

# *Economic Benefit of Ethiopian Coffee*

*BY Ethiopian Coffee and Tea Authority*

*PR & Communication Team*

Coffee is a major popular beverage and an important commodity cash crop in the world. It is also the second most valuable commodity next to fuel. According to some sources each day more than 2.25 billion cups of coffee are consumed in the world. 90 percent of coffee production takes place in developing countries. Coffee has grown mostly by small farmers all over the world. Around 25 million small producers rely on coffee for a living worldwide. From this population Tens of millions of small producers exist in developing countries.



Ethiopia is widely known to be the birth place of coffee Arabica, which is demonstrated by its variety and quality of beans. Its coffee is grown in both highland and lowland conditions, nurtured with care by the farmers, garnering the beans a range of unique flavors and textures.

Coffee accounts the lion's share of Ethiopian export earnings. It plays an important role in the economy and livelihoods of Ethiopia's rural population. The total area coverage of coffee land in the country is 1.2 million hectare. Of which 900,000 hectare of land is estimated to be productive. According to some studies about 92-95% of coffee is produced by 4.7 million small scale farmers and 5-8 % large scale plantations. An annual coffee production in the country is 500,000-700,000 tones and an average national productivity is 7 quintal per hectare (CSA data 2003/4-2017/18).



The coffee industry is the driving force of the economy, ecology, socio-cultural and spiritual life of people. Nationally it is estimated that there are around 5,270,777 households are participated in coffee production activities (CSA data 2003/4-2017/18). However, an estimated over 25 million people are engaged at least on coffee production, distribution, trading, processing, exporting and other support and downstream activities. It also accounts for 25-30 percent of Ethiopia's total export earnings and 5 percent of GDP are derived from coffee exports. The country uses about 50% of the total production for local/domestic consumption.



Coffee production has been increasing for the last 10 years. In 1995/96 total coffee production was 312,777 metric tons but in 2009/10 total production has increased to 449,230 metric tons, it shows 136,453 metric tons increment for the last 10 years. Similarly, an export volume also has increased from 148,680.00 metric tons in 1995/96 to 238,465.55 metric tons in 2009/10. So, it shows a 89,785.55 metric tons increment, too.

However, coffee growers cannot find a good profit from their farm for the last decades. And there was no concerned strong coffee institution, luck of commitment to support the coffee sector, extreme and uncontrolled illegal market, extensive (long) coffee value chain, etc.

Hence the Ethiopian government has made a strong effort to motivate the coffee sector since 2015. Its first measure is to establish the concerned authority; that is Ethiopian Coffee and Tea Authority (ECTA). So that it is a great structural change on the coffee sector to utilize this



potential and bring a benefit to growers and market actors. After the establishment of ECTA, the authority has made structural adjustment, set up legal frame works, identify the major bottle necks of the coffee sector, and made coffee reforms, too.

One of the identified bottle neck in the coffee sector is extensive (long) coffee value chain. The longer the coffee value chain, the less the farmers profit. So that, the government has made a reform to shorten this value chain. These reforms included to give an opportunity to coffee farmers sell their product directly to an international market. This opportunity helps the farmers to get a better profit and motivate them to produce more coffee cherries.

Producers, Exporters, unions, associations, commercial exporters, roasters, etc. have a great contribution to the development of the Ethiopian economy. For example in 2009 coffee producers exported 11,857.35 tons of coffee and earned 63.08 million US dollar. Similarly in 2010 they exported 13,736.97 tons of coffee and earned 67.33 million US dollar. Price per ton is 5,320.27 in 2009 and 4,901.12 in 2010. It has 8% shares from the total volume.

The unions have exported 22,525.33 tons of coffee and earned 115.76 million US dollar in 2009. In 2010 they exported 20,118.57 tons and earned 105.90 million US dollar. Price per ton is 5,139.25 in 2009 and 5,263.72 in 2010. There is a 13% shares from the total volume. Similarly commercial exporters exported 191,284.98 tons of coffee and earned 703.63 million US dollar in 2009. In 2010 they exported 204,610.00 tons and earned 664.93 million US dollar. Price per ton is 3,678.42 in 2009 and 3,249.73 in 2010. So that they have about 80% share from the total volume for the last two years.

Inspite of the fact that from the above figures commercial exporters has a lion's share on their export volume, But less in price per ton. Producers and unions on the other hand have less volume share, but export their product in a better price. It indicates that whether they have a high negotiation capacity, supply good quality coffee or have healthy seller and buyer relationships with their buyers. So that it needs to encourage them to participate widely on the international coffee market and make strong effort to link them with known coffee buyers.

Coffee Arabica, the only type of coffee grows in Ethiopia and Ethiopia produces varieties of coffee that have rich original flavors and exports coffee of different types and grades. Recently, Ethiopia has been exporting several specialty coffee types, such as, Sidama, Guji, Djimmma,





Lekemti, Harrar, Yirgacheffe, Limmu, Teppi, Ghimbi, Keffa forest, Gemadro, Bebeke, Godere, Bench Maji, Bale, Anderacha, Zege, Amaro, Arsi, Kochere, Ayu, Gura Ferda, Shegitu, Wellega, Geisha, Gera, Yeki, and many more. Ethiopian coffee is highly valued by consumers in a range of coffee importing countries. Ethiopia exports its Arabica Coffee to Europe, Asia, America, Australia and Middle East and other parts of the world.

