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Fostering Integration of the Ethiopian Roasted Coffee Value Chain into Regional Value Chains

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UNIDO notes for project briefing (Improving the sustainability and inclusiveness of the Ethiopian coffee value chain through private and public partnership)

By

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.



**IMPROVING THE SUSTAINABILITY
AND INCLUSIVENESS OF THE ETHIOPIAN COFFEE VALUE CHAIN
THROUGH PRIVATE AND PUBLIC PARTNERSHIP**



Public Private Partnership Project with illycaffè S.p.A. and Ernesto Illy Foundation



PICTURE FOR 1ST SLIDE

The UNIDO project *IMPROVING THE SUSTAINABILITY AND INCLUSIVENESS OF THE ETHIOPIAN COFFEE VALUE CHAIN THROUGH PRIVATE AND PUBLIC PARTNERSHIP*, is funded by the Italian Development Cooperation and supports the Ethiopian Coffee and Tea Authority in increasing the value of the Ethiopian Coffee chain with the support of Illycaffè, one of the most relevant players in the arena of coffee global sustainability.

The Project is framed on a value chain approach, therefore it targets smallholder farmers through the introduction of Best Agronomic Practices for improving the quality of the yields, as well as it supports the dissemination of technical skills for an optimized post-harvest process, with the creation of a knowledge hub on coffee science and economics.

The project originates in 2013, when GoE wrote a letter to UNIDO, requesting to support the endeavor to modernize the coffee sector and, in particular, support smallholders' farmers and cooperatives through the introduction of improved techniques for post-harvest processing of coffee beans, provision of proper infrastructures for washing stations and introduction of improved technologies for roasting coffee as well as the dissemination of modern marketing practices.

This official request was the follow up of previous close consultations that were held between GoE and UNIDO. These consultations had culminated with a Conference in 2012 on *Technologies and best Practices for the optimal utilization of by products in the coffee value chain*, organized by UNIDO in cooperation with Ernesto Illy Foundation and illycaffè.

During the conference, a possible partnership between UNIDO and illycaffè was discussed on the basis of the willingness of illycaffè to collaborate in training coffee producers and suppliers from East Africa, among which Ethiopia, Kenya, Uganda, Rwanda, Tanzania and Burundi; it was decided to select one country in the Region and then the attention fell on Ethiopia, to be utilized as model as the most important producer of *Arabica* coffee and major supplier to illycaffé.

The project was finally launched in May 2015, in an official ceremony held in the premises of the coffee cluster at Expo, in Milan, fully sponsored by illyCaffé: the coffee company showed also in this occasion its commitment on how to increase sustainability in the coffee supply chain, considering social and ethical sustainability in addition to environmental objectives and how to improve supplier/buyer linkages, productivity and competitiveness.

The public-private partnership seeks to create shared value for all stakeholders: by using the best technologies to produce and share Ethiopian coffee with the world, it will pursue both development and business objectives in a sustainable manner.

Illycaffé and the Ernesto Illy Foundation have jointly worked with the project's partners to upscale local capacities and knowledge on the coffee value chain, both through the establishment of the Coffee Training Center, and with the scholarships provided for the master's degree in Coffee Economics and Science, offered to Ethiopian graduates interested in working in the coffee world from cultivation to the catering industry, including logistics and industrial processes.

Considering that UNIDO's partnership-based approach defines concrete working models of cooperation between Governments, stakeholders and private sector actors, for promoting Inclusive and Sustainable Industrial Development (ISID) investments, therefore the Coffee Project represents an immediate and concrete example of these coordinated efforts, in line with the post-2015 sustainable development agenda.

The scope of the project is to increase the value and the sustainability of the whole coffee value chain in Ethiopia, with the expectation to increase its socio-economic aspects as well as environmental resilience. For this to happen and in synergy with the Ethiopian Institutions, ad hoc activities have been designed and realized at different levels:

1. MACRO LEVEL: INSTITUTIONAL SUPPORT

Since November 2015, upon the proclamation No. 916/2015, the Ethiopian Coffee and Tea Authority (ECTA) represents the focal point for the development of the Ethiopian coffee value chain and is the first Institutional Partner for UNIDO in this project framework.

Since its onset, UNIDO has supported ECTA in leveraging its positioning in the international coffee arena, through participation to Global Coffee Sustainability Conference, increased visibility in the International Coffee Organization events, sponsorship of Study Tours both for technical and political purposes, with the ultimate goal of strengthening the trust of major international coffee players toward Ethiopian institution and coffee sector stakeholders.

Furthermore, in order to support the Ethiopian Coffee and Tea Authority in increasing its national and international recognition, the project supported ECTA in developing a visual and communication strategy, with a dedicated logo, website and full visibility package, creating an attractive brand identity.



