

THE GLOBAL COFFEE PARADOX AND COFFEE MARKETING IN ZIMBABWE; 1980–2015

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ABSTRACT

This article examines coffee marketing in Zimbabwe amidst debates on the contribution of agricultural commodities to sustainable economic development in Africa. It uses the concept of linkages and declining terms-of-trade to reconnoitre these debates. The article argues that between 1980 and 2015, coffee production, and in particular marketing, faced a myriad of internal and external challenges, which limited its overall contribution to the economy. Among these constraints was the lack of a significant domestic market, which tied the sector to external markets. The externality of the coffee industry weakened the linkages between the sector and the rest of the local economy, thereby turning the sector into an enclave of external economies. This exposed the industry to risks on the international market—including price volatility. The setup perpetuated the unfair global division of labour, where Zimbabwe suffered declining terms-of-trade as an exporter of raw coffee and an importer of manufactured products. This article, therefore, contends that the externality of the coffee industry in Zimbabwe plunged the country into an exploitative dependency relationship with consuming countries. Failure to export processed coffee was mainly a function of the restrictive tariff policies in the consuming countries.

Keywords: coffee marketing; coffee paradox; economic development; linkages

Introduction

The relationship between commodity production and economic development in underdeveloped countries has been a subject of debates and analyses for several decades. The impact of commodity exports on the wealth of nations became a key issue, with attention particularly focused on the advantages expected from commodity exports (Daviron and Ponte 2005, 15). Nonetheless, the contribution of primary



agricultural commodities to economic growth and development in Africa is a function of a complex interplay of factors. For export-oriented agricultural sectors, the nature of the international markets is a critical variable in determining the success of the sector. Globally, the paradoxes surrounding coffee production and marketing result in the commodity problem. This problem is ascribed to the complex outcome of both the local approaches to commodities production and marketing, as well as the price movements on the international markets. The paradox results from declining terms-of-trade in the long-run for agricultural commodities. This article, therefore, analyses dynamics of coffee marketing in Zimbabwe from 1980 to 2015. It focuses on post-colonial dynamics in the Zimbabwean agrarian economic history until 2015, because beyond that, very little coffee was exported, owing to disturbances caused by the fast track land reform process. The article accounts for the vicissitudes at international and local levels, and the impact thereof, on the contribution of coffee to national incomes. It then simmers Zimbabwe's experience in coffee marketing within debates on commodities production and economic development in "developing" countries.

The article is based on primary evidence from reports and correspondences from the Grain Marketing Board (GMB), government policies on agriculture and semi-structured interviews. It was important to gather primary evidence in order to assess why incomes generated by the coffee sector have declined over the years. Secondary sources were employed to buttress evidence from primary sources and to make comparisons between the coffee industry in Zimbabwe and other African countries. Further, secondary sources were important in assessing the global context within which coffee marketing was conducted. This approach was the most convenient, owing to the empirical nature of the study. Ethical considerations were also adhered to, particularly with regards to confidentiality and acknowledgment of all sources used in developing an argument.

Zimbabwe in the Global Coffee Economy

Coffee production was an external-oriented system with a dynamic history, both at local and global levels. Given this orientation, the production system depended on the ability of the coffee subsector to secure stable markets internationally, and government marketing policy at local level. The contribution of coffee production to economic development and national incomes was largely determined by the conditions prevailing on the international markets. Global coffee marketing was, therefore, couched within a number of international trade agreements. One such agreement, which was important in defining Zimbabwe's coffee trade, was the ACP-EU Cotonou Agreement (Food Agricultural Organisation (FAO) 2003, 17). In 1980, Zimbabwe became a signatory to the Lomé Convention, which provides the basic framework for economic cooperation between the European Union (EU) and 71 African, Caribbean and Pacific (ACP) countries since 1975. This agreement was a critical component of the ACP-EU cooperation since these preferences guaranteed better market access to commodities originating from ACP countries.

Since the colonial period, Zimbabwe was known to produce high-quality Arabica coffee, which was scrambled for on the global market. To complement the advantages of quality-superiority coffee, the most immediate assignment of government in 1980 was to guarantee farmers with a stable international market through joining the International Coffee Agreement (ICA). ICA emerged in the context of international efforts to solve the problem of prolonged price instabilities and persistent overproduction. Owing to the importance of coffee in world trade, and the significance of coffee exports to the economic and political stabilities of most coffee-producing countries, the global coffee problem had to be treated more comprehensively (Topik 2003, 46). Generally, coffee marketing was managed by the International Coffee Organisation (ICO) through ICA quota system. The most important objective of ICA was to stabilise prices for the benefit of both producing and consuming countries (Topic 2003, 46). The objective was to impose export-quotas on coffee producers for a given period of time.

