



# Ethiopia's Coffee Farmers Cooperative Unions

*“Linking Smallholder Producers  
to Higher Value Markets”*

**SUCCESS Alliance Third Annual Regional Conference**

*Presented By  
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ACDI/VOCA*

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# Facts about Ethiopian Coffee

- Ethiopia: Birthplace of Arabica Coffee
- Total production: 180,000 – 276,000 tons per year on 400,000 ha
- Four production systems
  - Forest
  - Semi-forest
  - Garden
  - Plantation



# Forest Production System



- It is found in south and south-western Ethiopia.
- The center of the birth place of coffee.
- It is self-sown and grown under the full coverage of natural forest trees.
- Forest coffee accounts for about 10 per cent of Ethiopia's total coffee production.

# Semi-forest Coffee



- Found in the south and south-western parts of the country.
- Coffee trees are found in scattered and selected forests.
- Accounts for about 35% of the total production

# Garden Production System



- Garden coffee is grown in the vicinity of farmer's residences
- Mainly found in the southern and eastern parts of the country.
- It accounts for about 50% of the total production.

# Plantation Coffee



- Grown on plantations owned by private and government
- It accounts about 5% of the total production



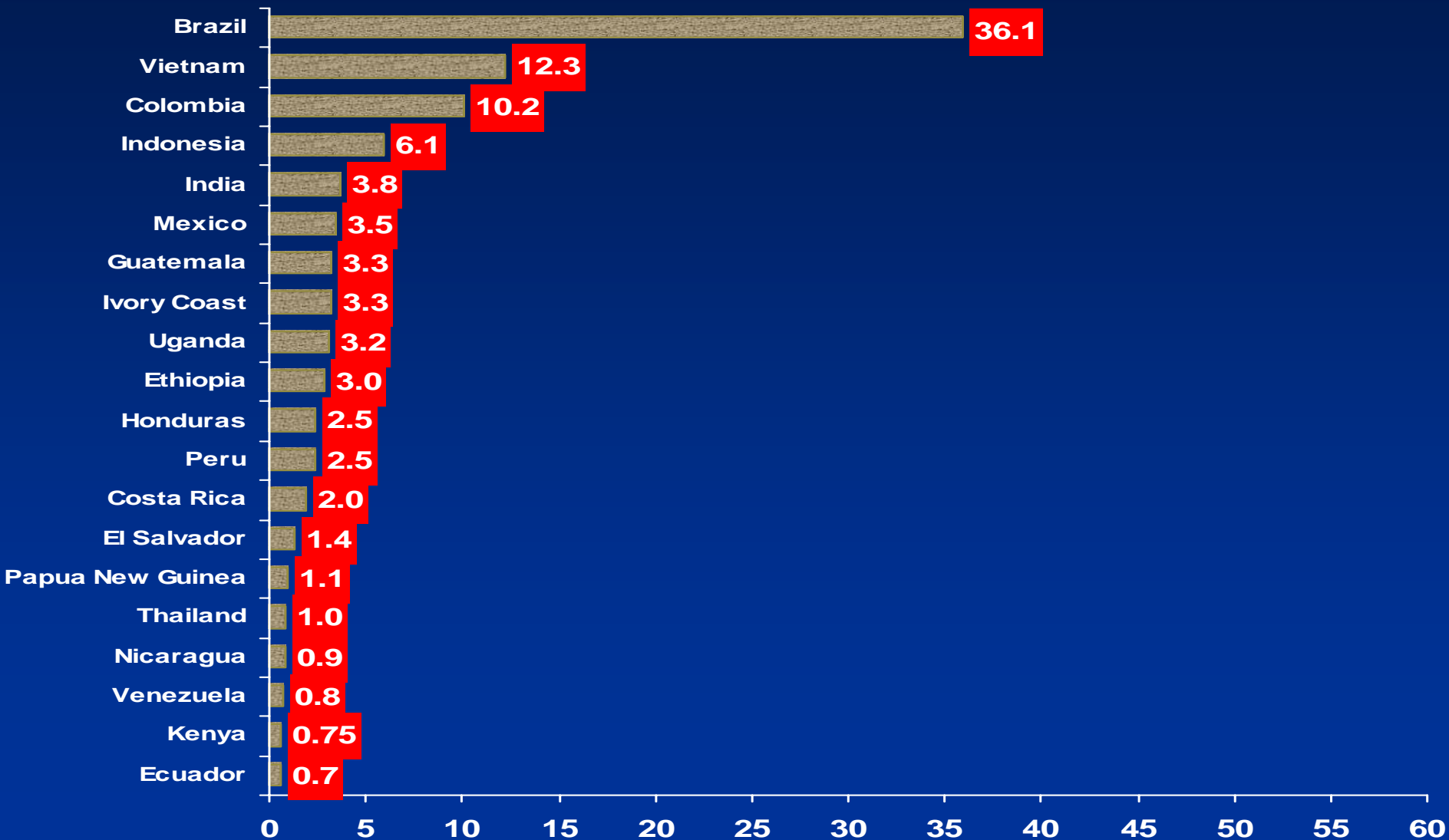
# Facts about Ethiopian Coffee

- 95% of Ethiopian coffee produced by smallholders
- The third largest producer in Africa
- The tenth largest producer in the world.
- The third largest coffee drinking nation from coffee producing countries.
- 15<sup>th</sup> coffee drinking nation in the world.



