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Ethiopian Coffee Market Crisis

Reports came out earlier this month that Ethiopian exporters are facing difficulties stemming from the decrease of demand of commodities such as coffee, spices, and tea mainly due to the global economic slowdown.

On our previous Newsletters, we wrote about a developing potential crisis, especially in the coffee sector, due to the fact that many exporters were buying coffee cherries at exaggerated prices while New York's C market prices was declining. Many exporters at that time were betting on the rumored upcoming devaluation of Birr and hoarding the commodity until the devaluation was put in effect. Unfortunately, the rumored devaluation has not been put in effect.

Last year, the Ethiopian Coffee and Tea Authority (ECTA) set a goal to export USD \$2 Billion worth of coffee. However, as of March 2023, only USD \$780 Million was exported.

Despite the decrease in performance, Adugna Debela, Director General of ECTA, during a briefing at the National Parliament, expressed his optimism that the coffee export performance could improve in the next few months before the end of Ethiopia's fiscal year.

Three important factors need to be addressed in order to rehabilitate the coffee sector. First, shortly after the law enforcement activity started in the Northern part of the nation, the Government of Ethiopia decreased the proceeds which coffee exporters were able to use from their exports to 20%, while the remaining 70% goes to National Bank and 10% goes to the bank facilitating the transaction. Now that the war is over in Northern Ethiopia, the proceeds which coffee exporters are able to use for their import purposes should increase. This way, exporters who are hoarding coffee will be encouraged to export their coffee.

Second, the government should crack down on unfair competitions, which are driving cherry prices to astonishing levels, starting at washing stations. Cooperative Unions are the most affected businesses by unfair competition due to the price variations in the domestic and international markets. Today,

most Unions are seating on a stockpile of coffees and unable to find market for their products.

Third, the Ethiopian Coffee and Tea Authority should manage the market based on a future outlook. They should be able to clearly predict the future of the coffee market and guide the whole sector accordingly. It was clearly predicted by analysts that the 2023 world coffee market would bounce back from its crash of 2022; however, the ECTA was slow to use this vital information to bring local cherry prices down and support exporters competing in the international market.

After all, no matter how unique Ethiopian coffee is, it is a commodity and should be guided by the international market and most importantly, by the future markets.

April Performance

This month, our company, KANYA Coffee Export, was able to secure large number of contracts from both new and old customers. We delivered sizeable order of containers on time to our customers in the USA, South Korea, and Saudi Arabia.

We believe that the month of May will be even more exciting because of our enthusiasm to deliver our May contracts on time and exceed expectation of our customers by providing single-origin quality coffees directly from our washing stations in Guji zone of Hambela Woreda.

For this year, we are well on track to achieve the goal we set for ourselves in terms of sales. But, most importantly, we are working tirelessly to maintain the quality of our products and become the preferred supplier of coffee to our customers.

Sincerely,

Dagmawi Yimam, Managing Director

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