



COLUMBIA | SIPA

School of International and Public Affairs

## Value Chain Analysis – Day 1

Guest lecture by Carl Cervone

March 31, 2020

# Plan for the week

## Today

- The Value Chain Framework
- Global coffee value chain
- Break
- Case: Vietnam coffee

## Thursday

- Case: Ethiopia coffee
- Break
- COVID-19 implications
- Practical aspects / Q&A

# Why do value chain analysis?

## OUTPUTS

- Identify new opportunities
- Compare different opportunities
- Identify levers of value creation
- Quantify value creation potential
- ...
- ...
- ...
- ...

## OUTCOMES

- Inform project proposals
- Influence policy makers
- Influence business leaders
- Mobilize action (or funding)
- ...
- ...
- ...
- ...

# Thorough VC analysis should...

1

**MAP**

who the relevant actors are, what they do, how they relate to each other

2

**BREAKDOWN**

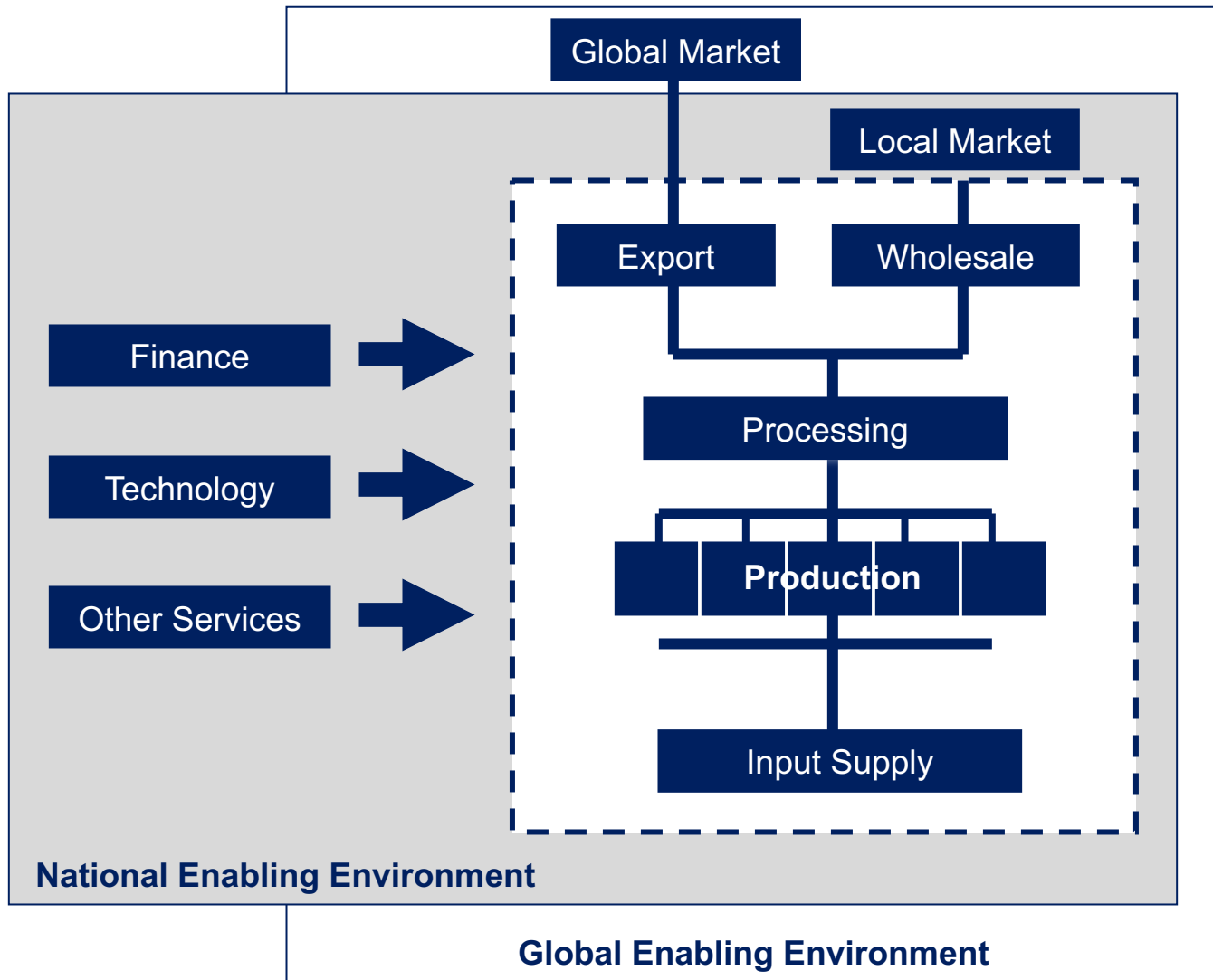
costs and revenues for each actor, how value flows through the chain

3

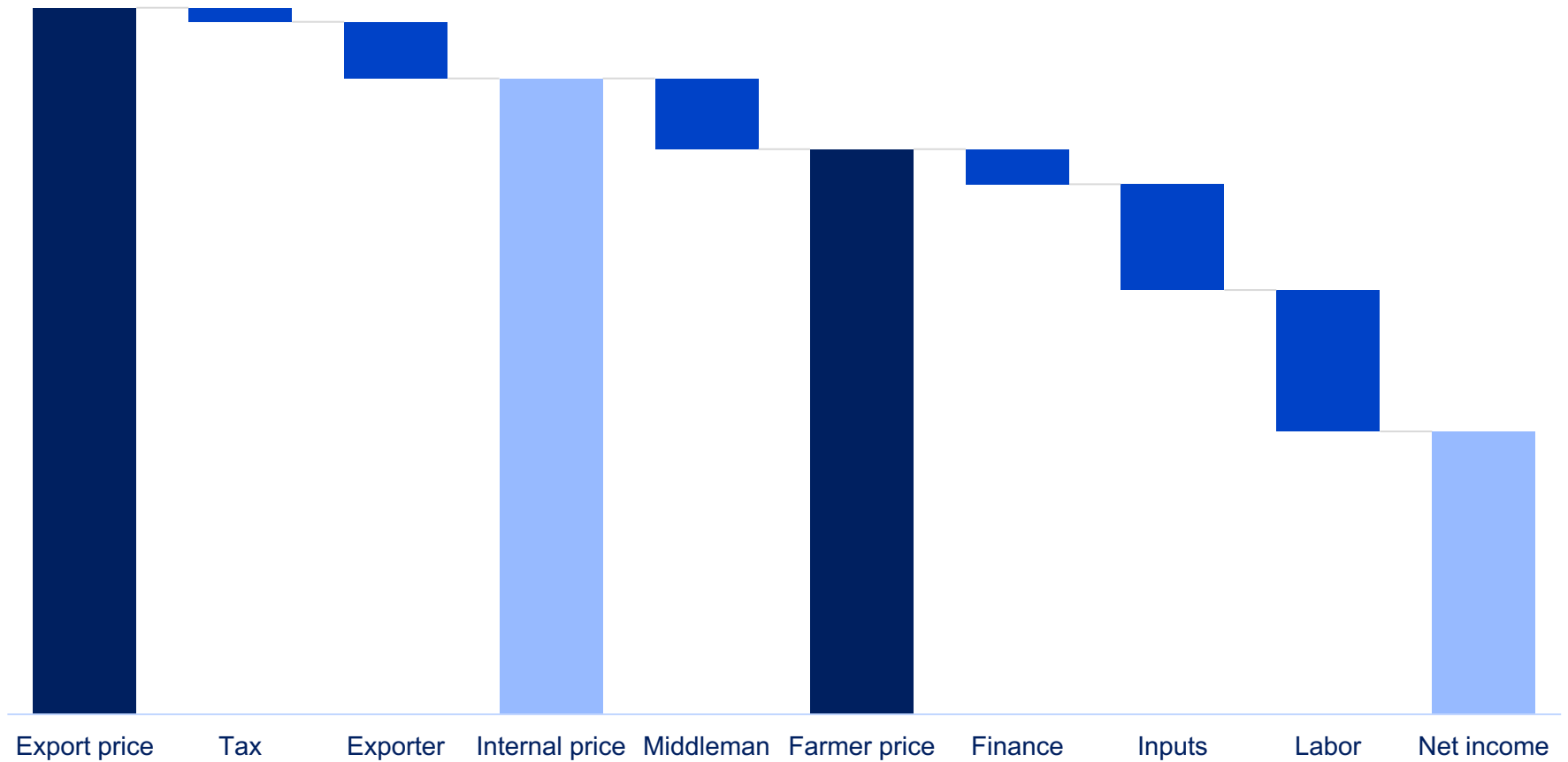
**BENCHMARK**

performance of the value chain against peer countries or sectors

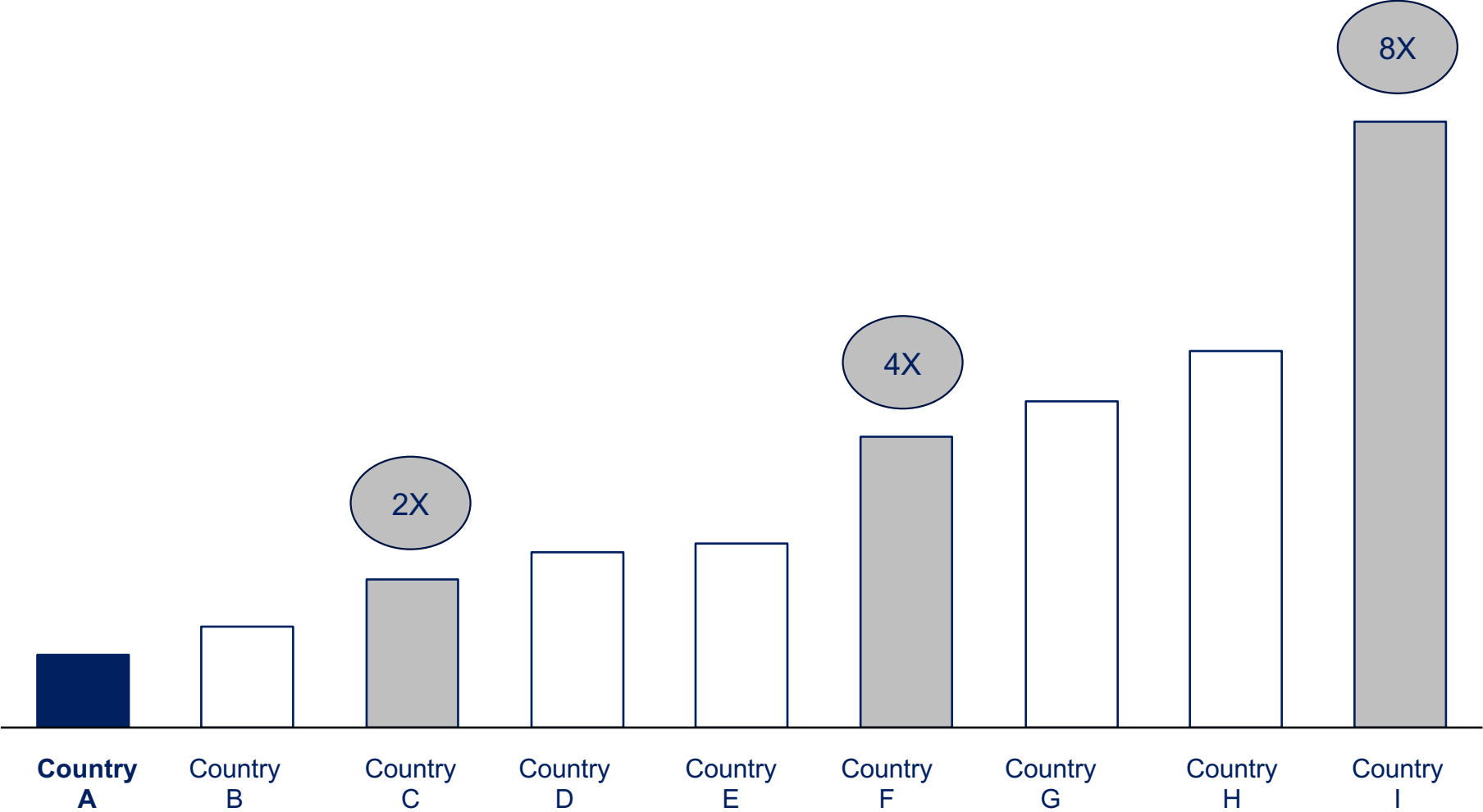
**Map** who the relevant actors are, what they do, how they relate to each other



# Breakdown costs and revenues for each actor, how value flows through the chain



# Benchmark performance of the value chain against peer countries or sectors

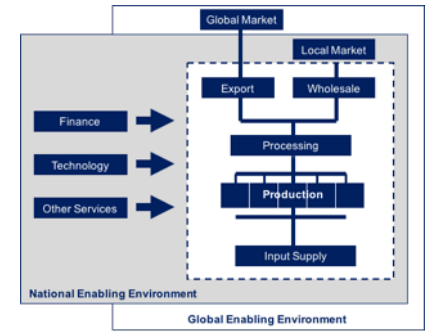


# Recap

1

MAP

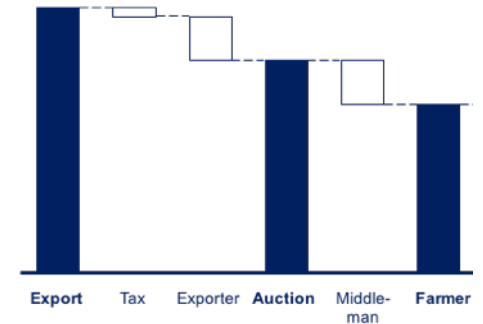
who the relevant actors are, what they do, how they relate to each other