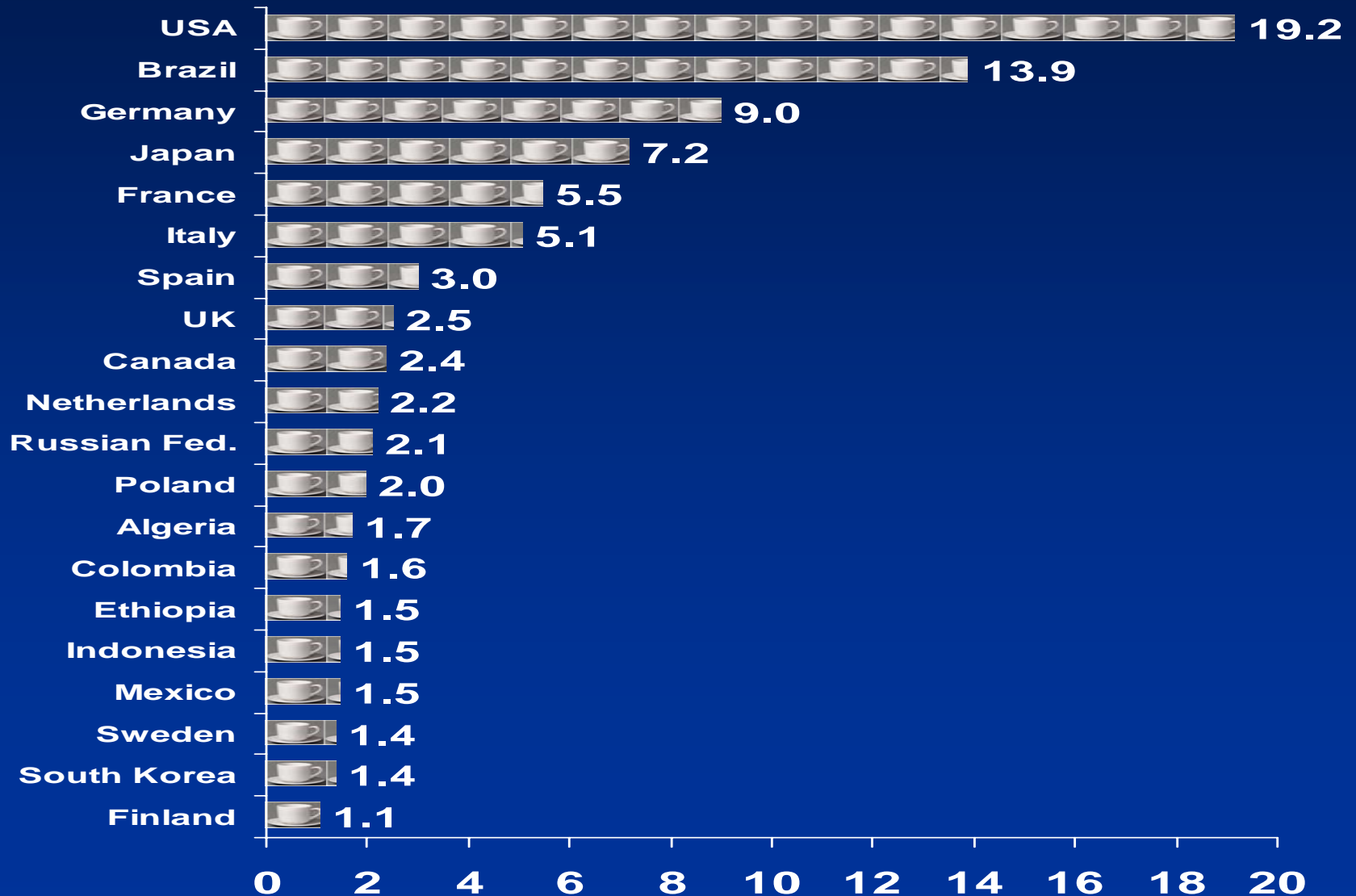
# Top 20 Coffee Producing Countries

estimates in million bags/60kg, 2005 - 2006



# Global Top 20 Coffee Consuming Nations

in million bags/60kg green bean equivalent (estimates 2002)



# Ethiopian Coffee Map



# Facts about Ethiopian Coffee

- Coffee accounts for over 35% of export earnings
- Coffee contributes over 25% of GNP
- more than 25% of the total population of the country depend on coffee production and trade
- The recent slump in world coffee prices has led to great social and economic hardships
- The farm gate price of red cherry is now just 43% of its level in 1990's



