CBI
Ministry of Foreign Affairs

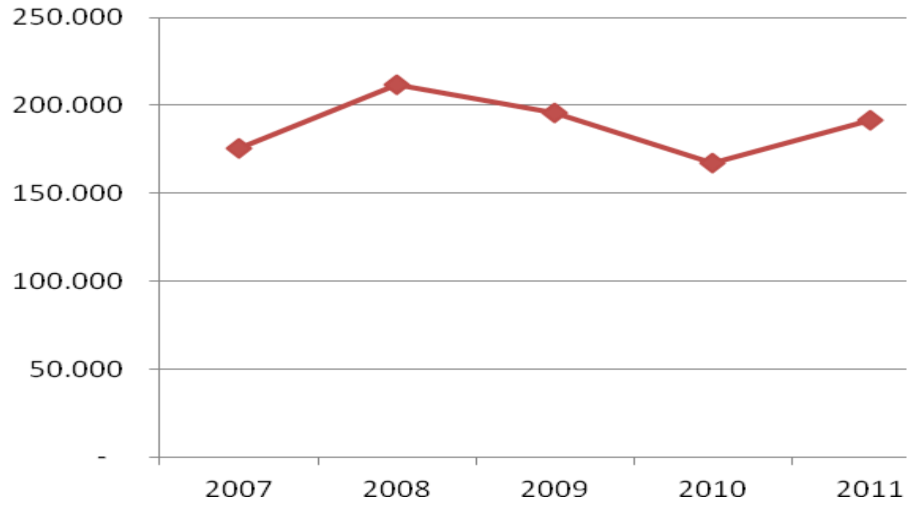
CBI Tailored market intelligence: Promising export markets for Ugandan specialty coffee

Coffee is the most valuable export for Uganda. In 2012, Uganda's coffee exports amounted to US$393 million. About 75% of Uganda's coffee exports are destined for countries in the European Union. The main destination markets for coffee changes according to the quality. High-quality coffees are commonly sent to USA and Japan, while low- to mid-range qualities are sent to re-exporting countries such as Switzerland, Germany, Sudan, Italy and Belgium. Uganda has an intrinsic potential to become a leading producer of high quality and internationally competitive coffee, contributing to small coffee farmers' livelihoods and to the development of sustainable businesses.

Ugandan production and exports of coffee

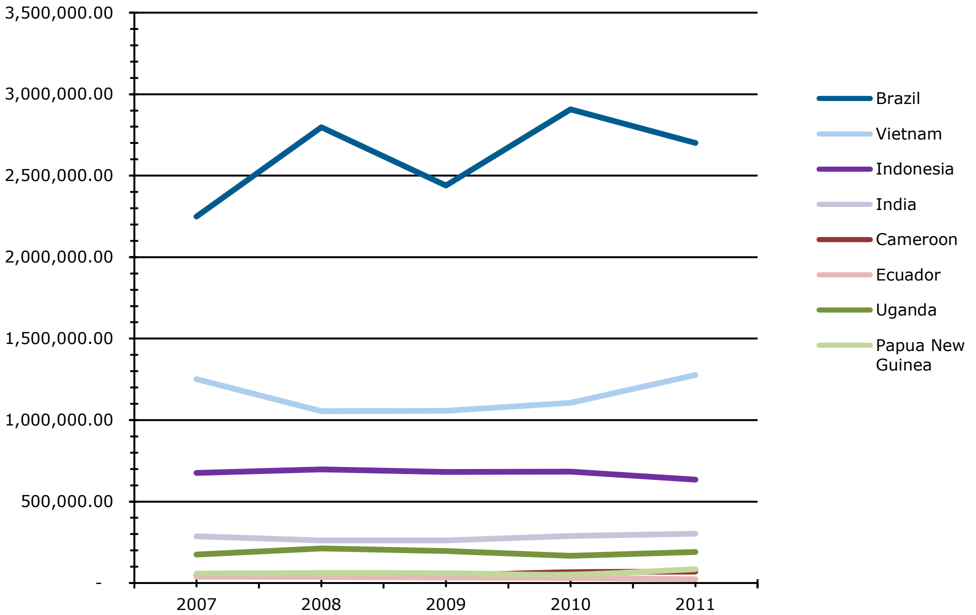
Uganda produces both Arabica and Robusta coffee. Ugandan Robusta is well known for its softer and mild cup characteristics compared to Robusta from foreign competitors. On the other hand, Ugandan Arabicas are of similar varieties to those found in neighbouring Kenya, which is known for its high quality coffees. Relevant information and visual analysis of the major market developments and forecasts, based on trade statistics for Coffee, can be found at [CBI Tradewatch for Coffee, Tea & Cocoa](#).
Figure 1 shows the total production of coffee in Uganda and Figure 2 shows the top producers of Robusta worldwide.