2

BREAKDOWN

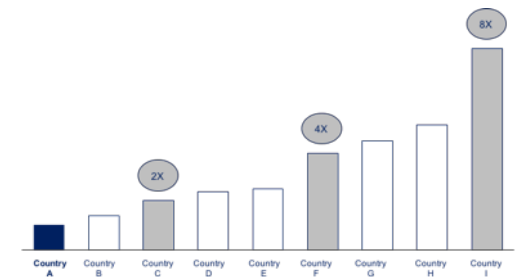
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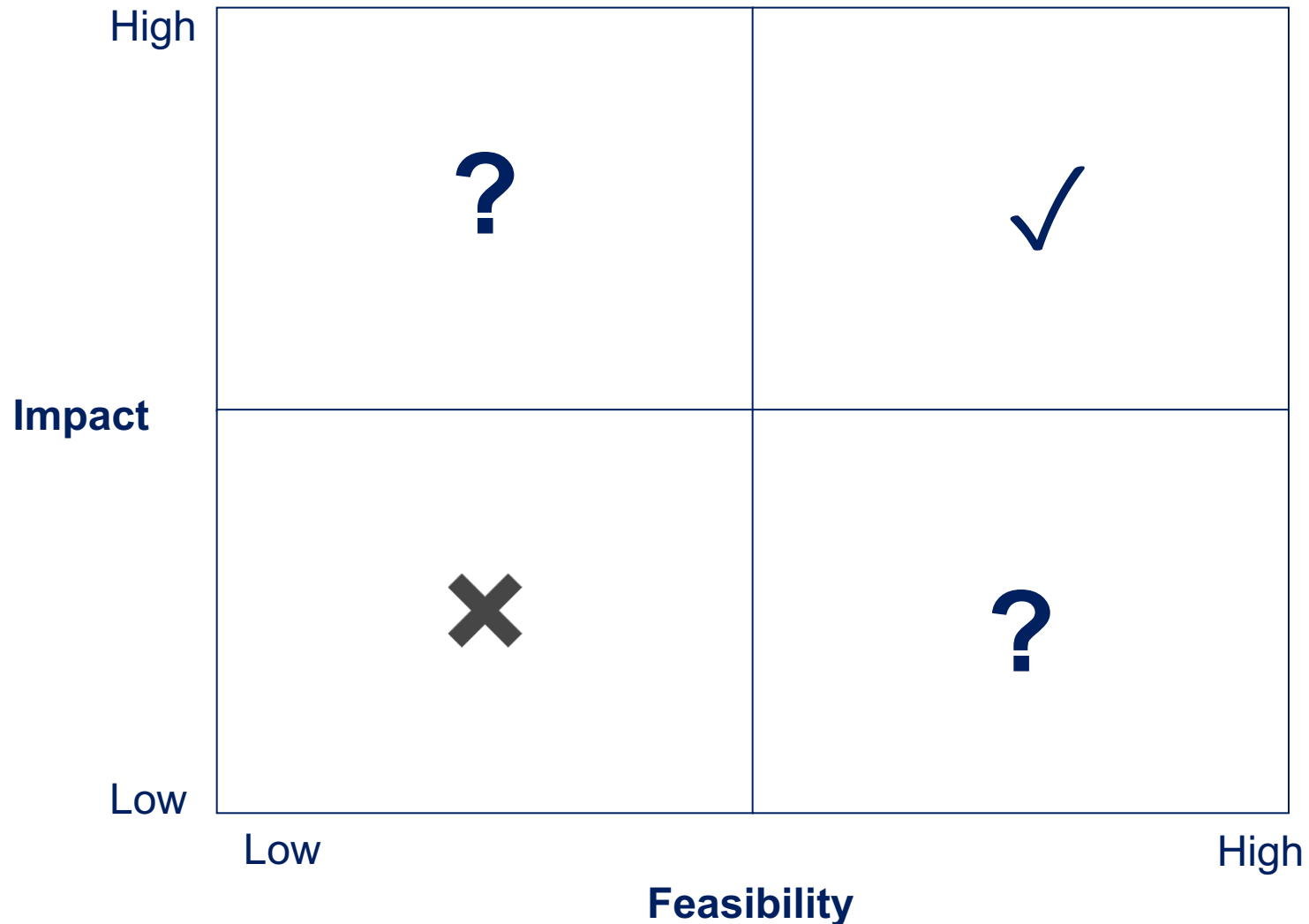
3

BENCHMARK

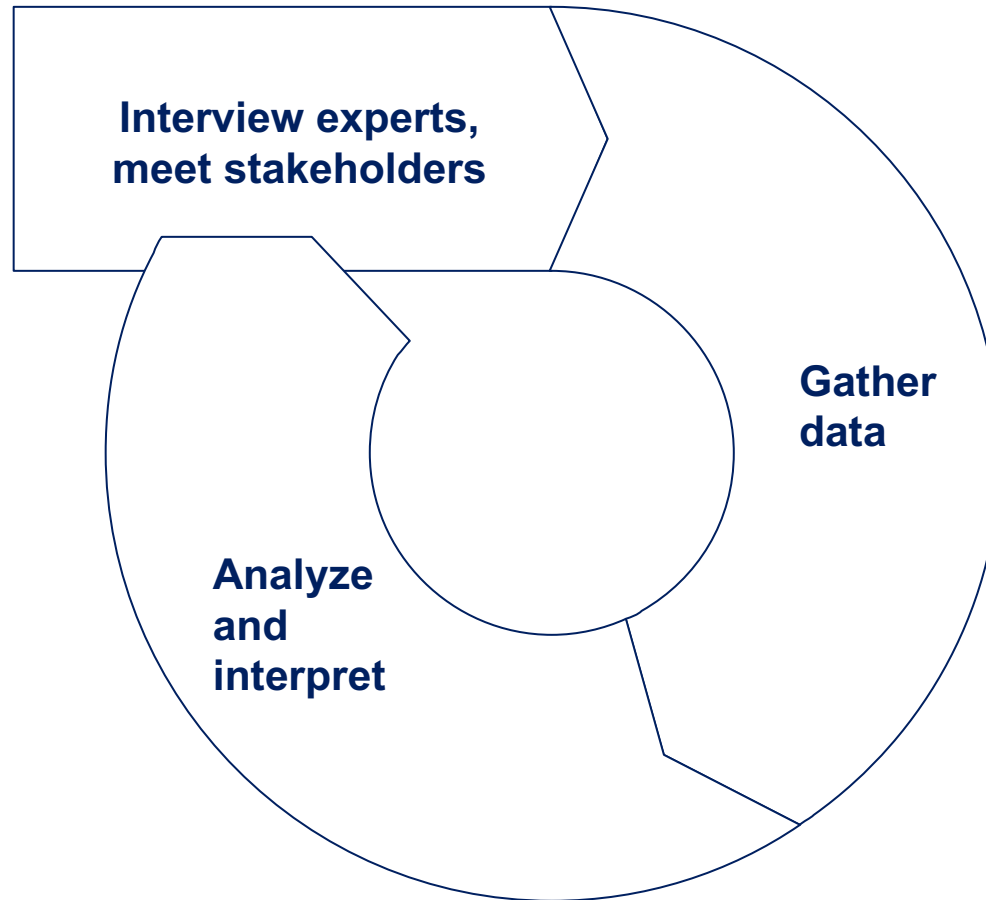
performance of the value chain against peer countries or sectors



After analysis, **prioritize** recommendations (based on some pre-defined selection criteria)



# Value chain analysis is an iterative process



# Plan for the week

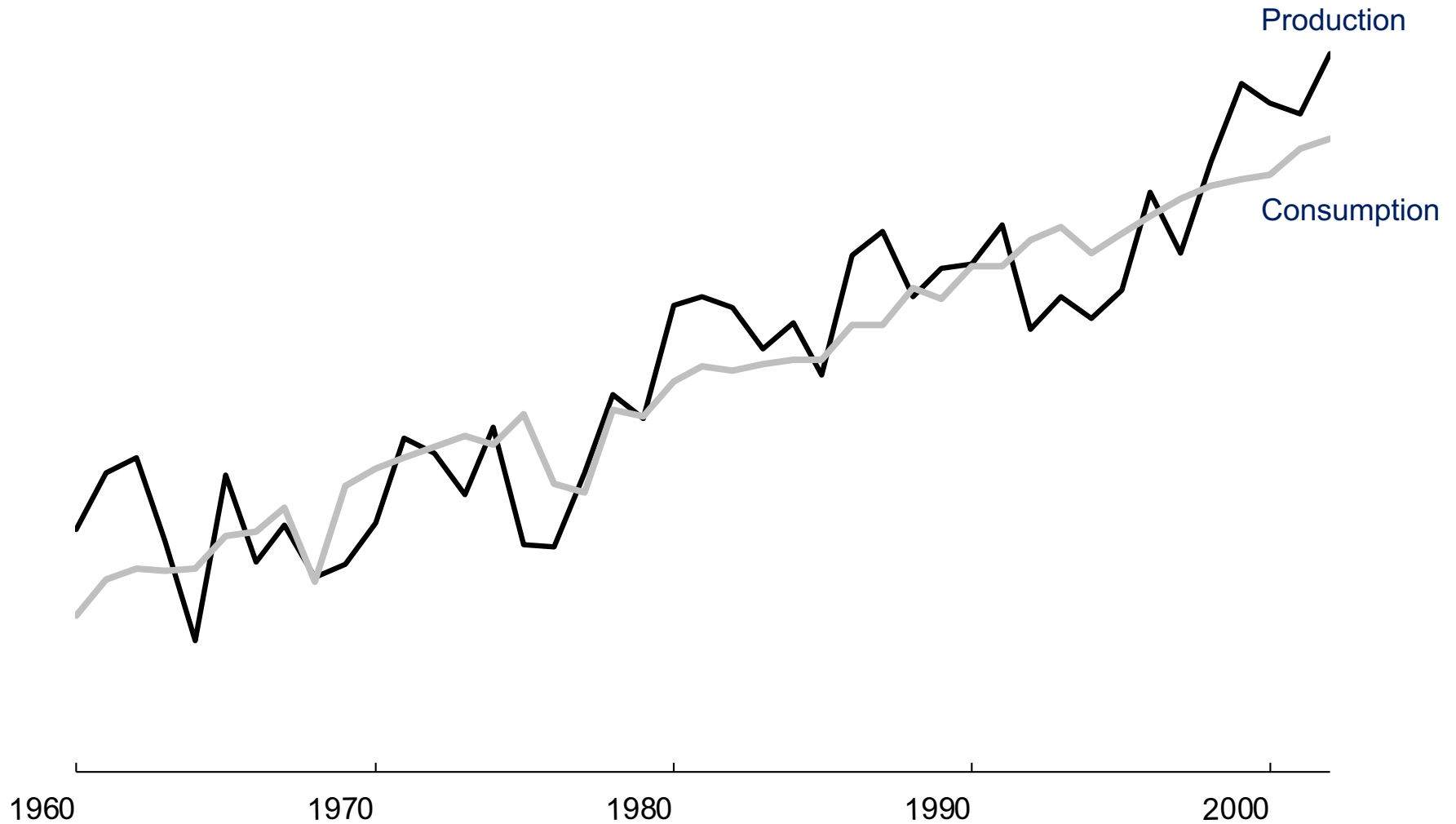
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- The Value Chain Framework
- **Global coffee value chain**
- Break
- Case: Vietnam coffee

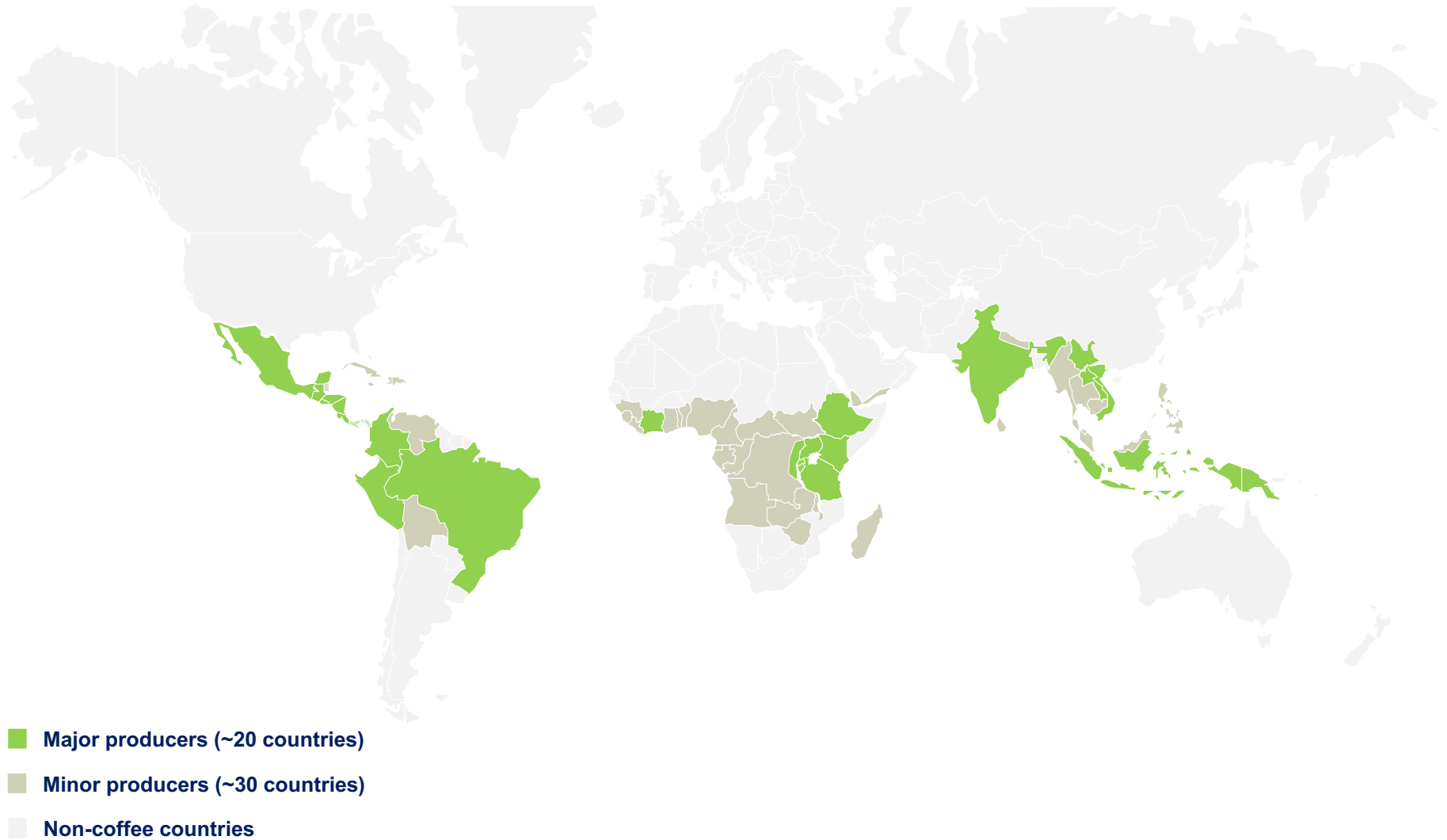
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- COVID-19 implications
- Practical aspects / Q&A

