

Challenges and opportunities of the ethiopian coffee sector



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Coffee farmers all over the world face different challenges related to the availability, cost and quality of labor, land, water, inputs, access to reasonable production credit, and proper technical advice in response to diseases and pests. Ethiopia has a reputation of high quality coffee due to its branded varieties of coffee. But, most of the coffee farmers in Ethiopia are not capable of getting the benefits connected with production and marketing of a finest quality product. There is production, processing, storage and functioning of domestic and international market related constraints for this fact (ODI, 2009).

Regardless of huge potential for collective production of coffee in Ethiopia, the average yield per hectare remains very low at 0.72 metric ton per hectare. Abu and Tedy (2013) revealed three major factors for the basis of low coffee production. First, there is a direct and increasing competition of Khat (*Catha edulis*), a plant with mild narcotic effects, with coffee for farmlands in different areas of the country particularly in the Hararge region. Khat is chosen by many farmers because it is more profitable and brings a consistent income during the year. Second, the farm management system of coffee and the agronomic practices in Ethiopia are traditional. In addition to this, coffee producing farmers do not get adequate extension services. Lastly, there is no specialized institution that offers extension support for production of coffee in the country.

According to Taye (2010), in Ethiopia, there are several attributed factors for the low level of average production and income of coffee by the world standard. These includes insufficient credit and distribution of input devices for coffee growing farmers, principal use of conservative husbandry and

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processing as well as unimproved local coffee landrace practices, which in turn extremely hinders the national production and productivity of coffee produced by small-scale farmers in the country.

Harvesting, post-harvest storage and processing is important in order to assure the quality of coffee. Non-selective picking practice is common by smallholder farms which contributes to poor quality coffee regardless of whether it is wet or dry processed. In addition, sorting and grading of coffee berries before further processing is a practice that is long forgotten among most smallholders because of low net earnings, high cost of labor and lack of incentives for high quality coffees. Most of the coffee growing farmers in Ethiopia have traditional and temporary storages which have its own negative effect to maximize the quality of coffee, with implications for price, profit and income (ODI, 2009).

The conventional coffee value chain in Ethiopia involves a large number of intermediaries and is largely state-controlled. Licenses are required for every function in the market chain (Petit, 2007).

The Ethiopian government issuing licenses for direct export has changed recently. The former system was exposed to rent seeking and political control and did not offer an inducement for quality. Coffee deliveries for export markets have adversely been affected by lack of price incentives to farmers, fluctuation of production supply due to climatic variations and unstable prices (ECX, 2009).

According to the Ministry of Agriculture (2013), the Ethiopian coffee sector faces persistent challenges. The major ones include very low quality control, <https://assignbuster.com/challenges-and-opportunities-of-the-ethiopian-coffee-sector/>

the deficiency of a strong coffee seed supply system, inadequate consideration to the input credit provision for efficiency and quality enhancement, and lack of strong vision and path in order to support the coffee sector. Limited use of enhanced technology; land degradation and population pressure; limited access to inputs such as fertilizer, seeds, credit and irrigation; and high costs of quality coffee production and processing are also mentioned as the major challenges of the coffee sector of the country (Taye, 2013).

According to Jim and Ruth (2012), the challenges to the coffee sector in Ethiopia looked devastating. They pointed out the constraints as low and inconsistent coffee quality due to poor processing; regulation of export sales through a national auction that mixed coffees from different places into a single portion and forbidden cupping earlier to sales; coffee cooperatives were technically and institutionally weak; loan capitals for production, processing and marketing investments in were absent; and lack of international market demand understanding leads to focus on quantity rather than quality.

Despite the challenges, there are several opportunities of the coffee sector in Ethiopia. The country has fertile soil, optimum temperatures, sufficient rainfall and suitable altitude for coffee production. It has diverse agro-ecology and climatic conditions, genetic biodiversity and sole distinctive characters of quality coffee. Fine specialty coffee can be produced and supplied sustainably, with producing potentially all the various types of coffee in world coffee cultivating origins. Ethiopia has an ordinary benefit in

organic coffee markets as over 90% of coffee production is *de facto* organic (Mekuria et al. 2004).

