



CBI Tailored market intelligence: Prices and price developments for Ugandan specialty coffee

Supply and demand levels are the most important factors in determining physical green coffee prices. However, on the global commodities market there are other factors which influence price, of which quality (of a given coffee or origin) is one of the most relevant for producers and exporters of specialty coffees. In fact, each specialty coffee is unique with regard to a specific origin, process, characteristics, flavour and final quality, and is therefore priced differently. Other factors that influence prices include market expectations, speculative actions in future markets, and changes in currency exchange rates.

Prices for coffee

Coffee is not a homogeneous product and therefore there is no single price for coffee. Coffee at the international level is priced as follows:

- Physicals – day-to-day prices for green or physical coffee
- Indicators – prices which track and represent 4 main groups of comparable coffees: Colombian mild arabicas, other mild arabicas, Brazilian and other natural arabicas and robustas (which include Uganda Robusta Standard)
- Futures – that reflect the future demand and availability of coffees for standard qualities.
- Differentials – a system linking physical prices to futures prices.
- Premiums – are positions that are generally negotiated between producers and buyers for higher quality, origins or certifications.

The study of physical coffee prices is complex due to the high variability in quality of individual coffees. Given that there is also no universal definition of 'specialty coffee', it is clear that the market cannot be assessed accurately and objectively, therefore making the pricing of specialty coffee much more complicated.

In Europe, prices for specialty coffee and price developments follows the international coffee market of arabicas (New York) and robustas (London) plus a variable "premium" per quality and origin.

In the specialty coffee market, it is generally acknowledged that reliable and consistent grading procedures, strict compliance with legislative and non-legislative/contractual obligations, as well as regular delivery will add value and consistency to the coffee and the reputation of the origin. For this reason, certain growths of coffee may be highly prized for their flavour characteristics and attract higher premiums, such as Jamaican Blue Mountain, Hawaii Kona, Top Kenya AA, Colombian Excelsos, and Guatemalan Antiguas.

For specialty Ugandan coffee, there is a need for high-quality producers to build a reputation, together with all the players of the Uganda value chain including trade support institutions, policy support, trade services, business services, civil society and exporters. In the next section, the definition of the Ugandan coffee authority with regards to grades and specialty coffee is described in detail.

Classification and grades for specialty Ugandan Coffee

The Uganda Coffee Development Authority (UCDA) defines specialty coffees as those coffees with a good cup (outstanding body, acidity and flavors).

According to the UCDA, specialty coffee is not classified according to altitude but based on the cup results and number of defects. Regarding the coffee grades, classification is based on the growing regions of the coffee, for example Sipi falls and Mt Elgon A+. Specialty coffee should be rated above 80%, which is a set guideline by specialty cupping protocols adopted by the Specialty Coffee Association of America (SCAA). With respect to criteria (e.g. number of defects, altitude, certification, grade), the UCDA usually applies an equivalent of 3 defects in a 300g sample as a measure of specialty coffee.

There is a clear and intrinsic relation between quality/origin/certification and price levels for coffee. Table 1 shows the average price per kg of Conventional Robusta compared to Washed Robusta and Organic certified Robusta, and the average price per kg of Conventional Arabicas compared with Organic certified Okoro and Bugisu.

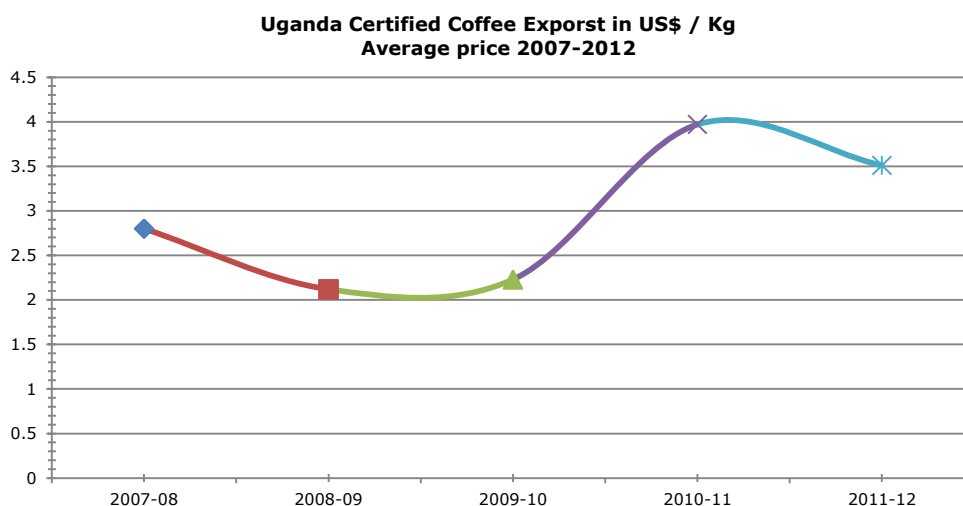
Table 1: Average price of exports of Ugandan Robusta and Arabica (FOT Kampala)

