REGIONAL COFFEE SECTOR COORDINATION

TAKEAWAYS FROM THE AFRICAN FINE COFFEES ASSOCIATION CONFERENCE 2025

26–28 FEBRUARY, DAR ES SALAAM

This paper has been developed by the International Trade Centre (ITC) within the framework of its Trade Development Strategy Programme.

ITC is the joint agency of the World Trade Organization and the United Nations. As part of the ITC mandate of fostering sustainable development through increased trade opportunities, the Strategies and Policy for Trade and Investment section offers a suite of trade-related strategy solutions to maximize the development payoffs from trade. ITC-facilitated trade development strategies and roadmaps are oriented to the trade objectives of a country or region and can be tailored to high-level economic goals, specific development targets or particular sectors.

This document has been developed as part of the European Union-funded Market Access Upgrade Programme (MARKUP) II, a regional development initiative that promotes economic growth in the East African Community through private sector development and export promotion.

The results presented here are intended solely for discussion and are based only on the outcomes from the African Fine Coffees Conference & Exhibition in Dar Es Salaam in February 2025, namely two panel discussions and a policy dinner jointly organized between ITC and the African Fine Coffees Association (AFCA).

This document has been made possible thanks to the efforts of John Schluter, Jeremy Lefroy, Dr. Frederick Kawuma (Café Africa), Olga Khomula and Charles Roberge (ITC). On the AFCA side, Gilbert Gatali and Alison Streacker revised the document. Ambassador Solomon Rutega, the Secretary General of the Inter-African Coffee Organisation (IACO), guided the discussions.

Photo credit: AFCA and ITC

International Trade Centre

AFRICAN FINE COFFEES ASSOCIATION

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Acronyms and abbreviations

Unless otherwise specified, all references to dollars ($) are to United States dollars, and all references to tons are to metric tons.

The following acronyms and abbreviations are used:

AFCA	African Fine Coffees Association
AfCFTA	African Continental Free Trade Area
CAWG	Coffee Advocacy Working Group
EAC	East African Community
EU	European Union
EUDR	EU Deforestation Regulation
IACO	Inter-African Coffee Organisation
ITC	International Trade Centre
MARKUP	Market Access Upgrade Programme

1.0 Introduction

The International Trade Centre (ITC), under the European Union (EU)-funded EU-East African Community (EAC) Market Access Upgrade Programme (MARKUP II), has begun working with the EAC to explore ways to strengthen regional coffee trade.

This has come at an opportune time, when coffee prices have risen and regional production is on the increase as a result of initiatives over the past 5–10 years led by governments, the private sector and NGOs. Given the importance of coffee in providing employment and livelihoods to nearly 2 million families in the EAC, it is a good time to see what measures can be taken both to protect the gains of the past decade and to stimulate further growth.

EAC countries have several advantages as suppliers of coffee to regional, continental and global markets.

a) Together they are producers of a wide range of the coffees which are in demand globally – fine East African robustas (Uganda and United Republic of Tanzania), high-quality speciality washed arabicas (Kenya, United Republic of Tanzania, Uganda, Democratic Republic of Congo, Burundi and Rwanda) and exceptional natural arabicas (United Republic of Tanzania and Uganda), in addition to other new and exploratory processes.
b) Weather patterns vary between coffee-growing countries, which means that adverse conditions are unlikely to affect the entire region at the same time.
c) Transport infrastructure has steadily improved, with two new standard-gauge railways (Kenya and United Republic of Tanzania) and a much more resilient road network connecting producing areas to both ports and continental markets in Southern Africa.
d) The countries can access the emerging markets of Asia fairly easily, while retaining strong links to traditional buyers Europe, North America, the Middle East and North Africa (even with the disruption to transits through the Suez Canal).
e) They are served by international buyers with a strong local presence as well as by a growing number of nationally and regionally owned producing, processing and trading businesses.

However, the initial scoping work by ITC identified a number of areas in which regional cooperation could potentially strengthen the position of East African coffee in the global market and ensure that we do not again (as in the 1980s and 1990s) see a sharp regression from a position of strength through a combination of low market prices, a relatively unknown product, poor productivity and disease (see the key issues in the African coffee sector below).