Moreover, Ethiopia is the only producer of natural forest coffee Arabica, providing scope for shade-grown coffees sale, for instance, through the certification of Rainforest Alliance. The government's decision to allow cooperatives to directly export is significant because it opened a potentially new channel of value chain for export of coffee (USAID, 2010). Positive image of the country as origin of coffee and a strong indigenous coffee culture, well established coffee brand, prospective for expansion of volume and quality coffee due to existence of adequate land and low-cost labour, high commitment of government and favourable policy environment are among the major opportunities of the coffee sector in Ethiopia (Ministry of Trade, 2013).

CHAPTER THREE

MATERIALS AND METHODS

This chapter presents a brief profile of Ethiopia, describes the study area, the type of data collected, sampling procedure followed and analytical methods used to analyze the data.

3. 1. A Brief Profile of Ethiopia

Ethiopia is among the countries that have a history of early civilization. It is the only African country never been colonized. It was previously known as Abyssinia. It is geographically located in the Horn of Africa, 3' and 14. 8"

latitude and 33' and 48' longitude. The country is bordered by Eritrea to the
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north, Kenya to the south, South Sudan and Sudan to the west and Djibouti and Somalia to the east. It is the second most populous country in Africa with over 91, 195, 675 (2012 est.) inhabitants. It covers an area of 1, 104, 300km². Addis Ababa is the capital city, also known as “ the political capital of Africa”.

Ethiopia is a mountainous and landlocked country. It is situated at an altitude that ranges from 4620 meters above sea level at Ras Dashen in the Northern part of Ethiopia to 155 meters below sea level in the North east where the great Danakil depression is situated. The climate condition is hot in the lowlands and temperate in the highlands. Temperature ranges from 10 ° c to 30 ° c while rainfall ranges from 200mm to 2000 mm per year. Ethiopia is basically stated as the “ water tower” of Eastern Africa for the reason that several (14 major) rivers that discharge off the high plateau, including BlueNileriver. The country has the highest water reserves in Africa, but it is not utilized through irrigation systems. It is only 1. 5% used for irrigation and 1% for power production.

Ethiopia is a multilingual and multi ethnic country in which around 86 ethnic groups are found. The majority of the population is Christian while a third of it is Muslim. The official language of Ethiopia is Amharic, even if English, Italian, French and Arabic are fairly spoken. Ethiopia uses a slightly modified form of the Julian calendar, which consists 12 equal months of 30 days each and a thirteenth month of five days (six days in a leap year). The Ethiopian calendar is eight years late with the Gregorian (Western) calendar from September 11 to December 31 and seven years in the rest of the year.

Ethiopia is an independent republic functioning under the Federal Democratic Republic of Ethiopia (FDRE) constitution. The President is head of state whereas the Prime Minister is the head of government. The country is divided into nine autonomous regional states and two special city administrations. The two cities administrations as well as the nine national regional states are further divided into 800 Woredas/districts and around 15, 000 Kebeles (5, 000 Urban and 10, 000 Rural).

Agriculture is the foundation of Ethiopia's economy, responsible for 45. 6% of GDP, 80% of employment, 80% of exports and 52% of exports for foreign exchange. Industry and services cover 13. 4% and 41% of GDP respectively. Coffee, pulses, oil-seeds, hides and skins, khat, cut flowers, gold, meat, live animals and textile garments are major export items of the country. Rural Ethiopia contains about 84% of the country's population.

Banking, insurance and micro-credit industries in Ethiopia are regulated to domestic investors; however the country has attracted substantial foreign investment in leather, textiles, manufacturing and commercial agriculture. All the land is owned by the state which is state in the constitution. The government provides long-term leases to the tenants and distributes the land use certificates which help the tenants to have more recognizable rights to persistent possession and hence make more rigorous efforts to expand their leaseholds.

According to the IMF report (2012), the growth of Ethiopian economy was one of the fastest in the world. The country registered over 10% economic growth for six years between 2004 and 2009. It was a non-oil-dependent

economy in Africa with the fastest-growing rate in the years 2007 and 2008. However, the growth has slowed temperately to 7% in the year 2012 and is projected to be 6.5% in the near future. The country faces high inflation challenge and balance of payment difficulties. Inflation is projected to be at about 22 percent for the year 2011/12. The economy still faces a number of serious structural problems. The per capita income of the country is one of the lowest globally even if the GDP growth has remained high. There is low productivity of agriculture and frequent droughts which strictly affected the country.