Figure 1: Total Ugandan production of green coffee, 2007-2011, in tonnes



Source: FAOSTAT, 2013

Figure 2: Top producers of Robusta coffee, 2007-2011, In tonnes



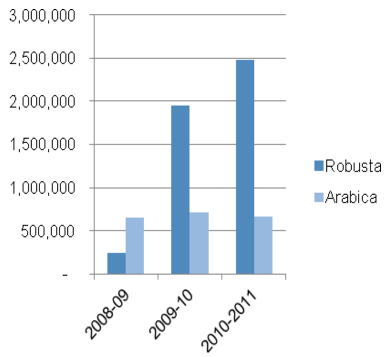
Source: FAOSTAT, 2013

Figure 3 (below) shows that there is much more Robusta harvested annually than Arabica, because Uganda has more favourable climate conditions for Robusta production than for Arabica. Growth of Robusta exports compared with Arabica is also explained by the higher prices of Arabica during this period, and therefore the increasing preference of major Roasters for using Robusta in their coffee blends.

Uganda's Arabica production occurs primarily in the Eastern highlands and in the Southwest, where altitudes are higher and temperatures cooler, producing high quality coffee beans. In 2012, Uganda exported 85% of its coffee to 10 countries (Figure 4).The weighted average price at export level was US$ 2.30 per kilogram.

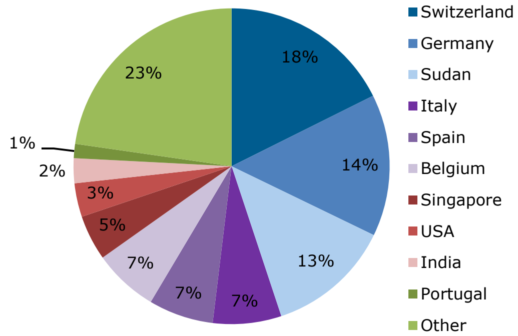
Switzerland is the major trader or reseller of Ugandan coffee in Europe, while Sudan is by far the most important trader of Ugandan Coffee in Africa. Sudan is growing its own market, but mostly it is the gateway for Ugandan Coffee to the north African region, particularly neighbouring countries. Sudan is also buying coffee from Ethiopia and Kenya and channeling the demand of other countries in the region.
The biggest end market for Ugandan coffee in Europe is Germany, followed by Italy (see Fig 7 Target markets for Ugandan coffee in the EU).
Traders and consumers of coffee are extremely important for Ugandan coffee exports. Those trading companies supply to the industry in many diferent countries the volumes and qualities that are specifically required, using their networks of operators and logistics.

Figure 3: Comparative Ugandan coffee exports of Robusta and Arabica, (2008 -2011), in 60kg bags and USD



Source: UCDA, 2012

Figure 4: Main destinations for Ugandan coffee exports, 2012, in % value



Source: ITC, Trade Map , 2012

Promising markets for Ugandan Specialty Coffee

Definitions

There are different definitions of Specialty Coffee and there is not a complete consensus about the term. Moreover, some argue that the term only applies for Arabica and not for Robustas.

'Specialty coffee' is a term which originated from the United States in the 1970s. It was used initally to describe a category of artisan roasted coffee sold in specialized coffee shops, to differentiate from generic or "mainstream" industrial coffees, available widely in supermarkets and other retail outlets.

Other terms used for specialty coffees are 'gourmet', which is now associated with a wide variety of food products, and "Fine Coffees", preferred by organizations such as the Africa Fine Coffee Association (AFCA) because of the inclusion of Robusta as specialty coffee.

The Specialty Coffee Association of Europe (SCAE) consider a specialty coffee "a crafted quality coffee-based beverage, which is judged by the consumer (in a limited marketplace at a given time) to have a unique quality, a distinct taste and personality different from, and superior to, the common coffee beverages offered. The beverage is based on beans that have been grown in an accurately defined area, and which meet the highest standards for green coffee and for its roasting, storage and brewing."

The Specialty Coffee Association of America SCAA defines specialty coffee as a product with attributes of quality and distinctiveness coming from a particular origin, which results in higher prices.