The Zimbabwean government realised the efficacy of a secured international market if its coffee sector was to contribute meaningfully to macroeconomic development. Coffee was gradually becoming a significant crop in the national economy and securing markets for the crop was, therefore, key. Consequent to negotiations between Zimbabwe and ICO Council, the country joined ICA in 1982 (Chavunduka 1982, 61). ICO quota-markets offered premium prices for Zimbabwe coffee producers, while off-quota markets were largely used for dumping excess coffee, which largely consisted of low-quality coffee. Generally, the European quota-markets absorbed the bulk of Zimbabwean coffee, followed by the United States of America (USA) and Japan. South Africa and countries in the Middle East absorbed the excess coffee, which could not be pushed on the quota-markets (Grain Marketing Board (GMB) 1982, 17). Chart 1 depicts Zimbabwe's general international coffee market share between 1980 and 2015.

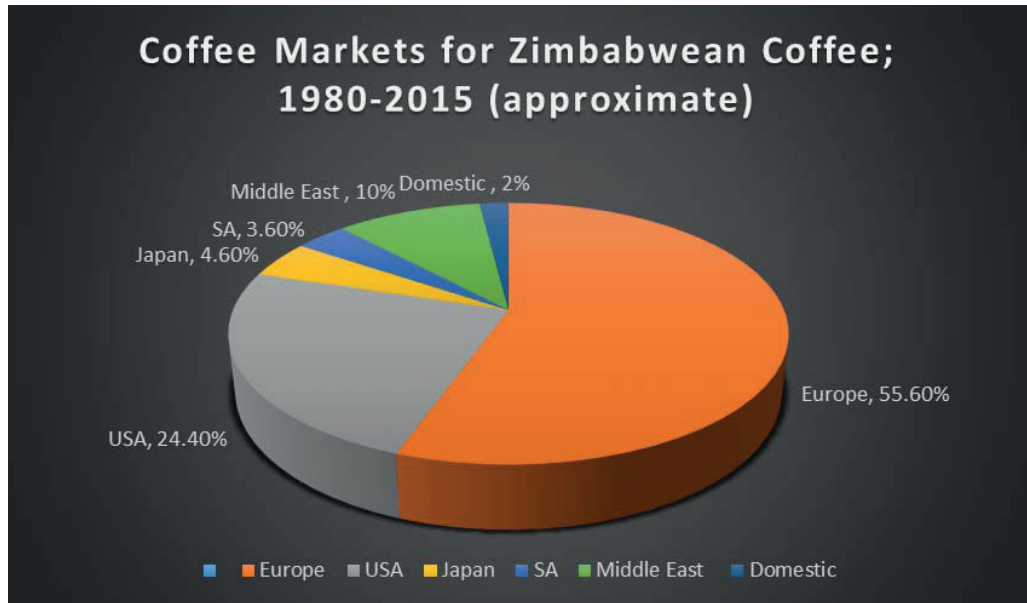


Figure 1: Zimbabwe international coffee market 1980–2015

Source: Adapted from GMB Reports and Accounts and ZCM Reports, 1980–2010

The Zimbabwe ICO coffee quota proved to be useful in the early years when production was low. However, as production increased, there was a growing inverse proportion between coffee produced and the quota. More coffee was sold off-quota, which made the quota system quite limiting to the Zimbabwean coffee potential. In 1985, for instance, a total of 10 732 tonnes of coffee was delivered to the GMB, compared with the country's ICO quota of 5 520 tonnes (GMB 1985, 28). This meant that about 50 per cent of the crop was sold on less lucrative off-quota markets. This created some form of uncertainty on the part of the farmers. As production increased, the size of the quota became a matter of urgent concern and the country lobbied for an increased quota unsuccessfully. Table 1 compares total deliveries to the GMB and the Zimbabwe ICO quota.