# Farm Gate and Export Price of Washed Sidamo

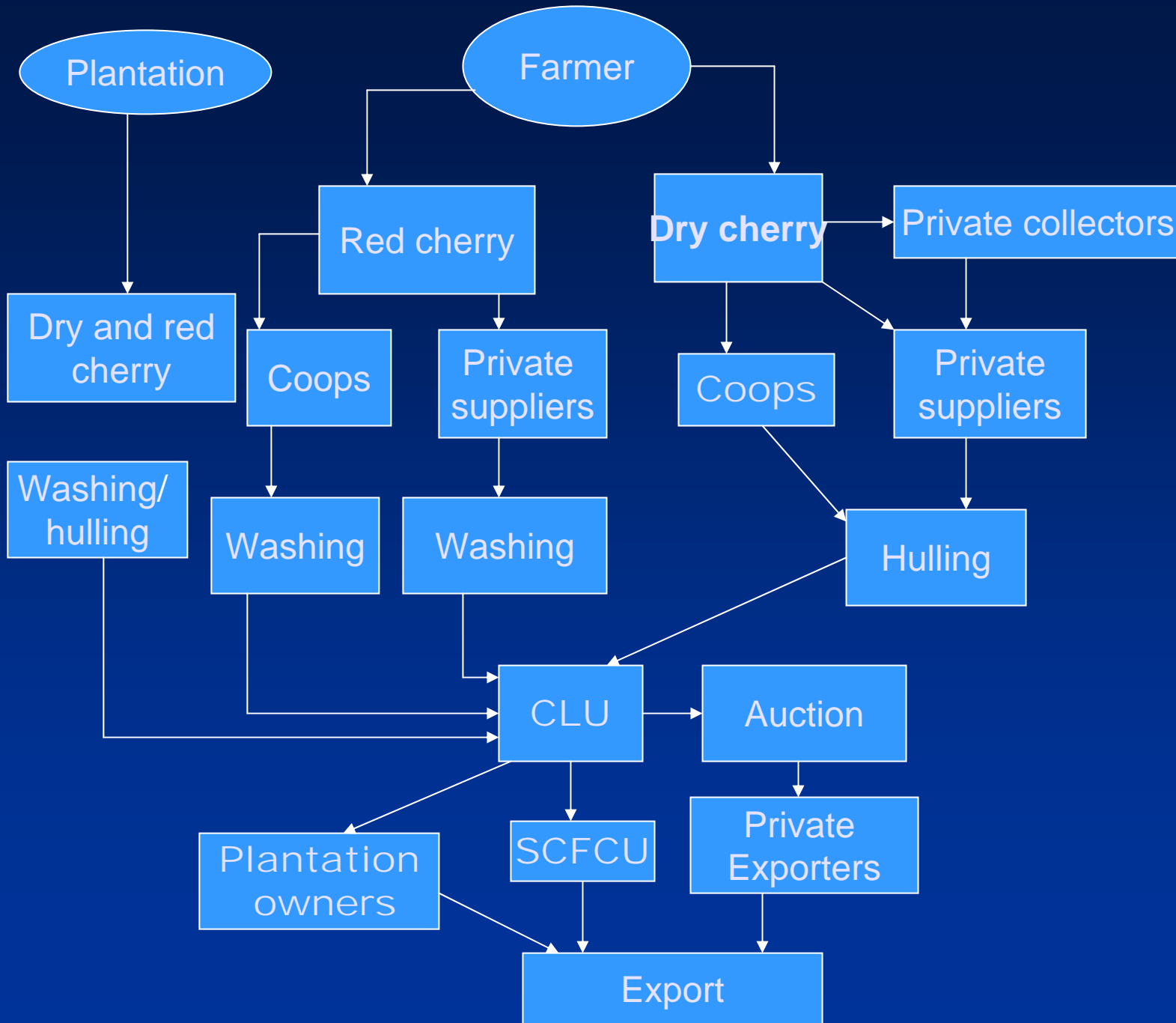
S.No	Coffee Year	Farm Gate Price (US cents/lb)	Export Price (US cents/lb)
1	1997/98	77	260
2	1998/99	82	184
3	1999/00	49	128
4	2000/01	62	102
5	2001/02	28	86
6	2002/03	29	78
7	2003/04	30	80

# The structure of the coffee marketing system

- Participants involved in coffee marketing in Ethiopia
  1. Producers – smallholders and plantations
  2. Collectors (sebsabis)
  3. Wholesalers (Suppliers or Akrabis)
  4. Private Exporters
    - only allowed to buy coffee from the auction market
    - over 180 licensed exporters
    - 72 active exporters
  5. Coffee marketing cooperatives



