

Coffee Production and Marketing in Ethiopia

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Abstract

The general motive to write this current topic paper on Coffee production and marketing in Ethiopia is that Ethiopia is the birth place of coffee and it discovered earlier in the world. More than 1,000 years ago, coffee was a goatherd in Ethiopia southwestern highlands, David Beatty discovered the Ethiopian province where they first blossom Kaffa gave its name to coffee. Nobody is sure, exactly how coffee originally discovered as a beverage plant; it believed that its cultivation and use began as early as the 9th century in Ethiopia. It cultivated Yemen earlier, around AD 575. While, it originated in Ethiopia, from where it traveled to the Yemen about 600 years ago, and from Arabia began its journey around the world. Among the many legends, Kaldi, an Abyssinian goatherd, who lived around AD 850 found the origin of coffee. It is vital to the cultural and socio-economic life of Ethiopians and contributes 25%-30% of the country's foreign exchange, half of GDP, 90% of exports, 85% of total employments in the country and part of the culture; about 50 % of the produced coffee is consumed domestically. The general objective of the review is to understand coffee production and marketing value chain system in Ethiopia and specific objective is to revise coffee production and marketing value chain, volume of production, domestic and international marketing and consumption level. Its production accounts forest coffee 10%, Semi forest coffee 30%, Garden coffee 50 % and Plantation coffees accounts 10%. Factors causing low productivities are increasingly competing Khat, traditional agronomic practices, and shortage of specialized institution that provides extension support for coffee production. Low quality coffee supplied to the local market. While, price of coffee in the local market is usually higher than export prices and it has seasonal and auction market, and has poor fair trade system, price Volatility which affects those who depend on it for their livelihood. Its transaction primary, Ethiopian commodity exchange and international markets and its value chain include small-scale, private owned farm and state firms. Coffee processing activities in its value chain except loading and unloading, mostly performed by women groups of farmers. Its processing adds value and price of it in the chain. Were as its value chain actors are collector, local traders, primary cooperatives, coop. unions, exporters, importers, domestic wholesalers and retailers, service providers and consumers. Its supply chain is complex and small farmer's sale to local traders, local trader's sale to big coffee milers and exporters, after processing local trader sale to international exporters and primary cooperatives purchase a number of coffees and sale to cooperative union the union process it and sale to exporters on behalf of cooperatives. Ethiopian coffee mainly exported to 53 destination countries in the world its source 95 % from privet companies and 5 % is coffee growing farmer cooperative union. Certification and verification schemes can be powerful tools for value addition, access to a fast-growing market segment and the dissemination of good agricultural, environmental and social practice. The evaluation for sustainable production of coffee has four categories: Product quality, economic accountability, social responsibility, and environmental leadership in the supply chain. The approaches are Common denominator, Industry structure and social equity, Cost vs. benefits, Multiplicity of certification bodies, Supply and demand balance. It concluded that, coffee production, processing, marketing value chain needs its area based production, quality, pre and post-harvest management practices, and gender sensitive which is women participation and to benefit them, and link the value chain actors in chain is very important.

Keywords: value chain, coffee value chain, supply chain market chain, value addition, fire price, producer benefit.

1. INTRODUCTION

The general motive to write this current topic paper on Coffee production and marketing in Ethiopia is that Ethiopia is the birthplace of coffee and it discovered earlier. In the tenth century, Ethiopian nomadic mountain peoples were may have been the first to recognize the coffee it have stimulating effect, although they ate the red cherries directly and did not drink it as a beverage initially. Then the mystic Sufi pilgrims of Islam spread coffee throughout the Middle East. From the Middle East these Ethiopian coffee beans spread to Europe and then throughout their colonial empire including Indonesia and the Americas. More than 1,000 years ago, coffee was a goatherd in Ethiopia southwestern highlands plucked a few red berries from some young green trees growing there in the forest and tasted them to check it haves the flavor and make feel-good effect to the consumers at that time. In addition, as David Beatty discovers in words and pictures, the Ethiopian province where they first blossom Kaffa gave its name to coffee. The story of coffee was beginnings in Ethiopia, and the country is original home of the coffee plant, coffee Arabica, which still grows wild in the forest of the highlands of Ethiopia. While nobody is sure, exactly how coffee originally discovered as a beverage plant, it believed that its cultivation and use began as early as the 9th century in Ethiopia. Some authors claim that it was cultivated in the

Yemen earlier, around AD 575. While, it originated in Ethiopia, from where it traveled to the Yemen about 600 years ago, and from Arabia began its journey around the world (*Selamta*, 2014 and IAAE, 2012)

