

Overview the History of Coffee Trading System in Southwest Ethiopia (Jimma) Since 1950s

Fekede Sileshi Fufa¹ Ketebo Abdiyo(PhD)²

1.College of Social Science, Department of History, Sebeta Special Needs College of Teacher's Education

2.Jimma University

Abstract

This article is meant to reconstruct the history of coffee trading system in Jimma since 1950s". The main objective of the paper is also to reveal the coffee trading system in Jimma since 1950s to the present coffee trading rule image. It is to know how the system positively or negatively affects the producers and traders with comparing the previous coffee trading rule, the present legal and practical problems that need to be solved and the positive will promoted. Coffee is the most important commodity to the Ethiopian economy. The life's of many Ethiopian farmers are directly or indirectly depends on coffee production and marketing system. Moreover, about more than 60% of the Ethiopian foreign earnings is come from this commodity. In return, realizing the unique role of the coffee in the socio- economic life of the country, Ethiopia has put in the place of legal system that to governs the industry since early 1950s. South west Ethiopia in general and Jimma in particularly is endowed with environment suitable for producing high quality for coffee beans and convenient for coffee trade. By the beginning of the 20thce, the Jimma area was started to benefit greatly from coffee production for export. This paper is present to assess coffee trading system in Jimma from 1950s (After the establishment of National Coffee Board of Ethiopia) up to 2008, a new law "The coffee Quality Control and Marketing Proclamation" (The new model Ethiopia Commodity Exchange). In addition in this paper the history of coffee trade chain between different actors and the present coffee trade system were discussed in detail.

Keywords: Collector (sebsabies), Dried pulp coffee (jenf), Red cherry (Key eshet), Suppliers (Akrabies), Auction

Introduction

Currently studies show that, Ethiopia is the oldest coffee producer, consumer and exporters in the world.¹ Ethiopian traders were used to trade coffee in caravans of mules, camels, and donkeys for many centuries.² Starting from the late nineteenth century in particular, coffee was one of the most important cash crops of the Ethiopian economy. Especially, in the second half of 19th century during the long distance trade, coffee was the most important traded commodity in south west Ethiopia.³ Even now coffee is the most important commodity in the country. It account for about 25 % of the Growth National Product (GNP), 65 % of the total export and 10 % of the total government revenue.⁴ Moreover, the coffee industry is labor intensive sector. It employees numerous people in processing of either red cherry (*Key eshet*) or dried pulp coffee (*jenfel*) in washing station and hulling mills. According to my informants, before it gets ready for export, coffee goes through further processing, polishing, cleaning, and sorting.

Generally, the sector employs about 25 % of Ethiopian population in different capacities; like production, processing and trading.⁵ Thus, the life of one out of four Ethiopians are depends on coffee.⁶ For example, Ethiopians have deep culture of drinking coffee. In addition to consumption in almost every household, one may easily observe that coffee houses of different size are spreading out across all corners of the country.⁷

Realizing the unique role of coffee in the socio- economic life of the country, Ethiopia has put in place of legal regime that governs the industry since the early 1950s. The designed law was took successive amendments and used to regulate various aspects, including: - coffee quality, coffee grading, coffee trading and the roles of regulatory organs.⁸

For a long period of time in Ethiopia coffee trading system is a long market channel. In these channel, the main problem was lack of market standardization, fairness, transparency and efficiency. The Ethiopian government has been taking consequently, different and multifaceted measures to minimize and improve the problems. These measures are broadly related to coffee production and productivity as well as coffee trade. The paper will give a broad picture of coffee trading system in Ethiopia and in Jimma across time before the present coffee trading system come in to being. Accordingly, the sequencing of coffee trading reforms in Ethiopia was assessed as follows:-

1957 National Coffee Board of Ethiopia was established to regulate the industry.

1974 Dergue comes to power and replacing economic policy to Marxist lines.

1977 Ethiopia Coffee Marketing Corporation (ECMC) established to handle the crop.

1979 Ministry of Coffee and Tea Development (MCTD) created to regulate the industry, replacing the National Coffee Board of Ethiopia.

