

# Agribusiness Systems: Improving the Lives of Ethiopian Coffee Farmers

ACDI/VOCA's agribusiness activities create sustainable incomes for entrepreneurs by increasing productivity and competitiveness, addressing growth at all levels of the value chain, emphasizing farming as a business and introducing and improving market information systems and quality control.

By Werqu Mekasha

In 2005, cooperatives assisted by ACDI/VOCA in Ethiopia experienced a banner year. In June, 23 of them made history as they sold their coffee to international buyers in the first Ethiopian internet coffee auction, earning prices as high as US \$6.50 per pound, more than six times the world price for coffee in 2004 (see inset below for full story). And in late summer, coffee produced by the Sidama Coffee Farmers Cooperative Union, also an ACDI/VOCA partner, was named a Black Apron Exclusive™ by Starbucks. The two containers of Sidamo Grade 4 sun-dried coffee were purchased through Volcafe from the Ferro Coffee Cooperative. In addition to the award, which brought international acclaim to our cooperative development efforts, (see page 28 for the full story) the cooperative received a \$15,000 cash prize to improve the community's quality of life and coffee sustainability.

## Building Chains

ACDI/VOCA's Agricultural Cooperatives in Ethiopia (ACE) project, a six-year USAID-funded initiative, focuses on increasing the competitiveness of cooperatives in international markets through technical assistance in quality improvement, business management and market linkages. ACE is further helping to increase market-led economic growth and resiliency in Ethiopia through cooperative revitalization and the promotion of modern, business-oriented entities that operate under free-market



Since 1999, ACE has assisted over 3.5 million people, helping them reap the benefits of organization.

principles. Since 1999, ACE has created or restructured 724 cooperatives in the coffee, cereals, oilseeds, horticulture, and dairy and livestock sectors, thereby benefiting approximately 742,000 households representing 3.5 million people.

Interventions at various levels of these value chains have enabled farmers to gain increased access to local, regional and interna-



## Ethiopian Co-ops Make Good Showing in Internet Sale

In June, 23 ACDI/VOCA-assisted Ethiopian coffee cooperatives participated in the first internet coffee auction in Africa, earning prices as high as \$6.50 per pound, more than six times the world price for coffee in 2004. The coffee samples represented the winning lots from the Cooperative Coffee Competition, organized by ACDI/VOCA and its partner ECAFE Foundation in early 2005. During this competition, Ethiopian and international coffee experts cupped a wide selection of coffees, assigning them scores based on such quality factors as aroma, flavor,

and body, and selecting the highest-graded coffees for the auction. Auction prices, at an average of \$3.22 per pound, represented significant gains over those usually obtained by Ethiopian coffee farmers (under \$1 per pound in 2004) and will translate into large increases in incomes for the farmers in the form of dividends paid at the end of the year.

tional markets and make production decisions based on market opportunities. The organization of primary cooperatives into unions has increased the possibilities for economies of scale through bulk imports of inputs, international marketing linkages and credit provision.

Progress in international marketing linkages has been most impressive in the coffee sector, and has been made possible not only through assistance in marketing but also union formation, credit facilitation and technical assistance in business operations, coffee production, post-harvest handling and quality assurance. This comprehensive value-chain methodology is a key feature of ACIDI/VOCA's approach to agribusiness development.

### Union Formation

Cooperatives are a conduit for technical skills, market knowledge and a business approach to farming. ACIDI/VOCA's first major intervention in the Ethiopian coffee sector was the creation of three unions of primary cooperatives: the Oromia, Sidama and Yergacheffe Coffee Farmers' Cooperative Unions, later joined by a fourth, the Kafa Forest Coffee Farmers' Cooperative Union. Previously, coffee cooperatives sold their product to private traders, incurring losses due to price gouging and dishonesty, and forfeiting any benefits related to coffee quality. Today, the unions manage the transport, weighing, cupping and sales of their products, thereby decreasing transport time to Addis (now only 3 days instead of 15-18), increasing member confidence, and enabling farmers to receive the benefits for coffee quality in the form of disbursement of dividends at the end of the year. "Without cooperatives," said Asnake Bekele, general manager of the Sidama union, "Ethiopian growers would be out of the market."

ACE provided initial support to the unions in the form of material assistance for operational start-up, development of marketing materials, travel and logistical arrangements for attendance at Specialty Coffee Association of America conferences and exhibitions, facilitation of contacts with buyers, payment for organic and Fair Trade certifications, etc. Six years later, the unions have developed into self-financing, well-managed business operations which now export directly to roasters worldwide. In 2004, the four coffee unions exported a total of 7,487 tons of coffee to Europe, Japan and the U.S., earning a total value of over \$15 million.