Among the many legends that have developed concerning the origin of coffee, one of the most popular account is that of Kaldi, an Abyssinian goatherd, who lived around AD 850. One day he observed his goats behaving in abnormally exuberant manner, skipping, rearing on their hind legs and bleating loudly. He noticed they were eating the bright red berries that grew on the green bushes nearby. Kaldi tried a few for him, and soon felt a novel sense of elation. He filled his pockets with the berries and ran home to announce his discovery to his wife. Then she said it was "heaven-sent", and then she declared. Then the legends attempt to condense the discovery of coffee and its development as a beverage into one story, and it were believed that the monks of Ethiopia might have chewed on the berries as a stimulant for centuries before it was brewed as a hot drink (*Selamta*, 2014). In addition, Coffee is vital to the cultural and socio-economic life of Ethiopians. It sustains the livelihoods for over 15 million and provides important income from casual labor and for many additional poor rural peoples. It contributes 25%-30% of the country's foreign exchange earnings (FDRE MOT, 2012). Ethiopia remains one of the poorest countries in the world in spite of its productive land, labor and natural resource. Human development indicators reveal that almost half of its population lives below poverty line. Agriculture, dominates Ethiopian economy, and accounts for about half of GDP, 90% of exports, 85% of total employments in the country. Consequently, Ethiopia stood third in the world and first in Sub-Saharan Africa in terms of the share of GDP that stems from agriculture (Jema, 2008). Therefore, to improve this potential sectors role in our country economy, one of the main important cash crop that can play a leading role in economic development is coffee and its output export and domestic markets potential values.

Ethiopia has huge potential to increase coffee production as it endowed with suitable elevation, temperature, and soil fertility, indigenous quality plantation materials, and sufficient rainfall in coffee growing belts of the country. Coffee is a shade-loving tree. It grows well under the large indigenous trees such as the *Cordia Abyssinica* and the *Acacia* species, in two regions of the country Oromiya and southern nation nationality and people regional state. In our country smallholder farmers on less than two hectares of land produces and supply Ninety-five percent of Ethiopia's coffee produces, while the remaining five percent grown on modern commercial farms (Taye, 2013 and USAID,2010).

1.1 The General Objective

The general objective of this review is to understand the coffee production and marketing value chain system in Ethiopia.

1.2 Specific Objectives

To revise coffee production and marketing value chain, its concepts studied by different scholars in Ethiopia.

To review volume of coffee production, domestic and international marketing and consumption To revise coffee production and marketing value chain in Ethiopia.

2. COFFEE PRODUCTION CONCEPTS

A markets emerging, many coffee-dependent developing countries such as Ethiopia are struggling with production and marketing of their coffee. In the early 2000s, a historic world market price slump hit millions of coffee farmers hard, especially smallholder producers in Africa and Latin America (Ponte, 2002) as cited in IAAE,2012. Therefore, the Ethiopian farmers at the time were take a measure to resist the market price fall by reducing coffee plantation replacing chate plantation in place of coffee.

Settled agriculture began in Ethiopia some 2000 years ago, and as long as anyone can remember Coffee Arabica has been grown in the wild forests of the south-western massive highlands in the district of Kaffa. Coffees said to have taken the name of Kaffa, the region where it first discovered. Export began to Yemen, and was from there introduced to Indonesia, India, The Netherlands, Colombia and Brazil. Coffee in Ethiopia is not only an important export good but it is a part of the culture; about 50 % of the produced coffee is consumed domestically and there is even a cultural ceremony connected to it. Total production of washed and unwashed coffee is increasing (Tora Bäckman, 2009).

According to (USAID, 2010) Coffee production systems in Ethiopia generally categorized into four areas i.e. forest coffee, semi - forest coffee, garden coffee, and plantation coffee. Forest coffee is a wild coffee grown under the shade of natural forest trees and it does not have a defined owner. Semi-forest coffee farming is a system where farmers thin and select forest trees to let sufficient sunlight to the coffee trees and to provide adequate shade. A farmer who prunes and weeds the forest area once a year claims to be the owner of the semi-forest coffee. Garden coffee normally found in the vicinity (near) of a farmer's residence. It normally fertilized with organic material and usually inter-cropped with other crops. The government or private investors for export purposes plant Plantation coffee. Fertilizers and herbicides usually used in the coffee plantation farming system. As (Sentayhu, 2013) Forest coffee accounts 10%, Semi forest coffee accounts 30%, Garden coffee accounts 50 %

and Plantation coffees accounts 10% and according to (Taye, 2013) the forest coffee production accounts 8-10%, semi-forest coffee accounts 30-35%, garden coffee accounts 50-55% and Plantation coffee accounts 5-8% of its total production respectively. Ethiopia Small-scale holdings equal to or greater than 95% of total coffee production. According to (Alemseged &Getaneh, 2013) Ethiopia is the world's fifth largest coffee producer and Africa's top producer, with estimated coffee production of more than 450,000 tons and marketable supply of 334,000 metric tons in farm year 2012/13. Half of the coffee produced consumed locally and the country leads the African Continent in domestic consumption. It has been used income generation for that about 20 percent of the populations, directly or indirectly, depend for a living on coffee production and trading.

As (Anwar,2010) coffee is the most important crop in the national economy of Ethiopia and the leading export commodity. Ethiopia is well known not only for being the home of Arabica coffee, but also for it is very fine quality coffee acclaimed for its aroma and flavor characteristics.

Ethiopia encompasses a potential opportunity to increase coffee production. It is endowed with suitable elevation, temperature, and soil fertility, indigenous quality planting materials, and sufficient rainfall in coffee growing belts of the country. Coffee is a shade-loving tree.

Forest coffee yield is low as considered to garden and semi-forest coffee because resource ownrity belongs to communal and poor management. As explained Ethiopian coffee annual report 2013, average per hectare yield remains very low at 0.72 MT per hectare.