# The Coffee Marketing Chain



# Cooperative Unions

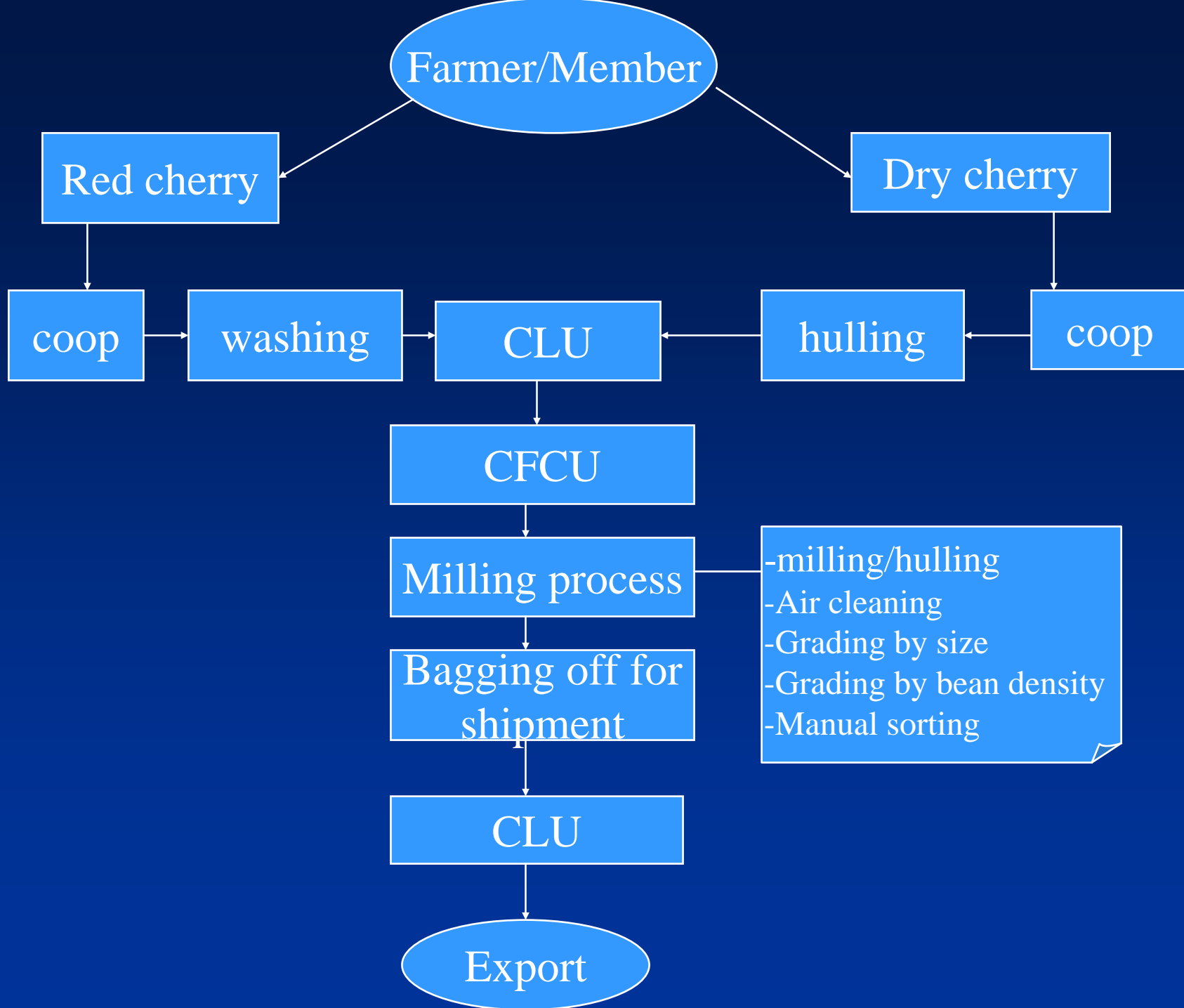
- Original Ethiopian coffee export law set up to prohibit producers from being exporters and exporters being producers
- You cannot work on both sides of the auction
- Formation of Coop unions
- Establishes a licensed export entity
- Entity owned by a conglomerate of producers coops



# By-passing the Auction

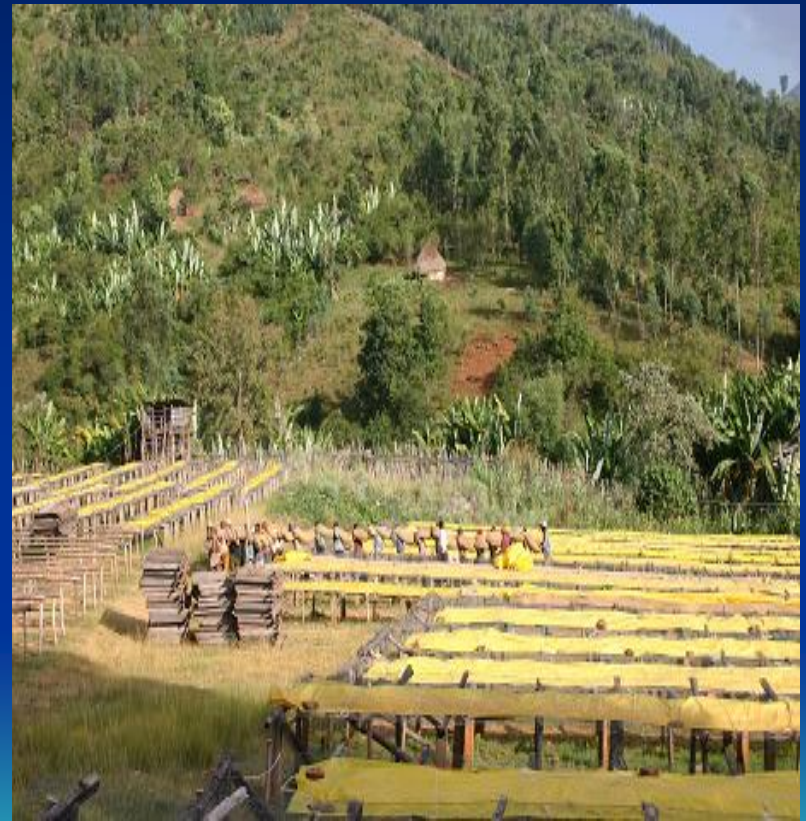
- Government of Ethiopia grants Coop Unions authority to export directly
- Authority Given for “Specialty Coffee” only *(Fairtrade, organic, direct sales contract at premium)*





# SCFCU Ltd :BACKGROUND

- Founded in July 2001
- Comprised of 42 primary coops residing in Sidama Zone, Southern Region of Ethiopia
- Benefits more than 86,000 smallholders
- Specialty coffee production: Sidamo Coffee
- Cultivated area under coffee: 72,000 hectares
- Average annual production: 35,000 tons