# Coffee production is more elastic than consumption



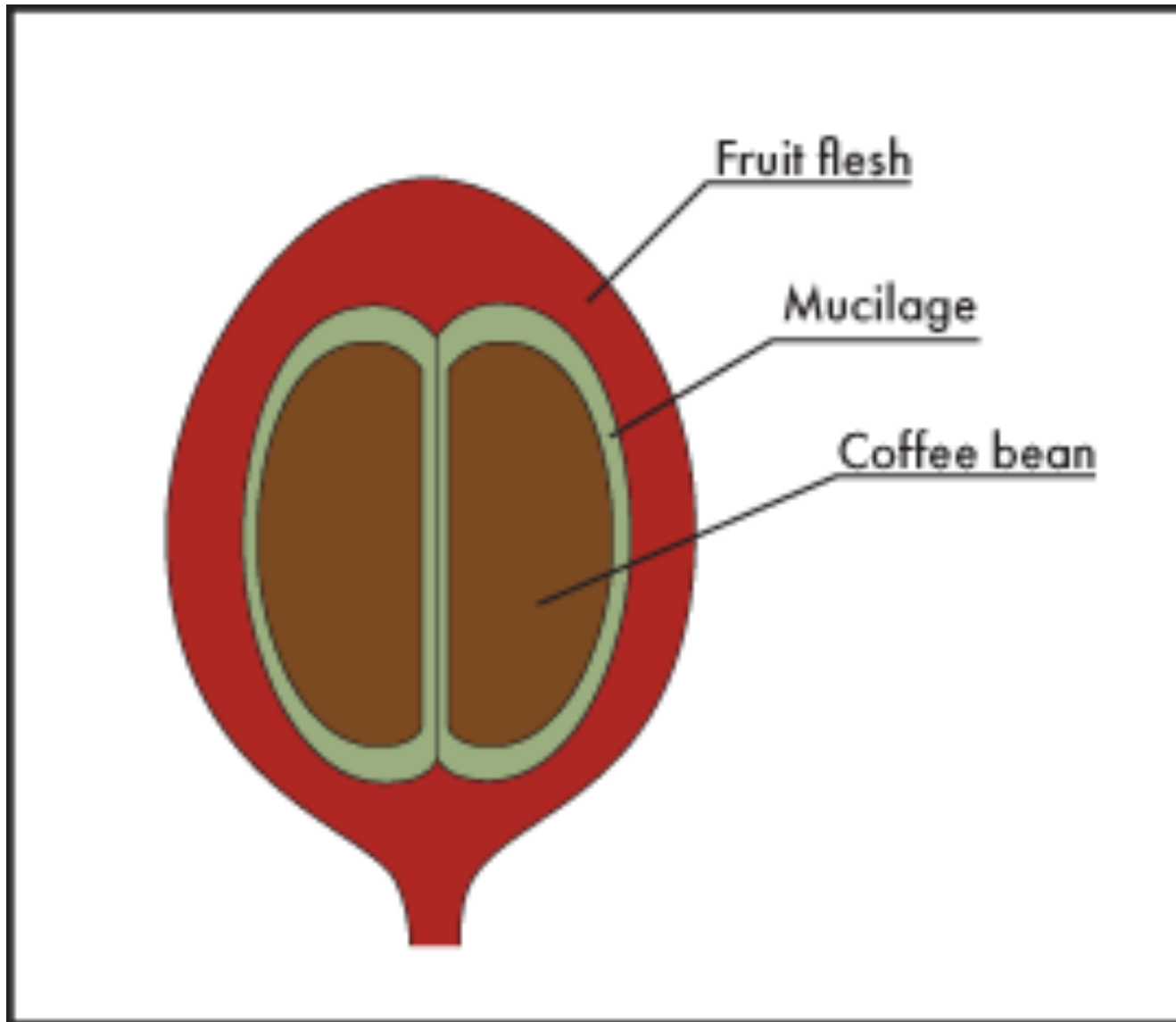
# Coffee grows in the tropics



Coffee is a fruit



The “bean” is the seed inside the fruit



# The coffee value chain from cherry to cup

**Cherry**



**Parchment**



**Green**



**Roasted**



**Ground**



**Cup**



# Each stage of the value chain involves different actors



# Natural and logistical factors make it difficult to occupy more than 1-2 roles in the overall value chain



# This week, we will focus on the first three stages of the value chain only

Cherry	Parchment	Green	Roasted	Ground	Cup
					
<b>&gt;10 M farms</b>	<b>&lt;1 M mills</b>	<b>&lt; 0.01 M traders</b>	<b>&lt; 0.1 M roasters</b>	<b>&gt;1 M retailers</b>	<b>&gt;1000 M consumers</b>

>95% of the world's coffee farms are “smallholders”

**Cherry**



**>10 M  
farms**



# There are some very large, industrial coffee farms

**Cherry**



**>10 M  
farms**



# On small farms, coffee cherries are harvested by hand

**Cherry**



**>10 M  
farms**



# Coffee should be processed immediately after picking

**Cherry**



**>10 M  
farms**



# Cherries are de-pulped...

**Parchment**



**<1 M  
mills**



... washed ...

**Parchment**



**<1 M  
mills**



... and dried

**Parchment**



**<1 M  
mills**



Or alternatively dried with the fruit still on the parchment

**Parchment**



**<1 M  
mills**



# Large mills process coffee for export

**Green**




**< 0.01 M  
traders**



# Exportable coffee is bagged and loaded in containers

**Green**



**< 0.01 M  
traders**



Source: <https://www.dreamstime.com/men-stacking-large-bags-coffee-beans-warehouse-addis-ababa-ethiopia-january-men-stacking-large-bags-coffee-beans-image140381158>

# Plan for the week

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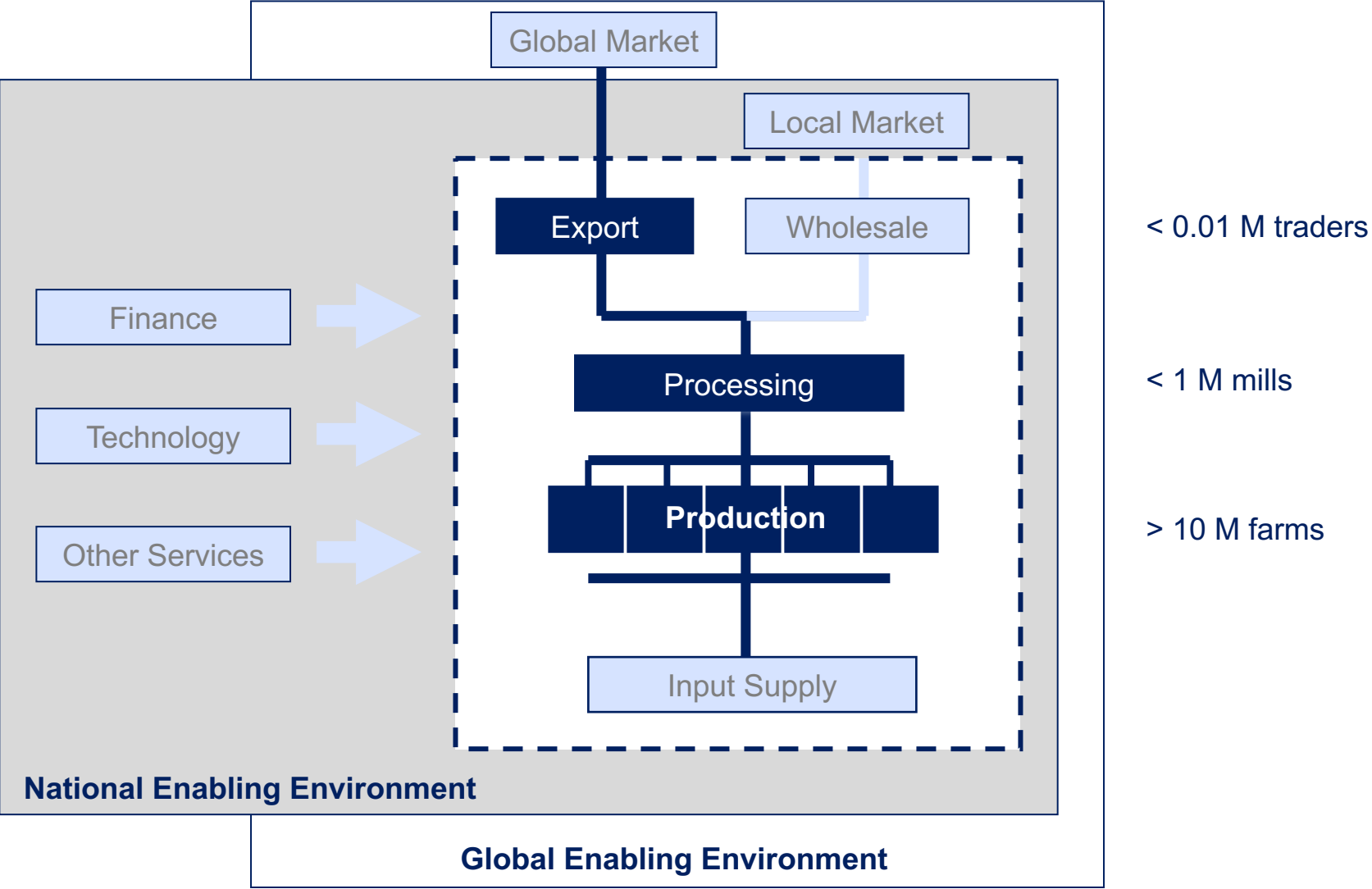
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# Value chain recap



# Global coffee value chain map



# Global coffee value chain

1

**MAP**

- Diverse supply base: 20+ countries, >10 million farms, varying levels of sophistication
- Most coffee sold for export

2

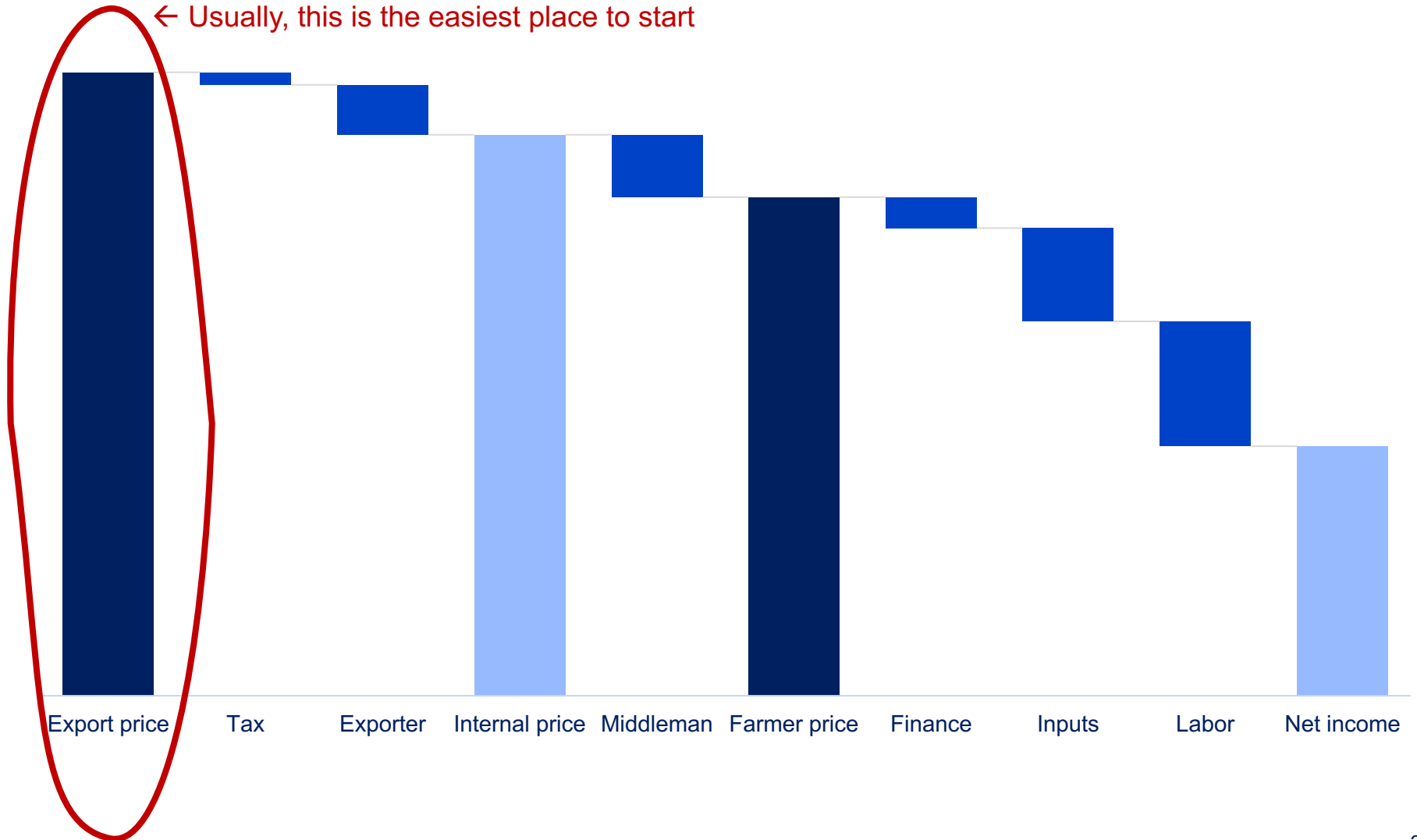
**BREAKDOWN**

3

**BENCHMARK**

# Breakdown costs and revenues for each actor, how value flows through the chain

← Usually, this is the easiest place to start



# Coffee export prices are benchmarked to the “C” price

ICE FUTURES U.S.

