



COFFEE VALUE ADDITION IN LIMMU-KOSSA AND GOMMA DISTRICTS OF JIMMA ZONE, ETHIOPIA

***Part of
MSc Thesis Presentation***

By

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INTRODUCTION

Background

- Coffee is largest source of **export** (85% of foreign earnings) and employs around 83% of total population of country (CSA 2009).
- Contributed **35.8%** of total foreign exchange (524.5 and 744.9 millions USD in 2007/08 and 2012/13 respectively **(ECEA, 2013)**)
- Provides **jobs/casual for many people** in coffee-related activities of processing, transporting or marketing along the value chain (Samuel and Eva, 2008; Petit, 2007; and USAID, 2010).
- Jimma is one of **coffee growing zone** with favourable **climatic conditions, variety** of local coffee types & long **history of production**.



1.2. Statement of the problem

➔ Coffee farmers in the study area have been recommended to **supply red cherry** to processing stations than being encouraged to **farm level value addition /drying** considering coffee defect is relatively high.



➔ **Desse (2008)**, coffee quality defects in Jimma is common relatively due to improper post-harvest processing & handling practices (drying on bare ground, rainy weather, improper storage and transportation).

➔ **Abasanbi (2010)** in Jimma recommended wet processing as relatively a better approach to avoid common earthy & musty defects.



Statement of the problem ... Value addition

However

➔ *Farmers while selling red cherry without further value addition improvements limited their **competitiveness** & **bargaining power** which in turn leads to low earning unlike from dried cherry.*

Because of this

➔ *Farmers forced to involve in value addition (drying red cherry).*

➔ ***Value addition** after production involve **enhancements to a product value** that result in **higher returns** to the commodity seller, who is often the farmer (*Eathington et al. 2000*).*



Statement of the problem ... Value addition

- ▶ From *preliminary survey*, it is not questionable that selling value added/dried coffee results more earnings/profit than red cherry form.

- ▶ *Yet, unlike their motivation for value addition*, farmers are challenged with many problems largely b/c of marketing env't, supportive services, resources, processing technologies, infrastructures, and economic & socio-demographic factors.



- Ⓢ *Thus, to put farm level value addition as an alternative, it was pertinent to first analyse the underlying determinants of intensity of value addition by farmers.*