The table below shows list of countries buys Ethiopian coffee and how much US dollar earned from 2012/13 to 2016/17. (From high to low income)

| No. | Countries     | 2012/13           |                     | 2013/14           |                     | 2014/15           |                     | 2015/16           |                     | 2016/17           |                     |
|-----|---------------|-------------------|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------|---------------------|
|     |               | Export volume/ton | Income/Thousand USD | Export volume/ton | Income/Thousand USD | Export volume/ton | Income/Thousand USD | Export volume/ton | Income/Thousand USD | Export volume/ton | Income/Thousand USD |
| 1   | Germany       | 56,863            | 191,445             | 42,210            | 152,805             | 36,309            | 141,547             | 41,910            | 135,919             | 40,292            | 139,995             |
| 2   | Saudi Arabia  | 27,461            | 108,981             | 31,503            | 118,054             | 35,880            | 131,960             | 37,543            | 112,012             | 36,551            | 132,914             |
| 3   | North America | 14,545            | 70,539              | 17,753            | 86,628              | 18,646            | 109,364             | 18,552            | 99,527              | 20,697            | 116,712             |
| 4   | Japan         | 23,447            | 81,375              | 18,685            | 62,968              | 22,040            | 87,639              | 16,722            | 52,236              | 26,784            | 87,248              |
| 5   | Belgium       | 15,727            | 60,903              | 14,751            | 53,985              | 9,622             | 45,012              | 13,484            | 54,664              | 19,546            | 82,517              |
| 6   | South Korea   | 4,662             | 19,399              | 5,586             | 23,020              | 6,412             | 31,117              | 9,208             | 40,734              | 11,437            | 49,749              |
| 7   | Italy         | 8,836             | 35,234              | 9,768             | 37,666              | 6,841             | 32,177              | 8,254             | 34,274              | 10,720            | 46,900              |
| 8   | Britain       | 3,775             | 19,312              | 4,881             | 21,620              | 4,715             | 22,842              | 4,566             | 24,409              | 6,237             | 33,456              |
| 9   | France        | 9,925             | 32,387              | 10,766            | 35,288              | 8,310             | 32,656              | 12,110            | 34,312              | 10,575            | 32,153              |
| 10  | Sudan         | 7,565             | 18,537              | 9,380             | 23,936              | 10,486            | 30,117              | 7,849             | 16,444              | 11,237            | 24,474              |

Source: Ethiopian Coffee and Tea Authority.

The figure shows that Germany is on the first position that brings much US dollar to Ethiopian coffee since 2012/13. That is 191,445 USD in 2012/13, 152,805 USD in 2013/14, 141,547 USD in 2014/15, 135,919 USD in 2015/2016 and 139,995 USD in 2016/17. Saudi Arabia and North America are on the second and third position to bring much US dollar to Ethiopian coffee next to Germany for the last consecutive five years.

Coffee production is challenging task that requires much of human effort and its quality depends on many other factors: coffee variety, seedling, location, soil composition, altitude, weather conditions, fertilization, and cultivation, harvesting, and processing methods. So that, the



Ethiopian coffee and tea authority has been given a number of trainings and sensitization workshops to increase the awareness of farmers and extension workers by using its structures up to the woreda's levels.

By the strong commitment of an Ethiopian government, Jimma agricultural research center has been the only coffee research institute in Ethiopia and will be under the umbrella of Ethiopian Coffee and Tea Authority. The institute has made a strong effort to increase the productivity of coffee. Research has been made on disease and climate change resistant coffee seeds and other species by the institute. Hence the institute will closely work with coffee farmers and extension workers and is expected to display a variety of disease and climate change resistant coffee seeds soon.

Coffee does not only have an economic benefit to the country, but also has its own social values. It creates a very strong relationship among people. During coffee ceremony people sharing ideas, discuss on how they resolve conflicts, how they made & better their business, on politics, discuss about charity activities etc.



Any one during coffee ceremony has not feeling loneliness. Every one participates on all the discussions, so it has also a psychological therapy advantages.

Coffee is environmentally advantageous. As all know coffee needs shades. So planting trees has a dual advantage to coffee farms.





It will be a forest that balances the climate as well as shade to coffee trees. When we make a conducive environment to coffee and coffee shades the coffee production increases; in turn the foreign exchange earnings also be increase.

Generally, Ethiopia’s organic coffee is looked-up by an international market. If farmers produce high amount of coffee with high-quality, it is very profitable and advantageous business for Ethiopia’s producers, exporters and the country as well. There is a need to educate farmers about the outbreak and economic importance of coffee, as well as about the new technology. This education campaign should be complemented with the availability of high-quality planting materials and the provision of other services (especially extension) to stop the declining productivity and export earnings of our green gold. Educate farmers and coffee bean collectors on how to keep the quality of coffee and increase the product and productivity is an important asset. Increasing the volume as well as the quality of the coffee product through-out coffee potential areas may bright the future of coffee.

On the other hand the government should solve the problems raised by exporters on Ethiopian Commodity Exchange/ECX. In addition to this, a serious measure should be taken on illegal movement of coffee both domestically as well as across borders.

