

Ethiopia

Agricultural Cooperatives in Ethiopia (ACE) Program



Though agriculture accounts for 90 percent of exports and 86 percent of total employment in Ethiopia, smallholder farmers have traditionally been underserved—even exploited and marginalized. To help these farmers gain the skills and influence necessary to alleviate this situation, in 1999

ACDI/VOCA began implementing the USAID-funded five-year Agricultural Cooperatives in Ethiopia (ACE) project. This undertaking, which supported the establishment of secondary level unions, expanded farmers' access to purchasing and distribution outlets.

As part of the groundbreaking initiative, ACE aided the Oromia, Sidama, Yergacheffe and Kafa Coffee Farmers' Cooperative Unions. A first step was to gain permission from the government to bypass the central coffee auction and act as direct exporters on behalf of their members. Thus the farmers enjoyed more control over their affairs as well as increased market share.

In 2005 ACDI/VOCA assisted the U.S.-based ECafe Foundation and local stakeholder institutions to organize the first co-op coffee competition, followed by the first internet auction of

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African coffees. The auction generated more than \$187,000, at an average price of \$3.22 per pound, compared to the market price of \$1.30. An overall premium of \$75,000 was paid for these extraordinary coffees, and all proceeds were distributed to the cooperatives. A second auction in 2006 earned over a quarter of a million dollars.

In 2005, Shirkina dry-processed gourmet coffee produced by ACDI/VOCA's client Ferro Cooperative in Sidama was designated Starbucks' eighth Black Apron Exclusive, and throughout the early years of the decade other cooperative-produced coffees were recognized worldwide for extraordinary taste befitting the ancestral home of coffee.

Members like Etensesh Mekonen received dividends which she used to cover her thatched-roof house with corrugated iron sheeting. Other union members invested dividends back into their coffee ventures, started new businesses or paid for their children's education. “Without cooperatives,” said Asnake Bekele, general manager of the Sidama union, “Ethiopian growers would be out of the market.”



Success Story

ACDI/VOCA's work to make the Sidama union a viable economic entity has opened many doors. The union received a \$400,000 working capital loan as part of a \$5 million financing arrangement Starbucks developed with EcoLogic Finance, a Cambridge, Mass.-based nonprofit organization that offers affordable financial services to community-based businesses operating in environmentally sensitive areas.

In addition, ACDI/VOCA's work has helped cooperatives develop money-saving practices. In collaboration with Regional Cooperative Promotion Bureaus and others, the project restructured primary cooperatives into new rural businesses. The co-ops initiated a bidding process for fertilizer, saving members millions of dollars.

In addition to financial management, the farmer co-ops with which ACDI/VOCA worked now offer a host of services to their members. Most of the ACE food grain unions buy and store grain from primary cooperative members. Others have purchased tractors to provide plowing and hauling services for members. To guide trained staff members and ensure everything runs efficiently, all 25 cooperative unions, as well as 363 primary societies, hired professional managers.

Until ACE, farmers had little access to credit to fund marketing activities, but the project attracted a commercial bank to enter into a loan guarantee plan. Using USAID funds to guaran-

tee half of the potential net losses, the Bank of Abyssinia made \$1.2 million available to cooperative unions to purchase grain from their member cooperatives for later sale.

Using the loan guarantee fund, the Ude primary cooperative went into the grain marketing business, making a profit of \$1,376. Out of this sum, it paid \$963 in dividends to its members. One member who received a check was Amare Aba Irree who used his \$60 dividend to buy additional oxen.

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A final accomplishment of the ACE program was the establishment of 84 rural financial service providers. Mulu Tekle Mariam is one of the more than 16,000 members of these new institutions. Mulu borrowed \$200 from an ACE savings and credit cooperative and replaced an ox that died. Another member, Tiulahun Hirpo, invested a \$112 loan into his trading business. These are only two of the many examples of people who have benefited from loans provided by ACE saving and credit cooperatives. By supporting the establishment of cooperative unions, ACDI/VOCA significantly impacted the lives of Ethiopian smallholder farmers.