Premium commodity
Developing the coffee value chain in Ethiopia
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Ethiopia is the birthplace of coffee: the *Coffea arabica* tree originated in the forests of the Kaffa region where villagers still harvest the wild berries. With its longstanding tradition, coffee production and consumption have a near-legendary status in Ethiopia and play a fundamental role in the country’s economic, social and cultural life. The livelihoods of 20 million Ethiopians, including large numbers of women and youth, depend directly or indirectly on coffee production and marketing.

Ethiopian coffees are among the world’s most varied and distinctive and some are regarded as the very finest. Some two thousand indigenous strains or cultivars of coffee (with 24 established formal varieties of Arabica beans) represent a genetic treasure the coffee world can rely on in coping with environmental challenges such as climate change, drought and an increasing aggressiveness of pests.

The diversity and distinctiveness of Ethiopian coffees are largely determined by the specific environmental conditions of the growing areas. An additional factor is the processing method. Dry processing (the beans are dried inside the fruit under the sun) is an informal method used mostly on small batches for local consumption, but the widely celebrated Harar coffee (also known as Moka or Moka Harar) is also processed by this method. Wet processing is a complex large-scale method in which the fruit is removed from the beans before the latter are dried. Wet-processing mills have proliferated in the country, and the world-famous coffees of the Yirgacheffe region are processed according to this method. Other fine wet-processed coffees are from Sidama, Limu and Jima.

According to the International Coffee Organization, Ethiopia is the fifth largest coffee producer in the world and the largest in Africa, but due to its strong domestic consumption (about 50%) it is only the tenth largest coffee exporter worldwide, even though production and sales figures continue to increase vigorously. However, the potential of economic benefits from the sector is still largely untapped as productivity in the green coffee segment is very low. Up to 45% of production is still picked directly in the forests where it grows naturally, some 50% is “garden coffee” produced by traditional methods on small plots by farmers in the vicinity of their homes and often intercropped with grains, fruits and vegetables, and only 5% is generated by estates where modern technologies are used. It is estimated that “garden” production could be almost doubled if the farmers used better basic practices such as pruning the trees and producing organic fertilizers by mixing manure with composted vegetable waste.

**UNIDO leads public-private partnership in project to improve product quality, sustainability and inclusiveness in Ethiopia’s coffee sector**
25 ESPRESSO CAPSULES

METODO IPERESPRESSO

Ethiopia

Net Weight:
Inclusiveness and sustainability: an ISID project

To help increase the income of Ethiopian small-holding farmers from the production, processing and marketing of coffee, the United Nations Industrial Development Organization (UNIDO) designed a partnership-based project with the participation of the Government of Ethiopia, the Italian Agency for Development Cooperation, illycaffè and the Ernesto Illy Foundation. Improving the sustainability and inclusiveness of the Ethiopian coffee value chain through public and private partnership pursues one of the major goals of the United Nations post-2015 development agenda – Inclusive and Sustainable Industrial Development (ISID) – which is the core of the new mandate given to UNIDO by the 2013 Lima Declaration. The Organization’s ISID strategy aims to pilot the development of innovative partnership business models by mobilizing partners and resources to increase the impact of UNIDO technical cooperation programmes. Through partnerships with governments, development finance institutions, other UN agencies, multilateral and bilateral development agencies, civil society, and the private sector, UNIDO can achieve a much greater impact on the ground with its technical expertise being applied according to the needs of Member States and benefiting from the resources of financial institutions and private industry.

The project is seamlessly integrated into the Programme for Country Partnership for Ethiopia and was designed in line with the goals of the country’s Second Growth and Transformation Plan (GTP II), 2015/16-2019/20. The direct Government stakeholder is the Ethiopian Coffee and Tea Development and Marketing Authority.

The project’s sponsor is the Italian Agency for Development Cooperation, whose contributions to international efforts aimed at alleviating poverty and helping developing countries improve the living standards of their populations have long since focused on Ethiopia as a priority recipient of assistance.

Top-level expertise from the private sector

Two key players in the UNIDO project are illycaffè and the Ernesto Illy Foundation. A world leader among coffee roasters, illycaffè S.p.a. of Trieste, Italy is specialized in producing a unique blend of the highest quality Arabica coffee for espresso. The company works closely with origin producers to source the best green coffee beans and has been dealing directly with Ethiopian enterprises for over 20 years (its coffee imports from Ethiopia have exceeded 150,000 bags in the last three years).

Ernesto Illy Foundation is a prestigious promoter of knowledge, ethics and sustainability in the coffee sector. It offers master’s degree scholarships in coffee economics and science and its role in the current project entails a unique opportunity to raise the level of competence among Ethiopian coffee experts.

illycaffè has a long history of scientific work on coffee the results of which are disseminated around the world by its corporate university, Università del Caffè. This institution has trained thousands of coffee farmers in Asia and Latin America over the last 15 years, and it offers courses to professionals and customers in 22 countries.
Improving the performance of small-scale enterprises

Coffee is harvested in Ethiopia from November to February in the form of cherries that have to be processed in order to remove the outer skin, the pulp, the pectin layer and the parchment and to obtain the green coffee ready for the market. Coffee processing is a major source of employment and income with several hundred thousand workers engaged in processing of either red-cherry or dried-pulp coffee in hundreds of washing stations and hulling mills around the country. Primary processing takes place in the vicinity of coffee plantations and the UNIDO project focuses on two coffee growing areas producing specialty coffees: Sidama in the Southern Nations, Nationalities and Peoples' Region (SNNPR) and Bale in Oromia.

