

# THE COCOA AND COFFEE OPPORTUNITY IN THE DEMOCRATIC REPUBLIC OF THE CONGO

A GUIDE TO THE CONGOLESE COCOA AND COFFEE MARKET  
FOR BUSINESSES, BUYERS AND INVESTORS.

APRIL 2019

KEVIN WILKINS, ÉLAN RDC



Adam Smith  
International

# SUMMARY & TABLE OF CONTENT

## EXECUTIVE SUMMARY

The Democratic Republic of the Congo (DRC) features new, acclaimed cocoa and coffee origins, profiles and products. The market offers traders, processors and roasters an exciting opportunity to diversify into a growing and increasingly attractive market.

The following is an introductory guide to the cocoa and coffee market of the DRC. The purpose of the guide is to:

- Outline the Congolese cocoa and coffee buying opportunity
- Support buyer and investor due diligence with market information
- Provide industry contacts to ease market entry

The guide provides information on the following:

<b><i>History and Introduction</i></b> .....	<b>3</b>
<b><i>Production</i></b> .....	<b>5</b>
<b><i>Domestic Processing and Consumption</i></b> .....	<b>6</b>
<b><i>Profiles</i></b> .....	<b>7</b>
<b><i>Market Information</i></b> .....	<b>8</b>
<b><i>Quality Assurance</i></b> .....	<b>10</b>
<b><i>Selected Industry Associations and Authorities</i></b> .....	<b>10</b>
<b><i>Operating Environment &amp; Risks</i></b> .....	<b>12</b>
<b><i>Conclusions</i></b> .....	<b>13</b>

.....

# HISTORY AND INTRODUCTION

Congolese cocoa and coffee markets have seen tremendous growth since 2000. In the period up to the 2015/2016 season, cocoa exports surged from 600 metric tonnes (MT) to 11,000 MT while coffee exports recovered to 11,000 MT following a 10-year slump in the previous decade. In this same period, the number and diversity of buyers also grew, with over 22 new, unique cocoa and coffee buyers entering the market by some estimates. These developments, teamed with the maturation of the market and investments netting improvements to crop quality, volume and reliability, position the Congolese cocoa and coffee markets attractively for a range of investment and sourcing opportunities.

## DRC MARKET RESURGENCE

DRC coffee exports averaged 100,000-120,000 MT per year at their 1980s peak, approximately 80% of which was Robusta. The industry provided significant employment, reliable income for producers and a steady source for coffee buyers and traders.

Both cocoa and coffee industries declined significantly in the 1990s. Years of conflict and instability, a less than favourable regulatory and business operating environment, poor or non-existent support services and structures in place to maintain crops, combat disease, sustain growth and regenerate aging trees discouraged investment and resulted in abandoned or wiped out crops. As investments dried up, so too did the industry's focus on production in historically strong production zones in the West (Kongo Central), Northwest (Equateur, Nord-Ubangi, Sud-Ubangi), Central Provinces (Kasaï Central, Kasaï-Oriental), East (North Kivu, South Kivu), and Northeast (Haute-Uele, Ituri).

Despite setbacks, Congo is demonstrating strong potential as an emerging coffee and cocoa sourcing origin, though the DRC is not yet a major exporter. In the 2015/2016 season, the DRC officially exported just over 11,000 MT of cocoa—marking a period of major growth from a base of near zero in 2000. Moreover, driven by specialty buyer interests and coordinated investments in washing stations (up from seven in 2011 to 100 in 2018) and agronomic extension services that reach more producers, K3 (best grade, fully washed) exports rose from 8.9 containers in 2012 to 39.1 containers in 2017. Despite constituting only a fraction of the global market, Congo is attracting new waves of buyers from a diverse range of markets. Valued for its many unique zonal profiles, marketing and sourcing opportunities not readily available elsewhere within the region, several of the world's leading buyers of specialty coffee – and increasingly cocoa – (i.e. Counter Culture Coffees, Higher Grounds Trading Co., Let Sequoia, Twin Trading, and more) have come to dub DRC as the “final frontier for specialty coffee”.

Congo is increasingly recognized as a new frontier for unique, quality coffee and cocoa export.