Coffee research is already the subject of strong regional cooperation. However, two other key areas can also be supported:

- Leveraging the benefits of the African Continental Free Trade Area (AfCFTA).
- Expanding awareness of and access to risk management tools within the East African coffee sector.

These areas, if structurally strengthened both nationally and regionally, could significantly enhance the long-term resilience and competitiveness of the coffee industry.

ITC identified the African Fine Coffees Association (AFCA) and the Inter-African Coffee Organisation (IACO) as key partners in this work. All countries covered by the MARKUP II programme are members of both IACO and AFCA. In addition, the annual African Fine Coffees Conference & Exhibition, in which IACO participates, provides an important platform for discussion of key issues in the coffee sector.

ITC therefore worked with AFCA and IACO to introduce the two key areas of AfCFTA opportunities and derisking the coffee business into the programme for the 2025 Conference and Exhibition held in Dar es Salaam, United Republic of Tanzania. In addition, a Policy Dinner was held to expand on the matters raised in the two sessions and determine a way forward. The results of these sessions presented here are based exclusively on the findings from the African Fine Coffees Conference & Exhibition held in Dar es Salaam in February 2025.

Key issues in the African coffee sector and root causes

EUDR implementation

- Limited awareness about EU Deforestation Regulation (EUDR) requirements
- Insufficient traceability systems
- Legal complexities between EUDR and private sector practices
- Data security and ownership concerns
- Uncertainty on data monetization within national value chains
- High implementation costs for traceability systems

Low coffee productivity

- Ageing coffee plants
- Limited access to quality inputs (seeds, fertilizers, pesticides)
- Limited access to modern technology (machinery, processing techniques)
- Climate change (droughts, erratic rainfall)
- Pests and diseases
- Low investment in research and development

Limited appropriate risk management tools

- Limited tailored financial products
- Limited awareness and capacity
- High transaction costs and risk perception
- Weak financial infrastructure
- Currency instability
- Inadequate regulatory frameworks to create or use certain financial products to mitigate trade-related risks

Limited trade under AfCFTA

- Lack of harmonized standards
- Complex Customs procedures
- Insufficient transport and energy infrastructure
- Limited market access for roasted coffee due to high tariffs, regulatory hurdles and limited consumption of coffee in Africa

Local consumption

- Cultural preferences for tea
- High coffee prices
- Limited awareness and promotion
- Low local roasting capacity
- Weak distribution channels
- Insufficient domestic processing
- Export-oriented focus

Source: ITC, through stakeholder consultations and discussion.

2.0 Optimizing coffee trade under AfCFTA

This session was held on 27 February 2025, chaired by Dr. Frederick Kawuma (African Coffee Ambassador, former Secretary General of IACO and founding Executive Director of EAFCA, the predecessor of AFCA).

The panel comprised:

- Mr. Peredius Makuba, Senior Economist, Ministry of Industry and Trade, United Republic of Tanzania
- Mr. Kamungele Kambale Kisumba, Executive Director, Café Africa, Democratic Republic of Congo
- Dr. Rozy Rana, Managing Director, Dormans Coffee Limited
- Ms. Leah Ayoub, General Manager Commercial, Equity Bank, United Republic of Tanzania
- Richard Wairegi, Senior Manager, Export Development Finance and Advisory, African Export-Import Bank.

AfCFTA

The AfCFTA represents a significant milestone in the quest for economic integration across the continent, particularly in the context of the coffee trade. Understanding the AfCFTA framework and its implications for the coffee trade is vital to many African economies. Some of the tariff and non-tariff barriers currently hindering intra-African coffee trade were examined, as well as how these obstacles can be addressed to enhance market access and competitiveness.

Scope of discussions

The five-member panel – comprising two people from the coffee business, two from financial institutions and one from the government – delved into various aspects of the challenges associated with the coffee business within the AfCFTA, and made proposals as to how these could be addressed. Discussion topics included:

- Understanding AfCFTA and its implications for coffee trade;
- The tariff and non-tariff barriers hindering intra-African coffee trade;
- Trade facilitation and logistics;
- Financing solutions to boost intra-African trade and beyond.