Table 1: Zimbabwe ICO quota and the total coffee delivered to the GMB, 1982–1989

Year	Total Deliveries to GMB	ICO Quota	Balance (off-Quota)
1982	4 903	4 260	643
1983	6 906	4 290	2 616
1984	10 000	4 290	5 710
1985	10 732	5 520	5 212
1986	11 886	5 490	6 396
1987	13 489	-	-
1988	11 603	5 490	6 113
1989	14 608	7 262	7 346

Source: Statistics collated from GMB Reports 1982–1989

Except for 1982, when 87 per cent of total coffee deliveries were sold on quota-markets and the 1986/1987 season, when ICO was suspended, during the rest of the years between 1982 and 1989 more than 50 per cent of coffee delivered to GMB was sold on off-quota markets. This scenario triggered concerns on whether ICA was of any benefit to the country or not. Zimbabwean coffee marketers were confident that the country's high-quality coffee would allow them to sell all coffee on European and USA markets, even when the quota was scrapped. As a result of the limitations imposed by quotas on the country's coffee, a significant proportion found its way to less remunerative off-quota markets, particularly South Africa (GMB 1983, 19).

Paradoxically, the country benefited from the suspension of ICO quota in 1986, owing to a decline in global coffee production. This was partly due to a drought, which destroyed the Brazilian crop. Coffee prices rose to levels where the quota did not serve its purpose. Zimbabwe was able to push most of its coffee onto the lucrative quota-markets. In 1986 coffee exports rose to 11 886 tonnes against the 1985 export of 9 106, an increase of 30.55 per cent. During the first half of the trading year, of the 11 886 tonnes exported, 5 747, 88 went to non-ICO markets (GMB 1986, 14). The balance of 6 138, 12 tonnes went to ICO-importing members against a quota allocation of only 5 490 tonnes (GMB 1986, 14). This was made possible following the suspension of the ICO quota on 18 February 1986, when the indicator prices exceeded the trigger level. High prices were achieved as a result of shortages of good quality coffee on the market.

Nonetheless, after a brief renewal of the ICO quotas in 1988/1989, ICA collapsed and no new agreement was entered into again between coffee-exporting and importing countries (Daviron and Ponte 2005, 19). The main reason for the disagreement between the exporting and importing countries was that exporting countries requested bigger quotas that reflected increasing production levels in their respective countries at the

same premiums without due regard to the laws of demand and supply. The process of negotiating quotas usually brewed conflicts between the producing and importing countries, and in the long run, contributed to the demise of ICA in 1989. Such conflicts were mostly manifest during the 1985 ICO meeting, held to discuss quotas. For months leading up to the meeting, coffee prices dropped. The total world exports for 1984/1985 were estimated at around 68.9 million (60 kg) bags, of which 11.4 million bags (17%) were exported to non-members. Sales to non-member-consuming countries had increased again in 1985 (Wrigley 1988, 572). Under-shipment of coffee to member states caused price increases, while non-member countries continued to enjoy more than their usual supply of coffee at about half the price paid by members (Wrigley 1988, 572).

The suspicion that much of this coffee would ultimately find its way to member countries resulted in the feeling that the sale of coffee to non-members should be stopped—and in any case, members should be supplied first and not last (Daviron and Ponte 2005, 87). As a result, importing countries began to use neo-classical arguments as convenient reasons to remove market controls. Importing countries challenged commodity agreements on the grounds that these agreements flouted the basic principles of a free-market economy, which forms the basis of global capitalism. These conflicts between market-control and *laissez-faire* models within the context of global capitalism resulted in the demise of ICA in 1989 (Daviron and Ponte 2005, 19).

Impact of the Collapse of ICA

The collapse of ICA had a detrimental effect on the coffee industry in Zimbabwe. It resulted in a brutal drop in international coffee prices, leading to instability in producing countries. As Daviron and Ponte note, the average ICO indicator price for the first five years after the collapse was only US\$0.77/lb, as opposed to US\$1.34/lb in the last five years before the collapse (Daviron and Ponte 2005, 88). In spite of the price rises during 1994/1995, as well as in 1997 due to drought in Brazil, the average composite price remained depressed at only US\$0.62 between 1990 and 2003 (Daviron and Ponte 2005, 88). Chronic oversupply was the main reason for depreciated prices. Between 1998 and 2003, the total global coffee production exceeded 100 million (60kg) bags (Daviron and Ponte 2005, 88). The total production in 2002 was a staggering 121 million bags (Daviron and Ponte 2005, 88). Initially, the coffee sector expected to benefit tremendously from the collapse of ICA. It was reasoned that while ICA guaranteed the coffee industry of a stake in the high-premium quota-markets it was, at the same time, limiting the sector as the quota imposed on the country was usually less than half of the country's total production. The industry was confident that even without the quota, its coffee would out-compete other coffees on the international market due to its high-quality reputation. One GMB official reported that:

the international coffee prices are subdued—currently, 88 US [cents]/lb compared to US\$ 1.20/lb in 1989—and farmers in some producer countries have suffered serious reductions in their returns from coffee. However, Zimbabwe prefers a free-market because the country is able to sell its entire coffee crop without any problems. (Turvile 1992)

