

# Trends of the coffee sector in ethiopia | research proposal



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Coffee is the most important commercial crop-plant and favorite drink in the world. Next to oil, coffee is the second important and valued global commodity. It is estimated that around 20 million coffee producing households worldwide and nearly 100 million persons used coffee as a means of income for their living. The export value of the crop is enormous (US \$15. 4 billion in 2009/10). The genus *Coffea* seeds are used to make coffee from a roasted form and changed into cup for drink through a complex process (Davis et. al., 2011).

Nowadays, studies indicated that over hundred coffee species exist. Out of these, the three coffee types, i. e., Coffee Robusta, Coffee Arabica and Coffee Liberica have economic significance. The first two types are traded in the world market. Coffee Arabica has an important part in some tropical countries economy. This type of coffee is cultivated in several places of the tropics, contributing for 80 percent of coffee market worldwide. It plays a substantial part in employment and income generation for developing countries like Latin America, Africa and Asia (Girma et al., 2008).

Ethiopia is the home and basis of inherent resources and coffee Arabica diversities. The South and Southwestern parts of the country's humid high rain forests were believed to be the original place of Coffee Arabica. Like many developing nations, the country relies greatly on export of key agricultural products in which coffee is the major and significant crop (Behailu et. al., 2007). Ethiopia was the 6<sup>th</sup> biggest coffee producer in the world and first in Africa, producing 273400 metric tons in 2008. During the same year, the country exported 179283 tons of coffee to the world market with a value of about US\$562 million. This accounts 66% of the total

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produced coffee that is exported and 50% of the total worth of agricultural goods traded. 34% of the total produced coffee was locally consumed (FAOSTAT, 2009).

Currently, Ethiopia contributes 3.6 percent of the total value and 3 percent of the total quantity of coffee traded to the global market, which leads the country to be the 10<sup>th</sup> largest exporter of coffee in the world and the first exporter in Africa. 40% of the total coffee production of Ethiopia is exported, which earns 33% of the overall value of agricultural goods exported and 24% of the whole export value of the country (Ministry of Trade, 2013). Over one-third of the population living in the rural areas and over 15 million populations sustain their livelihoods and participated in coffee production. There are around one million coffee growers in the country (Aklilu and Ludi, 2010).

Coffee has been an important commodity which has got greater attention by the government of Ethiopia. It is the first cash crop that the Ethiopia Commodity Exchange (ECX) started trading operations in April 2008 in order to advance coffee markets in the country. High costs and high risks of transaction were the features of agricultural markets in Ethiopia before 2008, with only one third of the production reaching the market. Besides, smallholder farmers have little information about the market which limits them to sell their final products at the nearby market, deal with good prices as well as minimizing their market risk (ECX, 2008).

Sale of agricultural products and earning income is the primary objective of farmers. As a result, production resource allocation decision is affected by

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various factors such as price and level of output. Measures to increase production are incomplete without steps to increase market supply. The cash needed to purchase production inputs depends on the income earned from the sale of farm products (Bekabil, 2004). Smallholder farmers are the main producers of coffee by contributing 95 percent of the total coffee output in the country (ODI, 2009).

The coffee growers in Ethiopia integrate coffee production into their strategic family livelihoods by cultivating food related crops for home consumption. Small scale coffee farmers do not have the chance to sell their products at competitive prices in the remote areas of the country (ODI, 2009). According to Aklilu and Ludi (2010), farmers faced different challenges even if the coffee marketing arranged by the government. They pointed out insufficient regulation of coffee price by the government where suppliers and collectors fixed their own price which is generally lower than the market price as stated by the government.

Thus, such coffee market incompetence chiefly affect the income of coffee farmers and discourage them in the process of coffee production and marketing which lead to a significantly decreases in the country's foreign exchange. This suggests that it is very critical to study and monitor systematically the production and marketing systems in all coffee growing areas of the country for the sake of planning and designing suitable research and development interventions that are applicable to the specific systems.

### **Objectives of the Study**

The general objective of the study is to analyze the trends of coffee sector in Ethiopia in general and generate baseline information on production and marketing systems of the selected study area in particular by concentrating on parameters like production, marketing, institutional and organizational support and challenges and opportunities.

### **Specific Objectives**

The specific objectives of the study are:

1. To assess the production system and performance of coffee in the study area,
2. To assess the market information and related socio-economic situation of the study area,
3. To identify the major challenges and opportunities related to coffee production and marketing in the study area and
4. Based on the findings of the research, forward viable recommendations.

### **Significance of the Study**

The result of the study is helpful for the coffee growers and traders in the study area in planning and for development planners and policy makers in drafting policies for coffee production and marketing. Moreover, potential investors in coffee bean marketing in the study area can utilize the information in order to understand the market structure, price and profitability of the business. It will be an added value to the knowledge base on the production and marketing of coffee and a stepping stone and foundation for future research studies and researchers in this particular

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subject in the region. Finally, practitioners and academicians are expected to benefit from the findings of this research.

### **Scope and Limitations of the Study**

The study is based on one-year data on coffee production and marketing in the study area. It also focuses on dry processed coffee bean as it accounts for the lion's share in type of coffee exported by Ethiopia. In addition, the spatial coverage of the research work is one district (woreda) within a major coffee growing region in Ethiopia. Moreover, the study was constrained by the lack of vital data from most coffee traders in the study area.

### **Organization of the Paper**

This thesis paper is comprised of five main chapters. The first chapter presents the introduction part. The second chapter contains review of related literatures. Chapter three presents material and methods used in the study including description of the study area. Chapter four presents the main findings of the research work. The last chapter summarizes the results, draws conclusion and offers recommendations. References and appendices will be next to the closing chapter.