

Africa coffee chief says instability threatens industry

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KAMPALA, May 9 (Reuter) - Higher coffee prices have raised hopes of recovery for the industry in Africa but political upheaval, poor quality and financial constraints could wipe out any gains, the chairman of the Inter-African Coffee Organisation (IACO) said.

Richard Kaijuka, also Uganda's Minister of Cooperatives, Trade and Marketing, told Reuters that output was still falling for the moment, and Africa's share of global coffee trade has fallen to 20 per cent from 30 percent in the 1970's.

"Prices have risen beyond anyone's imagination. We've had a remarkable turnaround in the industry. It has been unprecedented," Kaijuka said in an interview.

Kaijuka spoke to Reuters on Friday, after news that coffee prices had continued their relentless rise, jumping more than eight percent to the highest level in five years.

The minister said the current price trend would enable Africa to recoup some losses incurred since a market-regulating coffee pact collapsed in July 1989.

Producers then flooded the market with coffee pushing the price down to historic lows, leading some farmers to abandon their coffee crops.

"At this trend (good prices) we could easily recover some losses, but not all of them," he added.

Economists say Africa lost up to \$1 billion dollars a year in coffee earnings after the price crash in 1989.

Kaijuka said shortage of stocks aside, coffee prices had risen largely due to a retention scheme agreed by producers in Uganda in October last year to keep up to 20 percent of their exports off the market.

"We have demonstrated that even we producers can change the way things are normally handled. The present price levels would never have been achieved had we left things in the hands of consumers," he said.

Economists and industry experts say the rise in prices would boost Africa's earnings for this year from 1993's \$1 billion to between \$1.4 and \$1.8 billion this year.

But Kaijuka said the gains in coffee prices were threatened by political instability on the continent, poor coffee quality and financial constraints resulting

from structural adjustment.

“Instability remains a major challenge to the coffee industry in Africa. It has contributed heavily to low production and poor quality,” Kaijuka, a former banker and leading businessman, said.

He declined to name the countries but officials said he was referring to war in neighbouring Rwanda and chaos in Burundi, Angola and Zaire – all producers of coffee.

Kaijuka said IACO would work out a mechanism by which to monitor the quality of coffee, presently done by individual countries.

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