However, this optimism proved to be a mirage. While Zimbabwean coffee had a longstanding reputation for being of high-quality, this coffee quality deteriorated drastically during the early 1990s—owing to drought, among other factors (Turvile 1992). In a report, the Coffee Growers Association (CGA) acknowledged this disturbing development:

the quality of Zimbabwe coffee caused concern with a number of buyers indicating that the quality in respect to both acidity and body deteriorated in recent years. In order to investigate this worrying situation, the Association had a sub-committee which concluded that no single factor could be identified as a reason for the decline in quality, but there was a combination of factors which were primarily drought related. Although steps had been taken to improve the quality, these good intentions had been overtaken by the 1991/92 drought which would lead to a further deterioration in quality during the current season. (CGA 1992)

The deterioration of the country's coffee quality resulted in countries like Japan, among others, threatening to wholly boycott coffee from Zimbabwe. Although the country assured the consumers that it would continue to produce high-quality coffee, there were no practical steps taken to ensure improvement in quality (Turvile 1992). Consequently, Zimbabwe, like other African countries, suffered a big loss of the market share and total income realisations due to the collapse of ICA. This scenario was worsened by the increase of coffee substitutes and adulterants in the consuming countries (Wrigley 1988, 500). These dynamics in part, explain the low elasticity of demand for “real coffee” globally. Subsequently, between 1989 and 1992, earnings for African coffee producers, many of whom were dependent on the crop for a large proportion of foreign currency income, dropped from US\$12 billion to US\$7 billion, with Africa's share of the world coffee market dropping from 30 per cent in the 1970s to 22 per cent in 1988 (Wrigley 1988, 500).

The rate of deterioration in market share and coffee revenue threatened the very basis of the economic existence of coffee-producing countries, and thus, required urgent solutions. Accordingly, in 1991 coffee-producing countries met in Nairobi to discuss new market stabilisation policies—including the restoration of export-quotas in order to boost coffee prices. However, the 25 African members of the Inter-Africa Coffee Organization (IACO) and the leading coffee producers—Brazil, Mexico, Colombia and Indonesia, failed to reach an agreement. There were conflicting interests among producers themselves, which created problems to reaching a consensus. For example, Brazil insisted on maintaining its traditional 30 per cent share of the world market, which other exporters considered greedy (Turvile 1991). Further, producing countries established the Association of Coffee Producing Countries (ACPC) in 1993. However,

the scheme lacked proper monitoring and punitive clauses. Some major producers did not join the scheme. In 1998/1999, Brazil exceeded its quota by 6 million bags (Daviron and Ponte 2005, 89).

The demise of ICA worsened the precarious conditions of global coffee markets, which had been part of the coffee business for decades. Coffee marketing suffered from the low elasticity of demand, which partly explained the unsatisfactory prices for the commodity for most of the times. Low elasticity of demand for coffee can be explained by a number of factors. Drinking coffee is believed to be associated with various heart diseases and cancers, and over the years the medical fraternity voiced several seemingly legitimate objections to its consumption, although this has been exaggerated by the media (Coste 1992, 248). Coffee consumption was also linked to erectile dysfunction and impotence among men. Recommendations were made that consumers cut down on their consumption levels. Although researches later concluded that moderate consumption of four to five cups a day for an adult presented no health risks, the effects of bad publicity on coffee were gross, with consumers gradually adopting coffee substitute and/or adulterated coffee (Coste 1992, 248). The demise of ICA came as another blow to a commodity business that was already facing challenges in expanding demand globally.