Intra-African trade and barriers to trade

- In total, 48 of 54 African states have ratified the AfCFTA Agreement, which provides coffee- producing countries with very substantial additional potential markets.

- We are already seeing growth in the continental coffee trade. For instance, coffee is now regularly trucked from east Africa to southern Africa for consumption rather than transhipment to other continents.
- In addition, internal consumption is growing rapidly. Some producers report receiving equivalent or higher prices from the local market than overseas markets, with the result that little or none of their coffee leaves the continent (resulting in improved cash flow and margins). However, the potential for growth is enormous. Africa currently represents just 720,000 tons (7%) of global consumption of 10.6 million tons.[1]
- The United Republic of Tanzania, as one example, has a trade portal to help exporters engaged in external trade, and coffee exporters have access to this portal. Before the ratification of AfCFTA, Tanzanian exporters had to go through 44 steps to export within the continent, but after the country ratified the agreement and met with stakeholders, the process was reduced to 33 steps. Consultations are ongoing to reduce these even further.
- The United Republic of Tanzania achieved this by implementing the guided trade initiative created by the African Union to speed up trade. The country registered the companies interested in exporting in AfCFTA, and one company was already exporting to Algeria.
- Governments are committed to changing policies that hinder trade, such as removing non-tariff barriers and bureaucracy, and building the capacity of traders who might lack information about available opportunities. An ongoing challenge is improving infrastructure (e.g. ports) and harmonizing regulations to facilitate the movement of goods.
- Transport costs within the continent were highlighted as a barrier to trade. For instance, participants in the discussion reported that the cost of freight to move a coffee container from Bukoba (United Republic of Tanzania) to Nairobi (Kenya) is about $3,000, whereas shipping a container from Nairobi to Europe costs $1,500.

Developing coffee products and brands

- The advent of the AfCFTA offers an opportunity to develop new products and brands aimed at African national and regional tastes, rather than relying on imported brands. With ongoing urbanization, a growing middle class and increasing interest in coffee culture among youth, demand for locally relevant offerings is expected to rise. It is also important to note that coffee-producing countries inherently compete with one another. While limited volumes of foreign coffee may be available in national markets, domestic production is likely to dominate – either as a result of policy measures or due to a prevailing consumer preference for supporting locally produced goods.
- It was noted that Africa's per capita consumption of coffee is very low and fragmented. Kenyan per capita coffee consumption, for instance, is approximately 0.05 kg. In Africa, Ethiopia leads with a per capita consumption of around 3 kg, which is still relatively lower than in Europe, where average per capita consumption ranges between 5 and 8 kgs.
- There are new local and regional marketing and branding agencies that are adept at creating brands which reflect demographics and regional preferences, and are able to use modern communication channels. Social media can be used to build brands more rapidly and cheaply than in the past.
- At the moment, low rates of consumption mean that local and regional trade lacks

[1] The data points shared in this document are derived from the collective insights gathered during the event and are not individually cited. As such, these findings represent the outcomes of group discussions and are not attributed to specific individuals or sources. The information provided is intended to inform ongoing conversations and policy dialogues, rather than to serve as formally referenced research.

economies of scale, leading to a reluctance to invest in larger, more modern roasting plants.

Local and regional financing

- Local and regional banks increasingly provide financial solutions to farmers (financing of inputs) and exporters (pan-African payment system, letters of credit). They look to partner with trade development banks to provide affordable blended facilities.
- Regional multilateral banks such as Afreximbank are able to take long-term decisions on financing (for instance) industrial parks which could benefit coffee processors and exporters, and quality assurance centres (making goods internationally acceptable). Afreximbank also develops products to assist with trade within AfCFTA (such as transit gateway insurance) and can facilitate twinning and matchmaking through the annual Inter-African Trade Fair.

Role of governments

While there is much that the coffee sector and its partners (in logistics, product development and financial services) can do to improve trade within the AfCFTA, the role of governments is crucial. It is they who take the decisions to increase or reduce tariff and non-tariff barriers through multilateral, bilateral and sometimes unilateral action. It is therefore essential that the coffee sector works together with others affected by the same issues to raise these through national and regional trade bodies, and seek productive solutions.