Coffee Type and grade	Price Kg* 2009/10	Price Kg* 2010/ 2011
Robusta	1.39	1.98
Washed Robusta	1.88	2.21
Organic Robusta	1.69	2.2
Arabica	2.42	3.86
Organic Okoro	2.87	4.86
Organic Bugisu	3.04	4.92

* Weighted average unit price is calculated looking at monthly prices in a coffee year (\$ per kg)

Source: UCDA Annual Report 2010/2011

Figure 1: Average price of Ugandan Certified Coffee (US\$/kg)



Source: UCDA, 2012

Figure 1 shows that average price paid for Ugandan Certified Coffee is always higher than conventional coffee.

Cumulative coffee exports for 2012/2013 reached 3,582,629 60kg bags with a value of US\$ 432.3m compared to the 2,726,249 60kg bags, valued at US\$ 392.3m, for the crop period 2011/2012. This represents an increase of 31% in volume and 10% increase in value. The average weighted price in 2011/2012 was US\$ 1.86 /kilo.

It is important to mention that around 80% of the total export volume in Uganda was exported by 10 exporters, and 34 out of the 44 registered Ugandan exporters were active.

Table 2 shows the relation with Table 1 in terms of classification of Ugandan export grades of quality. The higher the quality (preparation, screen and origin), the higher the price of the coffee.

Table 2: UCDA's classification of Ugandan Export Grades

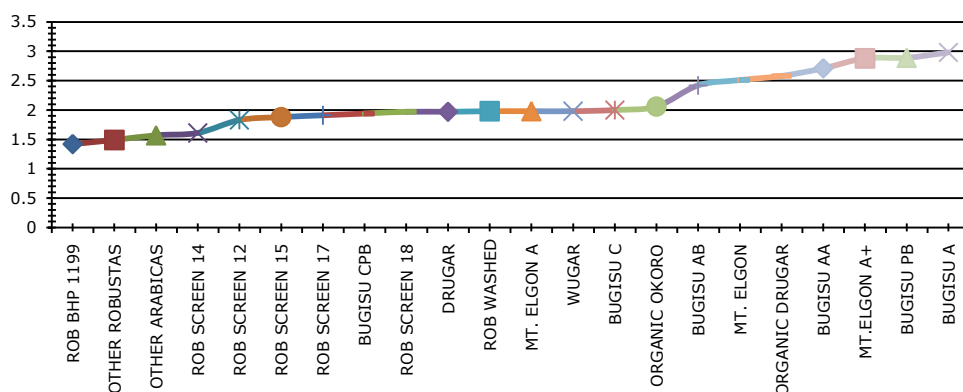
Arabica		Robusta	
Washed	Natural	Washed	Natural
Bugisu AA	Drugar A	Screen 1900	Wur
A	B	1800	
PB	C	1700	
B		1600	
C		1500	
E		1400	
Wugar A			
B			
C			

Drugar = Natural Dry Uganda Arabica
Wugar = Washed Uganda Arabica (other than Bugisus)
Wur = Washed Uganda Robusta.
Other improved grades = Include Organic and other certified and specialty coffees.

Source: UCDA, 2013

Figure 2 shows the relation between price and quality (UCDA's classification) : low grades Robustas (Robusta BHP 1199) account for around a half of prices of Arabicas (Bugisu A)

Figure 2: Coffee Prices by Type, Grade (UCDA's classification) August 2013 in US/Kg



Uganda by Type and Grade - Prices vrs Volumes

During the last crop 2010/2011 the average Robusta price was US\$ 1.98 per kilo. The highest Robusta price was for Washed Robusta at US\$ 2.21 per kilo, followed by Organic Robusta at US\$ 2.2 per kilo. Arabica had a weighted average price of US\$ 3.86 per kilo. The highest Arabica price was for Sustainable Organic Bugisu which was exported at an average price of US\$ 4.92 per kilo, followed by Organic Okoro which reached US\$ 4.86 per kilo. Prices per specialty coffees on average reached US\$ 5.91 per kilo.