PICTURE FOR 2ND SLIDE

2. MESO LEVEL: KNOWLEDGE HUB CREATION

The intense dialogue established with ECTA, plus the advisory services provided by Illycaffé experts, brought to a technical gap assessment which highlighted the need to build strong professional competences within the Ethiopian coffee industry with the ultimate aim of improving the coffee quality at all levels, from green coffee selection, to roasting and packaging, to coffee brewing techniques.

Therefore, UNIDO promptly identified the establishment of the Coffee Training Center (CTC) to be based in Addis Ababa as the key to increase competences of Ethiopian coffee professionals, for which ECTA is not just an ordinary stakeholder: it is the owner and is responsible for an overarching role of the CTC.

The overall aim of the Coffee Training Centre, which takes the steps from Illycaffé experience with the University of Coffee and is developed with their tight supervision, focuses on the improvement of the Ethiopian coffee value chain by addressing the lack of professional training opportunities in the country. More specifically, by providing a training excellence centre which will cover specific topics going from the post-harvesting activities to the final product, coffee stakeholders will be able of advancing their technical and theoretical knowledge.

The CTC is taking shape in the ground floor of the ECTA HQ, in the Bunna ena Shai Building in Addis Ababa, where, in addition to one classroom dedicated to theoretical lectures, it will include three laboratories equipped with state-of-art coffee machineries, needed to allow trainees to undertake hands-on experiences, guided and supported by trainers holding recognized certifications.



PICTURE FOR 3rd SLIDE

In close coordination with ECTA, and with the support of illycaffé, UNIDO is also preparing the academic programme for the courses to be offered in the CTC: the coffee value chain is the guideline of the CTC services, therefore where much can be done in terms of improving the level of agronomic practices, more importantly, higher values can be extracted due to operations beyond the green beans (e.g. these refer to proper cupping and grading, roasting, grinding, packaging and brewing).

The CTC will offer a wide range of training courses and as such, it is addressed for incubating new coffee professions, creating a new coffee entrepreneurship landscape in Ethiopia: professionals already working in the coffee sector, people approaching the coffee sector for the first time and interested in a professional career, as well as “Coffee lovers” will be all trained for shaping a vibrant coffee business environment.

There is clear lack of such training, together with a high demand of it by a number of actors who are involved in the coffee processing and trading, which can ultimately help to improve the satisfaction of both domestic and global consumers of Arabica coffee, including the emerging consumers in Africa, Asia and the Middle East.

The CTC is foreseeing the provision of training modules on the following thematic areas, which are vital for a coffee sector deep understanding:

1. Fundamentals of coffee

2. Coffee processing - pulping and hulling, drying and storage

3. The Sensorial lab: The training here is to equip students with necessary skills on:

- a. Green coffee selection, evaluation and grading. It involves training on green coffee selection, about defects and associated reasons; and
- b. Cupping and tasting – roasting, grinding and brewing at the defined scale to help understand the mechanics and chemistry of coffee cup, evaluation and grading of coffees using all vital variables.

4. The Industrial process lab: In this laboratory, trainees will learn how to undertake coffee roasting, grinding and packaging.

Roasting is the biggest value adding activity in the coffee value chain and it often represents the largest area of challenge for coffee processors. As coffee is a very sensitive crop which is affected by roasting profiles (temperature, moisture, water activity, density, time, etc.), roasters have to master modern techniques to obtain a quality final product.

5. The Brewing lab: The training module here provides to learn the principles and how to manage different types of brewing methods.

6. Training on café business: this refers to skills of establishing a café business model, vital managerial and business skills.

7. Training on maintenance of the coffee processing equipment

Establishment of the CTC is a demand driven concept due to the opportunity of adding considerable value in the coffee value chain particularly in the post-harvest and processing phase of the chain (mainly grading, cupping, roasting, packaging, and brewing). Given the diverse genetic resources, and the well-known coffee origins, such as Sidama, Harar, Limu, Yirgacheffe, and Guji, and others, Ethiopia’s coffee industry would be able to supply better quality coffee types to the world with such capacity to be built on state-of-the-art training center to produce coffee professionals in the post-harvest subsector of coffee.

It is in light of the above that the CTC will embrace the entire productive cycle of coffee with a specific focus on the Coffee Industrial process, the program also aims to consolidate and develop relations between the University of Coffee and the world of business by transferring the technological and cultural know-how of modern coffee technology.

The CTC will be endowed with the equipment you can appreciate in the following slides:



PICTURE FOR 4TH - 5TH and 6th SLIDES

CTC is going to equip the trainees with skills that can contribute to improve the quality of national coffee supplies, develop roasting, packaging and brewing capacities in Ethiopia; and significantly increase coffee revenues to the producers and the national income. The Ethiopian Coffee and Tea Development Authority (ECTA) is working to transform the coffee industry in Ethiopia to facilitate exploitation of the possible values from coffee, to which such competitive knowledge center on coffee is so binding.