The Domestic Market

Local coffee consumption in the country was insignificant throughout 1980 to 2015. The trend resembled a continuation of the colonial market structure and explains the significant reliance of the sector on the international markets. Such a scenario worsened the vulnerability of coffee production to price movements on the international markets. Countries with a significant domestic coffee market were relatively better off in terms of the degree to which they suffered the effects of international price movements. Between 1980 and 2015, the domestic markets absorbed between one and two per cent of the total coffee produced in the country (GMB Reports 1980–2015). Table 2 depicts the coffee domestic market percentage share and the implications it had on the entire coffee sector.

Table 2: Zimbabwean coffee domestic market percentage share 1982–2000

Year	Total production (tonnes)	Domestic market share (tonnes)	% share
1982	4 903	98	2%
1983	6 906	138	2%
1984	10 000	200	2%
1985	10 732	214	2%
1986	11 886	237	2%
1987	13 489	134	1%

1988	11 603	116	1%
1989	14 608	292	2%
1990	15 000	300	2%
1991	12 814	384	3%
1992	12 097	483	4%
1993	4 000	120	3%
1999	7 882	315	4%
2000	6 540	327	5%

Source: Statistics collated from GMB Trade and Accounts Reports and CGA Annual Reports

In addition to a narrow domestic coffee market, the bulk of coffee consumed locally was low grade, which could not be easily pushed onto the international market (GMB Reports 1980–2015). Blends 60 and 62—the poorest blends on the coffee quality grid—constituted the bulk of coffee consumed locally. These blends were mainly used for the manufacture of instant coffees, an initiative considered to have the potential to expand domestic coffee consumption. The percentage increase of local coffee consumption corresponded with the declining quality of coffee produced in the country as a result of, among other things, the 1992 drought. The statistics below depict the dominance of poor-quality blends 60 and 62 on the local market between 1983 and 1990. This situation continued until 2015.

Table 3: Dominant coffee blends in Zimbabwe's local market

Blend	1989/90 Tonnes	1988/89 Tonnes	1987/88 Tonnes	1986/86 Tonnes	1985/86 Tonnes	1984/85 Tonnes	1983/84 Tonnes
53	2676	3264	2220	3030	2304	2168	1600
55	2880	2064	1932	2004	2352	2034	2200
56	3204	4032	3976	4800	5124	3714	3800
58	1776	1926	2106	2700	3120	2474	2900
60	31056	24366	16446	29200	22998	19392	22200
62	21230	20934	22248	28000	23250	17018	14700
Robusta	726	3714	-	300	-	-	-
Total	63548	60300	48928	70034	59148	48748	47200

Source: Adapted from GMB Reports on Trade and Accounts 1983–1990.

The narrow domestic market and the failure of efforts to expand coffee consumption show the inelastic nature of demand for coffee, not only locally but globally. The importance of a vibrant domestic market can be demonstrated by developments in the maize sector during the colonial period. The white settler community turned onto the

lucrative domestic market, through the Maize Control Act of 1934, when international prices of maize had depreciated due to the Great Depression (Keyter 1978). Therefore, a narrow to a non-existent domestic market for internally produced commodities render most export-oriented agricultural sectors unsustainable in the long run. Conversely, coffee production tended to have a higher affinity for manufactured goods, an evil economic relationship, which triggered declining terms-of-trade in the long run for the sector. Gradually, the coffee industry faced increasing costs of production as most of the inputs and capital goods were imported and expensive. This situation was captured in the 2003 Food and Agriculture Organisation (FAO) report which stated:

Market liberalisation reforms led to a tremendous increase in agricultural production costs particularly for stock feeds, fertiliser, transport costs and agricultural equipment compared with prices of agricultural produce. Interest rates swelled and now constitute one of the largest components of production costs for commercial farmers, (Food and Agriculture Organisation. (FAO) 2003, 4)

The narrowness of the domestic coffee market reflected a general trend in most coffee-producing countries in Africa and Latin America. Coffee is consumed mainly in the developed countries of the Northern Hemisphere (Daviron and Ponte 2005, 74). African producers, particularly Zimbabwe, Kenya, and Uganda, are largely dominated by tea-drinking cultures. Ethiopia is an exception in Africa, owing to the fact that coffee is indigenous to that country, and more than 50 per cent of its coffee is consumed locally. In Latin America, only Brazil had a significantly large market (Daviron and Ponte 2005, 74). Brazil's success in raising domestic consumption is of interest to many other coffee-producing nations, especially the variable that allowed for the expansion of the domestic coffee market (www.thecoffeeguide.org). The expansion of the Brazilian local coffee market was partly a result of a ballooning middle class (www.brasilbar.com/blog). Further, unlike Zimbabwe, which reserved the local market for poor quality coffee, over the years, Brazil pushed high-quality coffee on the local markets. Owing to a narrow domestic market in Zimbabwe, coffee was almost wholly destined for export. This increased the exposure of the sector to the vagaries of the international markets and dependence on external economies. This externality detached the coffee sector from the greater part of the local economy, thus, depriving the country of the critical economic linkages necessary to generate internal economic-friction to fuel macroeconomic development.