# Background Cont'd

- Production system: garden
- Infrastructure
  - Coffee pulperies: 92
  - Coffee hulleries: 2
  - Warehouse: 133
  - Vehicles: 59
- Members' capital
  - Current assets: USD\$4.5m
  - Fixed assets: USD\$4.3m
  - Total: USD\$8.8m
- Member coops have been in a coffee business for more than 28 years

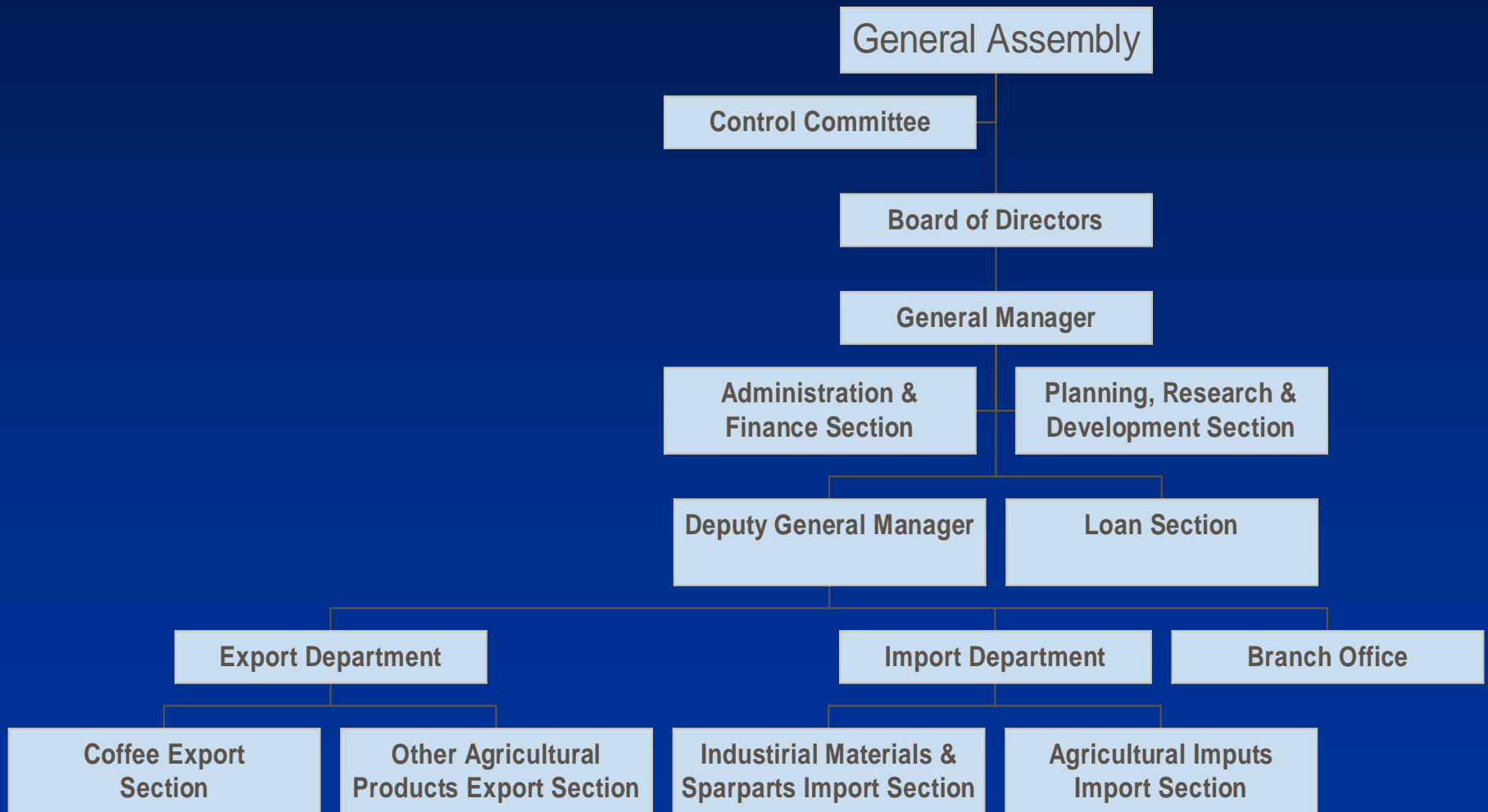


# SCFCU Mission

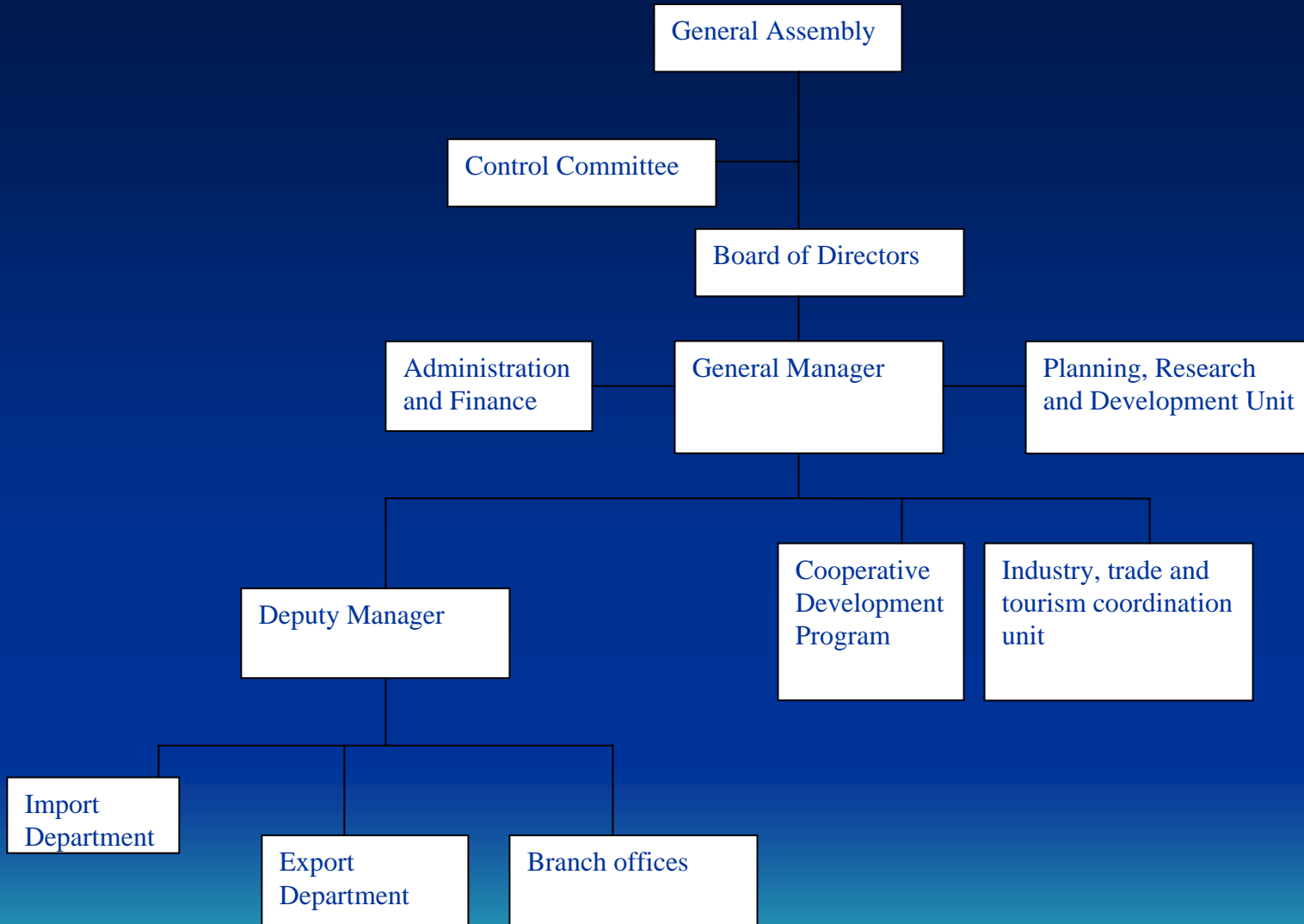


- To increase farmers' share of FOB price
- To take advantage of economies of scale
- To stabilize local market
- To open international markets