2.1 Factors Causing Low Coffee Production in Ethiopia

1. Khat (*Cata edulis*) is increasingly competing with coffee for farmlands particularly in the eastern part of the country in the Hararge region. A fresh leaf chewed as a stimulant in many towns in Ethiopia and in neighboring countries. Khat is developing a growing demand in major Ethiopian towns and countries such as Somalia, Kenya and Yemen; those countries import Khat from Ethiopia. Khat is a crop with relatively high resistance to drought, disease, and pests. It be harvested three or four times a year and generates better income for farmers than other cash crops including coffee. Several small-scale farmers in the Hararge region have switched from coffee production to Khat production. The fact that coffee farms being changed into Khat farms has offset newly planted coffee farms in other regions resulting in a very marginal increase in overall size of area planted to coffee.
2. Ethiopian farm management systems, the agronomic practices are traditional. Moreover, extension services provided to smallholder farmers are inadequate.
3. Government organization does not have a specialized institution that provides extension support for coffee production. (Alemseged, 2013)

2. 2 Consumption

Ethiopians are heavy coffee drinkers, ranked as one of the largest coffee consumers in Sub Saharan Africa. Nearly half of Ethiopia's coffee produce have locally consumed. Coffee in Ethiopia has both social and cultural value. It mainly consumed during social events such as family gatherings, spiritual celebrations, and at times of mourning. Coffee supplied and traded in the local market usually has a lower quality. Coffee on the local market is mainly coffee destined for export through the Ethiopian Commodities Exchange (ECX) market but rejected for failing to meet ECX's quality standards. In spite of the fact that coffee supplied to the local market has low quality, the price of coffee in the local market is usually higher than export prices. Because of this price disparity, some coffee shops in most large cities have started mixing coffee with barley grain to get more profit (Birhanu, Shiferaw, Trondheim, 2009)

An interesting new development in Ethiopian major cities regarding coffee consumption is the emergence of small roadside stalls selling coffee to passer by customers. The small roadside stalls serve coffee in a traditional manner. They have emerged and flourished in Ethiopia's major towns, growing very popular among coffee consumers who are frustrated by the escalating price of coffee and the deteriorating quality of coffee served in cafes and coffee shops. Unlike regular coffee shops, the small roadside stalls pay neither VAT nor house rents making their cost of serving coffee much lower and more competitive than the regular coffee shops. The exorbitant local coffee prices have also pushed some consumers, particularly those residing in non-coffee growing areas, to boil and drink the skin of a coffee grain as a substitute for normal coffee (Abu Tefera and Teddy Tefera, 2013).

2. 3 Marketing Concepts

Marketing is the process of planning production, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals (AMA (1995), cited in Kolter, 2003). The definitions of marketing can be grouped into two major categories: classical (narrow) definitions and modern (broad) definitions. Classical terms, marketing is defined as "the performance of business activities that direct the flow of goods and services from producer to consumer or user or the process in a society by which the

demand structure for economic goods and services is anticipated (enlarged) and satisfied through the conception, promotion, and physical distribution of such goods and services. These classical definitions of marketing are oriented toward the physical movement of economic goods and services.

Marketing was officially recognized by the American Marketing Association (AMA) in 1985 when it replaced the classical definition it had approved in 1960. Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives” (Joel R. Evans and Barry Berman, 1990).

There is no universally accepted definition of marketing, indicating the variety of options, which exist concerning the subject (Barker, 1989). Terpstra (1972) cited in Barker (1989) offers a very broad definition of marketing as “the collection of activities under taken by the firm to relate profitability to market”.

Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services and value with others (Kotler, 2003). Rodger (1971) cited in Barker (1989) offers a definition of marketing which is applicable to most agricultural systems. “Marketing is the primary management function, which organizes and directs the aggregate business activities involved in converting consumer purchasing into effective demand for a specific product or service and in moving the specific product or service to the final customer or user so as to achieve company-set profit or other objectives” (Rodger, 1971). The American Marketing Association (AMA) offers the following definitions: Marketing is the process of planning production, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals (AMA (1995), cited in Kotler, 2003).

2. 4 Coffee Marketing

As (Alemseged & Getaneh, 2012/13) coffee season stated that the marketable coffee supply is forecasted by the Ministry of Trade to reach 343,352 metric ton, of which 288,000 metric ton is planned for the export market generating over 1.2 billion US dollars. Of the total marketable supply, 211,000 metric ton will come from Oromia Regional State, 122,678 metric ton from Southern Nations and Nationalities Peoples Region, 9,297 metric ton from Gambela Region and 377 metric ton from Benshanigul and Gumuz Region. (Workafes and Kassu, 2000) cited (Anwar,2010) , the coffee types that are distinguished for such unique characteristics include Sidamo, Yirgachefe, Hararge, Gimbi and Limu types. However, coffee produced in some parts of Ethiopia, especially from Harrar, and Yirgachefe, is always sold at a premium price both at domestic and international coffee markets because of its distinctive fine quality (Chifra et al., 1998; ITC, 2002) and appropriate processing approach as cited (Anwar,2010)

Market may be defined as “a particular group of people, an institution, a mechanism for facilitating exchange, (Solomon, 2002). Link the market concepts have to the degree of communication among buyers and sellers and the degree of substitutability among goods. The concept of perfect market, for example, is an abstraction used by economists as a benchmark for evaluating the performance of market situations that deviate from its specifications (John and Sathan, 1988 (cited in Demeke,2007)

2. 5 Coffee Fair Trade

According to Tora Bäckman,2009:2 fair trade is a trading initiative based on equity that claims to contribute to development by increasing farmers’ profits and empowerment in communities. Ethiopia has grown coffee for a thousand years, is heavily dependent on export of coffee beans, and has recently started to export Fair trade certified coffee.