Border-crossing Value-chains and Sustainability in the Coffee Sector

Being a largely export-oriented sector, coffee production value-chain crossed international borders. The transmission and appropriation of value among the various stakeholders along the whole value-chain determined the value accrued to the local

economy. The failure of coffee producers to control the most lucrative parts of the coffee value-chain, particularly the addition of the immaterial-value, constituted the basis of the failure of coffee production to stimulate sustainable incomes producers (Daviron and Ponte 2005, xvi). This in itself is the basic explanation of the coffee paradox. Apart from all the internal variables that limited the contribution of the sector to meaningful economic development, the global coffee paradox constituted a bitter reality. The coffee industry was, and still is stacked against suppliers, with the bulk of the profits going to those further up the value-chain to the detriment of farmers (Daviron and Ponte 2005, xvi). This scenario is aptly demonstrated by a simple fact that while a cup of cappuccino cost US\$3 in 2013, farmers sold a bag of raw green coffee beans for US\$5 (The Guardian 2013). Translating this to a national level, the risks and the low profitability levels of agricultural commodities make the contribution of border crossing value-chains to meaningful economic development illusive.

The design of coffee market power was, and still is, restricted to a few stakeholders at the end of the value-chain. Much of the value generated through economic friction within the value-chain was retained in foreign consuming countries, who had access to the most rewarding stages of value addition (Food and Agriculture Organisation (FAO) 2004, 7). Specifically, only three corporations controlled nearly half of coffee roasting around the globe (Food and Agriculture Organisation (FAO) 2004, 7). These big multinational coffee companies were the governing force in the global coffee chains and executed their control by operating in imperfect markets and coordinating production and trade conditions (Pelupessy 2008, 208). Thus, the governance structure that controlled the chain was tilted in favour of these corporations. As a result, efforts by Zimbabwe to access more lucrative stages in the value-chain were frustrated as commodity-chains were split and internationalised. The externalisation of value-chains restricted the bargaining power of fragmented agricultural producers (Pelupessy 2008, 208).

Local Dynamics in Coffee Marketing

Local coffee marketing evolved from control to decontrol between 1980 and 2015. These changes were fraught with challenges, which limited the contribution of the sector to the whole local economy. After three decades of control—from 1972 to 1993—the coffee industry was decontrolled in 1993. Coffee growers, through the CGA, assumed the responsibility of selling their produce on world markets. In 1972, coffee became a controlled commodity under the Agricultural Marketing Authority (AMA) (Taringana 2014, 181). Except for the four seasons since 1972, surpluses were generated and supplementary payments made to growers because of buoyant prices on world markets (Taringana 2014, 181). As a result, farmers regarded the GMB as more efficient as a marketing board for their coffee. However, from 1988 coffee marketing under GMB led to problems, which resulted in efforts at decontrol.

The main reasons presented by coffee growers to push for decontrol were allegations of inefficiencies within GMB, which resulted in rising production costs. This, coupled with the effects of the 1992 drought, prompted some coffee growers to threaten to abandon coffee production unless the industry was privatised (Turvile 1993). Coffee planters argued that GMB failed to cut processing and marketing costs, resulting in them realising little or no profits. The costs borne by farmers rose from 3.6 per cent in 1986 to more than 35 per cent in 1992 (Turvile 1993). What irked farmers most was that GMB did not appear to make any attempts to cut costs, most of which were passed onto farmers, making coffee production unprofitable. In 1990, for example, GMB claimed it had overpaid the farmers and the latter had to refund (Rushinga 2013). This sparked a strong resistance among the farmers, who later accused GMB of extravagance and lack of financial prudence (Rushinga 2013). As demonstrated in Graph 2, GMB trading account continued to face deficits, which meant that farmers had to grow more coffee and settle debts with GMB. Farmers felt the pinch of declining terms-of-trade. The trend was regarded as unsustainable and urgent measures had to be taken to put back the industry on a sure footing.