## Coffee C<sup>®</sup> Futures

[Product Specs](#) [Data](#) [Expiry Details](#) [Margin Rates](#)

[Options](#)

CONTRACT

 **MAY20**

LAST

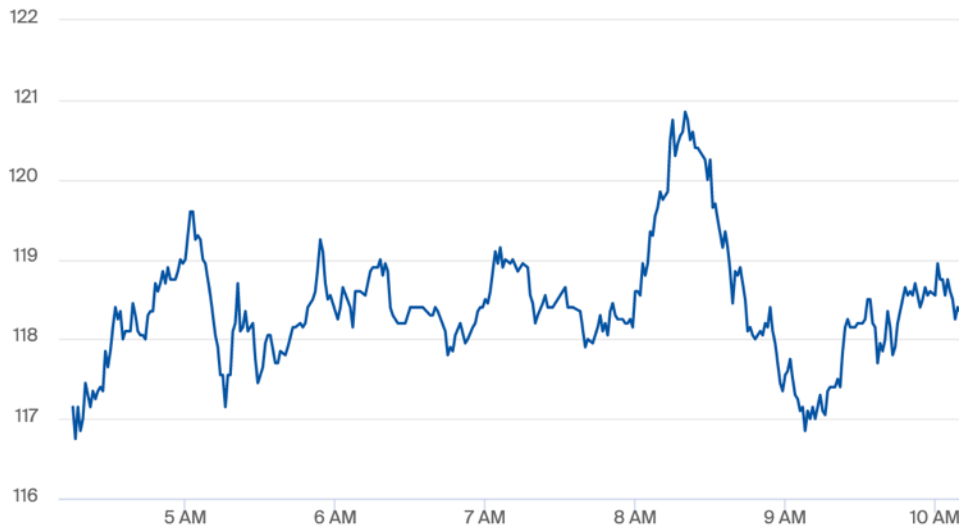
**118.800**

**INTRADAY**

3 MONTHS

1 YEAR

2 YEARS



## Market Specifications

**Trading Screen Product Name**

Coffee "C" Futures

**Trading Screen Hub Name**

NYCC

**Commodity Code**

KC

**Contract Size**

37,500 pounds

**Price Quotation**

Cents and hundredths of a cent up to two decimal places

# Current prices are low by recent standards

**Coffee C Futures Price**  
U.S. ¢ per lb green coffee



# Periods of low prices trigger “coffee crises”

**Coffee C Futures Price**  
U.S. ¢ per lb green coffee

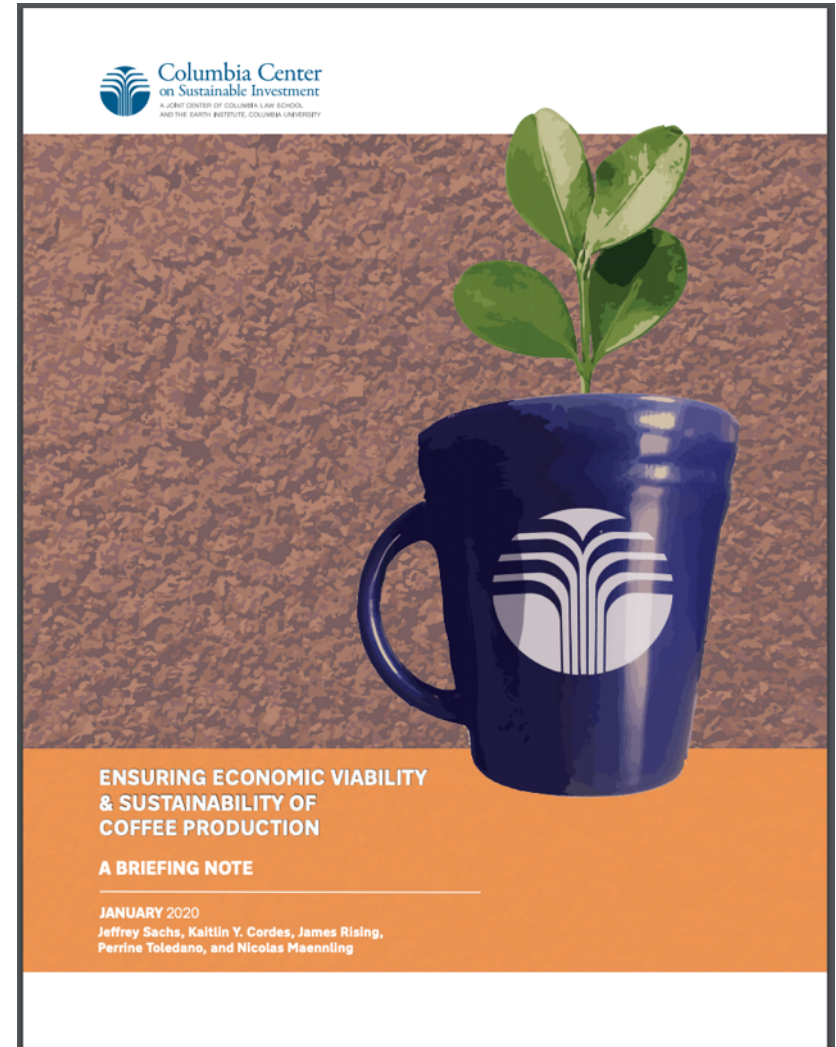


# The current crisis is in the news

“Low coffee price talks dominate 124th International Coffee Council” - [Global Coffee Report](#), April 2, 2019

“Coffee Producers Demand Immediate Action Amidst Price Crisis” - [Daily Coffee News](#), March 27, 2019

“Starbucks Has Brazil to Thank for Longest Coffee Rout Since 2001” - [Bloomberg](#), March 29, 2019

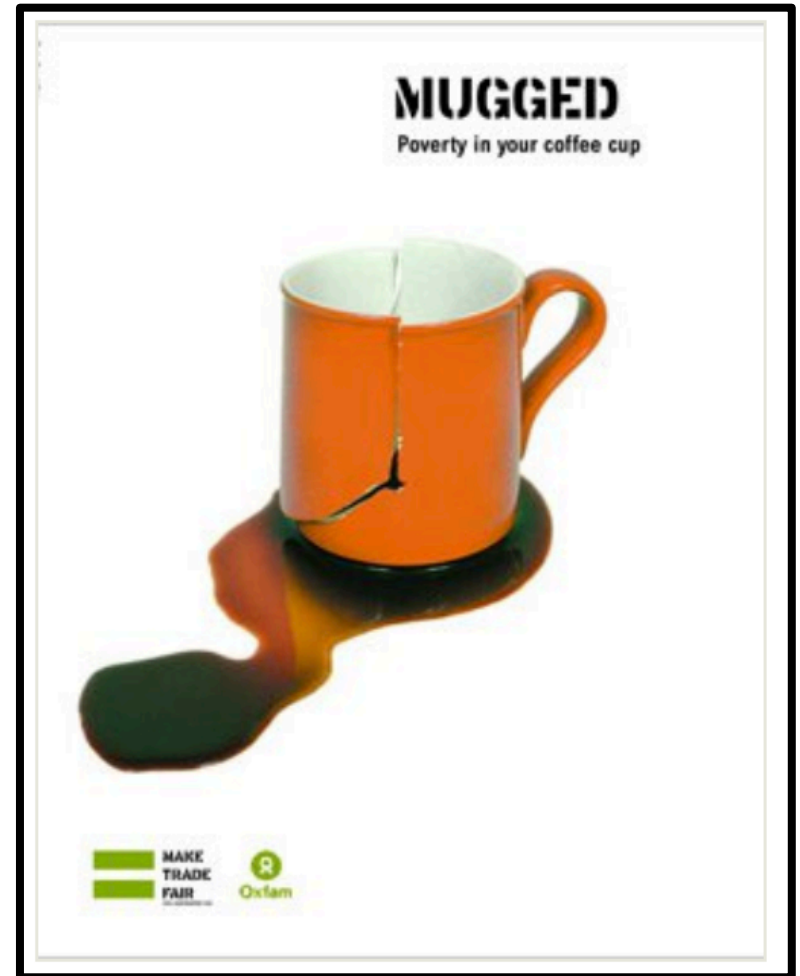


# There were similar headlines in the early 2000s

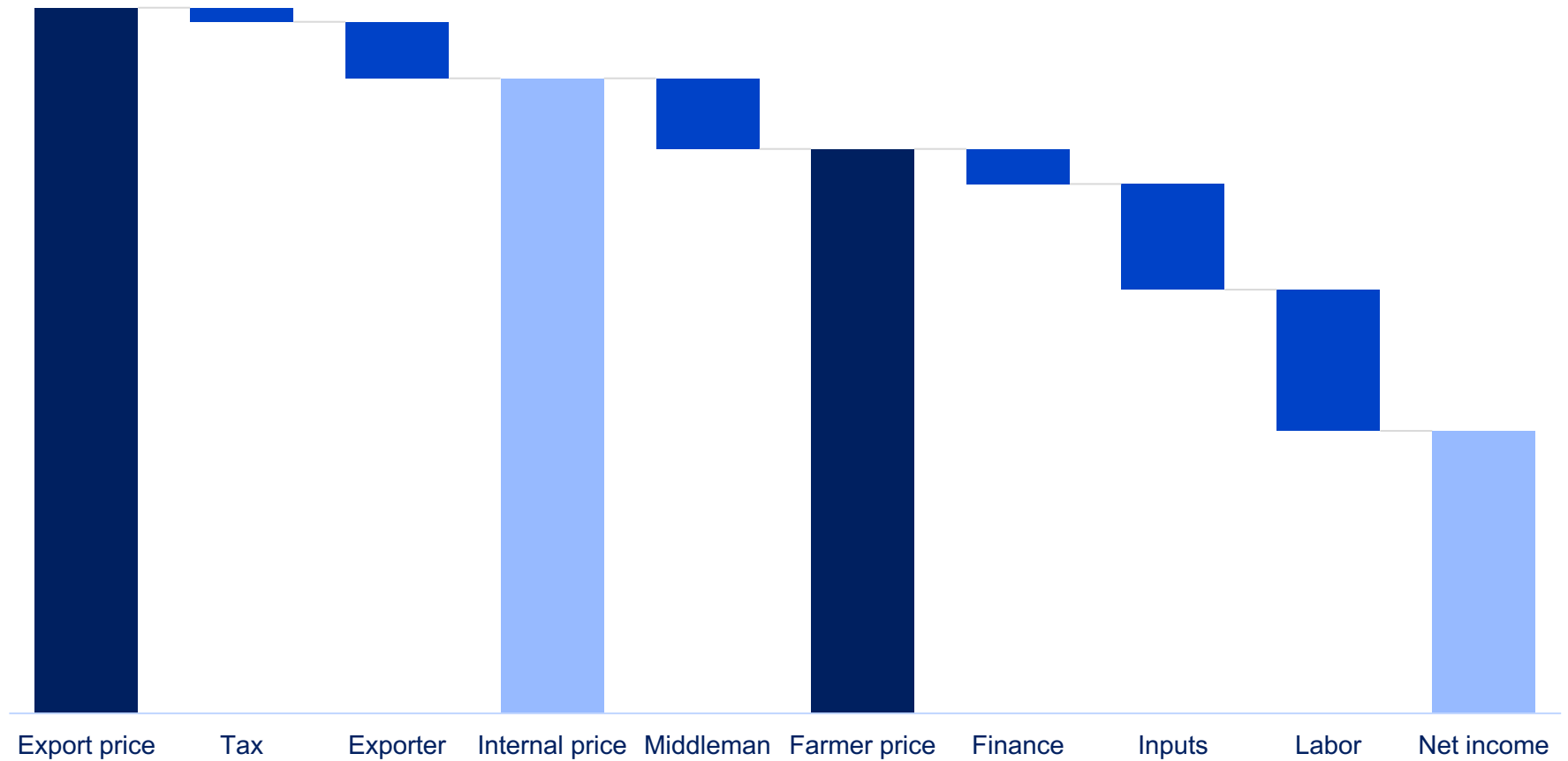
“Small coffee farmers in developing countries sell their beans for less than they cost to produce. Meanwhile, the largest coffee corporations continue to reap enormous profits.” - [Oxfam](#), September 10, 2002