1992 Ministry of State Farms, Coffee and Tea Development were created to replace the (MCTD) 1993 Start of

Coffee sector reforms; ECMC split in two;

1. Ethiopia Coffee Purchasing and Sales Enterprise (ECPSE) and
2. Ethiopia Coffee Export Enterprise (ECEE)

In 1995 Ministry of State Farms, Coffee and Tea Development is replaced by the Coffee and Tea Authority (CTA). In 2008 the new model “Ethiopia Commodity Exchange (ECX)” was established to modernize the coffee industry in Ethiopia.

In the history of coffee trading system of our country many actors including the producer, processor, collectors, suppliers, brokers, wholesalers, retailers, warehousemen, financing institutions, consumers and regulators are involved.⁹ However, coffee classification and grading system in Ethiopia were developed and licensed for the first time in 1952 and modified in 1955.¹⁰ Ethiopia coffee certification started after the establishment of National Coffee Board of Ethiopia (NCBE) in 1957.¹¹ National Coffee Board of Ethiopia’s aim were to control and co-ordinate producer, traders, exporters and to improve the quality of Ethiopian coffee exported to the world market.¹²

Materials and Methods

I used three methods to successfully accomplish this article which was collecting and analyzing necessary information about the history of coffee trading system in Jimma since 1950s. One was published and unpublished documents that were related with my topic wherever available. The second method I used was archival and manuscripts materials that were found in different institutions related with my topic wanted and evaluated wherever available. The third important method I used was gathering oral information from different districts of the study area.

Results and Discussion

Some argue that Ethiopia is the oldest country to export coffee outside its border.¹³ By the beginning of the 20th ce, the Jimma area started to benefit greatly from coffee production for export. In addition to this according to Yonas:- *“Improvements in the means of transportation, i.e., the opening of the Gambela water transportation and the Addis Ababa - Djibouti railway system, facilitated the growth of coffee production and trade in southwest Ethiopia. Coffee was exported eastwards to the Gulf of Aden ports and, after 1907 westwards by boat from Gambela via the Nile to Khartoum in the Sudan. After about 1920, it was exported eastwards by railway to Djibouti.”*¹⁴

From this time on, the volume of coffee export had been increasing and the industry started to increasingly play a unique role in the national economy of the country. The country was not getting as much foreign currency as it was coffee producing. This was mainly due to constraints related to the quality of the coffee as it couldn’t meet the international quality standards.¹⁵ One of the important measures taken during this period was the establishment of the National Coffee Board. The establishment of the National Coffee Board on which all powers and responsibilities which previously was exercised by both institutions vested was an attempt to solve such problems.¹⁶ The Board was established in 1957. The board was assigned for wide-range of duties and responsibilities. These include enforcing the Coffee Proclamation of 1952 and other subsidiary legislations. Accordingly, reviewing all legislations dealing with coffee and making recommendations concerning the way they should be strengthened; consulting stakeholders on what legislative and administrative measures should be in place to improve Ethiopian coffee; collecting and publishing market information and statistics relating to coffee trade; encouraging production and marketing of coffee by cooperatives; recommending taxes to be imposed on coffee.¹⁷

However, the *Derg* Government came to power soon after these laws were enacted. In 1974 *Derg* seized power by deposing the imperial government. Until 1975, coffee was bought by traders at various stages of trading chain and export. Government intervention carried out by the National Coffee Board of Ethiopia was limited to regulation of the auction process and quality.¹⁸ After seized power *Derg* redirected the overall development policies along the socialist line which was believed to free the country out of the continuing socio-economic dilemma. Thus, it came up with Economic Policy of Socialist Ethiopia in February 1975 which made the state as a main actor in development allowing it to involve in every aspect of the socio-economic life of the country. In respect to the coffee industry, various measures were taken to increasingly socialize the sector including coffee trade.¹⁹

