

In Tanzania 4,400 Small-Scale Coffee Growers Sell Directly to Peet's And Five Other Overseas Buyers, Earning Premium Prices

With AKSCG and TechnoServe Assistance, Tanzanian Coffee Growers Are Achieving Very High Quality and Record-Breaking Sales

Mbinga, Tanzania, February 4, 2005 -- For the second year in a row, groups of small-scale growers have produced extraordinarily high-quality coffee and have now captured the attention of some of the world's premiere quality roasters and importers. Beginning this weekend, a total of 406,000 pounds (184 metric tons) of high-quality Arabica coffee beans grown by 4,434 smallholders will be loaded onto ships in Tanzanian ports, bound for gourmet markets and discerning consumers in the U.S., Europe and Japan.

These Tanzanian coffee growers are all members of the Association of Kilimanjaro Specialty Coffee Growers. AKSCG negotiated the sale of 10 containers of coffee beans to six premiere buyers: Peet's Coffee & Tea, Starbucks Coffee Company, and Dallis Coffee (all based in the U.S.), List & Beisler and another buyer (both based in Germany), and Volcafé Ltd, Japan. These specialty coffees were sold for an average price of US\$1.27 per pound compared to the average price for auctioned Tanzanian Mild Arabica of US\$0.88 per pound. This price premium illustrates the significant difference in quality between this coffee and the average coffee produced in Tanzania. This week's sale is also significant because AKSCG, which recently became Fair Trade-certified, is selling its first container (19,200 kilograms or 42,328 pounds) of Fair Trade-certified coffee, to a German buyer.

"There is much to celebrate: the opening to direct export, the strides in processing, and most of all the prices farmers are receiving," said Doug Welsh, Vice President of Coffee, Peet's Coffee & Tea. "It was a joy to work with producers so obviously bent on improvement, but since returning from our latest trip to Tanzania I've been enjoying something even more: drinking their coffee. I think Peet's customers have a treat in store, again."

AKSCG was established in 2001 with assistance from TechnoServe, a U.S.-based non-profit development organization that is assisting Tanzania's coffee growers to earn higher prices by improving coffee quality, developing new quality-focused business models, and establishing market linkages with overseas buyers. TechnoServe's coffee work in Tanzania is funded by the U.S. Agency for International Development (USAID), the Swiss Organization for Development Cooperation (SDC), Farm Africa, and private donors to TechnoServe.

"TechnoServe introduced to us the idea of central-pulper processing for quality improvement," said David Mwakapola, Chairman of Songambe Specialty Coffee Group. "They [TechnoServe] helped us a lot in installing the equipment and in 2004 we started operating. It was a positive and great step forward because in spite of inexperience in running such equipment we produced a high-quality coffee and more than 5 tons is going to be sold direct to the export market, in our first year of operation!" "Isn't this amazing!" exclaimed Mwakapola with a smile on his face.

"We are proud to help Tanzanian specialty coffee growers receive fairer prices for the high-quality fruits of their labor," said Jim Munson, Vice President of Dallis Coffee. AKSCG has consistently earned higher prices for its members by providing efficient services including provision of credit and marketing support. In the 2002 and 2003 seasons, the prices AKSCG members obtained represented over 65% premiums above the average price paid in Mbinga, with some farmers receiving much higher premiums. Today, AKSCG markets coffee for 75 groups of small-scale growers -- representing over 7,000 individuals -- and in partnership with TechnoServe represents smallholder growers' interests in regulatory and policy matters.

During the current 2004 coffee season, AKSCG collected 2,070 metric tons of parchment coffee from its smallholder members -- an 89% increase from the previous year -- and gross sales have already passed US\$2 million. Ninety-five percent of AKSCG coffee is being sold at the national coffee auction, where higher global prices and quality improvements have resulted in smallholder farmers receiving prices 32% higher than the previous year, while the

remaining five percent (AKSCG's top-quality coffee) is being direct exported to these six specialty buyers. AKSCG's direct export coffee was produced by smallholder farmers who processed their coffee in village-based "central pulperies," which produce a more consistent and high-quality end product. (17 of these central pulperies were established with support from TechnoServe.) For the 2004 coffee season, AKSCG member groups used 21 central pulperies to produce 310 metric tons of parchment coffee, a five-fold production increase over the previous year. This increase was a result of improved rainfall in northern Tanzania and the launch of five new central pulperies in Tanzania's Southern Highlands. The installation of Penagus eco-pulpers in the Southern Highlands was also highly successful in minimizing the traditional problems of over-fermentation and limited availability of water.

In October 2003, new regulations were enacted allowing for direct exports. (Previously, all Tanzanian coffee was sold through the country's state-run national coffee auction.) AKSCG became the first organization to be licensed by the Tanzania Coffee Board to export specialty coffee directly to overseas buyers, and in March 2004, AKSCG sold one container of smallholder coffee (23,280 pounds, grown by 645 smallholders) to Peet's Coffee & Tea, the first such transaction. Now, AKSCG is direct exporting 10 containers to Peet's and five other specialty buyers. Several of Tanzania's larger coffee estates are also taking advantage of the new regulations to sell a large portion of their crop this season, but AKSCG is the only smallholder producer organization expected to direct export in 2005. Adolph Kumburu, AKSCG Executive Director, commented, "The direct export of 10 containers of specialty coffee is a great achievement that will provide a substantial increase in income for many smallholder farmers. I'd like to thank TechnoServe and Taylor Winch for their valuable advice and support over the last year which has enabled us to reach this success."

"AKSCG's performance this past year has been outstanding and I commend AKSCG's directors and management for their professionalism and hard work," commented Paul Stewart, TechnoServe's Coffee Marketing and Finance Coordinator. Stewart added, "I am confident that many more smallholder farmers will achieve these high prices in the future as Tanzania retakes its rightful position as one of the world's leading specialty coffee origins."

TechnoServe will continue to support AKSCG to manage their rapid growth, by focusing on strategic development, access to sources of low-cost credit, identification of new specialty coffee markets, and improvement of management information systems. TechnoServe is also investigating new sources of financing in order to accelerate the construction of additional village-based central pulperies to enable more small-scale growers to produce and market high-quality coffee and earn higher prices.

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