As Tora Bäckman conventional coffee is collected from the individual farmers, processed and shipped to the auction in Addis Ababa or Dire Dawa, and exported through the port in Djibouti. Fair trade coffee has received permission from the Ethiopian Coffee and Tea Authority to bypass the auction and be directly exported through Djibouti, with the benefit of avoiding middlemen to get a higher FOB-price. The coffee sector has 215 exporters, who exported 176,390 tons of coffee, accounting for some 36 % of the total export value of Ethiopia in the fiscal year 2006/2007. According to Ethiopian coffee annual report 2013, coffee is still Ethiopia’s number one export item. It accounts for 45 to 50% of Ethiopia’s total export earnings but its share of total export earnings has gradually declined in recent years because of increased exports of other commodities such as gold, flowers, Khat, textiles, and leather products.

In 2012/13, Ethiopia exported an increased volume of coffee to the international market. However, the revenue generated from this large volume of coffee exports hasn’t increased significantly as a result of reduced international market coffee prices. The major reason for the increased volume of coffee exports in this marketing year is the removal of the new Ethiopian government directive launched in November 2011 requiring coffee traders to ship coffee in bulk containers rather than using the traditional 60 kg jute bags. Coffee traders usually prefer the traditional 60 kg jute bags because the bags help to maintain the identity of Ethiopian coffee. In addition, coffee traders also lack both material and financial capacity to export coffee in bulk containers. The

directive had therefore negatively affected export volumes in 2011/12 as many coffee traders refrained from exporting coffee and held large stocks in their warehouses.

2. 6 Coffee Price Volatility

Global coffee production varies from year to year according to weather conditions, disease and other factors, resulting in a coffee market that is inherently unstable and characterized by wide fluctuations in price.

This price volatility has significant consequences for those who depend on coffee for their livelihood, making it difficult for growers to predict their income for the coming season and budget for their household and farming needs. When prices are low, farmers have neither the incentive nor resources to invest in good maintenance of their farms by applying fertilizers and pesticides or replacing old trees. When prices fall below the costs of production, farmers struggle to put adequate food on the table and pay medical bills and school fees – a major reason for children taken out of school to contribute to the family income by working on the farm or in the informal sector. In recent years the price of Arabica has swing (moving back and forwards) from a 30-year low of 45 cents a pound in 2001 to a 34-year high of almost 309 cents in 2011. Similarly, Robusta crashed to 17 cents a pound in 2001 before climbing to 120 cents in 2011. Therefor the volatility of coffee markets in combination with poor production infrastructure and services have sunk the majority of coffee producers in developing countries in low-input-low-output cycles and structural poverty (Fair trade and Coffee May 2012 and Tora Bäckman, 2009).

Export Volume Movement: According to (Alemseged,2012) Ethiopian coffee export volume was volatile exhibiting a fall and a rise each month over the two past fiscal years 2010 and 2011/12. Monthly shipped coffee during 2010/11 started with a higher volume of 20,091 metric tons in July 2010 but the volume in the subsequent months showed a decline and a rise, significantly dropping to 11,224 metric tons in December 2010. In January, 2011 the volume picked up to 13,684 metric tons and generally kept raising culminate (close) to 18,449 metric tons by June 2011. However, despite the general rise in shipped volume in the second half of the six months of the year (January - June 2011), the highest volume registered was that shipped in July and August 2010, totaling 20,091 and 20,567 metric tons, respectively. Similarly, the export volume in farm year 2011/12 began with 12,658 metric tons in July 2011 and generally kept on declining, falling to 7,037 metric tons in January 2012.