“Gourmet cappuccino is a bitter cup for poor coffee farmers” – [The Guardian](#), June 18, 2001

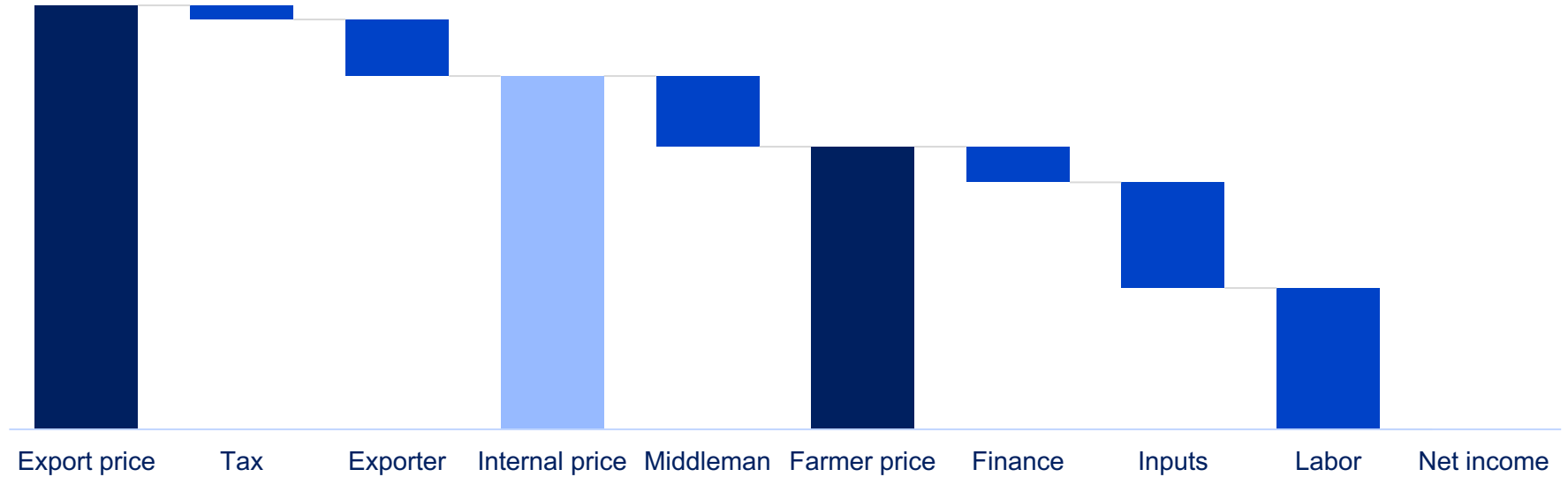
“Depressed Coffee Prices Yield Suffering in Poor Countries” – [Global Policy Forum](#), February 7, 2003



# Average farmer income during “normal” prices



# Average farmer income during a price crisis



# Global coffee value chain

1

**MAP**

- Diverse supply base: 20+ countries, >10 million farms, varying levels of sophistication
- Most coffee sold for export

2

**BREAKDOWN**

- Prices set internationally
- Production costs are influenced by local policies and conditions (e.g., taxes, wages, infrastructure, etc.)

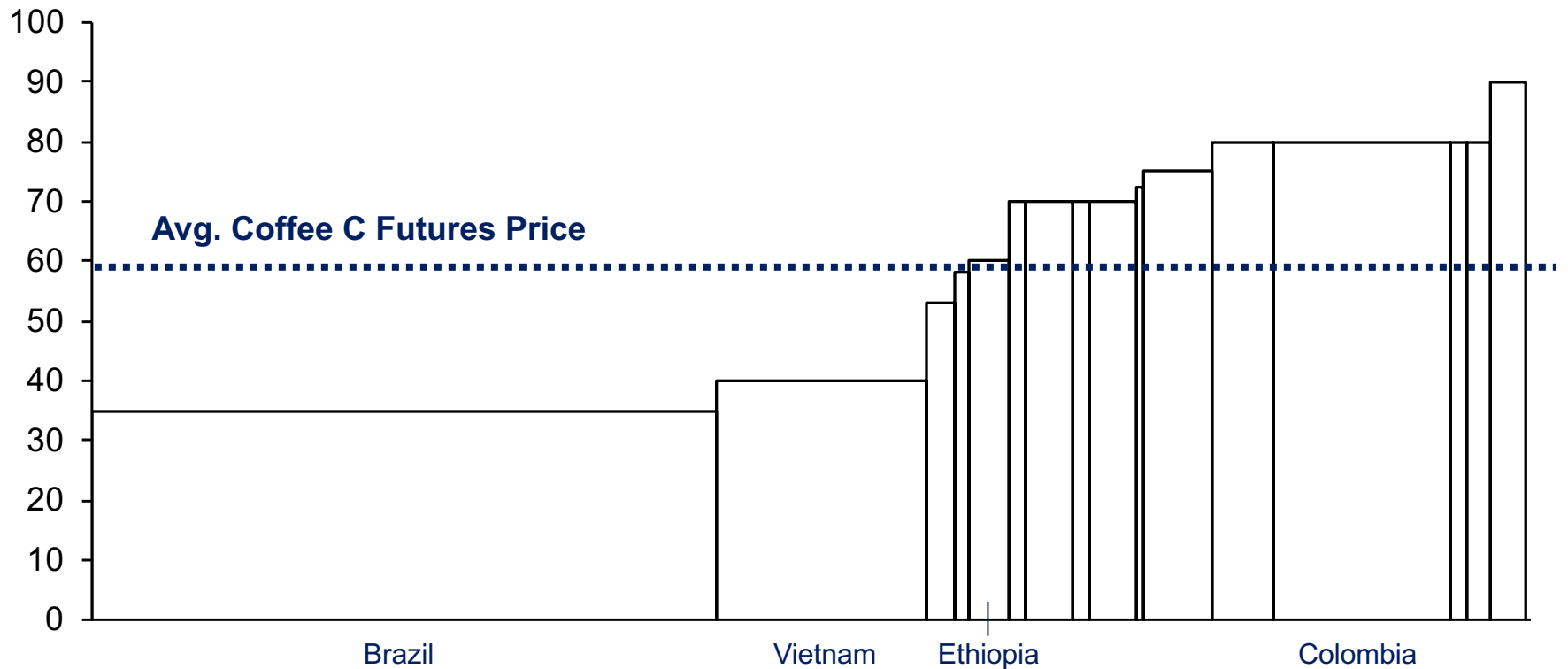
3

**BENCHMARK**

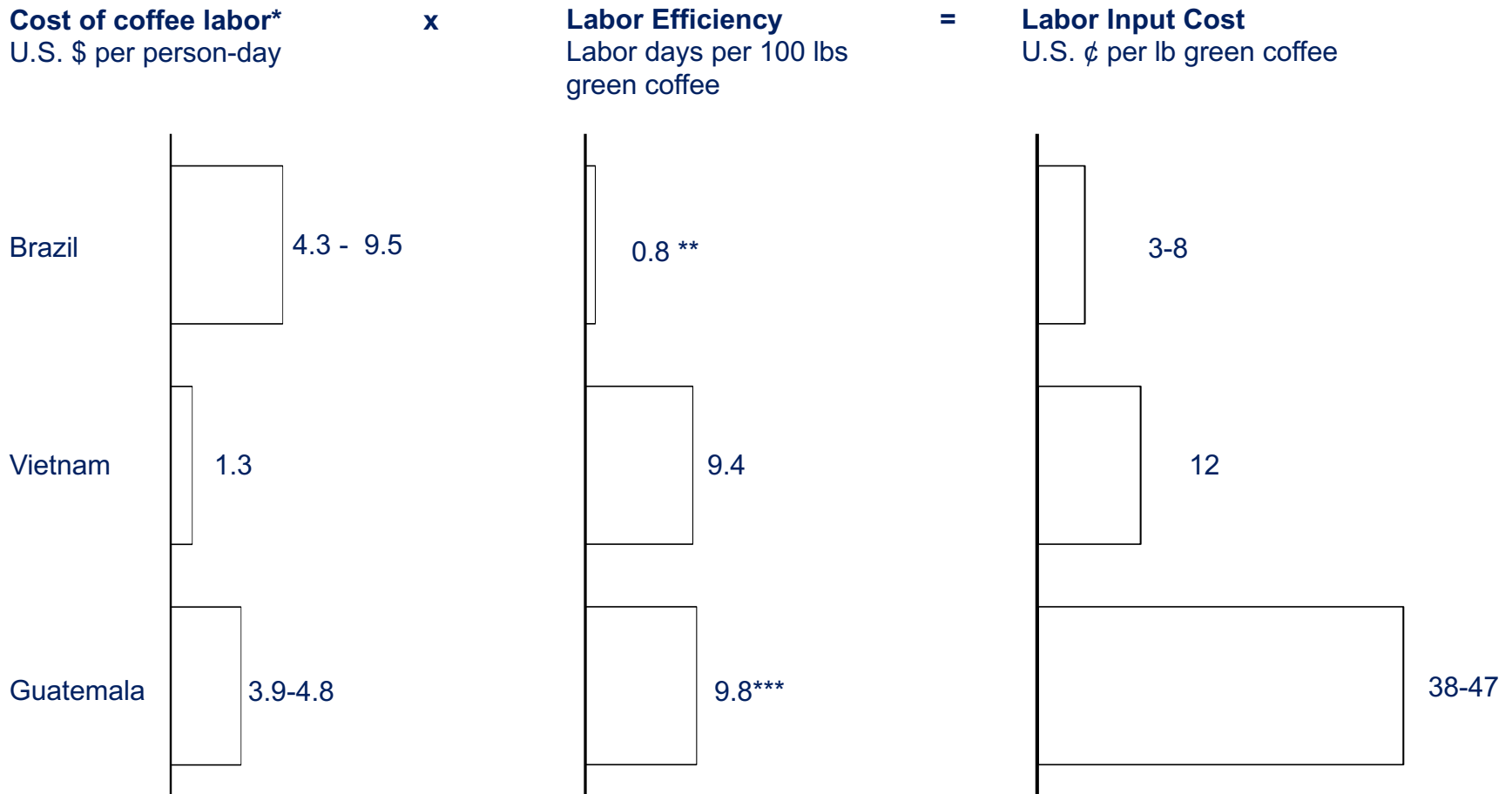
# In 2003, Brazil and Vietnam were among the only countries able to keep producing coffee at a profit

## Cost of producing coffee

U.S. ¢ per lb green coffee



# Brazil and Vietnam had a cost advantage due to low labor costs and high labor efficiency levels

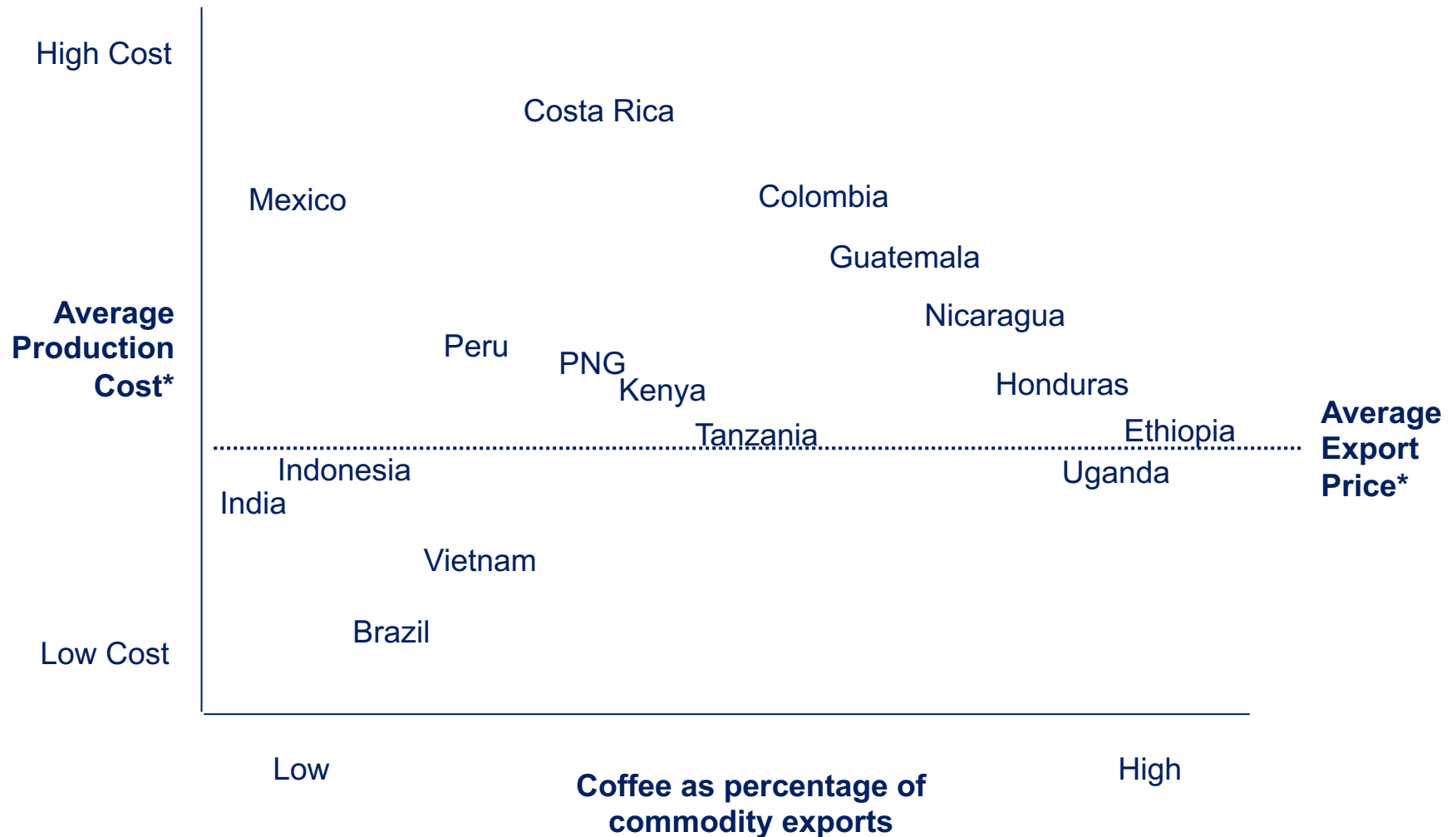


\* Range based on direct wages (low-end) and fully loaded cost (high-end)