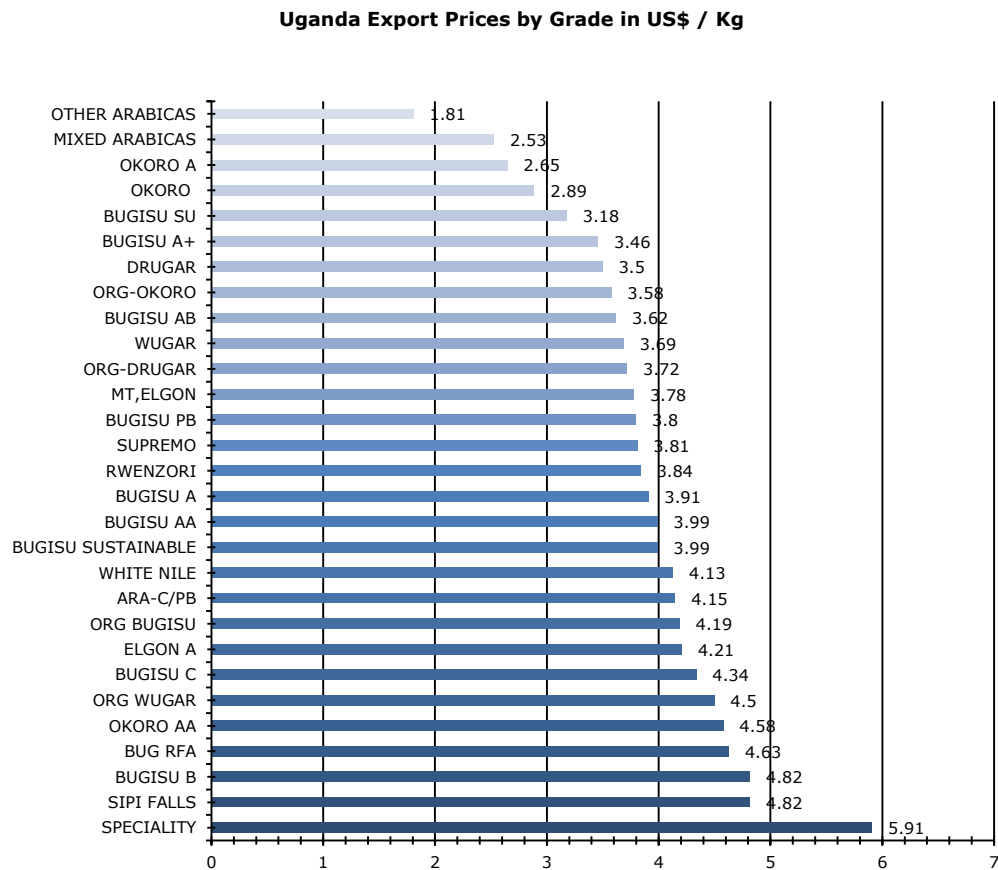
Average differential FOB prices for Arabica are around + 5 to +40 USD ctv x pound. Uganda exports its coffee at an average 40 USD ctv x pound. Premium for organic sustainable coffees is around 2 to 3 USD ctv per pound.

Certified coffees generally carry [UTZ](#), [Rainforest Alliance](#) or [4C certification](#). They are traded in the conventional market and do not have a fixed price premium. Premiums are generally negotiated between producers and buyers, without intervention or control of certifiers.

Figure 3 (below) shows the export prices for different grades of Ugandan coffee in 2011-12. As we can see, the premium for organic-certified coffee is generally around 15% - 45% above the price of conventional coffee, depending on the origin, demand and quality of the product.