3.0 Derisking the coffee business

This session was held on 27 February 2025, chaired by Mr. Jeremy Lefroy, Executive Director of Association Café Africa, who has 38 years of experience in the coffee industry. The panel consisted of expert practitioners in the fields of coffee trading and processing, coffee finance and coffee insurance, including:

- Mr. Shabaan Maregesi, Head of Agribusiness, CRDB Bank PLC
- Mr. Christopher Mwalugenge, Head, Agri Wholesale NMB Bank PLC
- Mr. Jeremy Mpalampa, Regional General Manager, Kyagalanyi Coffee Ltd, Uganda – Volcafe Group
- Dr. Aikande Kwayu, Director, Bumaco Insurance – Executive Director, Café Africa, United Republic of Tanzania

Local and regional consumption / local processing

- There is increasing demand for coffee throughout the African continent. This is driven by the proliferation of coffee shops and supermarkets as well as an expanding tourism sector. This means that there are greater market opportunities for producers and processors that are not dependent on the risks and costs inherent in intercontinental trade. Prices are often competitive with overseas markets and more stable.
- Producers and processors can therefore mitigate price and logistics risks by developing local and regional markets, either themselves or in partnership with local food and beverage businesses.

Increasing efficiencies in production and processing

- While coffee producers are often shielded from full exposure to international price volatility – through mechanisms such as minimum price policies or the role of intermediaries – improving productivity and quality in production and processing remains a critical way to increase and stabilize incomes over time. Supporting farmers with better techniques and postharvest practices can enhance returns per hectare, reducing their vulnerability to external shocks even in a context of fluctuating prices.
- Increasing smallholder yields from approximately 300 kg/ha to 600–900 kg/ha through improved agronomic practices and selective replanting can significantly enhance farmer income. However, it is important to recognize that most smallholders practice diversified farming systems, balancing coffee with food crops for household consumption. Yield improvement efforts should therefore be designed holistically, with a view to protecting food security while enhancing the productivity and resilience of coffee farming.
- Training programmes – particularly those engaging youth – remain essential to equipping the next generation of farmers with sustainable, climate-smart practices. TechnoServe and others have also shown how it is possible to improve income per kg produced through better processing (for instance, improving the percentage of ripe red cherries processed to 95% or more). Drying coffee to the recommended 11% moisture content (rather than 9–10%, which often happens) also both improves a farmers' return through increased weight and protects coffee from fading and other quality deterioration.
- In certain areas, where feasible, small-scale irrigation can help reduce losses due to erratic rainfall, and can better control flowering cycles, which in turn can support more efficient harvesting and labour planning. However, such approaches are only viable in select locations with adequate infrastructure and water availability.

Enhanced earning through certification

Certification and the development of recognized brands can, in certain markets, support access to differentiated segments and potentially offer more stable demand. However, certification does not necessarily give producers control over pricing, nor guarantee premiums, as most schemes no longer provide a floor price (with the exception of Fairtrade). In many cases, certification serves primarily as a market entry requirement, especially for multinational buyers, with the associated costs – such as audits and compliance – often making pursuing certification unviable for smallholders to manage independently. Moreover, demand for certified coffee in regional markets is limited, with African consumers generally more price-sensitive.

Nonetheless, certification should continue to be regarded as an important risk management tool. While it currently functions more as a market entry mechanism rather than a direct means of price enhancement, its role in opening access to premium and specialty markets – and providing assurance to buyers – remains valuable. Therefore, certification should be considered alongside other strategies to improve market resilience and promote long-term sustainability for producers.

Price risk management tools

Price risk management tools such as futures and options are widely used by multinational companies involved in the coffee trade. However, these instruments are rarely accessible or practical for local businesses in Africa due to the high financial risks, technical knowledge required and significant capital involved. In almost all cases, only multinational enterprises have the capacity to effectively engage in such trading However, there are a number of ways in which these tools could be offered:

a) **Through buyers offering their suppliers some built-in price protection in forward contracts;** for instance, by establishing a floor price based on a put option, the cost of which is factored into the contract. This would enable producers or traders to sell forward without losing the potential upside of a steep market rise, while also protecting buyers against seller default. Such contracts could be developed in conjunction with the seller's local bank, although this remains limited in practice.