- To stay at competitive edge of coffee market
- To protect coops/farmers from illegal actors of domestic market
- To maximize the efficiency of member coops
- To promote and reward quality coffee production

# Organizational chart of SCFCU (Current)

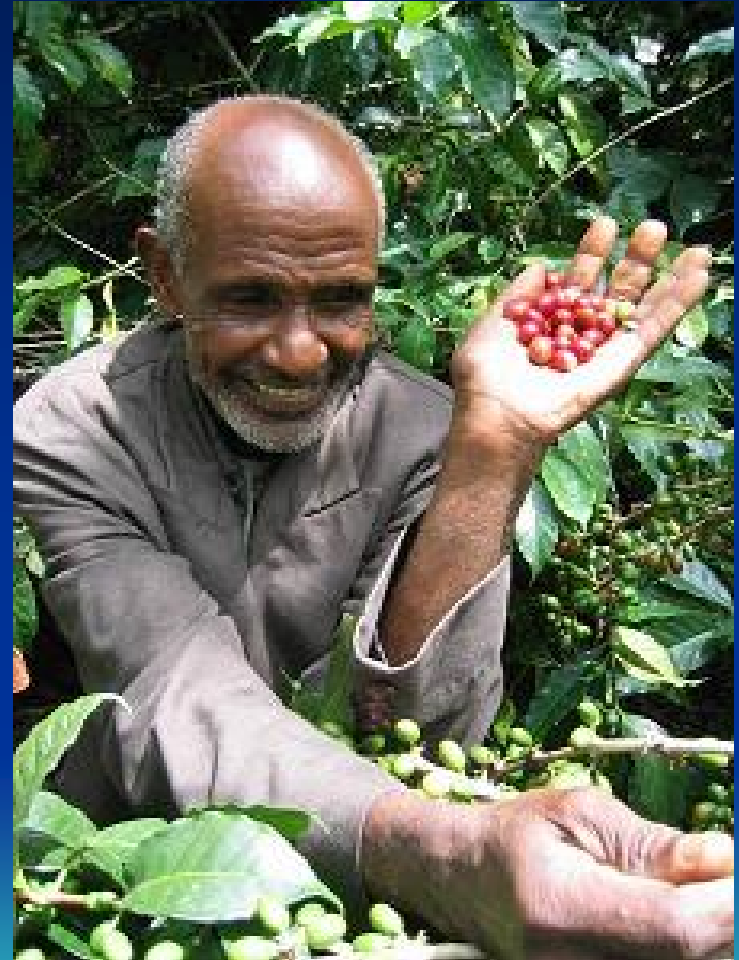


# Organizational Chart of Coffee Union



# Major Duties

- Assist in developing producer/buyer linkages
- Directly export members' coffee
- Provision of warehouse service
- Promotion of high quality coffee production and processing
- Training and education
- Provision of saving and credit services