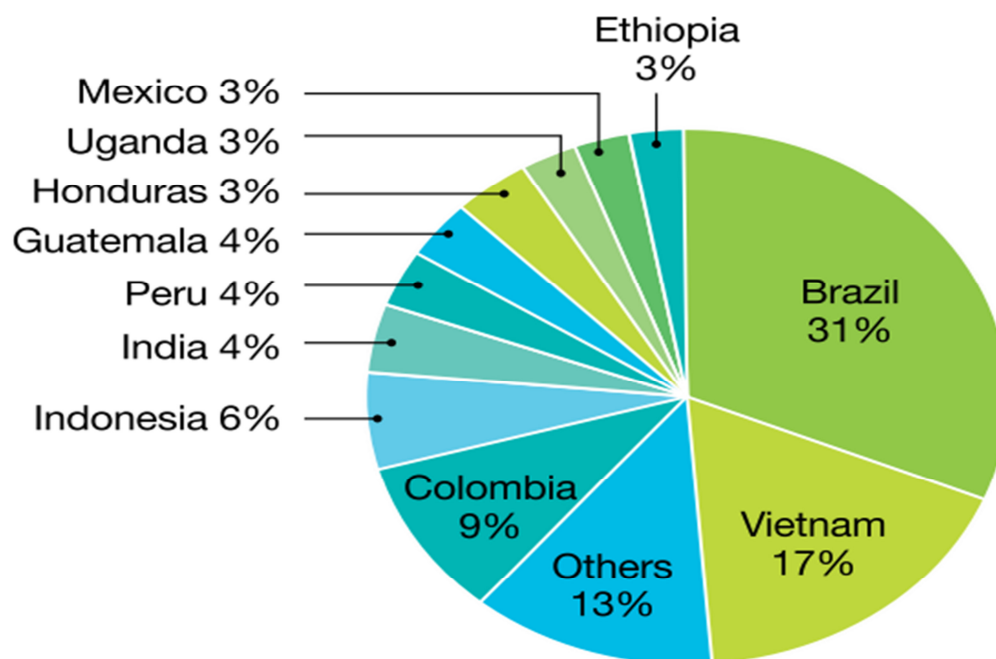


Figure 1 Largest exporters of coffee as percentage of world exports, 2007-2011 countries
 Cited Fair trade and Coffee May 2012

The coffee marketing in Ethiopia accomplished in the following transaction chain.

Primary Level Coffee Transaction Centers (PLCTC): is a place where coffee farmers and suppliers transact coffee. They are located near to the coffee farms. Currently there are about 979 primary coffee marketing centers in the country.

Ethiopian Commodity Exchange (ECX): The secondary level where coffee transact in Ethiopia. Currently ECX warehouses are located at 8 different parts of the country. The centers are in DireDawa, Hawassa, Dilla, Sodo, Bonga, Djimmah, Bedele and Gimbi. The coffee transact in Addis Ababa in open outcry or protest.

International coffee market: The third level where Ethiopian coffee transacts takes place. In this level, the Exporters sell coffee to importers. In Ethiopia, only the citizens export green coffee. The chain of coffee transaction in Ethiopia seen below (Cited Coffee Opportunities in Ethiopia2012)

According to (Getue, 2011) Coffee improvement opportunities related to market growth of specialty coffee industry and wide range of market options, diverse coffee consumers preference, modern marketing system, trade marking and licensing initiative, natural resource richest Arabica coffee gene pool, diverse agro ecology with unique quality profile, associations Active role cooperatives coop, Proclamation updates on coffee quality and marketing systems. In addition good investment policy in the country specialization, Example Jimma University) Control Institutes coffee research center, Promising capacity-building efforts (graduates studies on coffee tea and spice Nongovernmental organizations newly emerging development intervention on coffee by NGOs.

3. COFFEE PRODUCTION AND MARKETING VALUE CHAIN IN ETHIOPIA.

The producers under this stage in the coffee value chain of Ethiopia include small-scale farmers, private owned farmers and state firms. The major portion inters of volume of products mobilized, value adding functions, market share and capital owned in coffee value chain of the country is under the hands of producers especially the large-scale private coffee plantations and state farms of coffee plantations. After the coffee is grown and matured, the following value adding activities in the value chain performed by those producers are collecting coffee chary and transporting to processing areas (USAID, 2010)



Figure 2 Coffee cherry collections and transporting from farm to processing areas

Coffee cherry collecting and transporting activities in Ethiopia in which except loading and unloading, mostly performed by women groups of farmers. Most of the farm products including coffee are raw in nature and need to process before consumption. This increases the cost of marketing service, which adds value and price on farm products. Under this main activity the sub tasks performed in processing the coffee are pulping, washing coffee, drying, sorting, sacking/ packing, loading, and transporting then finally unloading to the warehouse. The small scale coffee producers are always sell the red cherry coffee on their farm as it is without harvesting, drying, and hulling to the coffee collectors. However, some small-scale farmers in country grow, harvest, dry, hull and sell their dry cherry coffee to collectors (legal and illegal collectors). While, household farmers were mostly sell red cherry coffee. The large scale-private farmers and state farms harvest coffee chary and use pulping machine (dry or wet pulping machines) add more value on the coffee products. The pulped and washed coffee then exposed to sun rise in appropriate place until the coffee bean become properly dried and those foreign materials in coffee are sorted so that it will be ready grading and sacking. Therefore, most agro-processing employees are women (USAID, 2010).



Figure 3 Coffee drying and sorting process

Packing dry coffee loading, transporting, and unloading to the warehouses transported to the final market through ECX is also value addition. While some of the large scale, private coffee producers sell their products the exporters either in Addis Ababa or to international importers.

3.1 Coffee Collectors

The most important participants in coffee value chain and they directly bought the coffee with its pulp (*Jenfel coffee*) and/or without pulp and sold it to suppliers or private traders for further processing activities and preparation for marketing. Coffee collectors (sebsabies⁴) play an essential role of bringing coffee from very remote areas to the market by adding value augmenting the volume of coffee (USAID.2010).