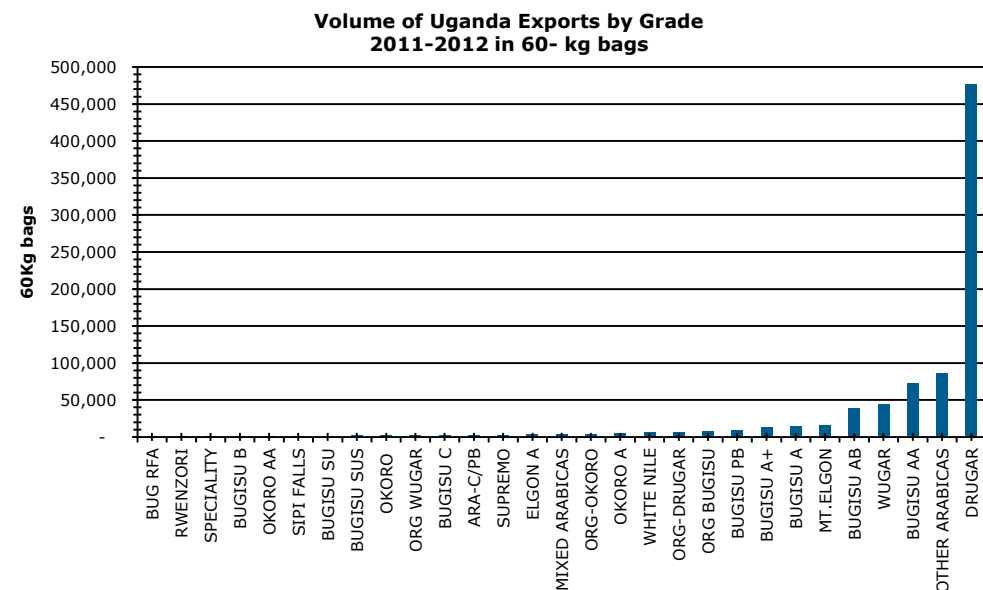
Conventional Arabica coffees are generally sold on the market at the NYC level. Premiums for certain origins can be much higher, but vary according to supply and demand. Specialty coffee is a synonym of higher premium for quality in production and processing.

Figure 3: Uganda Export Prices by Grade in US (2011-2012)



Source: UCDA 50th Anniversary Edition 2012

Figure 4: Uganda Export Volumes by Grade in US\$ (2011-2012)



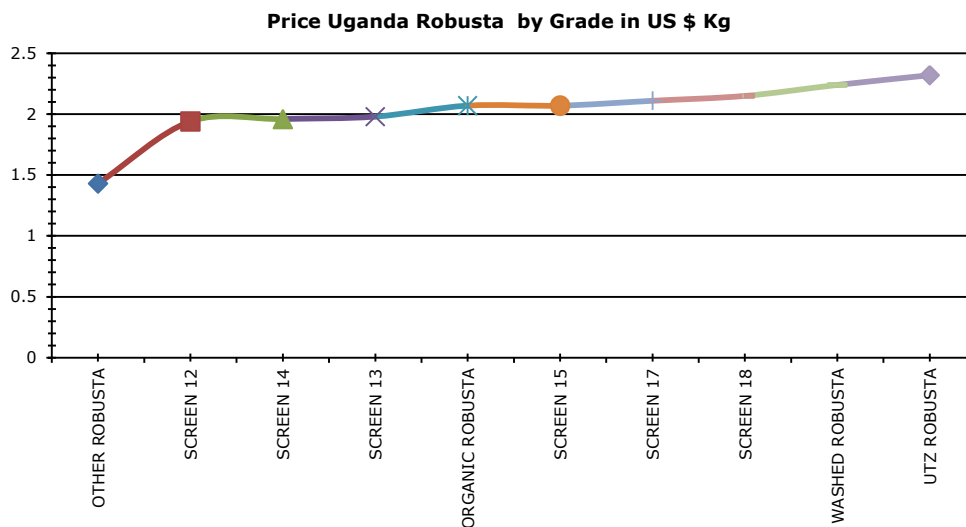
Source: UCDA 50th Anniversary Edition 2012

As mentioned above, there is not an average premium for specialty coffees. All prices above international market level (Liffe – Robusta or NYBOT – Arabica) are considered as a reward for sustainability and quality in the coffee production. One example is the differential paid

for Rwandan specialty coffee: the number 1 selection exceeds US\$ 819 per pound on the NYC market.