# What has been Achieved

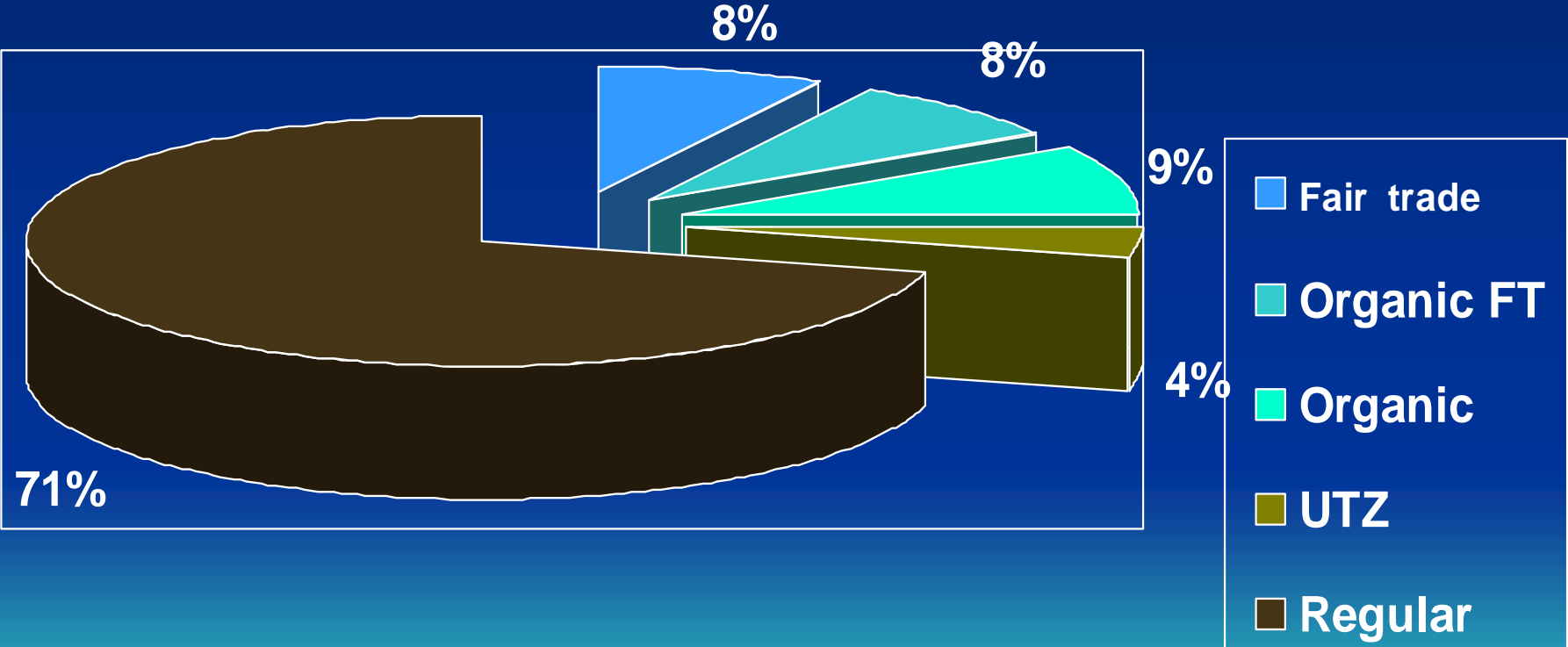
- Increased farmers' share of FOB price
- Coffee export share of cooperatives increased from 0% before 2001 to 4.3% in 2005
- Washed coffee export share increased from 0% before 2001 to 14% in 2004.
- Enabled primary coops to stay in coffee marketing business during price crisis
- Increased technical and management efficiency of member coops
- Contributed towards improving the quality of Ethiopian coffee
- Contributed towards promoting Ethiopian coffee in Europe, US and Japan
- Increased bargaining power of producers
- Contributed towards improving socio-economic condition of farming community
- Awarded Starbucks "Black Apron"



