

# Analysis of the coffee industry in ethiopia



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## SUMMARY

Ethiopia is the home and basis of inherent resources and coffee Arabica diversities. It relies greatly on export of key agricultural products in which coffee is the major and significant crop. The country 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 due to production, institutional and organizational supports, storage and functioning of domestic and international market related constraints (ODI, 2009).

Smallholder farmers are the main producers of coffee by contributing 95 percent of the total coffee output in Ethiopia. However, the different challenges faced by coffee farmers chiefly affect their livelihood and discourage them to engage actively 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.

Thus, the purpose of the study is to analyze the trends of coffee sector in Ethiopia in general and generate baseline information on production and marketing of coffee in Mana woreda of Jimma zone, one of the coffee growing areas of Ethiopia in particular by concentrating on parameters like production, marketing, institutional and organizational support conditions and challenges and opportunities of the farm households.

To achieve the objectives of the study, Mana woreda was purposefully selected. A two stage random sampling technique was applied for the study as there were two sample units, i. e., Kebeles (Peasant Associations) and farm households. In the first stage, four kebeles were selected randomly out of 27 kebeles in the study woreda. In the second stage, a total of 90 farm households were selected randomly from all of the four kebeles to generate a year round primary data on coffee production and marketing by means of semi-structured questionnaire. The required secondary data were also collected from relevant data sources. Microsoft Excel 2010 was used to enter the row data and exported to the statistical software called " SPSS version 20" to analyze the data for descriptive statistics method of analysis.

The socio-economic characteristics of the sample respondents in the study area revealed that majority of coffee farm households were males (93. 3%) whereas the remaining were females. The age of the farm household head ranges from 20 to 68 years. The average age of the coffee farmers was 42. 23 years. About 90 percent lie within the most actively working age category (18-64 years). 92. 2% of the farm households were married while the rest were widowed and single. The average family size of the farm households was 5. 44. The distribution of household heads by their level of education showed that about 42. 2% of farm household heads were illiterate and 27. 8% can read and write. 24. 4% had formal education up to grade 8, while 5. 6% attained secondary education and above. An average dependency ratio of farmers is 0. 71, which is better off compared to the national average, i. e., 0. 97.

All of the farm households in the study area were practicing farming activities, where cultivation of coffee took the major share. Coffee production (forest, semi-forest and garden coffee) is the main means of livelihood. Grain production (mainly Maize, Sorghum and Teff), Fruit production (especially Avocado) and Off-farm activities are also reported as the other means of income for the farm households. The coffee farmers have an average of 21 years of farming experience (ranging from 4 to 38 years) in coffee production. The majority of the sample farmers (82. 2%) own the land between 1 ha and 3 ha. The average land holding in the study area was 1. 84 ha per household (min. 0. 5 ha and max. 6 ha) which is two times more than the national average (0. 8 ha). About 67. 8 percent of smallholder farmers acquired their land through inheritance from their families and 27. 8 percent has got the land officially from the governed kebeles (Peasant Associations) through redistribution.

The study found out that crop production is the primary farming activity in the study area where cultivation of coffee took the major share. Coffee production (forest, semi-forest and garden coffee) is the basis of livelihood for the farmers. Farm households allocate larger portion of their land for coffee production and used inter-cropping method of producing coffee with other crops mainly for consumption purposes and some of the crops helped to produce more coffee by serving as shade trees. Majority of the farmers owned forest and semi-forest coffees. Only 10 percent of the farmers cultivate garden coffee. The average yield of produced coffee was 13. 33 quintal/ha which is larger than the national average (7. 2 quintal/ha). All of

the farmers produced both red cherry and sun dried coffee. The proportion of sun dried coffee (63%) is higher than that of the red cherry (37%).