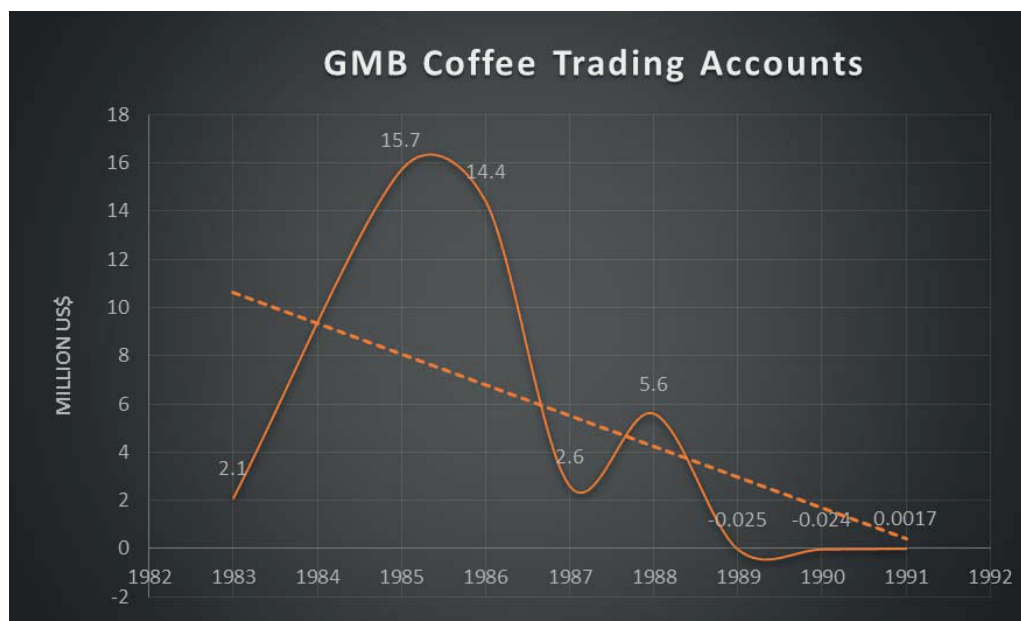


Figure 2: GMB coffee trading accounts 1983–1991

Source: Statistics collated from GMB Reports, 1982–1991

From the statistics above, coffee farmers enjoyed rising supplementary payments up to 1985, due to surpluses in the coffee trading accounts—a development which was

encouraging. However, this trend began to dwindle from 1986 onwards, until the trading accounts reached deficit levels in 1989 and 1990. This was a big disadvantage to farmers who, instead of getting a supplementary payment, had to refund GMB. Under these developments, prospects of sustainability within the sector became an *iginus fatuus*. This became the basis of the conflicts between coffee farmers and GMB, prompting CGA to moot privatisation. The conflicts between coffee farmers and GMB coincided with the country's adoption of the Economic and Structural Adjustment Programme (ESAP) in 1991, which emphasised liberalisation of the economy, among other things. As a result, the coffee industry was privatised in 1993 (Turvile 1993). With the decontrol of coffee marketing, growers mainly sold their coffee through the Zimbabwe Coffee Mill (ZCM).

The Zimbabwe Coffee Mill

After decontrol of the coffee industry, CGA formed the Zimbabwe Coffee Mill (ZCM) in 1993. From decontrol in 1993, ZCM commanded about 90 per cent of coffee grading and marketing in Zimbabwe and the balance was shared between GMB and individual processors (ZCM 2010, 10). ZCM made efforts to maintain a sizable stake in the EU, USA, Japan and South African markets. However, ZCM assumed the mandate to market coffee at a time when production was declining; owing to the 1992 drought, 2000 Cyclone Eline, and the onset of the Fast Track Land Reform Programme (FTLRP) in 2000. Further, the reality of the effects of the collapse of ICA and the corresponding decline in the quality of coffee restricted the country's access to profitable markets (ZCM 2010, 12). In 2002, Zimbabwe lost the Japanese-niche market and from then it never reclaimed it back. The reason was the failure of the country to produce the first-class grade (AAA) that this niche bought (ZCM 2010, 12). Generally, decontrol of the coffee industry, compounded with deregulation of the economy, did not improve the coffee sector. The coffee trading account continued to face balance of payment problems, which made coffee production uneconomic. During the decontrol era, the domestic market continued to be narrow and characterised by poor quality coffee, which did not make any significant positive impact on the entire coffee sector.