Coffee Buyers include:

African Coffee Roasters, Atlas Coffee Importers, Colruyt Group, Counter Culture, Equal Exchange, Falcon Coffees, Higher Grounds Trading Co., Kivu Coffee, Let Sequoia, Olam Specialty Coffee, Peet's Coffee, Starbucks, Strauss Coffee, Trabocca, Tropicore, Twin Trading

Cocoa Buyers include:

Barry Callebaut, ICAM, Tachibana, Theo Chocolate, Tropicore, Lush Cosmetics, Walter Matter

<i>Specialty Coffee Exports Sample</i>	
Year	Containers K3
2012	8.94
2013	18.34
2014	21.64
2015	36.41
2016	50.32
2017	39.12

## State of the Global Coffee Industry

**Production and Export:** In 2017, global coffee production was documented at 159.8 million [60-kilogram] bags with global exports reaching 111.2 million.

<sup>1</sup>Building on increased productivity, strong crops and favourable climatological conditions, the International Coffee Organization (ICO) estimates that 2017/2018 production will close out at 164.81 million bags, exceeding the estimated 162.23 million bag demand for the same year. Facing a 2.5 million bag surplus and a weak BRL exchange rate to the USD, recent months have seen prices drop dramatically, and they continue to hover around 1 USD/lb. Needless to say, the crisis has taken a toll on all—from buyers to producers—as production costs exceed trading prices across the majority of producing countries.

During this same period, top producing and exporting countries including Brazil, Vietnam, Indonesia, Colombia and others continue to inch higher on crops performance. Among African coffee producing and exporting countries, representing nearly 40% of the continent's coffee production, Ethiopia continued to lead the way in 2017/2018 – where Arabica production topped out at 416,580 tonnes. Other East African countries realizing an upward trajectory include Uganda, Tanzania and Kenya.

**Processing and Value Addition:** As volatility remains centre stage, increased attention and calls for investment in domestic processing are on the rise. Within Africa, countries with historically strong levels of domestic consumption, like Ethiopia, are leading the way. As a steadily growing origin, Rwanda is also investing to retain processing as an economic driver.

## State of the Global Cocoa Industry

**Production and Export:** Roughly 70% of the global cocoa crop originates from four West African countries (Côte d'Ivoire, Ghana, Nigeria and Cameroon). Of the 3.97 million tons of cocoa produced worldwide in 2015-2016,<sup>2</sup> Côte d'Ivoire and Ghana accounted for approximately 60% of the total. Other major origins include Indonesia, Ecuador, Cameroon, Nigeria, Brazil, Colombia, Papua New Guinea and the Dominican Republic – accounting for the majority of the balance of production.

**Import Markets:** In terms of destination markets, leading countries include the United States, the Netherlands, Belgium, Switzerland, Germany, Malaysia, and Italy—all key destination markets for Congolese cocoa as well.

**Processing and Value Addition:** The global market was valued at over \$13 billion in 2017, according to IMARC Group.<sup>3</sup> The market is also driven by only a handful of companies. In recent years, cocoa processors have benefited greatly from regulatory reforms and concessions — incentives that have successfully attracted investments to improve production and bolster origin-based processing. In response, interest, activity and investment have followed. Domestic processing in Côte d'Ivoire and Ghana, for example, have helped to propel these markets among the world's leading origins for cocoa.

In contrast, mandatory price minimums designed to mitigate declines in productivity and output in the face of volatile markets have also emerged. However, these policies have driven investors away and, in some cases, slowed purchases, opening the door for leading grinders and traders to explore less mature origins to satisfy evergrowing demand throughout European, Asian and North American markets.

<sup>1</sup> Source: United States Department of Agriculture, Foreign Agricultural Service, June 2018

<sup>2</sup> Source: International Cocoa Organization (ICCO)

<sup>3</sup> IMARC Group, "Cocoa Processing Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast 2018-2023", 2018