The government started such its role by amending the National Coffee Board Proclamation in 1973 such a way as it enables the Board to process, possess, store, transport, purchase, sell and export coffee. After few years however, a new legislation which repealed this law as well as other coffee laws was enacted. This law abolished the Coffee Board and on its place established a new institution called “Coffee and Tea Development and Marketing Authority” an autonomous public body having its own personality.²⁰ The reason for establishing the authority was to enable the government to actively involve on the production and trade of coffee. Established with the principal purposes of increasing the production, quality, industrial processing and export of coffee, all of the powers and duties of the Board were transferred to this Authority.²¹

In 1977 a government agency the “Ethiopia Coffee Marketing Corporation/ (ECMC)”, a corporation with

Ministry of Coffee and Tea Development (MCTD) was created and took on substantial responsibilities in the internal and external trading coffee. Producers had sold at a fixed price and there was little flexibility for them to choose them they sold.²²

Based on my informants view and other written sources, there were different coffee trading system in Jimma for washed and unwashed during *derg* regime.²³ These are presented as follow:-

Channel I. Producer-Local Collector (*sebsabies*)- Ethiopia Coffee marketing corporation (ECMC)-Auction Export.

Channel II. Producer-Local Collector-Private Suppliers (*Akharabies*)- Auction- Private Exporter-Export.

Channel III. Producer-Service cooperatives- ECMC-Auction- Export.

Channel IV. State Farms- Auction-Export.

Channel V Rejected coffee- Rejected coffee back to ECMC- Domestic Coffee Marketing Enterprise (DCME)- Retailers- domestic conceptions.

Post 1991, in 1992/3 the Ethiopian Coffee Marketing Corporation (ECMC) was split in to public enterprise, The Ethiopian Coffee Purchase and Sales Enterprise (ECPSE) which purchases coffee internally and delivered it to the auction and The Ethiopian Coffee Export Enterprise (ECEE), which purchases coffee from the auction and exports it. Various policies have been introduced to encourage private traders to compete with the state owned companies.²⁴

As indicated above the washed coffee process; farmers sell red cherry to *akrabies* or service cooperatives. The ECPSE does not purchase the washed coffee. For sun dried coffee, framers take the dry cherry to market centers for sale to *sebsabies*, who are required to sell it to either *akrabies* or the ECPSE.

The ECPSE also purchase unwashed coffee direct from the farmer. *Sebsabies* have a monopoly on primary marketing of sun dried coffee in private sectors (excluding production handled by cooperatives). Based on the above explanation and my informants view coffee trading in Jimma from (1991-2008) explained as follows:-²⁵

1. Red cherry

Farmers/producer-Private suppliers-Auction-Export through private exporter (25%) and ECEE (75%)

Farmers/producer-Services cooperatives-Auction- Export through private exporter (25%) and ECEE(75%)

2. Sun dried

Farmers/producer- Private collectors-Private suppliers-Auction-Export through private exporter(75%) and ECEE(25%)

Farmers/producer-ECPSE-Auction-Export through private exporter (75%) and ECEE (25%)

State Farms-Auction- Export through private exporter (75%) and ECEE (25%)

Rejected,-Licensed private distributors-Domestic consumption-sold by *akrabies* to local market

The current requirements to Engage in Coffee Trade

1. Certificate of Competence

One of the requirements currently introduced by the new coffee legislations is establishing competence to engage in coffee trade. According to this legislation “*Competence certificate means a document that certifies the ability of a person to collect, process, store, transport coffee, and to engage in all other activities related to coffee trade.*”²⁶ In this regard, the regulation requires any supplier, exporter, wholesaler, roaster, processor or coffee warehouse operator to obtain certificate of competence before applying for license of his/its respective activity. For instance, a supplier is required to fulfill the following requirements to acquire certificate of competence.