3. 2. Description of the Study Area: Mana District of Jimma Zone

This study was conducted in Manna district of the Jimma administrative zone in the Oromia Regional State of Ethiopia. The area was selected on the grounds that these villages would provide a picture of the range of production and employment options available to households in a coffee producing area, with reasonably good links to the wider economy. They also needed to be accessible during the rainy season when the study was carried out.

Oromia Regional State has 12 administrative zones and 180 woredas. It is the largest Regional State in Ethiopia in terms of population and area. It covers an area of 367,000 km² (about 30% of the total area of the country) and a population of more than 26 million inhabitants (35%). From the total population, 88 percent lives in rural areas where the average household size is 5 persons and 35 percent lives below the absolute poverty line (CSA, 2008).

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Agriculture is the backbone of the economy of Oromia region. It is considered as fragmented and subsistence farming. The majority of the farmers depend on coffee. Farmers producing “ Arabica” coffee in Oromia region are 424, 309 and 95 percent of the production is done by small-scale farmers. From the total amount of marketed coffee that is produced in the region, 85 percent is sun dried or unwashed (IPMS, 2007).

Jimma zone is one of the 12 administrative zones in Oromia Regional State. It is located in the Southwestern part of Ethiopia between 7° 13' and 8° 56' N latitude, and 35° 52' and 37° 37' E longitude. It has an area of approximately 19, 300 Km². Jimma town which is 335 Km southwest of Addis Ababa, is the capital and administrative center of the zone. Its population is around 2. 4 million, of which approximately 5% lives in Jimma town. Crude population density is 106 persons per km². There are approximately 644kms of all-weather roads and 447km of dry weather roads in the zone (CSA, 2008).

The Altitude of Jimma zone varies from 880 to 3, 340 meter above sea level. The topography includes dissected plateaus, mountains, plains, hills, gorges and valleys. There are many intermittent streams and perennial rivers. The zone is characterized by its humid tropical climate with heavy annual rainfall ranging from 1200 to 2400 mm per year, with a long rainy season from February/March to October/November. The temperature ranges from 25 to 30°C with a minimum temperature of 7°C. The agro-climatic divisions of the area are classified as Kolla (14. 9% - lowlands), Woinadega (64. 4% - mid highlands) and Dega (20. 5% - highlands). High forest, shrubs, woodland and man-made forests are found in the zone. Out of the 13 Woredas of the zone,

only 7 focus on coffee production. Manna, Gomma, Limmu Seka and Limmu Chekrosa woredas are well-known as mainly coffee growing areas (Jimma Zone Agriculture, 2010).

Manna Woredais one of the 13 woredas of Jimma zone known for its predominant coffee cultivation. It is located between 7°46. 5 and 7°51. 5 in North while 36°40 and 36°42 in East and found in central parts of the zone. The woreda is located at 35 km west of Jimma town and about 6 km from Yebu town which is the woreda capital. The total area of the woreda is 480 km² (48, 000 ha) of which 12% is highland, 65% intermediate highland and 23% lowland. It lies between 1, 470 and 2, 610m altitude. It has an average annual rainfall of 1500 mm with mean average temperature of 19 ° c (ARDO, 2008). It occupies loamy soils with production of coffee, cereals and vegetables. Coffee accounts for 80% of the production. Distric Nitosols and Orthic Acrisols are the dominant soil types with slightly acidic PH, which is suitable for coffee production found in the woreda (ORG, 2003).

Manna Woreda (district) is most densely populated district in Jimma zone with 308 persons per Km². The total population of the woreda is estimated at 146, 675 inhabitants (CSA, 2008). 89% of the district area is arable (with 86% under cultivation), 2. 7% is grazing and 2. 8% forest lands. The major cash crop commodities which are cultivated in the district include coffee, chat (*Catha edulis*), tropical and sub-tropical fruits (mango, avocado, papaya, banana, orange, pineapple) and spices (mainly ginger and Ethiopian cardamom). Among cereals, maize, teff, wheat, barley and sorghum are grown in the area; amongst of which, maize is the dominant cereal crop in

the farming system. Livestock commodities include cattle, small ruminants (sheep and goat), apiculture, poultry and equines. Lady bird beetle, Stalk borer, ape, pig, warthog, and porcupine are major crop pests. Compared with other woredas in Jimma zone, Manna has a high population density, smaller size and relatively better access to infrastructure and services (IPMS, 2007).