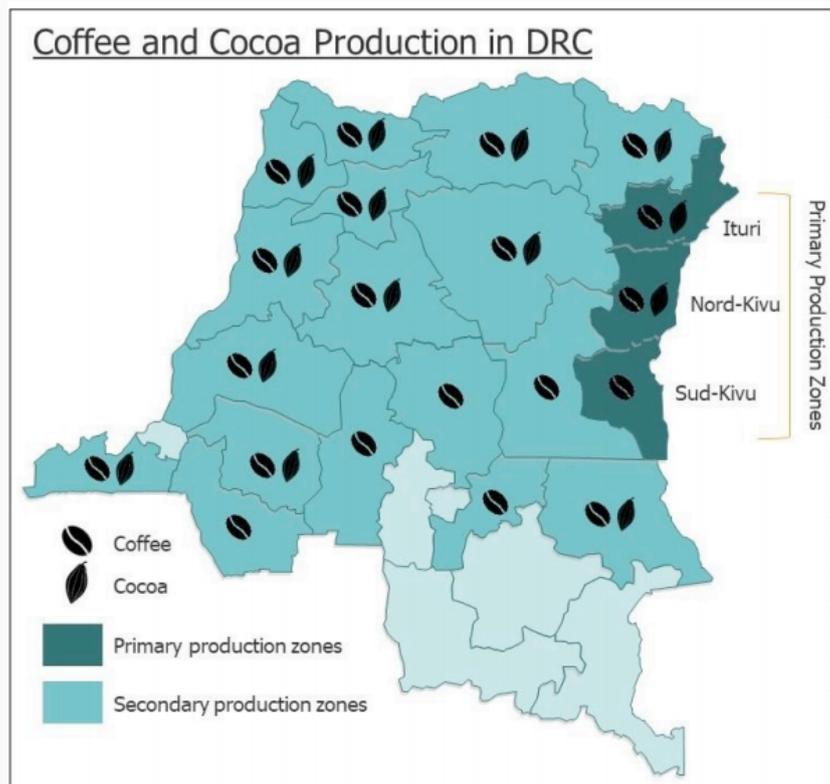
# PRODUCTION

With arable land estimated at over 80 million hectares, rich soils, elevation range and abundant natural resources, Congo's diverse growing zones offer a variety of attractive sourcing opportunities.

The above zonal map provides a brief outline of the primary cultivation zones for coffee and cocoa in Congo, indicating differences in availability and quality while signalling opportunities for investment.

## Primary Arabica Production Zones of North Kivu, South Kivu and Ituri:

Arabica production is primarily concentrated in the East, in North and South Kivu—the provinces representing the greatest share of specialty coffee exports.



Extending further north, production zones in Ituri have long been a destination for buyers seeking Arabicas. However, despite its wealth of resources, production and quality-improving activities, and ongoing sourcing activities, the northern province is rarely recognized as a major origin. Some estimates indicate that nearly 80% of Ituri's cocoa and coffee exports pass through North Kivu.<sup>4</sup>

Cultivated at altitudes ranging from 600-1,800 metres, coffee characteristics are as diverse as the zones in which they are grown:

- Rich, volcanic soils of the Petit Nord (Masisi, Rutshuru, Nyiragongo, Walikale);
- Dense vegetation and shores of Lake Edward in the Grand Nord (Beni, Butembo, Lubero);
- Fertile ground surrounding Lake Kivu bridging North and South Kivu (Goma, Bukavu, Idjwi Island, Kabare, Kalehe, Walungu);
- High plateaus and vistas of Lake Albert of Ituri.

As reported by leading exporters, North Kivu's climatic conditions make it the ideal region to grow and export specialty grade coffees (scoring 84+).

**Primary Robusta Production Zones:** Also found in Beni, and long sought-after by European buyers for its unique characteristics and profile, Robusta is produced in abundance in zones throughout North Kivu, particularly Beni. As rehabilitation efforts bring more coffee production online, Equateur, Sud Ubangi, Nord Ubangi and Bas Uele are increasingly ideal sources for buyers in the market for quality Robusta.

**Primary Cocoa Zones of North Kivu:** Cocoa cultivation also spans the country. However, during the crop's resurgence over the last fifteen years, investments and activities were primarily focused on the Grand Nord where elevation, climate and transport networks are most attractive. Pockets of commercial cocoa production are also present in Kongo Central, Equateur, Nord-Ubangi and Sud-Ubangi. Other areas capable of production (though not cultivated currently) include Kwango, MaiNdombe, Tshikapa, Mongala, Kwilu, Tshopo, Bas Uele, Haut Uele, South Kivu and Ituri. They will require investment to regenerate crops, train producers and develop the market.