3.2 Traders (Suppliers)

Suppliers in coffee value chain of Ethiopia are those who buy coffee from collectors (both legal and illegal collectors) and sell it to either to exporters in Addis Ababa auction market or international importers. Suppliers acquire red coffee cherries from collectors or producers and process their coffee before bringing it to auction. They have hulling, washing and other sophisticated machines for processing purposes. There are wet and dry processing types performed by the processors. In the case of wet processing, after the harvested coffee cherries immediately pulped, fermented in tanks and then finally washed in clean water to remove the mucilage. It then dried in the sun on raised tables and sorted at proper moisture content. After drying to proper moisture content, the outer layer of the cherries removed by hulling and the green bean obtained is ready for marketing. The value addition in this level is totally related processing activities.

3.3 Primary Cooperatives and Unions

The primary cooperatives in Ethiopia are important participants in the coffee value chain of the country. They produce and harvest the coffee and some of them even perform some processing activities like washing pulping, sorting and finally sell it to their respective unions. The unions process the coffee or further processing. Finally further processed were packed, transported to their warehouse and make ready for export market. Here the unions have different alternatives to sell their products. They can sell directly to the international importer or to the domestic exporter through ECX. The coffee unions contact to ECX for grading systems and to follow the rules and regulation of the government of Ethiopia.

3.4 Exporters

After the all the coffee production and processing activities are finished, it exported to the international market by exporters. Exporters found in Addis Ababa central market who received coffee from private producers, private traders and cooperative unions to sell it to the international market. These exporters bought the coffee from the central auction market through ECX. These coffee exporters do not get any coffee from the state producers, because state farm producers export coffee to foreign market by themselves. They play a significant role by searching foreign market through the linkage they have with the importers outside the country. They add a place utility to the commodity coffee. Here, the unions, the private traders and the state owned producers could also act as exporters of coffee, since they can directly sell it to the foreign importers (MOT, 2012).

3.5 Importers

Imports are those actors outside the country who buy coffee from different exporters in the country Ethiopia. The Ethiopian coffee importing countries are first German coffee importer, Japan, the Netherlands, and America. These foreign importers after adding some value to the coffee they received, they directly sell to wholesalers and then to supermarkets (MOT, 2012).

3.6 Domestic Wholesalers and Retailers

The other important actors in coffee value chain in Ethiopia are wholesalers who directly buy coffee from the household farmer's or small-scale farmers. The small-scale farmers, who harvest, dry and hull the coffee and transport to market in Ethiopia. By doing so it the small-scale farmers play a significant role in adding a value on coffee. Here the function of hulling will go to retailers in that they add more value on the coffee and finally sell to consumers after hulling it (MOT, 2012).

3.7 Consumers

Consumers are the ultimate users of the commodity coffee. In the coffee value chain in Ethiopia, there are varieties of consumers of coffee. These are domestic consumers and foreign consumers. The consumers present in domestic country consume directly from small-scale farmers and coffee collectors retailers throughout the country (MOT, 2012).

3.8 Service Providers at Each Value Chain

The service provider in coffee value chain actors in the country are like Ethiopian commodity exchange main and its branch, input supplying government organizations, Woreda level administration bodies, development agents, transporters, credit and other financial service providers (commercial bank of Ethiopia, saving and credit association and other non-governmental organizations (MOT,2012).

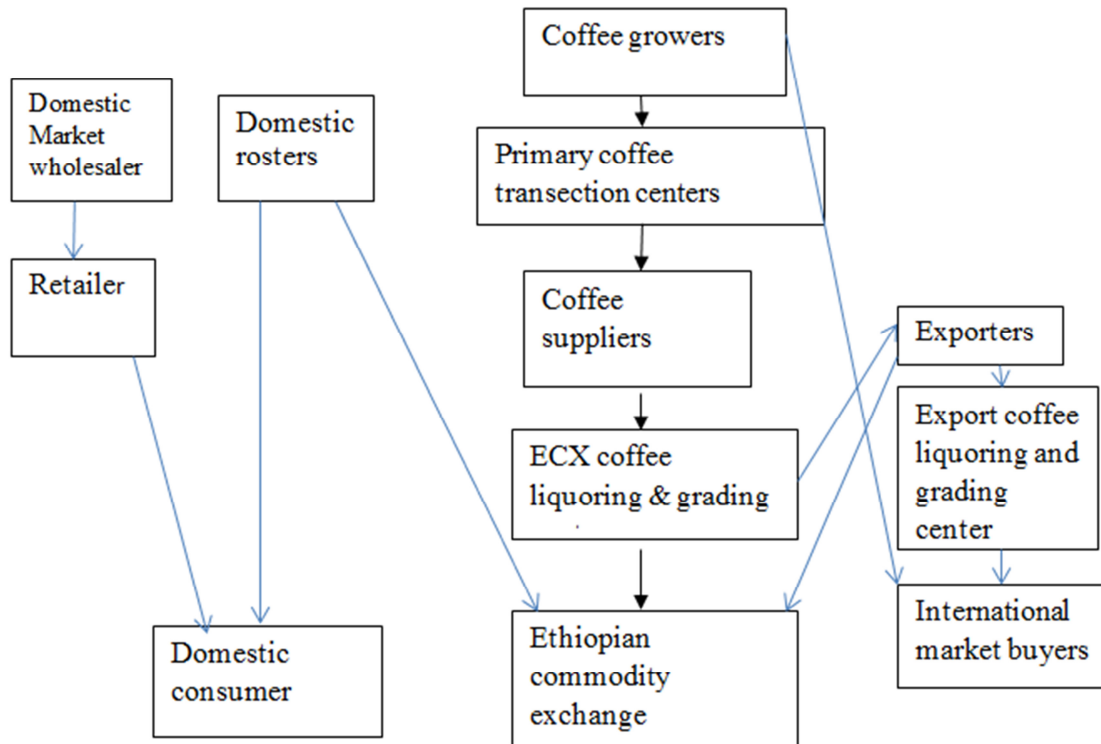


Figure 4 the Value Chain of Coffee Marketing in Ethiopia
 Cited Coffee Opportunities in Ethiopia2012