PICTURE FOR 7thSLIDE

Ultimately, the CTC will also work as a platform, where enabling the development of intensive partnership with global and local stakeholders.

The partnership strategy refers to the detailed modalities of agreements between or among actors that have stake with CTC, specifying the interest, roles, in order to help effect the values of networking, cooperation, and integration of different value adding activities.

More importantly, CTC shall develop partnership locally with the CLU, coffee research center, coffee export associations, coffee cooperatives/unions, coffee roasters associations, etc., and globally with International Coffee Associations, Specialty Coffee Associations etc.

Sustainability of the CTC is considerably determined by its quality service developed vis-à-vis with similar and related services existing in the rest of the world. The existing opportunities, including Ethiopia being the origin of Arabica coffee, presence of a number of global actors that have been involved in coffee industry and the

developing coffee business and its global value chain, etc. are of value to be utilized with clear partnership strategies to be developed.

3. MICRO LEVEL: TECHNICAL SUPPORT TO COFFEE FARMERS

Addressing the entire coffee value chain, from crop to cup, has always been the project objective, therefore attention has been kept on increasing the quality of the green coffee, implementing a series of activities at farm, cooperative and union levels.

The quality process scale-up, required from the national and international markets, led to a higher coffee grading and, thus, in increased income deriving from better market opportunities, benefitting almost 30.000 coffee small farmers associated in 21 cooperatives.

More specifically, the project is intervening in two coffee regions, Oromia and SNNPR, more specifically in two woredas, Delo Mena and Aletawondo. These two woreda feature two different coffee landscapes, Forest coffee and Garden coffee.

The characteristics of the two selected locations, as described in the slide, are very different and therefore have required approaches partially different. This strategy helped the Project and the involved Institutions, in creating success cases in two coffee scenarios, increasing project impact and facilitating further promotion and replication of Project’s activities and interventions.

<p>ALETA WONDO SNAPSHOT <u>Coffee production method:</u> Garden coffee <u>Coffee processing:</u> Mainly washed coffee <u>Harvesting season:</u> October – January <u>Altitude of coffee production areas:</u> From 1800 m to 2000 m AMSL <u>Fertilizer:</u> Organic only <u>Coffee plants density:</u> 1,000 to 1,800 plants per hectare <u>Number of wet mills:</u> 37 private mills and 23 cooperative mills</p>	<p>PROJECT ACTIVITIES SNAPSHOT <u>Sub-contractor:</u> TechnoServe <u>Target Farmers’ Union:</u> Sidama Coffee Farmers’ Cooperative Union <u>Target Cooperatives:</u> Gidibona Sheicha, Gerbicho Kila, Bargona Agere sodicha, Wotona Bultuma, Hondobana Borbodo, Dobena Wicho, Homacho Waheno, Gerbicho Lela and Tittira <u>Number of farmers trained:</u> 25315 15377 women and 9938 men <u>Renovation activities:</u> 9 cooperative wet mills renovated <u>Farmers’ support activities:</u> 1 coffee nursery site 3 Input provision centres established 141,000 coffee seedlings and 140,439 shade trees distributed</p>	<p>DELO MENA SNAPSHOT <u>Coffee production:</u> Wild coffee, hand picked <u>Coffee processing:</u> Natural, Sun-dried coffee <u>Harvesting season:</u> September - December <u>Altitude:</u> On average 1500m MASL <u>Fertilizer:</u> No fertilizer allowed in the forest <u>Coffee farmers in the Woreda:</u> 4,650 in 8 kebele <u>Land per farmer:</u> About 2.33 ha/household</p>	<p>PROJECT ACTIVITIES SNAPSHOT <u>Sub-contractor:</u> COOPI <u>Target Farmers’ Union:</u> Burka Yadot Farmers’ Cooperative Union <u>Target Cooperatives:</u> 12 farmers’ cooperatives <u>Farmers reached by the project:</u> 1,811 Coffee farmers <u>Total number of cooperative farmers:</u> 2,936 Households <u>Farmers’ support activities:</u> 12 Input provision Centres built 12 Coffee Drying Centres built 44SDrying beds</p>
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PICTURES FOR 8th and 9th SLIDES

Focus has been also put on strengthening the Cooperative and Union management capacity with the formulation of tailored business plan, encompassing a major attention on coffee quality consistency, on the creation of entrepreneurial capacity, and ultimately upscaling a marketing strategy for widening buyers’ portfolio.

Through this line of action, from coffee plantation to coffee knowledge and entrepreneurial skills development, the project has operated across the entire Ethiopian Coffee Value Chain increasing its social, environmental and economic inclusiveness, integration and long-term sustainability.