Both SCAA and SCAE include characteristics such as origin, high quality and unique taste in their definition of specialty, but while the European entity has a more open definition, the American association categorizes the type of specialty.

For professionals, the most relevant point in common among all these definitions is the absence of defects and the uniqueness.

Coffee is considered specialty in this study when it is perceived and valued by consumers for a set of unique characteristics that differentiate it from other conventional coffees, and for which they are willing to pay a premium.

Specialty green Coffees (Robustas, Arabicas or any other variety) can be divided into many categories, the most accepted of which are the following:

- **Coffees of Origin**: or Single Origins, coming from a specific country, region or farm with unique and distinctive characteristics.

- **Sustainable and organic Coffees**: Cultivated without the use of agrochemicals including a CSR certification or label such as Fair Trade, UTZ, Bird Friendly or 4C certified.

- **Specially prepared coffees**: Those that are harvested and prepared according to technical or specific demands.

Comparative analysis of market destinations

Total global production of coffee is dominated by Brazil, Vietnam and Colombia. Uganda, Ethiopia, Kenya and Côte d'Ivoire are the main African exporters. Uganda has a potential for growth in its coffee exports; it currently has a market share of less than 5% in each of its main European export markets. Ugandan coffee accounts for only 0.4% of all coffee imported into the United States.

European Market

The EU market is without doubt the most important destination market for Ugandan coffee; 8 out of the 12 larger importers of Ugandan coffee trade on European markets. The EU buys more than 55% of the total Ugandan coffee exports. However, EU buyers are importing Ugandan coffees mostly for value addition processes, such as blending and roasting with other origins, or for usage in the soluble coffee industry. In this sense, the requirements for sustainable sources for these coffees are increasing and this represents a good opportunity for Ugandan producers and exporters of certified coffees.

The major end markets for Uganda coffee exports in the EU market are Germany, Italy and Spain. The soluble coffee industry in Germany is very relevant for Ugandan Robustas, while there is a traditional preference in the consumption of Robustas in Italy and Spain as well as other southern European markets.

Robusta at a Glance

Uganda is the major exporter of Robusta coffee in Africa and it has an enormous potential to develop. Exporters of Ugandan coffee could find interesting opportunities in the EU market for specialty single origins, sustainable coffees and special preparations. However the main potential of Uganda probably lies in the fine Robusta, particularly washed Robustas.

In recent years there has been a notable trend of upgrading commercial Robusta qualities, through better selection of beans and through improvements in the washing process. India is the biggest producer of washed (parchment) Robusta, and this process has started to interest the industry and the specialty sector. EU markets are demanding consistently high quality washed Robustas.

Robusta beans are usually smaller, more rounded and lighter than Arabica. Generally the roasting industry appreciates Robusta because compared it has a stronger body, more bitter flavour and lower acidity than Arabica. Robusta is the perfect component of soluble coffees because the higher yield in relation with Arabicas is a crucial component of the espresso.

Main competitors and main export destinations

Figure 5 below shows the 4 largest European markets and Uganda's main competitors in each of its main export markets. In Switzerland, for instance, Uganda accounts for only 0.2% of all coffee imports, although the country is the most important buyer of Ugandan coffee. Brazil, Colombia and Spain are the top three coffee exporters to Switzerland. Together, they are responsible for 44% of all Swiss coffee imports. However, it is important to note that all large multinational traders operate in Switzerland, which means that most Swiss imports are destined for re-export.

Figure 5: Market share of competitors in Ugandan Main Export Destinations for all coffees, in USD

	European markets			
	Switzerland	**Germany**	**Italy**	**Spain**
1st global supplier	Brazil (23. 9%)	Brazil (29.6%)	Brazil (35.2%)	Vietnam (24.1%)
2nd global supplier	Colombia (13.7%)	Vietnam (10.8%)	Vietnam (12.0%)	Brazil (22.1%)
3rd global supplier	Spain (6.5%)	Peru (7.5%)	India (9.4%)	Germany (12.1%)

1st African supplier	Ethiopia (3.7%)	Ethiopia (4.3%)	Uganda (3.8%)	Uganda (4.7%)
2nd African supplier	Kenya (2.3%)	Uganda (2.2%)	Ethiopia (2.4%)	Cote d´Ivoire (2.5%)
3rd African supplier	Uganda (0.2%)	Kenya (1.2%)	Tanzania (1.2%)	Togo (0.4%)
Uganda's market share	0.2%	2.2%	3.8%	4.7%

Source: ITC Trade Map

In Switzerland, Uganda is the third largest African exporter, behind Ethiopia and Kenya. That confirms the fact that Ethiopia and Kenya, along with Tanzania and Côte d'Ivoire, are Uganda's main African competitors. Uganda's status as a coffee exporter is only significant within Africa where it is the second largest exporter by value.