<sup>4</sup> Abdallah Pene Mbaka, June 2018 address to FEC Forum Expo Coffee-Cocoa delegates

## OTHER OPPORTUNITIES AND ZONAL CONSIDERATIONS

Today's cocoa and coffee industries are primarily focused on Eastern zones, due to their favourable climate, elevation range and proximity to the border. There are pockets of production, however, in the Western, North-western and Central Provinces where Robusta and cocoa continue to grow in small volumes. Moreover, the Central Provinces of Kasai Central and Kasai Oriental, as well as the North-western zones of Equateur, Nord and Sud Ubangi, and Kwilu are experiencing increased investment to revive abandoned crops and to realize zonal potential for Robusta and cocoa cultivation. Although present levels are quite low, these areas are characterized by historically strong production.



## DOMESTIC PROCESSING AND CONSUMPTION

Served by a relatively small network of mills, while active for several years, the DRC's network of domestic cocoa and coffee processors have accelerated operational upgrades and marketing efforts to improve and expand product placement—a shift in line with the rise of coffee culture and internal consumption habits. In coffee, new additions to the processing scene are joining the likes of Café Carioca, Coffeelac and Jambo Safari. ONAPAC has recently established a new facility in Bukavu, and new roasters are popping up to service domestic hospitality markets.

Among the increasing range of brands, some of the mainstays who have long been availing Congolese coffees within domestic markets include: the Compagnie pour l'Organisation et la Promotion des Activités du Café (COOPAC) and Solidarité pour la Promotion des Actions Café et le Développement Intégrale (SOPACDI) partnership under the Virunga brand, Domaine de Katalé, Café Carioca and more. Joining the scene in recent years, the DRC now enjoys coffees sourced, processed and prepared under several new labels such as Le Petit Chalet (LPC) and Café Kivu—two Kivu-based

operators who have established cafés and secured shelf space throughout North and South Kivu, Kinshasa and other key markets. In cocoa, North Kivu has benefited from the entry of Cocoa Congo, a Goma-based company sourcing from Beni- and Butembo-based exporters, processing locally and satisfying buyers of confectionery ingredients and consumers alike. Further to the cocoa market’s vision to leverage increasing quality and inherent marketability long valued by coffee buyers, Virunga National Park recently teamed with chocolatiers to support cocoa-producing communities, source beans, export and process in end markets—elevating the DRC’s profile as a source for quality cocoa.



## PROFILES

### COFFEE

Characteristics and cupping profiles for Congolese coffees vary significantly from zone to zone, with Arabica and specialty coffees in the East, premium Robusta in the Grand Nord, and other pockets of Robusta in North-eastern, Central, Western and North-western provinces.

**Table 1. Congolese Coffee Classifications**

Grade		Physical Aspect	Bean Size	Defects
Washed Arabica	Kivu 3 (K3)	Green to blueish flawless	54% Screen 17, 20% Screen 16	Defect free.
	Kivu 4 (K4)	Greenish to yellowish	54% Screen 17, 20% Screen 16	No major defects. Some broken, immature and insect damaged beans.
	Kivu 5 (K5)	Grey-green to green-brownish	44% Screen 17, 20% Screen 16	Free from very defective beans. Some broken, foxy, discoloration, insect damage.
	Kivu 6 (K6)	Dull, heterogeneous		Numerous defective beans.
	Kivu 7 (K7)	Heterogeneous		Heterogeneous waste.
Robusta	HTM/NM (Hors Type Marchand Natural Moyen)	Yellow to Brownish, Heterogeneous	30% to 45% Screen 17, 40% to 50% Screen 16, Remainder Screen 15	5% insect damage, 1.1% crushed, 1.3% fragments, 0.2% greyish, 0.2% foreign matter, some defective beans.

**Type of Coffee:** Arabica, Robusta Main

**Regions:** Kivu, Equateur, Bas-Congo

**Processing Method:** Dry, Wet

**Commonly Accessed Port:** Matadi, Boma (DRC), Mombasa (Kenya), Dar es Salaam (Tanzania)

**Arabica** (Blue Mountain, Local Bronze, Rumangabo, Kabare, Maragogyne, Bourbon, Jackson, Catura, Typica, Amarela, Mibirizi): Depending on elevation and zone, Congolese Arabicas are often described as full-bodied, cupping lemon, spice, grapefruit, chocolate, and caramel undertones, and consistently balanced acidity.