   In many producing countries, this approach is already applied by multinational exporters, who offer various financing and pricing mechanisms through purchase contracts with agents, businesses and cooperatives. For example, in Rwanda, a significant share of coffee – possibly more than 50% – is traded by small and medium-sized enterprises to exporters like Sucafina RWACOF under such arrangements. These contracts often include fixed underlying prices with provisions to adjust for international market movements, effectively financing the industry in parallel with local banks. However, the hedging behind these mechanisms is typically conducted offshore, with international banks experienced in commodity trading, as regional financial institutions often lack the appetite or capacity for commodity finance.

b) **Through local banks offering price protection through options as part of their customers' banking facilities.** This would protect both the customer and the bank in the case of significant market fluctuations. However, it is important to recognize that not all transactions require sophisticated hedging instruments. For example, in the case of intra-African trade – such as a green coffee exporter in Uganda selling to a roaster in Algeria – a simple fixed-price contract may be sufficient. These transactions often involve smaller volumes and shorter delivery timelines, which reduces the exposure to prolonged market volatility. Therefore, while options can play a critical role in managing price risk for larger or export-oriented trades, tailored solutions – including basic fixed-price agreements – may be more appropriate and cost-effective for smaller, regional transactions.

Processing capacity

Limited processing capacity (in both wet and dry mills) causes risk to producers. If wet mill capacity is tight, coffee may not be processed properly, with resulting quality problems. Lack of dry mill capacity means that coffee may not be processed in time for peak demand and hence the highest prices. It can also result in delayed shipments and contractual losses. Clearly there is a balance to be struck between overcapacity and undercapacity, both of which are costly, although in different ways. It therefore makes sense for the coffee industry to identify where there is a lack of processing capacity and seek an investor prepared to build it.

However, it is also important to recognize that wet processing can be effectively conducted on-farm, which could bring greater value directly to producers by enabling them to capture more of the processing margin. Supporting on-farm processing may require investment in equipment, technical training and quality control measures to ensure consistency and efficiency. If attracting private investment proves challenging, coffee authorities may decide to invest in public facilities to ensure that farmers have access to timely and high-quality processing. A combination of approaches – including promoting on-farm processing, facilitating private investment and developing public infrastructure – can help strengthen processing capacity and maximize benefits for producers.

Insurance

- The liberalization of financial services has resulted in a greater variety of insurance products being available to larger coffee producers and traders – from fairly straightforward stock and transit cover to weather and crop insurance. However, unless available through cooperatives, smallholder farmers do not generally have access to these products. Banks and microfinance institutions could work together to make them accessible through smartphone apps. It may be possible to develop an integrated package for a smallholder farmer combining price risk and crop insurance in return for a premium.
- Health insurance can also play an important part in risk management. Smallholder farmers depend very much on their own family labour, so illness directly impacts income. Cooperatives / companies have worked with insurance companies and/or medical facilities to provide basic health insurance cover to farmers where state cover is not available.

Multi-crop approach

While the session understandably concentrated on coffee, it is important to recognize that smallholder farmers are by default not solely coffee farmers (nor exclusively producers of cocoa, tea or avocado) but typically engage in mixed cropping systems that include both food and cash crops. A multi-crop approach plays a critical role in their overall risk management strategy. Even when price and crop risk management tools are available for coffee, diversifying production across other crops – such as avocado, banana, cereals, vegetables, and even dairy or poultry – helps smooth income flows throughout the year and reduces reliance on a single commodity. These additional crops often have different harvesting cycles and price dynamics, providing resilience against both market volatility and climate-related shocks that may impact coffee production.

Records

- Coffee (particularly arabica coffee) is a complex crop with two major processing stages and up to eight different grades available for sale. In addition, local companies are working with thousands of individual suppliers (compared with international businesses, which work with a handful). Maintaining accurate records of stocks/weights at every stage is vital for risk management, especially with values of \$5–\$8 per kg. Most local coffee businesses operate with basic manual or Excel-based records. These can be adequate. However, once volumes increase, they can quickly become overwhelmed by complexity.