“*First, he is required to have or rent warehouse, a coffee pulping, washing and drying machine, bags, other necessary materials, service catering office, and if he is washed coffee supplier, coffee processing plants which meet the technical standards specified by quality control or appropriate regional organ and weighing scale and moisture calibrator certified by the Quality and Standards Authority of Ethiopia (QSAE). Secondly, a supplier needs to devise operational processes and procedures which process coffees from different ecological zones separately and which safely disposes wastes without endangering the human and natural environments. Thirdly, a supplier has to have permanent staff qualified in coffee quality matters.*”²⁷

More or less similar requirements are prescribed for coffee exporters, processors, warehouse operators, coffee wholesalers, and roasters.

2.Coffee Business license

The second requirement to engage in coffee trade is coffee trade license. The license for coffee trade thus is issued by the trade and industry bodies. Without license coffee trade, any person can not engage in coffee trading system.²⁸

On top of this, according to my informant Nuguse Zewude Coffee merchant living in Jimma town after certificate of competence, the second criteria expected from coffee merchants is merchant license. He says, “*Daldala bunaa eeyyaama mootummaa malee daldaluu hin danda’amu. Tasgaboftee daldaluf eeyyamni bakka guddaa qaba, which means coffee trade, is impossible without government license. To trade coffee freely coffee merchant license is played a great role.*”²⁹

Based on this, in Jimma zone there are 475 licensed coffee suppliers those who fulfilled the abovementioned

requirements as Olika Kitila expert of coffee trade of Jimma Zone Agricultural office. In addition to this, as other informants told me, at local area coffee collectors are participate in coffee trading without license or agents of licensed coffee merchants.³

Conclusion and Recommendations

Conclusion

Ethiopian coffee market has been characterized by long chain in which many actors Participate in different capacities which includes farmers, farmers' cooperatives, collectors, brokers, suppliers, service cooperatives, processors and exporters. For long time, coffee trade was conducted by the assistance of brokers who used to circulate the coffee in their hand or between the farmers on the one hand and suppliers and exporters on the other. The farmers, suppliers and exporters were did not have sufficient information about the price of coffee. However, the brokers used to play incomparable role in the coffee trade and its price. Formalization of the coffee trade was started at the beginning 1950s. It was only in 1972 that the coffee auction system was established at the request of both suppliers and exporters equally concerned by the need for an improved trading system that would be managed. From this time on, all coffee producers in the country had to pass through the auction markets. Based on both written and oral sources reveal that the new coffee trading system auction center is the final process for coffee suppliers. After coffee checked at *woreda*, level the checked coffee transport to the auction center of Jimma Ethiopia Commodity Exchange for suppliers of this area to be checked again. Then the coffee grade is given by coffee liquoring and inspection of Jimma Ethiopia Commodity Exchange. Then the final grade is set based on the national standard of Ethiopia coffee grading system. Finally suppliers sell their coffee according to their coffee grade at Jimma Ethiopia Commodity Exchange. Finally, this work has various significances, I hope it could create better understanding of the coffee trading system in Ethiopia in general and (Southwest Ethiopia /Jimma in particularly. Therefore, I believe that my study account of "over view the coffee trading system in Southwest Ethiopia since 1950s" will pave the way for further historical research.

Recommendations

The following recommendations are presented on top of the findings of this paper. I recommend the following points which, I think, it will contribute in solving the problems that arise regarding coffee trading system in the study area as follows:-

1. Based on my findings some of the coffee farmers are not bringing their produces to Primary transaction centers. Instead, they are still supplying their coffee to the illegal collectors. I identified three main reasons for this. First, majority of the coffee farmers are small scale farmers that their produce is little and the cost of round trip transportation and other contingent costs they earn made it economically not good. Secondly, there are many farmers who are physically weak that they can't transport their produce to these markets who have only one option which is to deliver to the illegal collectors. Thirdly, there is no significant difference in the price at which the illegal collectors receive from the farmers and in the primary transaction centers. For the aforementioned immense problem I suggested in respect to the problems of coffee trading system of my study area the concerned body must done a series of awareness creation and possible activities should be done.

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Declaration

I declare that the paper entitled with "Overview the History of Coffee Trading System in Jimma since 1950s" is my work and that all source materials used for the article have been duly acknowledged.

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