Further, FTLRP resulted in constraints in accessing EU market, which was a major consumer of Zimbabwean coffee. The programme resulted in a diplomatic gaffe between Zimbabwe and EU, culminating in the imposition of economic sanctions on the country (Food Agriculture Organisation (FAO) 2003, 18). This translated into preference erosion for Zimbabwe's coffee in EU markets. Economic sanctions negatively affected the preference schedule, leading to a serious deterioration in export-market access for the country (Food Agriculture Organisation (FAO) 2003, 18). In any case, there was very little coffee to sell to the markets as a result of declining production due to the chaotic nature of the land reform programme. As FAO reported, “as a result of the land reform programme and the resultant decline in coffee production and quality of coffee, *international buyers began to shun Zimbabwean coffee* [italics my emphasis] and in

2010 the Mutare Coffee Mill was forced to shut down” (Food Agriculture Organisation (FAO) 2012, 18).

The major constraint faced by ZCM was cash-flow problems. The company, being volume-driven, was severely affected by the little coffee volumes produced and delivered for processing. Unlike other businesses, the company could not adjust the unit processing price upwards to compensate for a decline in the volume of coffee delivered. The reason was that as the company was owned by coffee growers, it was a marketing arm of the coffee growers (Food Agriculture Organisation (FAO) 2003, 18). The company had the capacity to process 20 000 tonnes of coffee per annum and needed to process 4 000 tonnes per annum to break even (Rushinga 2013). At its peak in 1994/1995, the company processed a volume of 9 400 tonnes of coffee. However, over the years, the company processed fewer volumes than the breakeven threshold. While the major constraint from 1993 to 2003 was declining coffee production, from 2004, this turned into a twin blight of declining quality and volume. The company received 47.7 per cent (1908 tonnes) of the breakeven volume in the 2004/2005 season, and the proportion declined gradually to 6.7 per cent (268 tonnes) in the 2009/2010 coffee season (ZCM 2010, 18). Table 4 depicts this scenario.

Table 4: Actual vs break-even coffee volume (2003–2010)

Year	2003/4	2004/5	2005/6	2006/7	2007/8	2008/9	2009/10
Capacity (t)	20 000	20 000	20 000	20 000	20 000	20 000	20 000
Break-even volume (t)	4 000	4 000	4 000	4 000	4 000	4 000	4 000
Actual received (t)	4 052	1 908	1 660	1 300	561	597	268
Actual as % of capacity	20.2%	9.5%	8.3%	6.5%	2.8%	3.0%	1.3%
Actual as % of break-even Vol.	101.3%	47.7%	41.5%	32.5%	14.0%	14.9%	6.7%

Source: Zimbabwe Coffee Sector Study (Draft Report 2010, 16)

The small coffee volumes exerted huge financial problems for the company. As a desperate measure, ZCM undertook other cash-generating activities to complement the core business of coffee grading and marketing. However, all these strategic efforts failed to fully address the financial shortfalls.

Conclusion

From the foregoing, coffee production in Zimbabwe was impacted on by a myriad of challenges, which limited its capacity to generate any significant revenues for the local economy. As a result of border-crossing and increasingly fragmented coffee value chains —, the coffee sector was alienated from the whole local economy and became an appendage of external coffee consuming economies. This did not, therefore, help much in the generation of the much-needed economic friction, which is key to sustainable economic development. This article has demonstrated that while Zimbabwe had fairly unique fortunes on the international market as a result of its high-quality coffee, she suffered from the negative impacts of deteriorating terms-of-trade and local policy lethargy on coffee marketing. Generally, commodity production and export, therefore, is not the best growth-strategy for “developing” countries in the current global economic order.

One of the ways in which the coffee sector could contribute meaningfully to economic development in Zimbabwe would be to expand its domestic market, which would lessen the externality of the sector. This would save the industry from the global marketing shocks, which largely contribute to declining terms-of-trade for coffee. Further, a significant domestic market would be vital in generating internal linkages between the coffee sector and other sectors, which is the *sine qua non* for sustainable economic development. These internal linkages would spur the much-needed agro-based industrialisation in the country whose multiplier-effects would generate benefits—including the expansion of labour opportunities, technical progress, and infrastructural development.

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