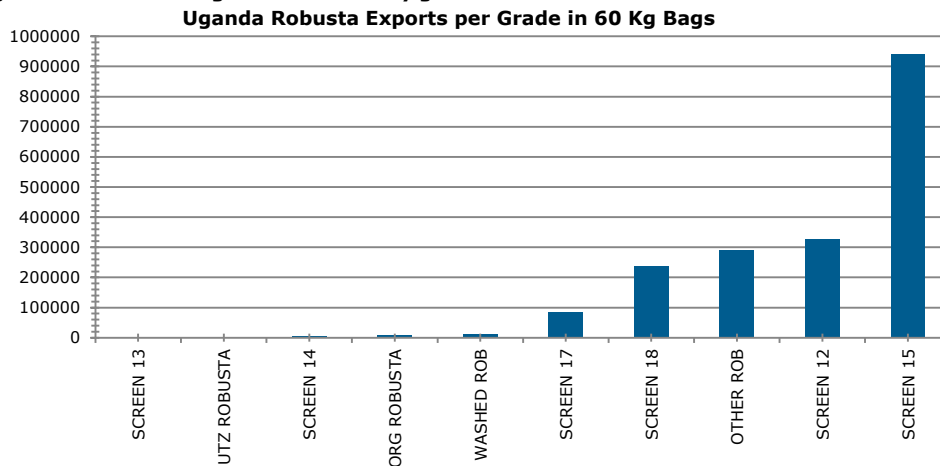
Figure 5 (below) depicts prices and volumes of Ugandan Robusta. Higher prices correspond to Robusta UTZ certified while the volume of exportation is minimal. On the other hand prices for other robustas are contrasted with the higher volumes exported.

Figure 5: Prices Ugandan Robusta by grade



Source: UCDA 50 Anniversary Edition 2012

Figure 6: Volumes of Ugandan Robusta by grade



Source: UCDA 50 Anniversary Edition 2012

Certification standards and premium

Ugandan coffees certified under the sustainability schemes [UTZ certified](#), [4C](#) and [Rainforest Alliance](#) are considered specialty or sustainable coffees by the Ugandan Coffee Authority and are traded in the conventional commodity market. For all those certifications schemes, the price is defined in the negotiation process between seller and buyer. Sustainability schemes for UTZ certified and Rainforest Alliance coffees assure buyers that their coffee has been produced according to internationally-recognized standards for responsible production. Buyers recognize this extra value by paying coffee growers a price premium for coffee certified under these labels. The labels do not offer a fixed price premium however.

The premium paid for *organic-certified coffees* is generally 10% - 30% above the price of conventional coffee. However, premiums for quality and certain origins can be much higher, and vary according to supply and demand. The *Fairtrade* premium, which was last adapted on 1st April 2011, is set at US\$ 0.20 per pound. The additional premium for organic Fairtrade is set at US\$ 0.30 per pound. Furthermore, speciality high quality coffees and regional

specialties receive a much higher market price. Table 3 (below) shows the minimum price and premiums for Fairtrade, organic and other certification schemes.

Table 3: Organic premiums, Fairtrade minimum prices and premiums, and other certification schemes. Prices FOB, USD / lb

Product	Product variety	Organic certified	Fairtrade minimum price	Fairtrade premium	Utz - RainForest - 4C
Coffee Arabica	Conventional, washed		1.40	0.20	Negotiation between supplier and buyer
	Organic, washed	+20 +30	Organic differential: +0.30		
	Conventional, natural		1.35	0.20	
	Organic, natural	+20 +30	Organic differential: +0.30		
Coffee Robusta	Conventional, washed		1.05	0.20	Negotiation between supplier and buyer
	Organic, washed	+10 +30	Organic differential: +0.30		
	Conventional, natural		1.01	0.20	
	Organic, natural	+10 +30	Organic differential: +0.30		

Source: FLO International and other certifications schemes

Recommendations

It is recommended that producers and exporters of green coffee closely follow the evolution of coffee prices and premiums paid locally and in the international markets. This could be done using the sources of information provided other in other modules of this study, as well as through the [CBI Market Intelligence Platform](#) that provides up-to-date EU market insights and a valuable source of intelligence for exporters. This systematic revision of prices and premiums would help to define strategies of production and certification which can contribute to the elaboration of successful export marketing plans.

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

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