\*\* Assuming mechanical harvesting

\*\*\* Uses Guatemala wage of \$4.75 per day and includes wet-milling in labor costs

# How do you think countries responded to the crisis?



\* Cost positions are adjusted to reflect the relative prices differentials received by specific countries

Source: USDA; ICO Coffee Statistics, Sept 2002; Compete Coffee Coverage; TechnoServe; Economist Intelligence Unit; team analysis

# Global coffee value chain review

1

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- Most coffee sold for export

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**BREAKDOWN**

- Prices set internationally
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3

**BENCHMARK**

- Low cost countries (Brazil and Vietnam) increasing production
- High cost countries getting squeezed

# Plan for the week

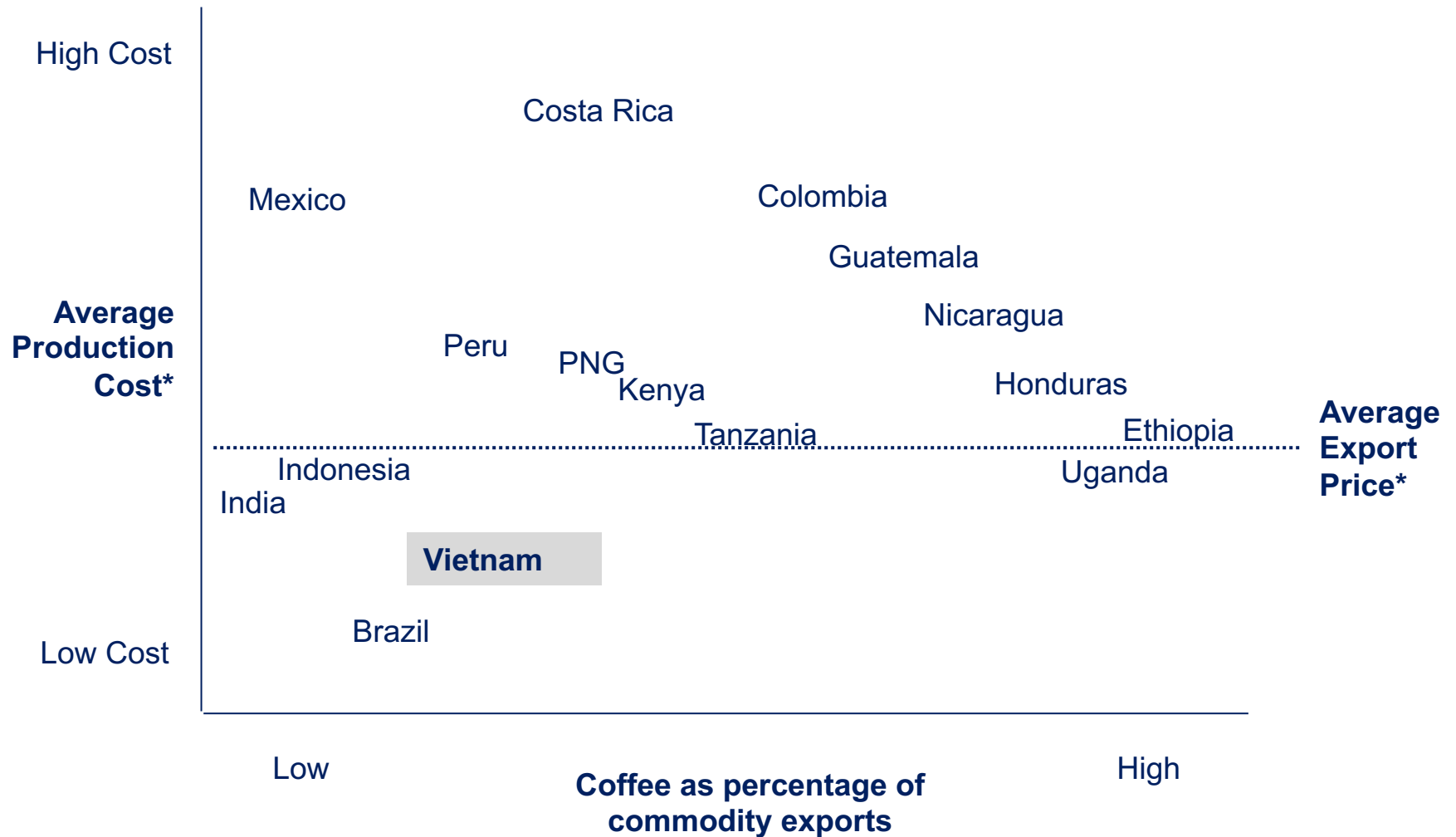
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# Vietnam: what happened next?

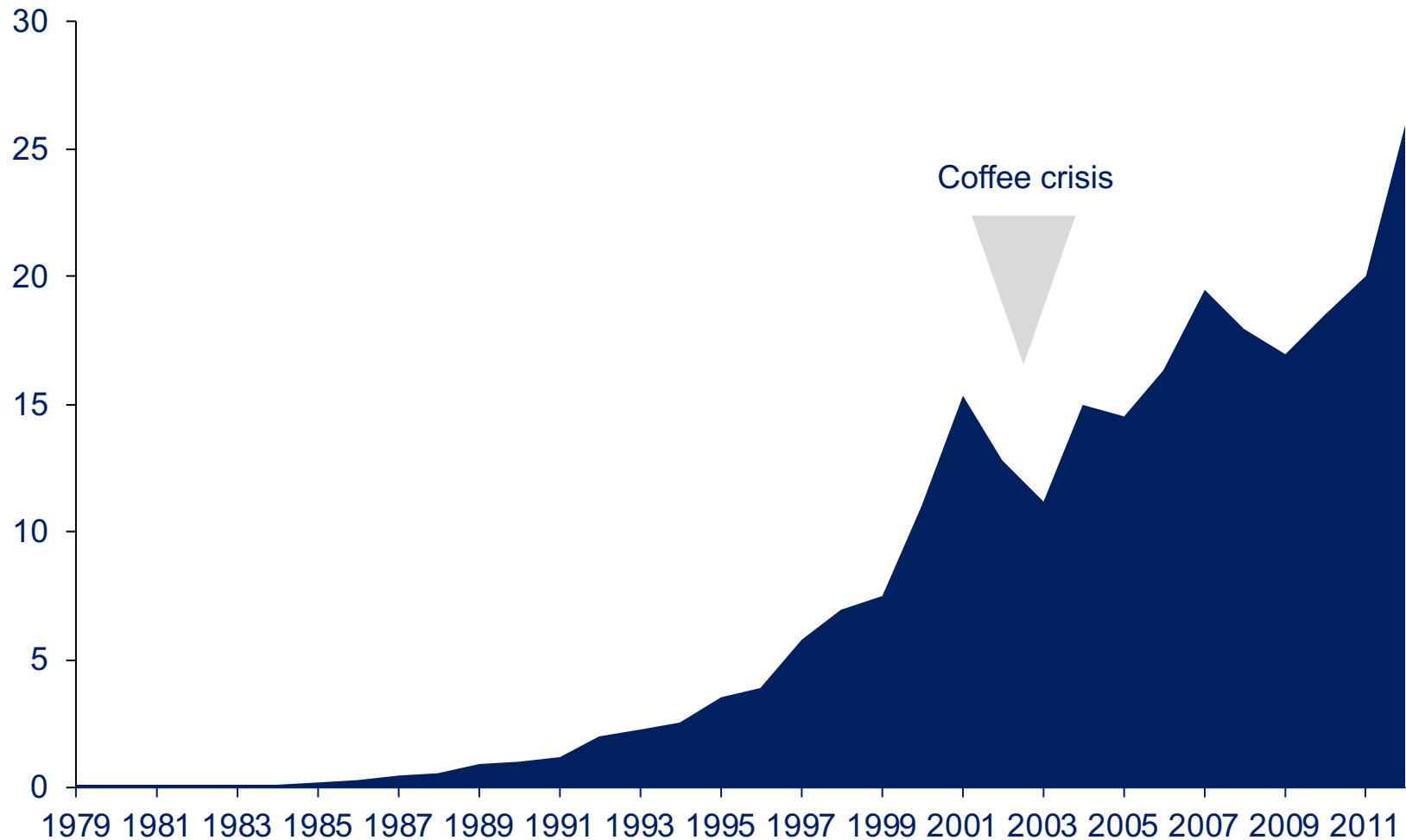


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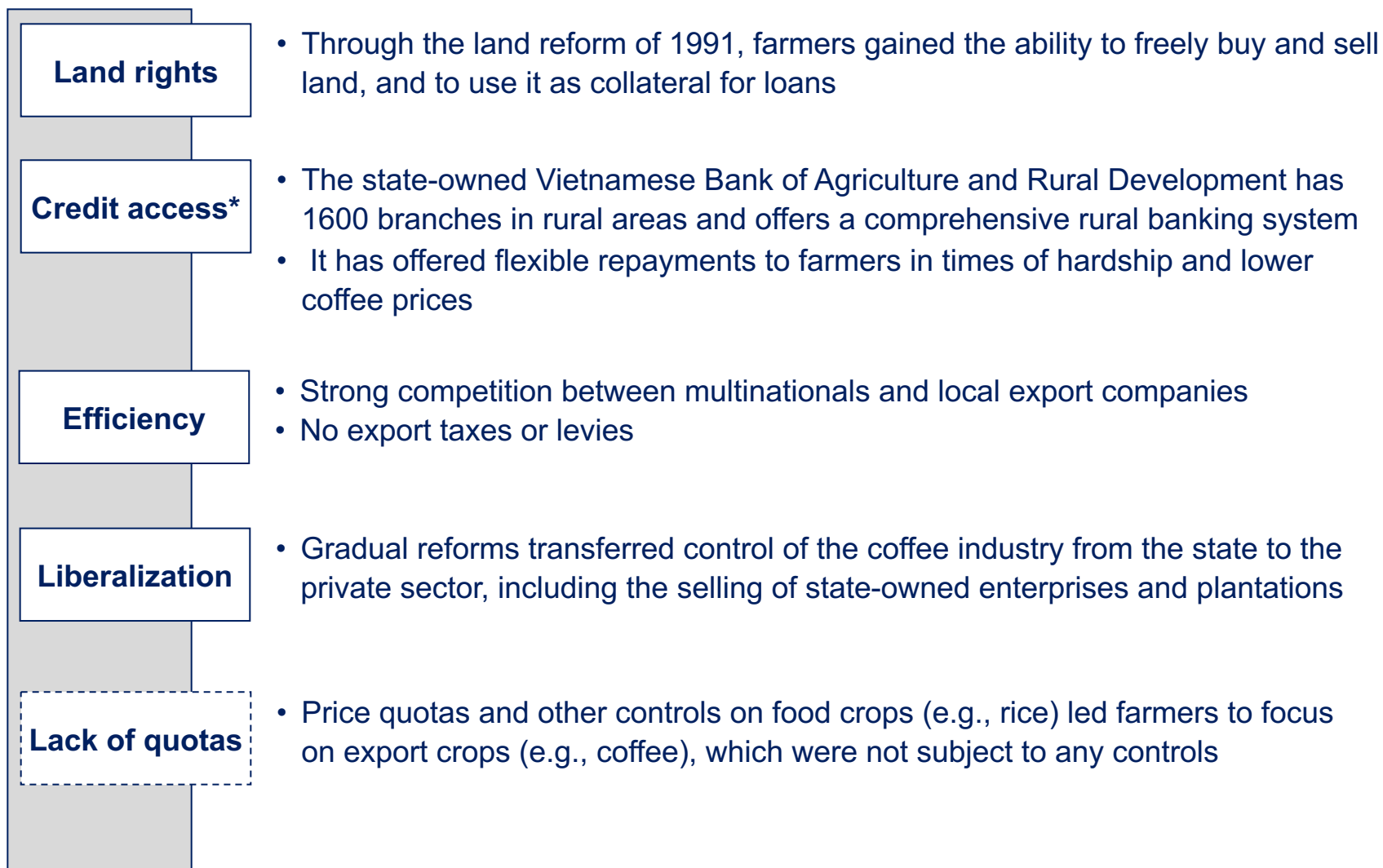
Source: USDA; ICO Coffee Statistics, Sept 2002; Compete Coffee Coverage; TechnoServe; Economist Intelligence Unit; team analysis

