



*Value Addition
in Ethiopian Coffee
Industry Chain*

Promoting value addition and the enhancement of domestic productive capacity through local economic empowerment

Coffee Industry Chain in Ethiopia

1. Fresh Cherries ---- Local Market
2. Washing Stations --- Wet Processing
3. ECX. ---- Quality Inspection & Grading
4. Dry warehouses – Screening & Packaging





2. Washing Stations

- About 7000, covering 5 km around distances
- Joint-venture with Ethiopian nationalities since **2019**



4. Dry Warehouses

- Owned by top 10% large exporters
- Rent by Small exporters when needed



1. Red Cherries

- 87% : Small Local Householders
- 8% : Farmers Cooperative Union
- 5% : Plantation



3. ECX

- State-owned company
- Trade Platform
- Grading for Coffee to export



5. Coffee Exporters

- Must 100% owned by Ethiopian nationalities
- Over 800 exporters now including companies & Unions

For International Coffee Companies:

• **All**

Plantation

- Plant, pick, process, pack and export
- 5 years waiting for new trees fruiting
- Poor infrastructures: no power, no water, bad road etc.
- Language barriers
- Long payback periods

• **NONE**

Suppliers

- Selected from the 800 exporters/ 7000 washing stations
- Huge stock-up
- Competitive low prices
- Financial futures



Hansun Agriculture Plc (Ethiopia) since 2015

Largest Specialty Coffee Trader in China Market with market share of **55%** (2019)

Close cooperation with Contracts



To find a way fighting out from the serious price wars !

- Q graders: know coffee quality better than exporters (our suppliers)
- Marketing & Branding
- High quality >> Traceability
- Consistency >> Better quality

1. Power of Marketing & Branding - Lebunna

“China Beauty” & Brand Premium

Specialty Coffee

- High Quality Specialty Coffee
- Story of Origin – value-added customer service
- Brand Premium – Better profit

30% vs. 10-15%

- Traceability investigation is not easy
- Consistency problem



2. What Exporters can control is Little

Go to Farms/ Washing Stations



Cherry Picked in 2016

- High Quality:
Cherry quality and wet processing method matter
- Consistency:
Standards & Guidance
- Foreigners cannot invest in washing stations as shareholders

3. Happiness & Sorrows in Washing Station with Farmers



Cherry Picked in 2019

Standardization: Technology & Management

- **Pictured cherry price system**
Higher price for better cherries
- **Scientific equipment to standardize production nodes:**
moisture, color, sugar meters
- **Modern management experience**
Small batches and micro lots
- Purchasing contract first so we have to buy all coffees we processed

Fresh Cherry Price System

- Green
- Red
- Overripe
- Rusty
- Exotic



3-5 BIRR/KG

- Mature
- Handpicked



8-9 BIRR/KG

- Red
- Mature
- Double handpicked



13-14 BIRR/KG

“China Beauty”