Specifically, two woredas (districts) have been targeted, Delo Mena in SNNPR and Aleta Wondo in Oromia. Aiming to improve the performance and increase the incomes of coffee pickers and small-plot coffee farmers, the project has entered into client agreements with cooperatives in the two woredas.

Coffee drying centre in Delo Mena

Delo Mena villagers harvest red cherries in the Harenna Forest and traditionally dry them on the ground in their own backyards, a common practice that negatively affects the quality of coffee. A quality-control model has been proposed by the project to the Burka Yadot Cooperatives Union: a coffee drying centre consisting of drying beds and situated in a central area of Delo Mena that can be accessed easily by all members of the cooperatives. Individual farmers will have personal drying beds, labelled with their names, and the coffee cherries will be sorted, weighed and registered on the farmers’ individual cards in a ledger book. It is assumed that this will make it easier for extension workers to check critical points and thereby ensure quality improvements, promote transparency and guarantee product traceability. The new system will be operational in the 2017-18 harvest season and will initially include four of the 12 cooperatives registered with the Burka Yadot Union.

Upgrading wet mills in Aleta Wondo

Most cooperatives in Aleta Wondo, members of the Sidama Coffee Farmers’ Union, have two or more wet-mills; however, the mills use old machinery, which causes low efficiencies and high water consumption. As a result, the environment has been negatively affected and, due to frequent equipment breakages, the processing cost has been escalating. An assessment of needs conducted with a partner NGO has identified a range of equipment improvements and spare parts required at the wet mills of the various cooperatives participating in the project. It is expected that machinery upgrading will improve significantly product quality and the environmental sustainability of the Aleta Wondo wet mills.

Coffee Farm Training Programme

The project will carry out training on efficient and sustainable coffee production. The full training package, called Coffee Farm Training Programme, will be delivered at demonstration plots and will comprise six modules: proper nursery management (seedling); proper planting care (composting); proper plant rejuvenation (stumping and sucking management); coffee canopy management (pruning); integrated weed management (mulching); and proper harvesting and cherry selection (picking). A follow-up methodology will ensure that the acquired know-how will be disseminated in the two woredas and beyond.
**Added value: upgrading secondary processing**

Less than 1% of coffee harvested in Ethiopia undergoes secondary processing carried out by local roasters that roast, grind and package the coffee for sale either in the domestic market or for export. Secondary processing is largely constrained by low industrial capacity caused by factors such as low domestic demand for processed coffee owing to the tradition of home processing (even hotels and restaurants usually buy fresh green beans and do their own roasting and grinding), lack of skills and experience in coffee roasting techniques and modern packaging, and a lack of awareness among Ethiopian entrepreneurs regarding coffee characteristics required in foreign markets.

The UNIDO project aims to improve the performance of Ethiopia’s fledgling roasting industry mainly through providing technical assistance at the Coffee Training Centre to be established in Addis Ababa at the Ethiopian Coffee and Tea Development and Marketing Authority. The Centre will benefit from the support of illycaffè experts and teachers and will build up the capacity of the Ethiopian Coffee Roasters Association (currently counting 61 members) in order to improve product quality and increase export volume.

As a result of project assistance, the Sidama Coffee Farmers’ Union is bound to become the first cooperative union with its own roasting facility. UNIDO and illycaffè have embarked upon selecting the most suitable roasting, grinding and packaging technologies capable to ensure the Sidama Union’s competitiveness in the coffee roasting segment of the sector.

**Institutional support: the Coffee Training Centre**

The Coffee Training Centre will focus on value addition (roasting), but will strive to improve product quality at all stages of the coffee value chain. Currently, the only official training opportunities are provided by the Coffee Liquor Unit (CLU) centre, which is not equipped with adequate technologies and whose curriculum is limited to subjects related to green coffee and cupping. CLU will be integrated into the new centre, which will develop a curriculum including green coffee quality, cupping, roasting, grinding, packaging and brewing as well as business and marketing skills.

**Overall project impact**

Specific activities with targeted cooperatives and farmers will increase incomes through better marketing opportunities created by product quality gains to meet domestic and foreign market requirements.

Visibility, product quality and diversification and marketing-oriented coaching will provide a role model and a fundament for further and wide-spread improvements in the coffee value chain.

Close and effective collaboration with the Coffee Authority will ensure the long-term impact of the Coffee Training Centre. An envisaged Coffee Forum will provide a platform for dialogue among public institutions, the private sector and the donor community. The Coffee Authority will also benefit from a powerful tool of “coffee knowledge management” to be developed by the Coffee Training Centre in collaboration with Università del Caffè in Trieste.
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