- Aroma: Complex, Sweet, Chocolatey
- Flavour: Silky, Citrus, Spice, Dark Fruit (Currant, Berry)
- Body: Well-Rounded, Medium to Full
- Acidity: Mild, Balanced acidity

**Robusta:** Adored by espresso buyers and those seeking premium quality lots for blends. Robusta is cultivated throughout the country and heavily concentrated in the Grand Nord where it is often grown at 900m. Production from this area offers characteristically unique Robusta that are commonly known for exhibiting excellent spuma (foam).

- Aroma: Intense, Perfume
- Flavour: Chocolate, Black Currant, Nutty
- Body: Well-Rounded, Full
- Acidity: Balanced

**Petit Kwilu** (adapted variety of Robusta): Available in multiple zones throughout DRC. When washed, Petit Kwilu presents a neutral cup and balanced acidity, which is ideal for blends

## COCOA

Comprised almost exclusively of Forastero clones, Congo’s cocoa bean and flavour profiles are largely dependent on the zone from which they originate, while still often described as having floral and citrus notes and nutty undertones—a profile with range and adaptability.

**Type of Cocoa:** Forastero Clones (primary), Trinitario (secondary)

**Flavour Profile:** Nutty, Brown Fruit

**Main Regions:** North Kivu

**Secondary Regions:** Equateur, Bas-Congo

**Processing Method:** On Farm/Traditional, Box

**Commonly Accessed Port:** Matadi, Boma (DRC), Mombasa (Kenya), Dar es Salaam (Tanzania)

# MARKET INFORMATION

A number of industry-wide efforts help to illuminate Congolese cocoa and coffee opportunities. These include:

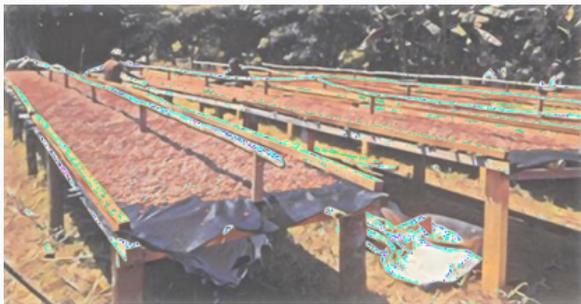
- **The Congo Coffee Atlas:** An online business intelligence dashboard and tool, developed jointly by ÉLAN RDC, the Eastern Congo Initiative and local industry. The Atlas unlocks market information and decision-making data for buyers, while reducing the time and cost associated with market entry, and establishing direct trade links with exporters and/or



cooperatives. The Congo Coffee Atlas outlines information on zonal flavour profiles, characteristics, washing station locations, and exporter and cooperative profiles. It currently maps 23 exporters, 43,000 producers and 94 washing stations.

- International and national exhibits and cupping competitions illuminate purchase opportunities. These include:
  - **Saveur du Kivu:** Held each May/June and soon to celebrate its fifth year. This is the country's premier specialty coffee cupping event. It has attracted new and return buyers of all sizes, including: Allegro Coffee Company, Atlas Coffee Importers, Counter Culture Coffee, Higher Grounds Trading Co., Kivu Coffee, Olam Specialty Coffee, Peet's Coffee, Starbucks, Strauss Coffee, Tropicore and Twin Trading.
  - **African Fine Coffees Association (AFCA) Taste of Harvest:** First held in January 2018 and slated for early 2019, ToH is now another coffee cupping event for buyers interested in Congolese specialty coffee. Coffees are made available through online specialty coffee auctions through AFCA's contracted auction partner, Bean Auction Ltd.
  - **International Coffee Day Exhibitions:** Marking the occasion every 1st October, the DRC's public and private sectors join industry associations, technical assistance providers, investors and donors to celebrate progress.
  - **Forum Expo du Café-Cacao:** First held in June 2018 and scheduled again for May/June 2019, the Fédération des Entreprises du Congo (FEC) Coffee and Cocoa Forum Expo brings provincial, national and international leaders from both the public and private sectors together to discuss policy, progress and prospects for the DRC's cocoa and coffee market.
- **Formal Industry Associations:** These have evolved from provincial committees with limited scope and capacity into industry-wide groups representing the interests of cocoa and coffee exporters, processors, dry mill operators, transport and logistics companies and others at the provincial, national and international level. The emergence of associations such as the Association des Exportateurs du Cacao Café de la RD Congo (ASSECCAF), the Comité Professionnel Café & Cacao, a unit housed within the Fédération des Entreprises du Congo (FEC), the Association des Exportateurs de Café de Goma (ASECAG), and the Initiative des Femmes Congolaises dans le Café et Cacao (IFCCA) has lessened barriers to entry, improved public/private sector relations, bolstered stakeholder engagement and collaboration, and dramatically improved the operating environment. A full listing of associations is found in the next section. Collectively, playing to their unique positions and points of difference, each of the above contributes to a stronger and more accessible market by enabling ease of entry, guiding industrywide efforts to address provincial and national regulatory challenges, aligning stakeholders, coordinating production and processing level investments and efforts, and assisting with facilitating direct trade relationships.
- **Origin Visits:** In an effort to simplify buyer travel to and from Congo, industry associations and the Government of the DRC collaborated to ease entry, exit and movement by securing government endorsements designed to streamline visa issuance, enabling buyers to more easily meet with prospective cooperatives and exporters and access government officials.