# After the coffee crisis, production doubled

**Vietnam coffee production**  
Bags (60-kg), millions



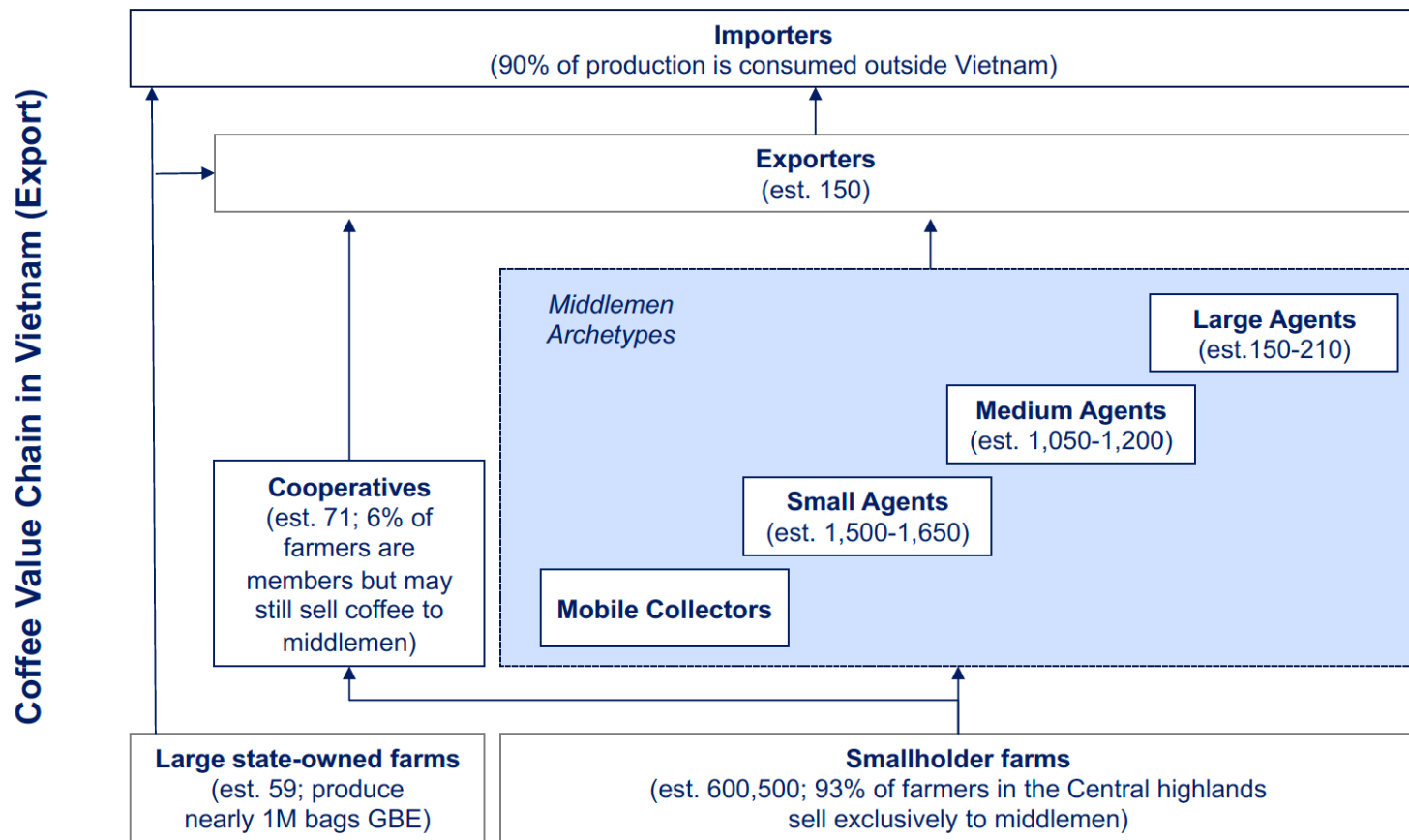
# Government maintained growth-oriented policies



\* Many in the Vietnamese industry still see smallholders' access to credit, especially for inputs, as a major challenge

# A recent example of value chain actor mapping

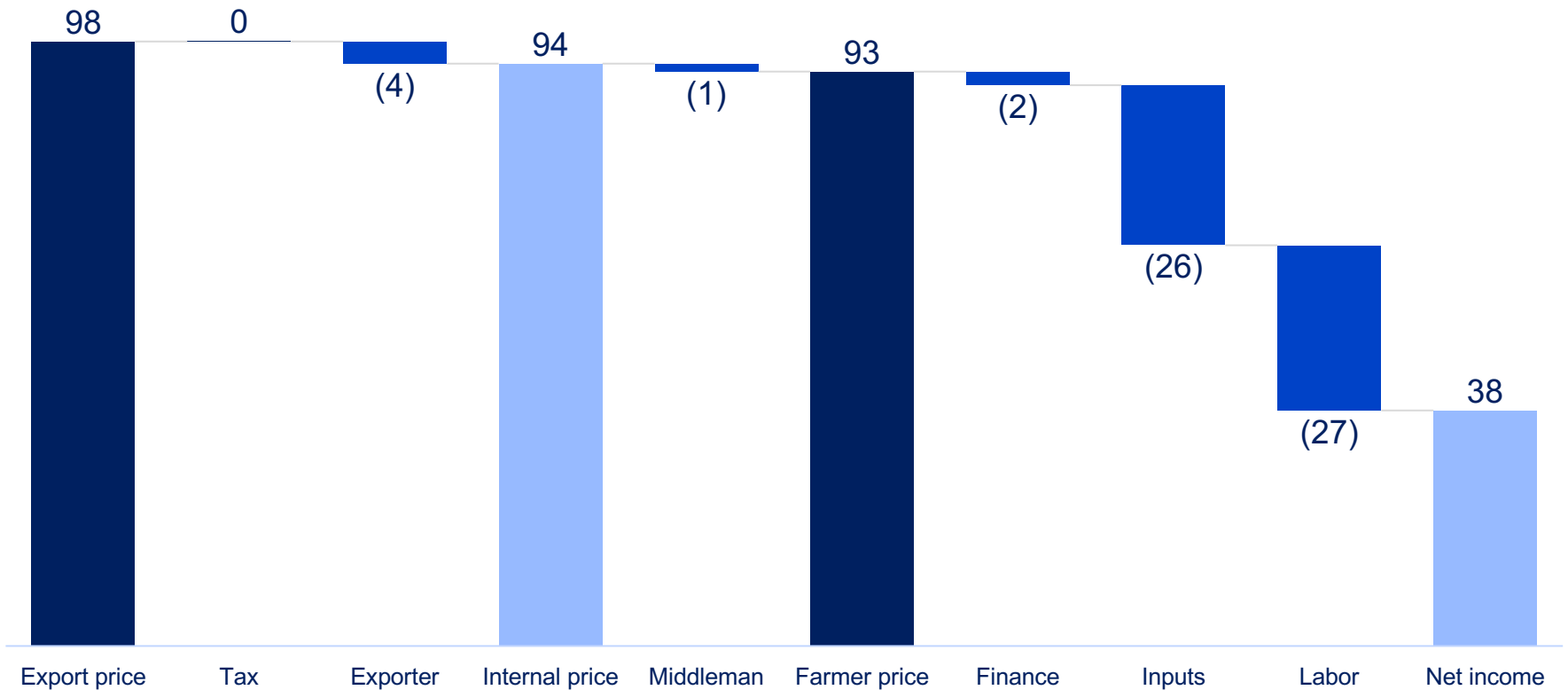
Vietnam has more than 3,000 middlemen and they handle virtually all the country's Robusta



# Farmers receive 95% of the export price, while traders have very slim margins

## Illustrative Vietnam Robusta supply chain cost breakdown

US cents per pound green



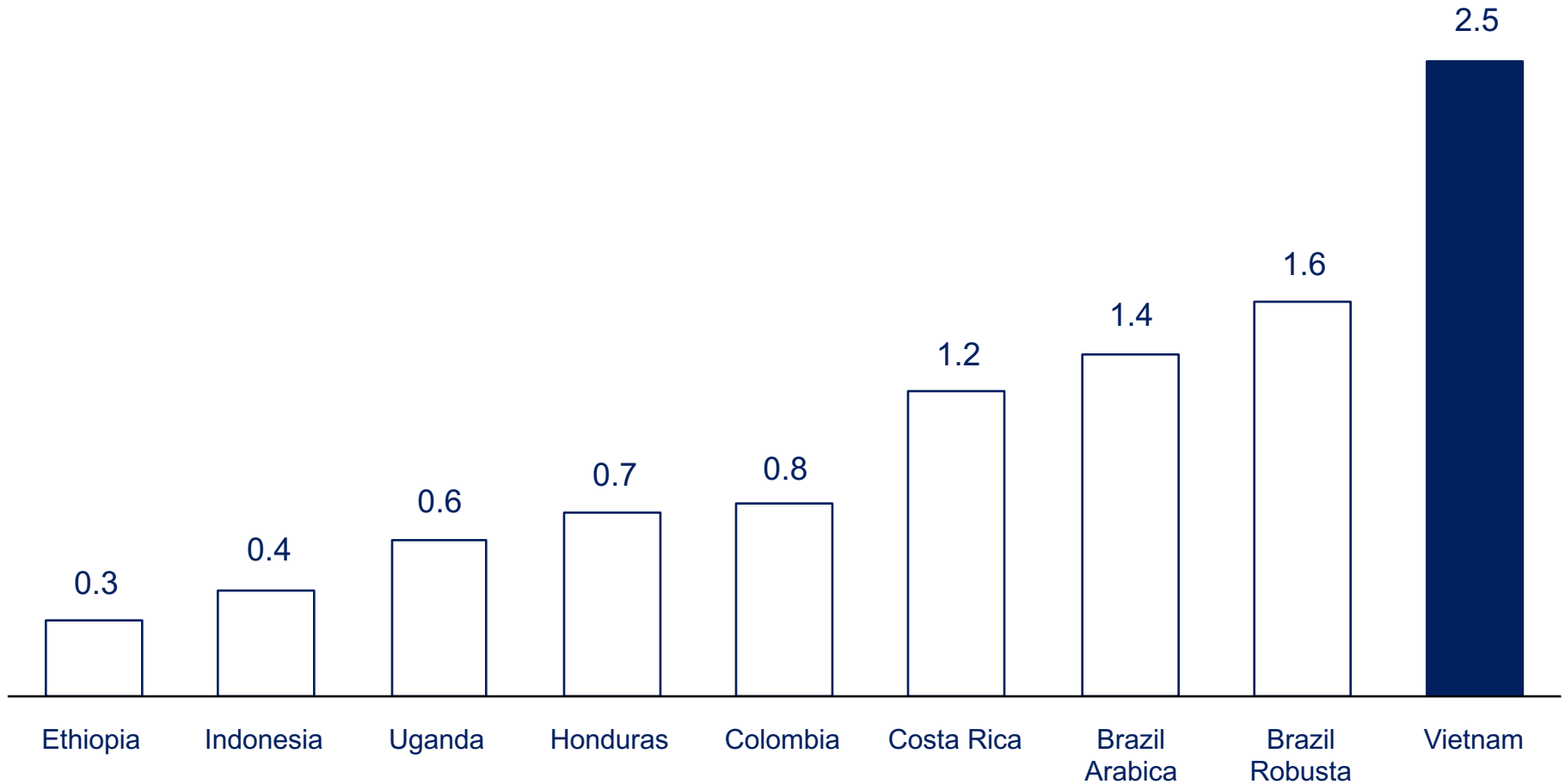
DATE: March 8, 2013 (for pricing)

Source: interviews with local and multinational exporters

# Vietnamese farms have very high yields

## Average coffee farm yields\*

Metric tons green coffee per hectare



\*National average based on total production (average of last two crops) and area under coffee; includes both Arabica and Robusta unless noted otherwise