4 THE COFFEE SUPPLY CHAIN

Coffee supply chains are often complex, with beans sometimes changing hands of times on the journey from producer to consumer. Small farmers typically sell their coffee beans to local traders, often agents for big coffee millers and exporters, who transport the coffee to the processing plant. After processing, the coffee sold by a local exporter to an international trader, from whom roasting companies then usually purchase the coffee and sell it to retailers, notably supermarkets, before finally reaching consumers. Primary or village co-operatives purchase members' coffee, sell it in bulk to a processor or exporter, while regional co-operative unions purchase, process, and export coffee on behalf of their member co-operatives. Key Actors in moving the coffee sector forward coffee growers, producers, farmers unions, associations, input suppliers, transporters, financial institutions, coffee suppliers exporters, NGOs, international organizations, government ministries & institutions, ECX, research centers and many others...opportunities (Sentayhu,2013 and Fair trade and coffee 2012)

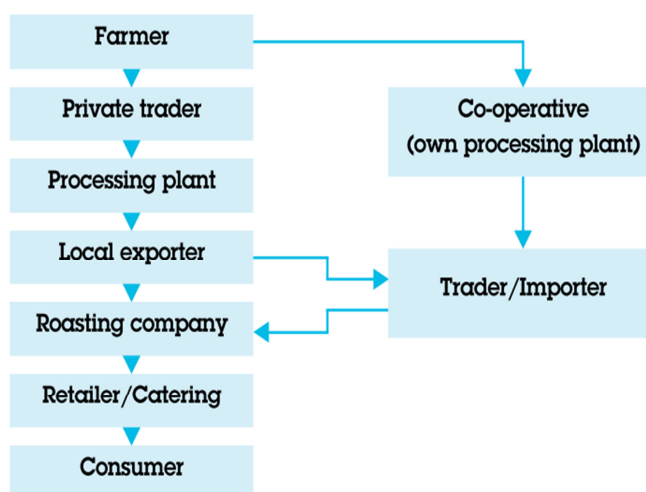


Figure 5 Simplified coffee supply chain cited (fair trade and coffee 2012)

4.1 Main Coffee export Destination

In 2010/11 Ethiopia Exports Coffee to 53 destination countries throughout the world and the total Volume and Value of coffee exports 2010/11 was 196,117 ton and 841.65 million American Dollars. This Volume and Value of Coffee export as compared 2009/10 increased by 13.9 % and 59.3% respectively. More than 120 Ethiopian Coffee exporters participated in processing and exporting coffee to all destination of the world. Among these export companies 95% are private companies 5% are Coffee growing farmers' cooperative unions and two of them are government enterprises In 2010/11 the top five coffee export destinations for the country are Germany, United stat of America, Saudi Arabia, Belgium and Italy(FDRE MOT,2012).

Table 1 Coffee Export Achievements

No	year	Volume in ton and value million USD		% growth	
		Volume	Value	Volume	Value
1	2004/5	159,845	334.5	0	0
2	2005/6	153,155	365.8	-4.2	9.4
3	2006/7	176,390	424.1	15.2	15.9
4	2007/8	170,961	525.4	- 3.1	23.9
5	2008/9	133,993	375.8	- 21.6	- 28.5
6	2009/10	172,211	528.3	28.5	40.6
7	2010/11	196,118	841.6	13.9	59.3
average		166,096.14	485.1	-	-

Ministry of Trade Coffee Opportunities in Ethiopia (February, 2012)

Alemseged, 2012 Ethiopian Coffees Export by Type explained, the country produced varieties of coffee with distinct flavor and taste. Lekempti grade 4 & 5; Djimmah grade 5 & under grade; Sidamo grade 2, 4 & under grade; Yirgachefe grade 2; Limu grade 2; Harar grade 5 & 4; Godere grade 2; Ghimibi grade 5 and Teppi grade 2 are coffees that were exported in large quantities during farm year 2011/12 accounting for 95 percent of the total coffee exports

According to Getu, 2011 coffee Production and Quality improvement face challenges in Ethiopia as result of problems created social and natural factors such as:

Deforestation land degradation, climate change, diseases, crop replacement, gene pool erosion weak stakeholder linkages, predominant traditional production failure of using appropriate coffee technologies, little market promotion & incentive mechanism Challenges. Inadequate services (credit, inputs, equipment's...), low price shares & benefit (farmers), increasing costs of production, processing & marketing, lack of sustainability & competitiveness in the coffee sector.