# QUALITY ASSURANCE



To address quality assurance concerns and market perceptions, the DRC's cocoa and coffee industries have focused on certification schemes as well as ensuring that conventional lots respect best practices and standards, integrate internal control and traceability systems, and ensure greater access and use of improved treatment and processing.

Certified (Organic, UTZ, Fair for Life, Fairtrade) and conventional crops across a range of grades and types (fully washed, sun-dried, bubble drying, etc.) are increasingly available year on year. Major traders and exporters have led traceability, internal control and digitized buying system integration efforts. These have been coupled with investment in value-added infrastructure such as consolidated treatment, processing and buying stations, washing stations in coffee, fermentation units in cocoa, drying tables and centralized warehouses. Cocoa and coffee regeneration efforts in Congo have been underway for several years and are increasingly coordinated across public, private, technical and donor networks. These include tree nursery set-up and seedling distribution. Further, new sourcing models typically incorporate advisory services, leveraging in-house agronomists and extension agents to improve farmer practice and cocoa quality.

## SELECTED INDUSTRY ASSOCIATIONS AND AUTHORITIES<sup>5</sup>

In a move to drive increased competitiveness in regional and international markets, private sector stakeholders have organized to establish or to reform Congo cocoa and coffee industry associations in recent years. Associations now play stronger roles within the industry, facilitating linkages, streamlining buyer-market engagement, and promoting improved public and private sector engagement. Key industry groups include:

- **Office National des Produits Agricoles (ONAPAC)**, formerly Office National du Café (ONC): Recently evolved and established as ONAPAC, the entity formerly known as ONC is charged with promoting best cultivation, processing and marketing practices, as well as regulating the export of specialty agriculture crops. ONAPAC represents Congolese government regulatory and

---

<sup>5</sup> Primary Industry Associations engaged in the Congolese cocoa and coffee sectors (in alphabetical order):

African Fine Coffees Association - DRC Chapter (AFCA RDC);  
Association des Exportateurs des Café de Goma (ASECAG);  
Association des Exportateurs du Cacao Café de la RD Congo (ASSECCAF);  
Conseil Interprofessionnel pour l'Promotion de l'Agriculture (CIPA);  
Fédération des Entreprises du Congo (FEC) Comité Professionnel Café & Cacao;  
Initiative des Femmes (Congolaises) dans le Cacao et Café (IFCCA)

Primary Congolese Government Entities Engaged in the Congolese Cocoa and Coffee Sector (in alphabetical order):

Direction Générale des Douanes et Accises (DGDA);  
Direction Générale des Recettes Administratives (DGRAD);  
Ministère de l'Agriculture et du Développement Rural; Ministère de l'Agriculture, Pêche et Elevage;  
Ministère du Commerce Extérieur ;  
Ministère des Finances; Office Congolais de Contrôle (OCC);  
Office de la Gestion de Fret Multimodal (OGEFREM);  
Office National des Produits Agricoles (ONAPAC),  
formerly Office National du Café (ONC);  
Service de Quarantaine Animale et Végétale (SQAV)

extension efforts, primarily within the cocoa and coffee sectors, with interests in a number of other specialty crops. This public institution has and continues to play an important role throughout the country as improved production and processing methods drive quality and consistency, and increased public-private collaboration continues to improve the DRC's business operating environment and regulatory climate, opening the door to heightened levels of investment.