Other markets/regional markets

The USA is probably one of the most interesting markets for specialty coffee from Uganda at this moment. The growing interest for African origins and sustainable sources make this market very attractive for suppliers of specialty coffee.

Figure 6: Market share of competitors in Ugandan´s Regional and other export markets (2007-2011 in USD)

	Other markets			
	Regional	**Asia**		**America**
	Sudan	**Singapore**	**India**	**United States**
1st global supplier	Uganda (96.4%)	Indonesia (34.2%)	Vietnam (39.1%)	Brazil (21.3%)
2nd global supplier	Kenya (1.0%)	USA (28.0%)	Indonesia (35.5%)	Colombia (18.5%)
3rd global supplier	Saudi Arabia (0.4%)	Switzerland (6.9%)	Uganda (14.4%)	Guatemala (8.1%)
1st African supplier	Uganda (96.4%)	Kenya (0.4%)	Uganda (24.4%)	Ethiopia (1.4%)
2nd African supplier	Kenya (1.0%)	Djibouti (0.2%)	Cote d´Ivoire (4.5%)	Kenya (0.7%)
3rd African supplier	Egypt (0.1%)	Ethiopia (0.3%)	Ghana (0.4%)	Uganda (0.4%)
Uganda Market Share	96.4%	Not available	14.4%	0.4%

Source: ITC Trade Map

In the particular case of India, the high tariff of 100% which is imposed diminishes the potential of Ugandan coffee exports. Sudan (see on Sudan and the role it plays in Ugandan coffee trade) applies a 2.5% tariff and is the most important regional market for Uganda. These importing markets have shown a steady growth in the last five years.

Target Markets

According to the [Uganda National Export Strategy 2012-2017](), there are 3 types of target markets for Ugandan coffee penetration and distribution:

- **Consumer / Reseller**: Important consumers and resellers to other markets after adding value (quality control, packaging, distribution marketing, etc). There are opportunities to enter these markets with Ugandan export-ready coffees.

- **Mainly Reseller:** Less important consumers and mainly resell Ugandan coffee (among others) to other markets after they have added value (through quality control, packaging, distribution marketing, etc.) There are possibilities to substitute these importers and retain the value addition.

- **Importer / Consumers**: Important national markets that consume the majority of the coffee they import from Uganda. It is increasingly important to learn more about consumer preferences in these countries in order to make necessary adaptations, such as preparation and cup preferences.

Figure 7: Target markets for Ugandan coffee in the EU

Source: ITC Trade Map and Ugandan Sector Coffee Strategy 2012-2017

Segmentation of Target markets for Ugandan Coffee in the EU

Consumers in Europe are increasingly diversified and well-informed about coffee. In general the characteristics regarding consumer preferences of regular coffee are as follows:

Northern Europe:

Arabica is predominant over Robusta
Culture of roasting light to conserve high quality
Highly demanding and stable markets
Social/environmental certification may be demanded

Southern Europe:

Higher percentage of Robusta in blends
Culture of roasting dark is predominant
Espresso is the main beverage
Growing interest in environmental and social certificates

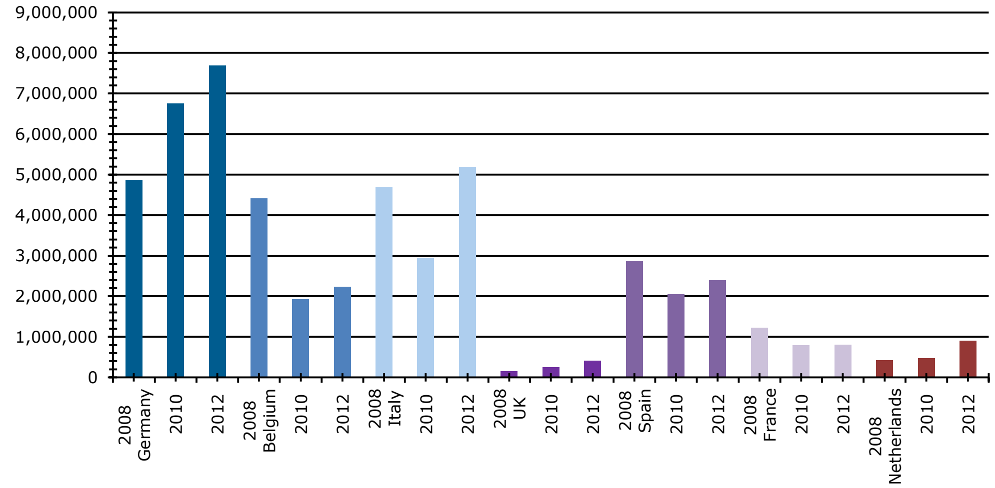
Western Europe:

