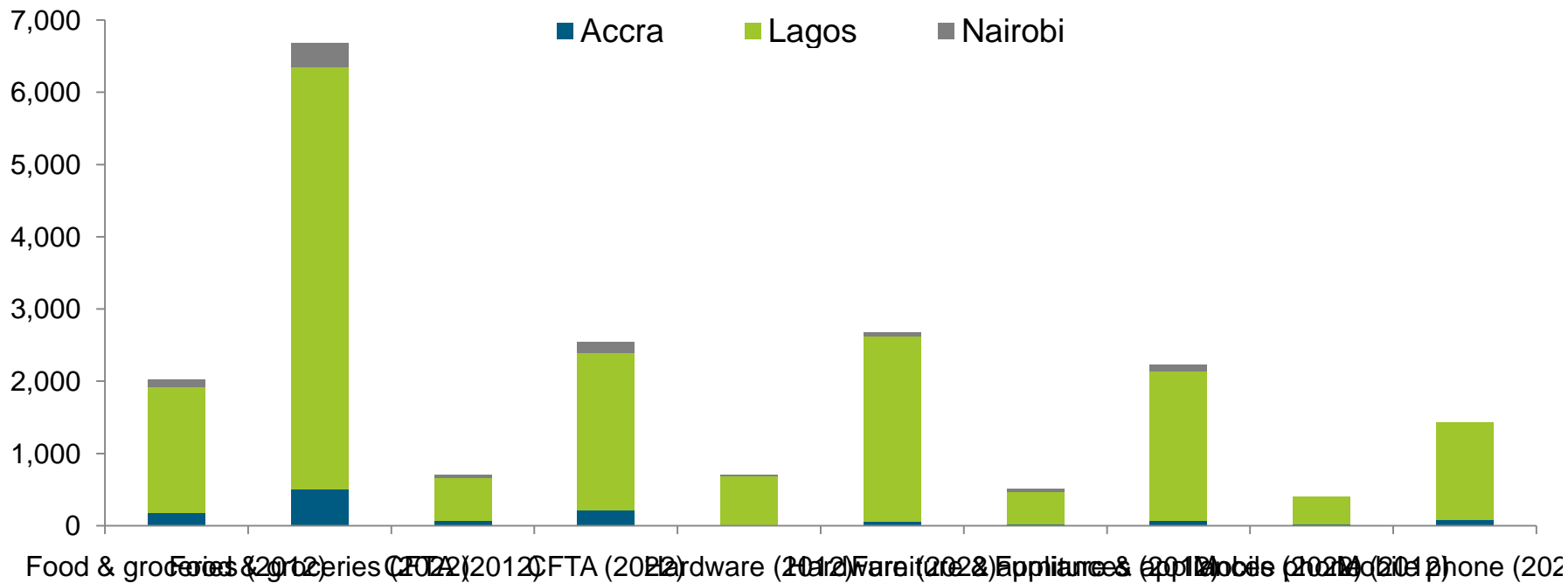
- Guaranteed market, accurate prices, security of payment, new financing opportunities (warehouse receipts can be used as collateral)

Benefits for buyers/traders:

- Fair & dynamic prices which reflect supply & demand, reduced transaction and transport costs

Spending on food is forecast to triple by 2022

Change in urban household spending, US\$ millions, 2012 vs 2022



- Spending on food in Accra, Lagos and Nairobi will rise by 230% in 2012-22, to US\$6.7bn.
- Coffee consumption will rise in line with purchasing power & changing habits.

Sources: BoAML.

Thank you