- Developing a standard PC-based coffee stock management package at a reasonable cost (like available standard accounting packages) would help local businesses and cooperatives reduce their risks of stock losses by providing real-time stock records. It would also help in timely marketing of coffee and provide the standard of records required by revenue authorities.

Other matters

Panel members from CRDB and NMB mentioned their banks' foundations, which have supported work in the coffee sector. They also mentioned the Green Bond, which is available to support local businesses in financing sustainable agriculture.

Some potential concrete actions for follow up:

1) Consolidating information for farmers on improving quality and productivity (similar to the TechnoServe app) as well as crop diversification. Providing information on support organizations active in particular regions that can offer advice and training.
2) Consolidating basic information on all available certifications relevant to a region / type of coffee – together with costs, benefits and requirements, again possibly made available through an app.
3) Developing standard sales contracts for local producers / traders that enable the incorporation of price risk management tools (such as a floor price).
4) Banks developing price protection tools for their customers.
5) Assessment of processing capacity by region to determine if there are any bottlenecks that increase farmers' and traders' risks.
6) Consolidating information on relevant insurance products for farmers (including critical health insurance) as well as means for them to access this insurance.

4.0 The next steps

Following the Policy Dinner at the African Fine Coffees Conference & Exhibition in Dar es Salaam on 27 February 2025, it was agreed to establish a Coffee Advocacy Working Group (CAWG) to address key challenges in the African coffee trade that are best managed at the regional and continental levels. The group's objective is to identify major constraints, develop practical solutions, and advocate for policy changes to enhance efficiency and competitiveness in the sector.

The CAWG will initially operate for a two-year period, to assess its effectiveness in delivering meaningful outcomes while maintaining a lean operational model. It will be coordinated by AFCA in collaboration with IACO. The Chair will be selected by CAWG members. A Coordinator, appointed by AFCA, will support the group's work and help advance its agenda, working closely with the Chair and CAWG members. Regular virtual meetings will be held throughout the year.

The group will report to the AFCA Policy Dinner at the annual conference in February 2026. Key expected outcomes of this meeting include confirming the group's objectives, governance framework, leadership, priority areas for 2025 and next steps. This paper may be updated based on the outcomes of that meeting.

Annex 1: Brief summary of AFCA policy dinner discussion on strengthening the African coffee trade on 27 February 2025 in Dar Es Salaam – Key ideas from participants

1. Key challenges and opportunities for coffee trade under the AfCFTA Agreement

- High trade costs, currency fluctuations and multiple taxation layers
- Non-tariff barriers, complex Customs procedures and logistical inefficiencies
- Limited market access for roasted coffee due to high tariffs and regulatory hurdles
- Opportunities include a large and growing African coffee market, improved branding strategies and increased intra-African trade potential

2. Financial and market risks and risk management tools

- Limited access to affordable finance, and high interest rates for coffee producers and exporters
- Market volatility and price fluctuations create uncertainty in trade
- Need for stronger financial instruments such as trade insurance, price risk management tools and structured guarantees
- Potential solutions include better stock management, mobile-ready financial solutions and regional financial support mechanisms.

3. Primary issues for a Coffee Advocacy Working Group

- Need for harmonization of trade policies, taxation and quality standards across Africa
- Improving access to market intelligence, research and financial credit
- Strengthening regional trade facilitation and removing regulatory bottlenecks
- Establishing a formal platform for dialogue on policy-related issues to address trade challenges
- Encouraging participation of the private sector to drive actionable outcomes

4. Effective stakeholder collaboration

- Regular quarterly meetings to track progress and ensure accountability
- Clear Terms of Reference for working groups, with actionable strategies
- Stronger government engagement to support trade facilitation and policy alignment
- Development of an effective communication framework to enhance coordination
- Monitoring and evaluation mechanisms to track the implementation of resolutions and initiatives

Next steps

- Formalize the structure of the CAWG under AFCA
- Develop a clear roadmap with defined responsibilities and milestones
- Strengthen engagement with policymakers to advocate for key policy reforms
- Encourage participation of additional private sector players to ensure inclusivity
- Disseminate information on the AfCFTA's impact on the coffee sector and trade facilitation opportunities