Farm households used different sources of labor for their coffee farm work (such as land clearing, planting and harvesting) in the study area. The major source of labor was family labor (75%). Traditional form (Debo) and hired labor were also the other sources. The entire coffee farmers were not used inorganic fertilizer, and chemical inputs like insecticide or pesticide for their coffee production. But majority (64.4%) of the farmers used traditional or organic manure instead of chemical inputs. This confirms that the type of coffee produced in the study area was naturally organic. They also have a habit of planting new coffee seedlings which are provided from their own nursery, local market and woreda ARDO. Coffee is harvested at the full maturity stage and stripping method of harvesting is mainly used since majority of the farmers owned forest/semi-forest coffees. Coffee farmers used traditional and temporary storage houses with poor storage facilities which affected negatively the inherent qualities and appearance of the green coffee.

Results about coffee marketing showed that coffee growers, local collectors, wholesalers and cooperatives participated in coffee marketing channels with an availability of market places near to villages and with easy road access and proximity to larger towns. Farmers sell their coffee in the form of red cherry during harvesting and in sun-dried form after storing for some months for cooperatives, local collectors and wholesalers. The prices of red cherry and sun-dried coffee in the market were not stable and fluctuating from time to time. Meanwhile, the trend of coffee market is apparently decreasing

across time as a result of this fluctuation and volatility of coffee price.

Cooperatives purchase the majority of the red cherry coffee and give better coffee prices more than the local traders. Farm households were forced to sell their coffee produce at a lower price to local traders who exclusively set the price when cooperatives are inactive in the market due to absence of collective bargaining power and lack of price and market information. The principal cost of the farmers was cost of transporting coffee to the market followed by labor cost.

Regarding with institutional and organizational support schemes for coffee farmers, denial to formal credit is predominant for majority of the farm households despite the closeness to financial institutions in the study area due to restricted criteria or inappropriate loan terms (related to grace period, duration of payment and collective eligibility), high rate of interest and inaccessibility of credit agents. The extension services provided for farmers from DAs were not adequate and effective enough to support farmers in order to enhance their coffee production and marketing activities because of shortages of technical expertise, facilities as well as ineffective means of communication.

Primary cooperative associations which deal with coffee are found in the study area and most of the coffee farmers (85. 6%) are members. The members are mainly benefited from cooperatives in getting better price than other traders, accessibility to sell their coffee products, transportation, provision of credit and training services. Thus, cooperatives are playing a vital role in improving the production and marketing problems of coffee farmers.

Coffee farm households in Mana woreda faced both production and marketing problems. One of the most frequent production problems encountered by coffee farmers was coffee berry disease. This is exacerbated since all of the farmers are producing organic coffee which excludes the use of fungicides and other chemicals. High number of old trees death and shortage of shade trees; absence of improved technologies or traditional way of production; inadequacy of appropriate extension services with qualified experts; change of weather condition; scarcity of land and shortage of improved seeds and its higher cost were the other production constraints faced by the coffee farmers. The most frequent marketing problem was coffee market price volatility. Transport facilities; lack of price and market information; absence of collective bargaining/price setting; lack of access and availability of credit; middle men interference; theft; and traditional storage facility and packing materials were also the subsequent marketing problems of coffee farmers in the study area.

Despite the challenges, there are also opportunities for coffee farmers in Mana woreda. Suitable agro-ecology, accumulated traditional or ancestral knowledge of farmers with experience; better access to infrastructure and proximity to local market places; variety of coffee types suitable for roasting industries; cheap provision of labor; growing domestic coffee consumption and a scope of value added niche product are the main opportunities.

Therefore, relevant development programs that participates the farming community under the prevailing farming system should be planned and effectively executed. A number of actions need to be undertaken in order to promote the development of coffee market chain. This particularly includes,

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capacity building, technological applications and improved extension services. Institutional and organizational support condition is also a key to improve the coffee production and marketing constraints of farm households. In this ground, emphasis should be given to expand transportation system and storage facilities, offering formal credit and effective extension services and strengthen cooperative associations to support farmers in coffee production and marketing.