Certification and verification schemes can be powerful tools for value addition, access to a fast-growing market segment and the dissemination of good agricultural, environmental and social practices. Consumers are demonstrating an increasing interest in the economic, social and environmental aspects of coffee production. Coffee covered by the various initiative estimated to constitute 8 percent of world exports of green coffee and is the fastest growing market segment in traditional (developed country) markets (See [wcc2010-giovanucci-e.pdf](#)). Starbucks defines sustainability as an economically viable model that addresses the social

and environmental needs of all the participants in the supply chain from farmer to consumer. The Starbucks C.A.F.E. program evaluates the sustainable production of coffee according to four categories: Product Quality, Economic Accountability, Social Responsibility, and Environmental Leadership. The programmer designed to establish quality criteria for growers, processors, and vendors in order to encourage cooperation and shared responsibility throughout the supply chain. It addresses critical issues such as water conservation, worker conditions, including hiring practices and policies, and conservation of biodiversity amongst others matters. However, reservations have expressed about several aspects of the functioning of these programmers, including: **Common denominator approach** questions have risen as to the homogenizing “common denominator” approach that built into the checklist-based compliance methodology of the different certifications, which fails to take into account differences in local conditions.

Industry structure and social equity many producing countries are concerned that the costs of compliance with certification schemes are beyond the means of smallholders and compatible only with larger and comparatively well-organized producers. This concern is especially acute about schemes designed for the mainstream market, which might become a barrier to market access for those unable or unwilling to comply.

Cost vs. benefits In addition to the direct benefits in terms of improved market access, especially price premiums, participation in certification schemes thought to improve performance in a variety of social, economic and environmental indicators. However, these benefits have associated costs: apart from those related to the actual certification/verification procedures, compliance with standards may require considerable investments and entail reduced yields. The evaluation of overall costs and benefits is complicated by factors that are specific to a certain site and the time lags involved. As a result, a high degree of uncertainty still exists as to whether the benefits of participation in a specific scheme outweigh the costs. Further research in the field is required.

Multiplicity of certification bodies the large number of different bodies; each with its own differing standards, involved in the certification of coffee may lead to confusion in the mind of consumers. Furthermore, limited space exists on packaging for certification logos and other information not directly related to the brand in question. The need to comply with more than one certification scheme also raises costs for producers. For this reason, some certification schemes have been discussing ways in which to achieve multiple certifications in order to achieve economies of scale and cost savings. Questions have raised as to the long-term viability of the large number of existing certification schemes.

Supply and demand balance Consumer interest in making ethical purchasing decisions of coffee has grown in recent years. However, a willingness to buy ethical products may not translate into actual purchases. For a majority of end-users, price and intrinsic quality are more important than certified compliance with a code of conduct or standard. Therefore, the potential size of the market for certified coffees is restricted. At the same time, the supply of such coffees is not necessarily always demand driven and may result in oversupply. Therefore, while certification definitely adds to a coffee’s image and may enhance its value, certification by itself is not a guarantee of premium prices in the longer term. Producers must also bear in mind that the overall levels of premiums are likely to decrease as availability grows. <http://www.ico.org/sustaininit.asp>

Table 2 2012/13 coffee Season Projected Marketable coffees Supply in Ethiopia.

No.	Region	volume (In tons)	Share (In %)
1	Oromia Regional State	211,000.00	61.5
2	SNNPR	122,678.00	35.7
3	Gamble Regional State	9,297.20	2.7
4	Benshanigul Regional State	376.78	0.1
	Total	343,351.98	100

Source: Ministry of Trade 2012/13

The marketable coffee supply for 2012/13 coffee season appears less compared to last year, as last year’s production was estimated about 500,000 metric tons.

5. CONCLUSIONS AND OUTLOOK

To conclude the review, different researchers analyzed coffee production processing, and marketing value chain in different angles. While, some of them analyzed its quality related to area based, production and postharvest management problems, with related to gender sensitive and another’s not. In addition to this some of the researchers used participatory and market-oriented coffee products value chain development approach and anthers not. Therefore, according to the review to improve the coffee value chain in Ethiopia and make the producers more benefiter, developing strong link between the value chain actors in chain is very important. It is also important to increase coffee production, productivity, sales value and marketing by international level it needs standard quality level improvement is very important for the Ethiopian smallholder farmers, privet and public coffee producers output by using coffee production and marketing value chain governance. In addition to this to improve, the value chain actor’s role in chain, participatory methods identification and application is very

important to selective commodities and interventions for market-oriented value chain development problem, in identification and implementation phase to learn and respond to failures and new opportunities related to coffee production and marketing chain.

Value chain development in forest, semi-forest and garden coffee is very important in Ethiopia. Because most of the Ethiopian agriculture exports more share depends on the outcome of forest, semi forest, garden and plantation coffee produces. That is why the different scholars have done their researches on coffee in our country. Therefore, coffee is Ethiopian natural gift resources and play main role in individual and country level by income generating and sustaining. Moreover, it plays enormous role in total Gross Domestic Product (GDP) increment and Net National Products (GNP) in the country by augmenting foreign direct investment and export share with compared to another products and produces. This review recommends that value chain tools from production to final consumption in domestic and international market must analyze coffee production and marketing efficiency in Ethiopia. Because to increase its production and productivity each level actors, producers and supporters interlink each other in its value chain is necessary to develop novel value chain in coffee sector.

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