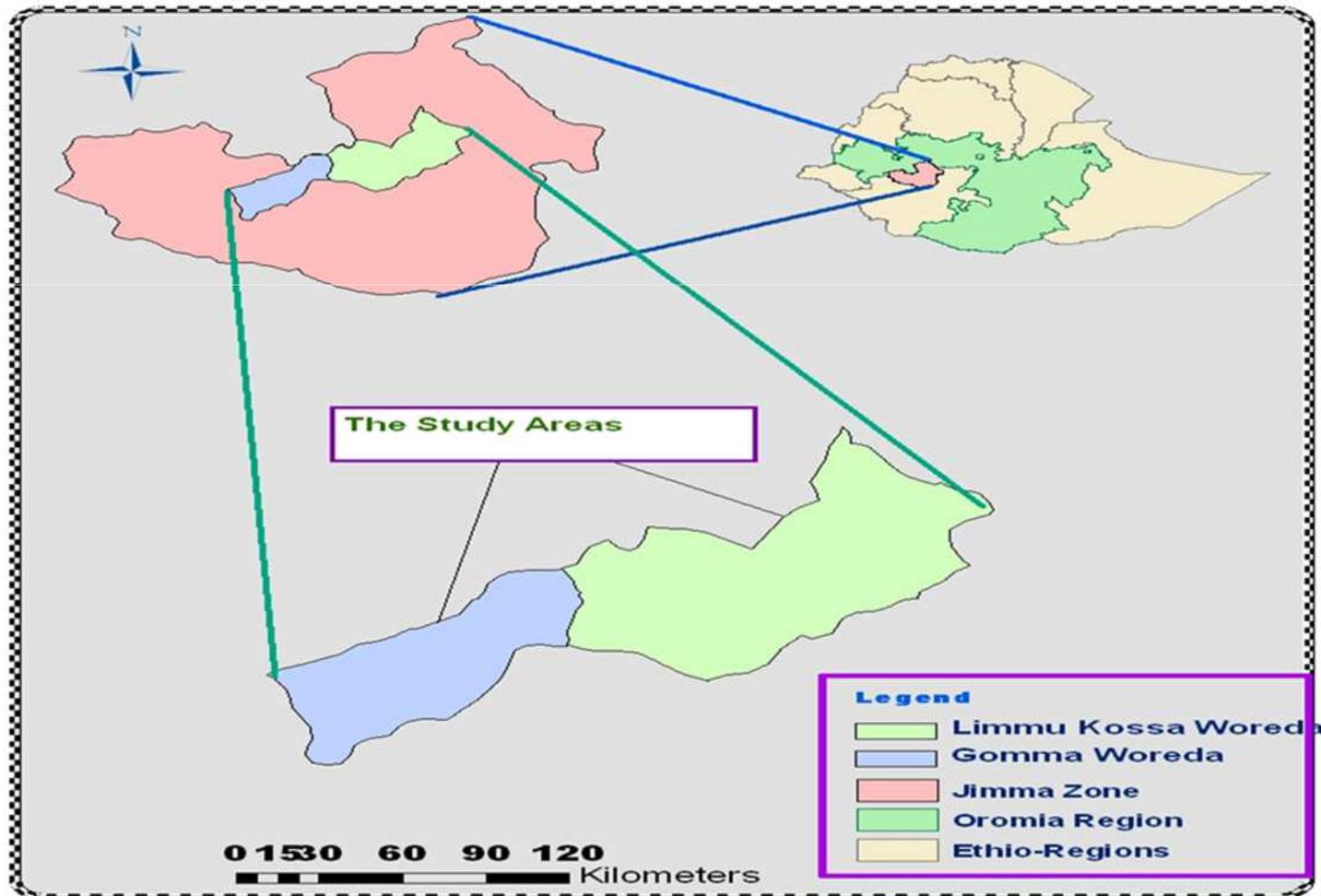
1.4. Objectives

- 📌 **To Empirically analyse factors affecting the intensity of coffee value addition by smallholder farmers in the study areas**



Research Methodology

Description of Study Areas





Sample size determination . . .cont'd

➔ *Proportional size of coffee farmers were selected as follows*

District	Kebeles	Agroecological Category	Number of households	Sampled households
Limmu-Kossa	<i>Babiya Kemise</i>	Highland	617	17
	<i>Kela Gebissa</i>	Midland	811	22
	<i>Dengaja Sole</i>	Midland	798	22
	<i>Denbi Gaban</i>	Midland	583	16
	Subtotal		2809	77
Gomma	<i>Choche Lemi</i>	Midland	1210	33
	<i>Genji Ilbu</i>	Midland	1565	42
	Subtotal		2775	75
Total			5584	152



- ▶ **Method of data collection:** *formal survey through structure questionnaire*
- ▶ **Method of data analysis:** *Econometric analysis (Tobit model)*



Maximum likelihood estimates of Tobit model of coffee value addition

Variables	Coef.	St. Error	Marginal effect	Change in probability
Sex	4.98***	1.55	4.80***	0.0952**
Literacy status	2.18**	1.07	2.10**	0.0417*
Coffee farming experience	0.17***	0.04	0.16***	0.0032***
Family labour force	1.31***	0.29	1.26***	0.0250***
Extension service on value addition	7.90***	1.28	7.62***	0.1510***
Distance to urban center	0.01	0.10	0.01	0.0002
Credit access	1.78**	0.84	1.72**	0.0341*
Ownership of sufficient drying facility	2.36***	0.84	2.28***	0.0451**
Price of red cherry	0.21	0.94	0.20	0.0040
Price of dry cherry	2.92***	1.06	2.81***	0.0558**
Cooperative membership	0.83	0.76	0.80	0.0158
Non/off-farm income (log)	2.58***	0.35	2.48***	0.0492***
Consideration of drying as saving and/or bargaining mechanism	1.41	1.13	1.36	0.0269
Contractual agreement on red cherry	-0.95	0.95	-0.92	-0.0182
Urgent need to sell red cherry	-0.07	0.85	-0.07	-0.0014
Constant	-31.14***	3.07		
Sigma	4.14	0.25		
Pseudo R ² = 25.5%		Number of observations = 152		
Log likelihood = -382.54		Left-censored = 20		
LR chi2(15) = 261.27		Right-censored = 0		
Prob > chi2 = 0.0000		Uncensored observations = 132		



4. CONCLUSION AND POLICY IMPLICATIONS

➔ *Literacy status affect intensity of value addition positively; building education capacity of farmers through arranging consecutive trainings and experience sharing sessions or arranging formal way of education should be designed to increase value addition*

➔ *Extension service provided & ownership of drying facilities to farmers have also something to do with value addition; appropriate extension service provisions by assigning professional DAs & providing drying facilities must be available for farmers*



Cont'd

- ▶ *Access to credit enables farmers to increase value addition. Strengthen the financial capability of farmers by providing adequate size of credit is the necessary strategy*
- ▶ *Price affected value addition. As farmers are pro-poor groups who need to be prioritized in any intervention, legal tactics & conditions under which such practices of offering unfair price would not likely to prevail should be implemented.*
- ▶ *Non-and/ off-farm activities affected value addition positively. Encouraging farmers to diversify their business besides coffee is another way to boost coffee value addition at farmer level.*

Therefore :



Cont'd

- 1) Government should provide farmers with harvesting and post-harvest facilities and awareness training to increase value addition at the farm level*

- 2) Coop/unions & credit and saving institutions should provide adequate awareness training and advisory services to improve farmers' business & marketing management skills, working culture & saving habit*

- 8) Government must provide adequate extension services by assigning professional DAs and upgrading their knowledge and skills*

- 4) Gov't should establish modern value chain financial products (more importantly warehouse receipt finance) as an alternative for credit provision*



Dry cherry properly dried on a tarpaulin.

Figure Drying cherries on a tarpaulin is the correct method for a better quality coffee



White mould has formed on the dry cherry

Figure Drying coffee directly on the bare soil is bad practice leading to poor coffee quality

THANK YOU