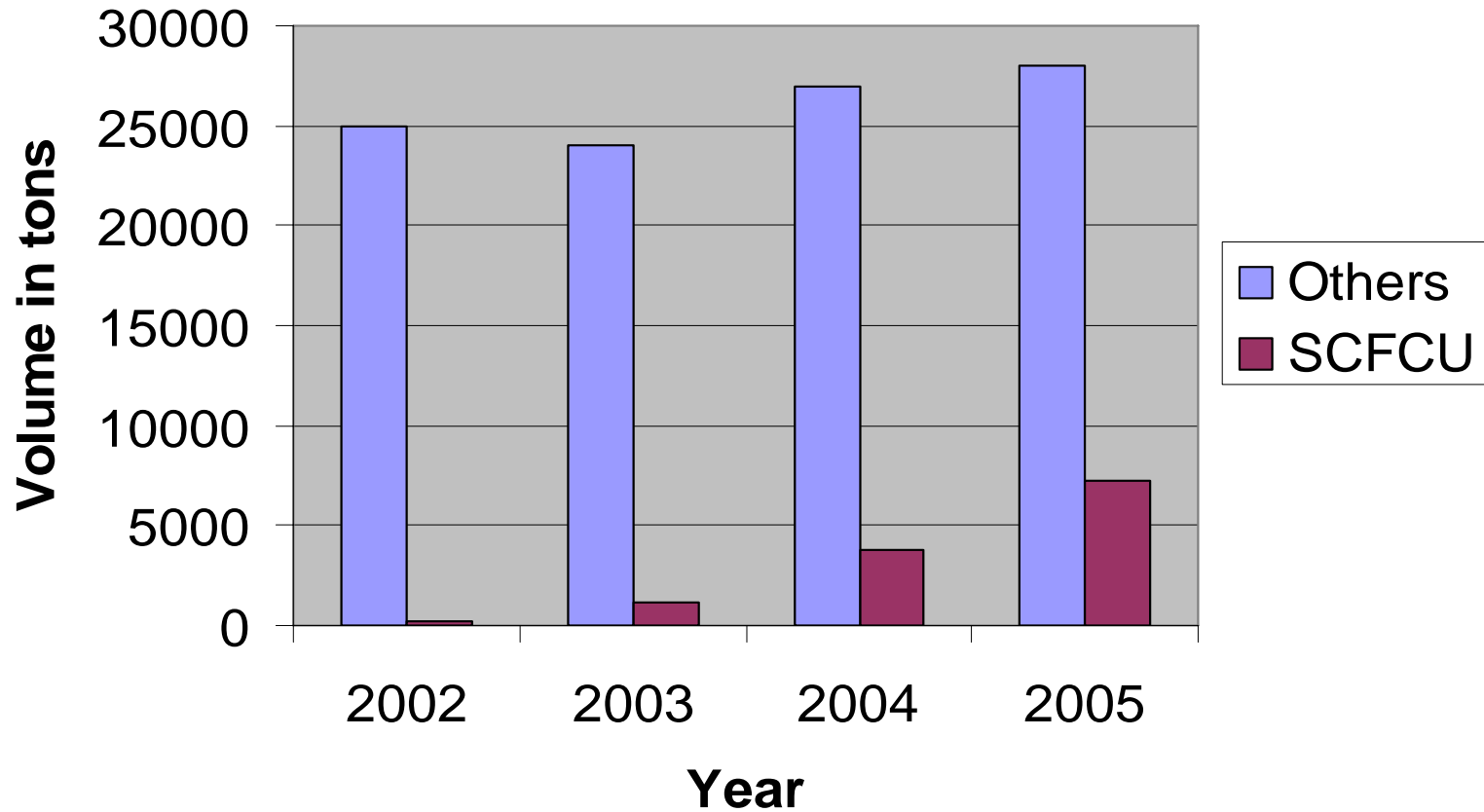
# SCFCU Ltd. Coffee Sales Volume By Buyer

S.no.	Buyer	Sales Volume (tons)		Differences	Percentage
		2003/04	2004/05	Tons	
1	A	94.8	192	97.2	102.5
2	B	21.6	226.8	205.2	950
3	C	720	1,206	486	67.5
4	D	-	198	198	100
5	E	106.8	103.8	-3	-18
6	F	-	144	144	100
7	G	480	702	222	46.25
8	H	36	396	360	1000
9	I	1276.2	1332	55.8	4.4
10	J	-	378	378	100
11	K	216	72	-144	-66.67
12	L	76.8	115.2	38.4	50
13	M (GEPA)	19.2	19.2	0	0
Total		3,047.4	5,085	2,037.6	67.2

# Coffee sales by Market Segments (2004/05)



# Sidamo Coffee Export Share of SCFCU



# Financial position of SCFCU in Years

Year	Current Asset	Fixed asset	Total Asset	Liability	Capital
2003	\$231,886	\$14,290	\$246,176	\$55,712	\$190,464
2004	\$1,689,890	\$102,695	\$1,792,586	\$847,798	\$944,787



# Dividend Payment by the Union in Years

Year	Member cooperatives received dividend	Total Dividend paid (\$USD)	Maximum dividend paid	Minimum dividend paid
2002	-	-	-	-
2003	6	\$92,275	\$24,403	\$4,043
2004	28	\$597,114	\$59,156	\$7,069



# Certification & Membership

- ✓ Organic Certification: 24 Primary Coop. Certified by BCS OKO-GARANTIE GMBH, GERMANY
- ✓ Fair Trade: 8 coops Registered in FLO
- ✓ UTZ Kapeh: 2 coops certified by UTZ Kapeh foundation, The Netherlands
- ✓ Membership: SCAA, EAFCA, CBI and Addis Chamber of Commerce



# Impact of Fairtrade

- Better flow of cash income from coffee
- Sustainable coffee farming
- Sustainable Production of good quality of coffee
- Better bargaining power
- better school enrolment ratio
- Better employment opportunities
- Protected environment
- Better health conditions





*Thank You*



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