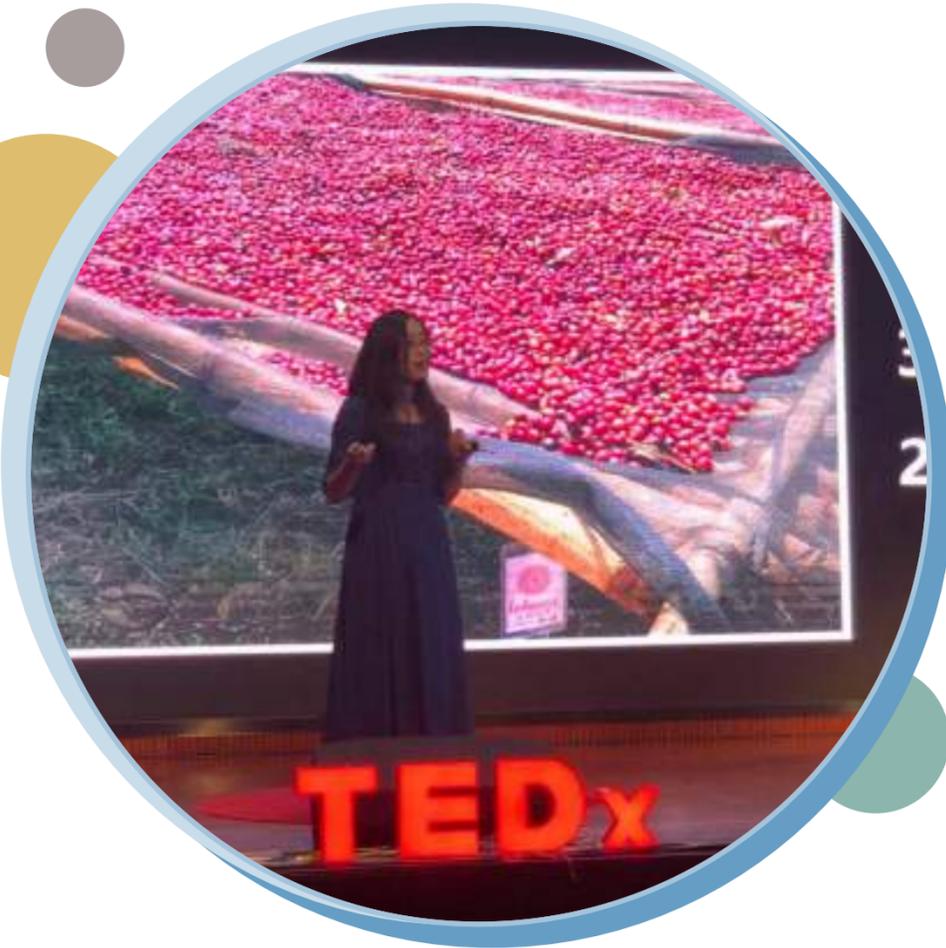
16 BIRR/KG

Average Annual Revenue of Farmers

increases from 30,000 Birr in 2017 to 50,000 Birr in 2019

3. Happiness & Sorrows in Washing Station with Farmers

R&D Experiment V.S. Immediate Cash



Processing Experiment
in 2017/18

- New processing method experiments
- 6/26 batches no worse than traditional ways
- 3 popular in market with better prices
- No patent protection
- 30% down payment V.S. 100% cash in advance
- Time-cost & Long-term investment

4. Better quality & Real whole-chain Traceability

Last mile before exporting: Fast & Clean



Dry Warehouse with
Modern Equipment, 2019

- Modern equipment
- Good Management
 - On time delivery
 - No more mixing mistake
- How to be protected by laws as we still can not invest in as a shareholder?

5. Policy encouraged Roasting/Grinding Sector

More important value-added sector?



Lebunna Roasting Factory

- Policy Encouraged: open to foreign investment
- High-value added: double the profit
- More human capacity needed
- Compare with primary agriculture processing, which helps the coffee industry chain more?

Future: Grow with coffee Farmers & Local partners



Suppliers

Starbucks

- Making purchasing standards & Giving Guidance
- Social Responsibility of big company: road, well & donations
- Farmers need immediate cash



Plantation

Gesha Village

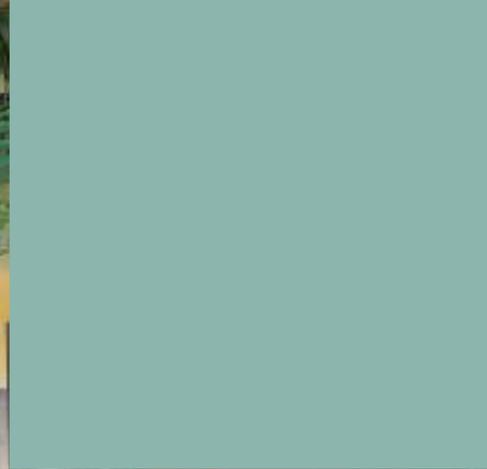
- Huge Investment & Long Waiting
- High prices to gain return
- Sustainability and Replicability



Partners

Hansun – Lebunna

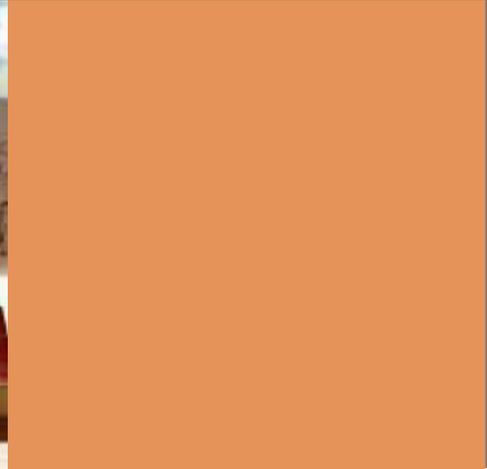
- Farmers are part of the Brand
- Capacity building of Farmers: higher-level job opportunities for competent farmers
- **Coffee Industry develops as a whole**
- Set a new business model for the whole industry



ETHIOPIAN COFFEE CULTURE CENTER

in Beijing

- Partner with Ethiopian Government to promote Ethiopian coffee culture





谢谢
Thank You!

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KANG , Xiaoxiao

Tel: +86 132 6400 1331 (CN)

+251 93 66 67 888 (ET)

Email: 13264001331@163.com



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