- **Comité Professionnel Café & Cacao/ Fédération des Entreprises du Congo (FEC):** FEC is the national apex trade federation of the DRC and is focused on improving collaboration among associations. The CPCC is a member-led association representing private sector actors throughout the DRC's cocoa and coffee sectors. It works with regulators and actors at each stage along the value chain, promoting cocoa and coffee to and in export markets to ensure regional and international competitiveness.
- **Association des Exportateurs du Cacao Café de la RD Congo (ASSECCAF):** This was initially founded as the Bureau of Exporters of Butembo & Beni (BEBB) with a mandate to defend the interests of specialty agricultural crop exporters (i.e. cocoa, coffee, papaine, quinquina, rawolfia, vanilla, etc.) and other direct and indirect actors (i.e. cooperatives, industry foundations, financial institutions, transport and logistics operators, service providers, etc.). It aims to promote and contribute to a continuously improving business and regulatory environment in order to drive national, regional, and international competitiveness. Heeding calls for a DRC-wide industry platform, ASSECCAF was formalized in 2015. True to its founding mission, the group continues to represent small, medium and large exporters operating throughout the DRC's cocoa, coffee and specialty crop production and export zones. In just three years, ASSECCAF has grown to more than 20 private sector members and 13 organizational partners as it continues to expand and diversify the service offering for its members.
- **Initiative des Femmes Congolaises dans le Café & Cacao (IFCCA):** IFCCA is the DRC's only industry-led association of women in cocoa and coffee. The association aims to empower women with the knowledge and skills required to lead the industry's effort to bolster coffee and cocoa production and quality. It also aims to strengthen household economies as well as promoting increasingly integrated and equitable cocoa and coffee value chains. Now 600 strong, in just one year, IFCCA has surged in popularity and promise as it continues to develop and execute its services and strategy to promote women and the important role they play in cocoa and coffee at every level.
- **African Fine Coffees Association DRC (AFCA DRC):** Founded in July 2000, this is a regional non-profit, non-political, member-driven association representing the coffee sectors in 12 member countries.

Other noteworthy industry associations include the industry representing newcomer the Conseil Interprofessionnel pour l'Promotion de l'Agriculture (CIPA), and producer group representatives that include the International Women's Coffee Alliance (IWCA) - DRC Chapter, Confédération Nationale des Producteurs Agricoles du Congo (CONAPAC), and Fédération des Organisations des Producteurs Agricoles du Congo (FOPAC).

# OPERATING ENVIRONMENT & RISKS

DRC is ranked 184th out of 190 countries in the World Bank's 2019 Doing Business Report. Accordingly, business and investment in the DRC is not without risk.

Congo is a large, varied and complex country. Most of the cocoa and coffee production, however, is concentrated in the Eastern Provinces of North and South Kivu and Ituri. Here, the country experiences periodic flare-ups of violence amid general insecurity. Complicating matters, poorly maintained infrastructure often slows the movement of goods, leaving exports and personnel at risk, and requiring operators to account for elevated transport and security costs.

Exporters also face relatively high operating costs in Congo. For one exporter, these costs averaged USD 0.35-0.50/lb, excluding washing station costs, per container (19.2 MT) in 2017. In contrast, in neighbouring Uganda, these same costs averaged USD 0.15-0.30/lb.<sup>6</sup>

With respect to the cocoa and coffee industries, however, a number of recent changes help to limit this risk, including new industry associations, recent public-private collaboration, and increased industry investment that improves traceability and transparency of sourcing.

## REGULATIONS & TAXES

In 2015, industry groups successfully lobbied for a reduction in the wide range of export taxes and fees assessed by multiple agencies at the border to 0.25% of the Free on Board (FOB) value per lot of coffee, cocoa, and other cash crops exported. However, the fees charge by ONAPAC (the highest rates of any state agency) remained unchanged at 4.5% for Robusta, 3.5% for Arabica and 3% for cocoa. Even so, by enacting reductions and articulating roles and rates with greater precision, reforms resulted in a significant increase in regulated exports during the 2015/2016 season: cocoa exports increased by over 33% (from 8,288 MT to 11,076 MT), and coffee exports increased by 30% (from 8,742 MT to 11,391 MT).<sup>7</sup>

For several years previously, Congolese exports had been limited and discouraged by high formal and informal export tariffs. When combined, costs were estimated at over \$500 per container—a rate that considerably hamstrung the DRC's position as a competitive player within the global marketplace. With the adoption of the 0.25% tax rate by DGDA, DGRAD, OCC and OGEFREM, the DRC took a major step towards a more pro-business regulatory environment to support the development of Congolese cocoa and coffee markets.

