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ETHIOPIAN  
COFFEE AND TEA AUTHORITY

# Comprehensive Ethiopian Coffee Strategy

2019 to 2033

Ethiopian Coffee and Tea Authority  
In collaboration with EIAR and TechnoServe

# Executive Summary

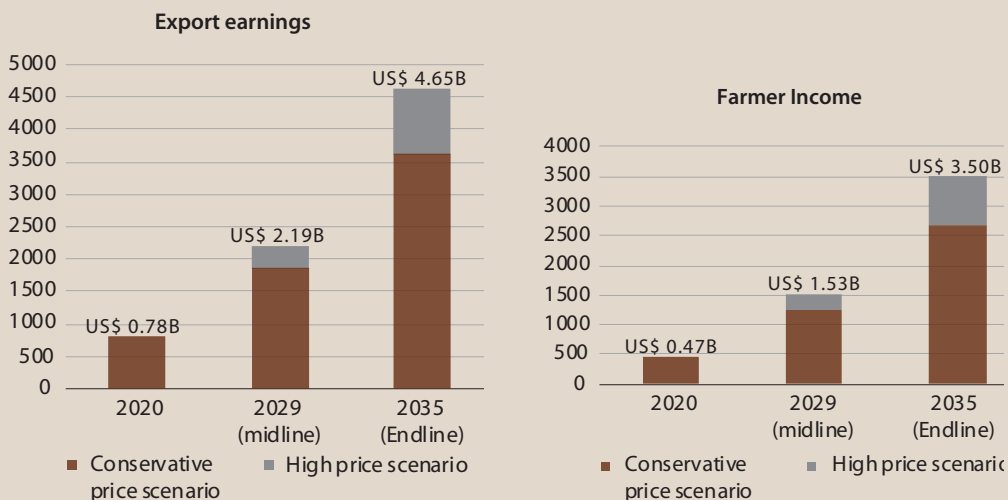
Ethiopia is uniquely positioned to capitalize on growth in the global coffee sector, which has been driven by demand from developing countries and specialty coffee markets. Ethiopia’s ideal climatic conditions, world-class varietal diversity, and low on-farm production costs give it significant comparative advantages over other coffee-producing countries. However, the Ethiopian coffee sector also faces key challenges, namely low yields and export volumes, low export prices, and inefficiencies across the value chain.

The re-establishment of Ethiopia’s Coffee and Tea Authority (ECTA) in 2016 has brought about a renewed focus on improving productivity, quality and market efficiency to make the Ethiopian coffee sector to be competent in global market. ECTA, through this Comprehensive Ethiopian Coffee Strategy and Implementation Roadmap (CECSIR), aims to develop a long-term, shared vision for the coffee sector in Ethiopia. This strategy document analyzes the most pressing constraints affecting the sector and provides recommendations to address strategic issues and capitalize on opportunities. Drawing on findings from stakeholder workshops

with public- and private-sector actors, previous strategy reports, primary research and interviews, and market and value chain analysis, the strategy adopts a comprehensive approach to identify opportunities across the value chain.

The objective of the strategy is to maximize Ethiopia’s coffee export revenues while also increasing value chain incomes, especially those of millions of smallholder farmers who contribute to over 85 percent of production. Implementation of the strategy, with the help of coordinated institutional support, could generate dramatic benefits over the next 15 years, with the potential to raise annual export revenue from US\$780 million to between US\$3.6 billion (assuming conservative prices) and US\$4.6 billion (assuming a high price scenario) and annual farmer incomes from US\$468 million to between US\$2.7 billion to US\$3.5 billion. The largest share of this change will be from the increased production volumes that result from better coffee yields, which can improve from current 470,000 MT to almost 1.26 million MT. In addition, improving processing, quality and export practices could earn better export prices for the majority of the

**Figure 1. Export earnings and farmer income projections**



Source: CECSIR working team analysis, with inputs from expert groups, 2018; ECTA, 2018

country's production that is currently marketed as low-quality, unwashed coffee that sells at some of the cheapest Arabica prices in the world.

The strategy implementation will also directly create employment for at least 2.7 million people across the coffee value chain by increasing production, processing and marketability of Ethiopian coffee. Job creation will be particularly impactful for rural women and youth who need the opportunity to enhance their skills and gain productive employment.

The strategy is divided into six key pillars that correspond to important sections of the Ethiopian coffee value chain: research, production and extension, value-addition, processing, marketing, and strengthening the coffee sector.

- **Research.** Investment in cutting-edge research will be important in order to leverage Ethiopia's coffee genetic wealth to create the next generation of varieties that are climate resilient, disease resistant, high producing and high quality. Stronger research-extension linkages and improved overall institutional research capacity could help generate technologies to provide important services to actors along the value chain. Clear guidelines and up-to-date recommendations on key research areas, such as agronomy, coffee physiology, deforestation, climate-change adaptation, soil and water management, and crop protection, could lay the groundwork for future work. Other areas of research intervention would include building biotechnology capacity and increasing investments in *in vitro* research, GIS, and agro-meteorology.
- **Production and Extension.** Improving productivity and agronomy could pay major dividends for the Ethiopian coffee sector. Coffee-focused training and extension, if effectively implemented, could address the low adoption of good agricultural practices, the old age of coffee trees, weak linkages between extension and institutions, environmental degradation, and insufficient inclusion of women and youth in the value chain. Extension should be complemented by an improved production and distribution system for seeds and seedlings, in addition to increased access to financial services and other inputs. Furthermore, production could be increased further through a well-developed fertilizer market and clear guidelines around the use of organic and inorganic fertilizers.
- **Processing.** Quality and management practices could be improved by encouraging exporters and international market actors to provide financial and advisory services to primary processors. Given the fluctuations in global coffee prices, creating a national training program on price risk and financial management, as well as developing hedging mechanisms, could improve the value chain's resilience to economic shocks.
- **Value addition.** Creating value-addition training programs and encouraging international stakeholders and roasters to provide advisory services could increase value-added exports. High-quality packaging and international marketing could also strengthen Ethiopia's standing in the global coffee market. Moreover, roasters could benefit from targeted investment programs that alleviate their financial constraints, as well as a land allocation plan for "coffee cluster" manufacturing plants and "industry zones."
- **Marketing.** Though Ethiopia boasts of some of the finest coffees in the world, it has not invested enough in its branding, promotion, and marketing. While recent marketing reforms have helped to expand Ethiopia's coffee marketing channels, more needs to be done to ensure stronger enforcement and clear communication of regulations. Refining the policies and streamlining administrative procedures of

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the Ethiopia Commodity Exchange (ECX), which handles over 90 percent of coffee sold, could improve the ease of doing business. To increase farmer coverage and accessibility, Ethiopia can strengthen and improve access to marketing centers and market services.

- **Strengthening the entire coffee sector.** Building effective institutional linkages, collecting accurate sector data, and setting up a coffee fund to invest in a range of activities could have a long-lasting impact on the entire coffee sector. By relaxing the restrictions on domestic market consumption, Ethiopia could correct distortions in prices and

enable accurate data collection. Ensuring inclusion of women and youth, and environmental sustainability will be important while improving production, export price, and value chain efficiency.

The success of the strategy will require continuous and coordinated efforts from all relevant private and public stakeholders as well as support from key financial and technical partners, donors and investors. The strategy will be supplemented with an implementation roadmap that establishes clear accountability for the recommended interventions and optimizes the allocation of resources and efforts across Ethiopian coffee stakeholders.