Arabica as well Robusta are consumed
Share of Robusta is 39%-40%
Dark and light roast depending on the coffee
Highly competitive markets
Soluble industry is concentrated
Important consuming markets and re-exporters

Markets by grade

Figure 8 shows the variation in coffee value for Ugandan certified coffee 2008-2012.

Figure 8: Certified coffee value (1,000 Euros) to EU study countries, 2008 to 2012



Source: ITC 2013

Figure 9 shows the main buyers of organic Robusta and Arabica from Uganda. According to UCDA and industry sources, the demand for organic and other certified coffees is growing due to the interest of large European roasters in organic and sustainable coffees.

Certified coffee is moving rapidly from a niche to the mainstream, as other sustainable coffees are doing. Certified coffee is expected to grow very rapidly to reach nearly one-third of the global coffee trade by 2015. For details on this development, refer to Trends in the Trade of Certified Coffees ITC.

Figure 9: Most relevant Sustainable specialty coffees and main buyers in Uganda, 2010-2011 in value and volume.

Organic Bugisu		Organic Okoro		Organic Robusta		Washed Robusta		Total	
Quantity	**Value**	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
8.850	2.469.725	16.688	4.803.242	4.830	641.351	1.280	189.419	31.648	8.103.737
4.140	1.324.480	1.420	474.342			257	41.588	5.817	1.840.409
				320	46.350	6.732	913.294	7.052	959.644
2.500	736.381							2.500	736.381
640	186.245	700	226.853					1.340	413.098
						2.320	291.510	2.320	291.510
410	97.752					1.670	139.168	2.080	236.920
640	194.710							640	194.710
620	194.049							620	194.049
480	168.255							480	168.255
460	157.276							460	157.276
		600	154.763					600	154.763
						668	136.959	668	136.959
						990	125.715	990	125.715
						330	49.762	330	49.762
				330	34.921			330	34.921

Source: UCDA database 2010/2011

Other markets

Other major markets for Ugandan specialty coffees are Japan and Korea. The intense activity in education and promotion by these two countries' respective specialty coffee associations is raising the interest of consumers. Sales also are being boosted by the growing home café trend in the market, especially among female consumers and younger generations.

In China, the growing coffee culture through the opening of cafés will continue to encourage sales of coffee in out-of-home channels as well as in-home channels. In addition, rising income and consumer sophistication are going to result in the growing acceptance of premium coffee, which will boost value growth of coffee sales. The boom in the coffee culture in many cities such as Shanghai and Beijing has helped to create more consumer interest in coffee and stimulated consumption growth. The development of chain and independent cafés has spread coffee culture, and it is now very popular in urban areas. The potential of China for branded and specialty coffees is enormous.

Markets in Russia, the Middle East and CIS (former Soviet countries) are especially interesting for low-end and mid-range coffees. The global trend in the consumption of specialty coffees is catching on in these countries, which were traditionally seen as tea-consuming countries.

Coffee sales in those countries continue to point towards sophistication and diversification. The growing popularity of coffee pods and increasing interest in coffee varieties including espresso and crème, in line with the expansion of coffee chains and coffee shops, reflect a widening coffee culture.

Recommendations

Specialty coffee is a qualitative rather than quantitative market. Therefore, it is advisable for producers and exporters of quality coffees to pay special attention to the trends and tendencies in non-traditional markets if you want to supply directly to specialized importers and/or roasters. 23% of all destinations of Ugandan coffee are still waiting to be developed. New customers, regardless of the volumes that they demand, could be followed and tracked, so you can understand their preferences and the markets can be penetrated.

Exporters of specialty coffee might also consider other markets aside from the traditional destination markets for Ugandan Coffees.

This survey was compiled for CBI by Rafael Valcarce P., CBI sector expert