Still, it is estimated that upwards of 70% of DRC coffee production flows undocumented into Rwanda and Uganda. In addition, cross-border smuggling is believed to wipe almost 12,000 MT of the DRC's cocoa production from the books each year. However, due to improved public-private cooperation as well as the development and launch of the fraud and alert systems, there are signs that illicit movement of Congolese cocoa and coffee is starting to fall. The systems are industry resources established and maintained by exporters to pinpoint trouble spots and to highlight instances where government regulators infringe and inhibit the lawful flow of cocoa and coffee exports.

In addition to a more favourable tax policy, the DRC is also improving the business operating environment more generally. For example, the average time it takes to register new businesses was cut by one week in 2016, to an average of 20 days—pointing to the DRC's efforts to position itself as an increasingly attractive place to do business.

<sup>6</sup> ÉLAN RDC Programme Closure Interviews with Congolese Exporters (September 2018)

<sup>7</sup> 2019 ONAPAC Rate Change: Since closing written materials, whilst ONAPAC has again reduced rates, the longevity of recent reductions in 2019 is unclear given national and provincial political leadership changes.

# CONCLUSIONS

As sectors, and as a nation, cocoa, coffee and Congo have emerged stronger from the recent years of strife.

The cocoa and coffee sectors of the DRC can now consistently satisfy demand and they are positioned to grow with the market. Focused on quality first, the DRC's cocoa and coffee industries are moving to scale. For a returning cocoa or coffee buyer, a newly interested party looking to enter the market or an investor seeking a sure return on investment, from sourcing to processing, the DRC is an increasingly safe bet. Moreover, as production zones expand, the range of offerings grows, and the regulatory environment continues to improve, the market is poised to surge.

The cocoa and coffee opportunity in the Democratic Republic of the Congo is here and now.

## ABOUT ÉLAN RDC

ÉLAN RDC is a USAID market development project in the DRC implemented by Adam Smith International. The project aims to reduce poverty in the DRC by increasing the incomes of over one million poor smallholders, producers, entrepreneurs and consumers by the end of 2020.

Despite its extraordinary economic potential, the DRC remains desperately poor. Decades of conflict, instability and poor governance have taken their toll, and 85% of the population living in poverty lack the opportunities to lift themselves out of poverty.

ÉLAN RDC works to tackle the root causes of market failures and constraints. We work with the private sector to design and spread new economic models that increase income, create jobs and lower prices for the poorest. Our work places a particular focus on advancing the role of poor Congolese women and adolescent girls, some of the most marginalised in the world.

ÉLAN RDC works across six sectors of the economy: Specialty crops, SME finance, Renewable energy, Grains and horticulture, Branchless banking and Transport.

We have more than 200 partnerships with private sector actors in the DRC, providing technical advice, leveraging funds and fostering networks to change business practices.

In the coffee and cocoa sectors, ÉLAN RDC has worked extensively with ASSECCAF and IFCCA, as well as other stakeholders, to improve the business environment, promote greater cooperation between the public and private sectors, and strengthen institutions. Targeting production, processing, advocacy and marketing efforts, the project has fostered ties to markets, facilitated lasting linkages, and supported promotional activities that highlight the progress made at every level of the Congolese coffee and cocoa industries. It has helped to raise the profile of the DRC and to connect it to consumers who want to enjoy Congolese cocoa and coffee.

This report was made possible through a collaborative effort between our donor, government, NGO, and private sector partners. We want to thank Aditi Rajyalaxmi, Team Leader, Private Sector Development and Investment Team, FCDO, and the rest of the FCDO team for scoping, inputs, and review. Our appreciation, as well, to Lucine Le Moal, Team Leader, Élan RDC, for her leadership and guidance across Élan RDC's sectors. Lastly, our work would not be possible without support from our private sector, NGO, and government partners. Thank you.