### Business Operations, Coffee Production, Post-harvest Handling and Quality Assurance

Quality control, sound business practices, accurate market infor-



ACDI/VOCA has sent Ethiopian cooperative representatives to Specialty Coffee Association of America conferences, where they established linkages in the international coffee marketplace.

mation systems and reliable credit are also important elements of ACIDI/VOCA's agribusiness systems projects. Through volunteer consultants and specially trained Ethiopian Cooperative Promotion Bureau staff, ACIDI/VOCA has trained and mentored cooperatives and unions in business management, accounting, marketing, business planning and savings and credit. As a result of this training, the unions have increased their operational

efficiency—in 2004, for instance, Sidama Union member primary cooperatives each employed a manager for the first time—which has contributed to significant increases in sales volumes. ACE has also used specialists in key areas such as coffee processing and market information system develop-

ment to support quality improvement from the farm level to the export market. Examples of assistance include training to farmers in post-harvest handling and red cherry transport; recommendations for technological upgrading in order to better process both washed and sun-dried coffees; and, more recently, training for cuppers at the union level, which has enabled them to determine the quality of their own coffee in order to drive better bargains.

As a result of significant quality improvements as well as increased promotional capacity, unions have been able to attract new buyers and retain existing ones, with contract sales and quality premiums becoming increasingly common.

ACDI/VOCA facilitated the Development Credit Authority (DCA) loan guarantee program for Ethiopia, signed by USAID,

“Without cooperatives, Ethiopian growers would be out of the market.”  
—Asnake Bekele, general manager of the Sidama Coffee Farmers' Cooperative Union

Awash Bank and the Bank of Abyssinia, which in 2003 was expanded from the cereals sector to include coffee. Through this facility, unions have enjoyed increased access to credit, with which they have purchased additional coffee from their member cooperatives. In 2004, unions borrowed \$1.9 million, 65 percent of which went to coffee loans.

### International Market Linkages

In its coffee programs worldwide, ACDI/VOCA assists cooperatives in pursuing Fair Trade certification, which allows access to a more select market and higher prices. In 2004, the Oromia and Sidama Unions received \$100,378 and \$84,306, respectively, as premiums from Fair Trade coffee sales. As a result of contacts made through SCAA conferences and an increasingly favorable reputation for quality, the unions now export directly to buyers in the U.S., Europe and Japan, and have recently penetrated new markets in Canada, New Zealand and Australia. This year, new marketing mechanisms such as the Ethiopian coffee competition and the related internet auction, modeled after the successful experiences of several Latin American countries, are building bridges and strengthening relationships between high-quality cooperative producers and international roasters/importers. It is expected that the market demand for Ethiopian coffee will continue to increase as these auctions become more frequent. Because of sales of sustainably high-quality coffee, the Sidama Coffee Union received a bonuses of \$91,270 per year in 2003 and 2004 to distribute to members.



ACDI/VOCA assists cooperatives in various ways that allow members to reap higher dividends.

Though the growing international prestige of Ethiopian coffee cooperatives is certainly impressive, the impact of the project can be even more clearly seen in its impact on participants. Due to participation in the ACE project, with its emphasis on agribusiness systems development, increases in union- and cooperative-

level revenues have translated into a higher quality of life for coffee farmers. In a household impact assessment conducted in 2004, farmer members of ACE-supported cooperatives reported increased household wealth and asset accumulation (farm equipment, livestock, etc.), higher levels of education for children, improved household nutrition, increased diversification of farm production, increased expansion of farm activities (leasing additional land) and increased off-farm activities. Moreover, the communities reported increased job opportunities (on-farm labor hired for weeding, plowing, harvesting and tending livestock), and increased community development through infrastructure improvements, health and education.



### Staff Spotlight: Werqu Mekasha in Ethiopia

As country director for ACDI/VOCA-Ethiopia, Werqu Mekasha guides program work, particularly as it relates to agribusiness. He has 50 years of experience in Ethiopian agriculture, cooperative development and extension services, having worked with Agricultural Consultant International, the International Livestock Center for Africa (ILCA, now ILRI), the Institute of Agricultural Research and various arms of the Ethiopian government. He holds a bachelor's degree from Purdue University and a master's degree from the University of Nebraska.