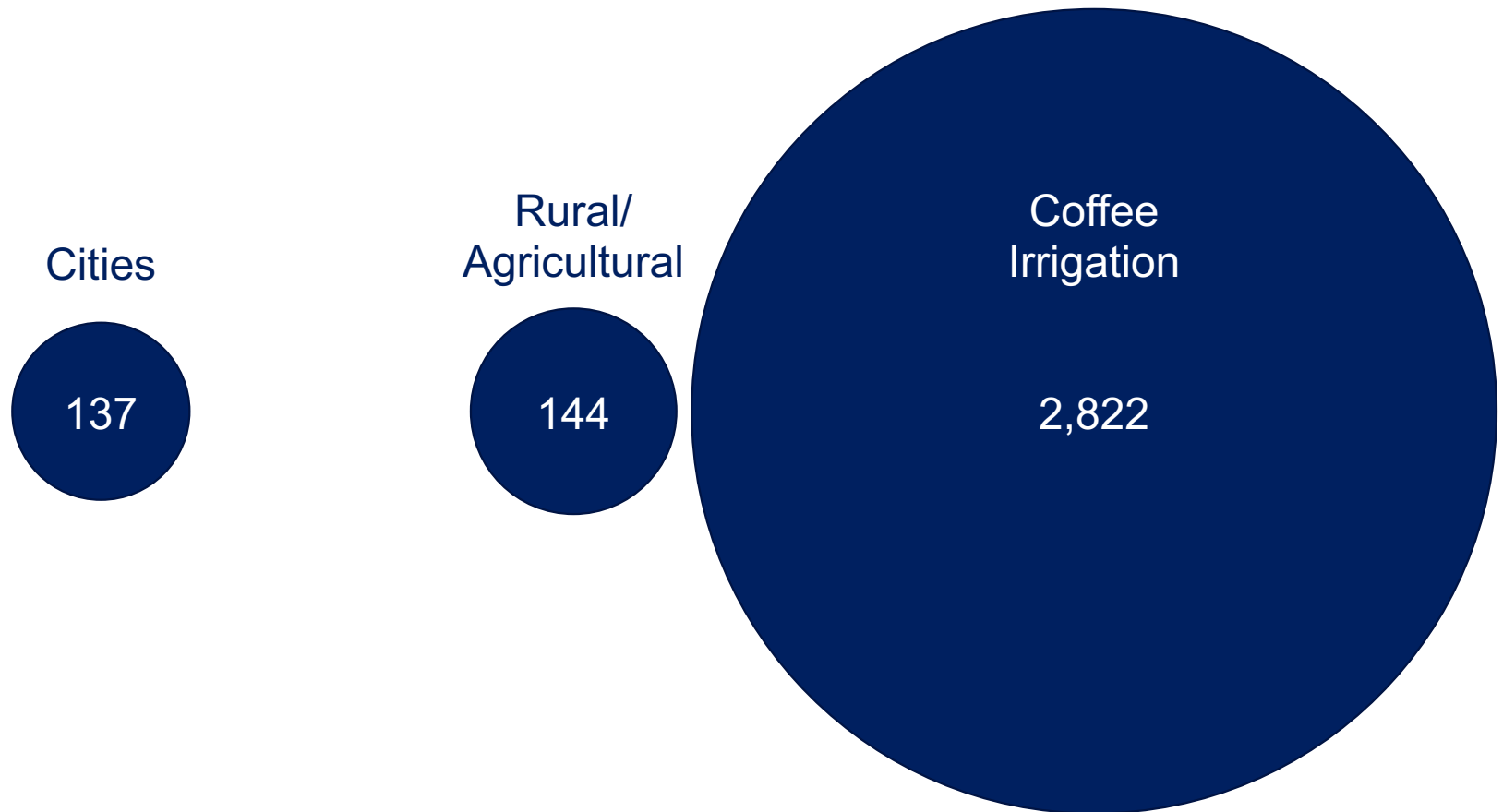
Source: USDA; TechnoServe analysis



# Coffee production has a large environmental footprint

## Total water demand in Vietnam's Central Highlands

Tons per household\* per year



\* Assumes average household size of 4.5

Source: D'Haeze 2004; Lu 2002; extrapolations to current estimated rates of urban and rural usage

# Vietnam review

1

**MAP**

- Approx. 600,000 mostly small-scale farmers
- Growth-focused government policies (land rights, credit access, lots of competition, etc.)

2

**BREAKDOWN**

- Farmers earn 95% of export price
- Margins for exporters / collectors are very slim (<1%)

3

**BENCHMARK**

- High farm yields and low costs relative to other coffee countries
- Production has a large environmental footprint

# Potential ways forward

## **Sustain**

- Improve environmental stewardship (water, etc.)

## **Add value**

- Develop capacity to roast and package locally, and sell into regional markets (e.g., China)

## **Local demand**

- Boost local coffee consumption, reducing exposure to volatile export prices

# Plan for the week

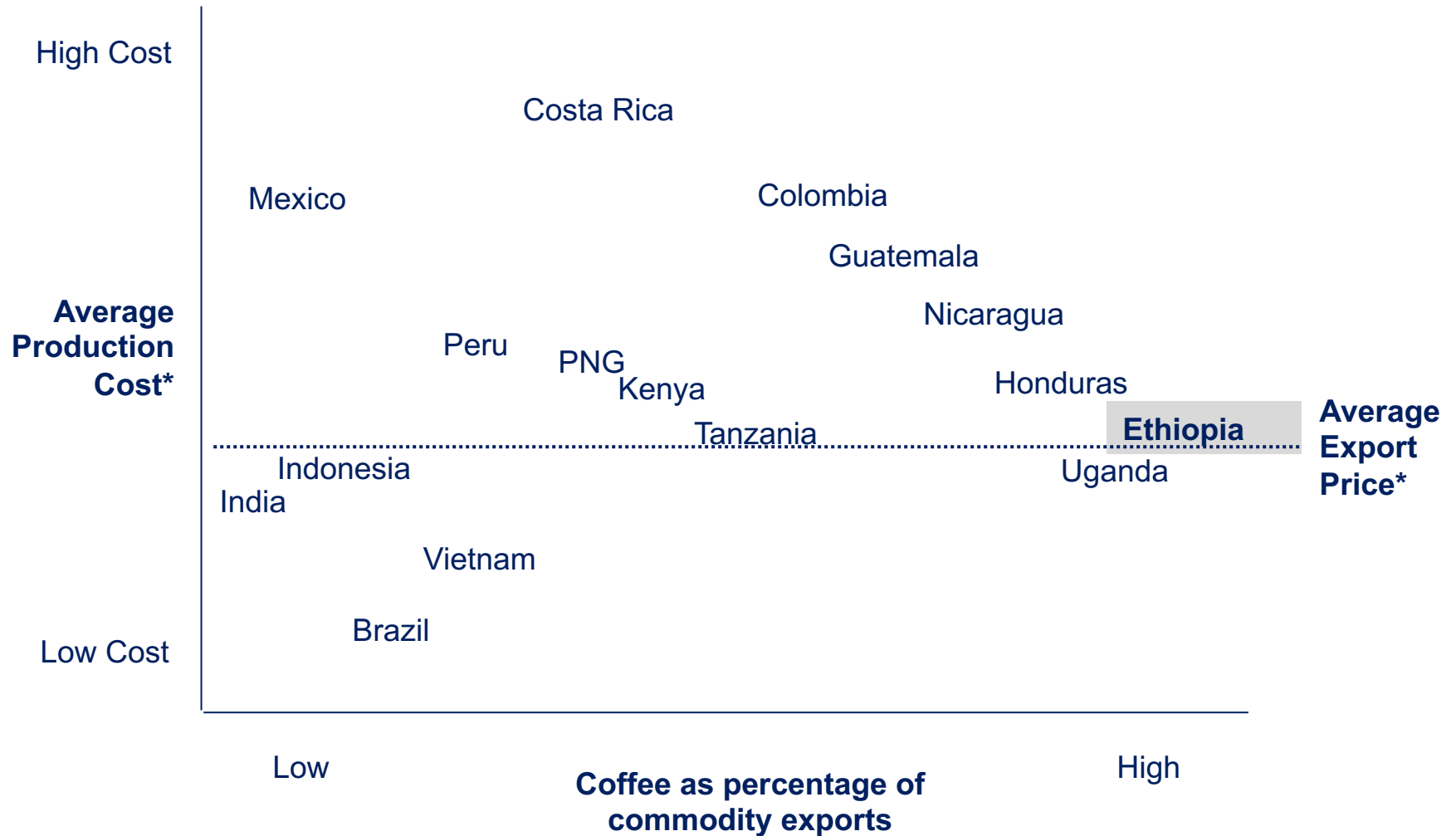
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# What will happen in Ethiopia?



\* Cost positions are adjusted to reflect the relative prices differentials received by specific countries

Source: USDA; ICO Coffee Statistics, Sept 2002; Compete Coffee Coverage; TechnoServe; Economist Intelligence Unit; team analysis

# Homework

## Background reading:

“What is in a Bean? ECX and the Specialty Coffee Market”

## Excel:

Complete the ‘worksheet’ tab using the data in the preceding sheets

## Questions to think about:

1. Which problems in Ethiopia’s coffee value chain is ECX seeking to address?
2. How have Ethiopia's coffee export revenues changed since 2008?
3. What do the data suggest is the primary reason for the change?
4. How did the premium for Ethiopia's 'washed' coffee change over this period?
5. What share of the export price is the farmer capturing (as of 2010/11)?
6. Suppose you are interviewing an expert about the 2007/08 crop. The expert tells you that farmers received an average price of 4 birr per kg cherry for washed coffee and 3.3 birr per kg cherry for unwashed coffee that year (and the exchange rate was ~9 birr to the dollar). How would you interpret those prices? What share of the export price (for that harvest) does this represent?  
(Hint: the conversion ratio between ‘cherry’ and ‘green’ (exportable) coffee is 6 units to 1.)

# Impact of Covid-19 on Origin Logistics Update as of 26<sup>th</sup> March

Key: Normal Slow/-ve Suspended

ORIGIN	Vietnam	Brazil	Colombia	Peru	Honduras	Indonesia	India	PNG	Ethiopia	Uganda	Kenya	China	Costa Rica	Guatemala	Tanzania
Port operations	Normal	Normal	Normal	Slow/-ve	Normal	Normal	Slow/-ve	Normal	Normal	Normal	Normal	Normal	Normal	Normal	Normal
Container availability	Normal	Slow/-ve	Normal	Slow/-ve	Normal	Normal	Slow/-ve	Normal	Normal	Normal	Normal	Slow/-ve	Normal	Slow/-ve	Normal
Domestic Trucking	Normal	Slow/-ve	Normal	Suspended	Normal	Normal	Suspended	Normal	Normal	Normal	Normal	Normal	Normal	Normal	Normal
Customs	Normal	Normal	Normal	Suspended	Normal	Normal	Suspended	Normal	Normal	Normal	Normal	Normal	Normal	Normal	Normal
Phytosanitary	Normal	Normal	Normal	Suspended	Normal	Normal	Suspended	Normal	Normal	Normal	Normal	Normal	Normal	Normal	Normal
Courier	Slow/-ve	Normal	Normal	Suspended	Normal	Normal	Suspended	Normal	Slow/-ve	Normal	Slow/-ve	Normal	Normal	Normal	Normal
Coffee mills	Normal	Normal	Slow/-ve	Suspended	Normal	Normal	Suspended	Normal	Normal	Normal	Normal	Normal	Normal	Slow/-ve	Normal
Harvesting	Normal	Normal	Slow/-ve	Suspended	Normal	Normal	Normal	Normal	Normal	Normal	Normal	Normal	Normal	Normal	Normal

New York Daily News

## Coronavirus crisis shuts NYC Starbucks stores

NYC-based Starbucks closing for at least two weeks and shuttering cafe-only stores throughout the US. By Noah Goldberg and Ellen Moynihan.

1 week ago



Sprudge

## Support Local Coffee Shops And Staff By Filling Their Virtual ...

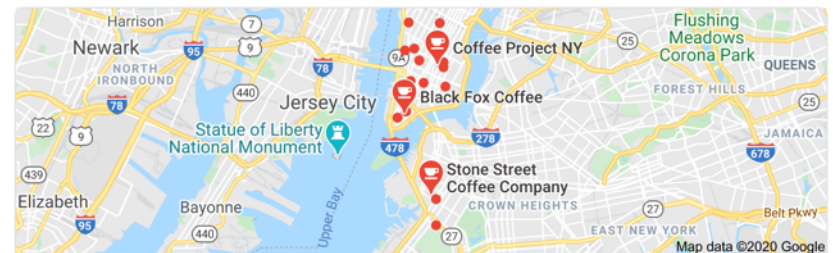
Buunni Cafe, New York City: @Buunni-Coffee Camber Coffee ... Coffee, New York City (Brooklyn location): @GimmeLorimer. Gimme! Coffee ...

2 weeks ago



All Maps Images Shopping News More Settings Tools

About 435,000,000 results (0.97 seconds)



Rating Price Hours Your past visits

⚠ Hours or services may differ due to COVID-19

### Coffee Project NY

4.7 ★★★★★ (554) · \$\$ · Coffee shop

239 E 5th St

Closed · Opens 8AM Tue

🗣 "A must visit coffee shop in NYC!! You can have different taste of ..."





COLUMBIA | SIPA

School of International and Public Affairs

## Value Chain Analysis – Day 2

Guest lecture by Carl Cervone

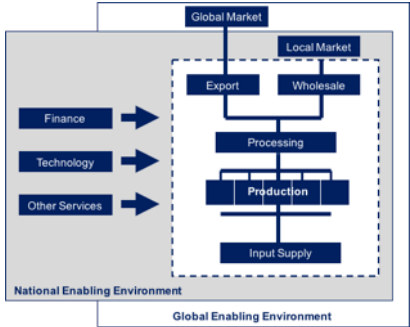
April 2, 2020

# Review of value chain analysis steps

1

**MAP**

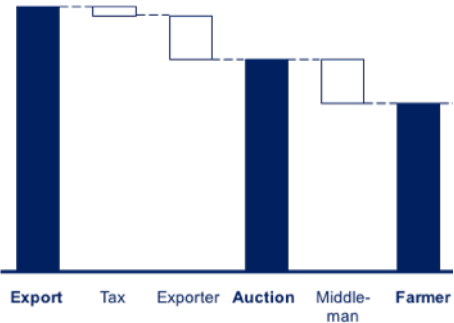
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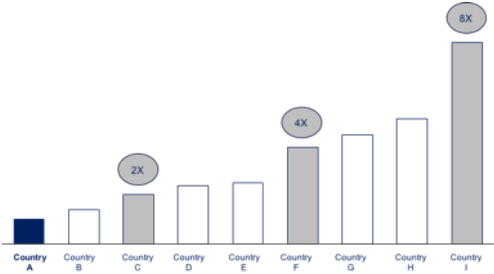
costs and revenues for each actor, how value flows through the chain



3

**BENCHMARK**

performance of the value chain against peer countries or sectors



# Global coffee value chain review

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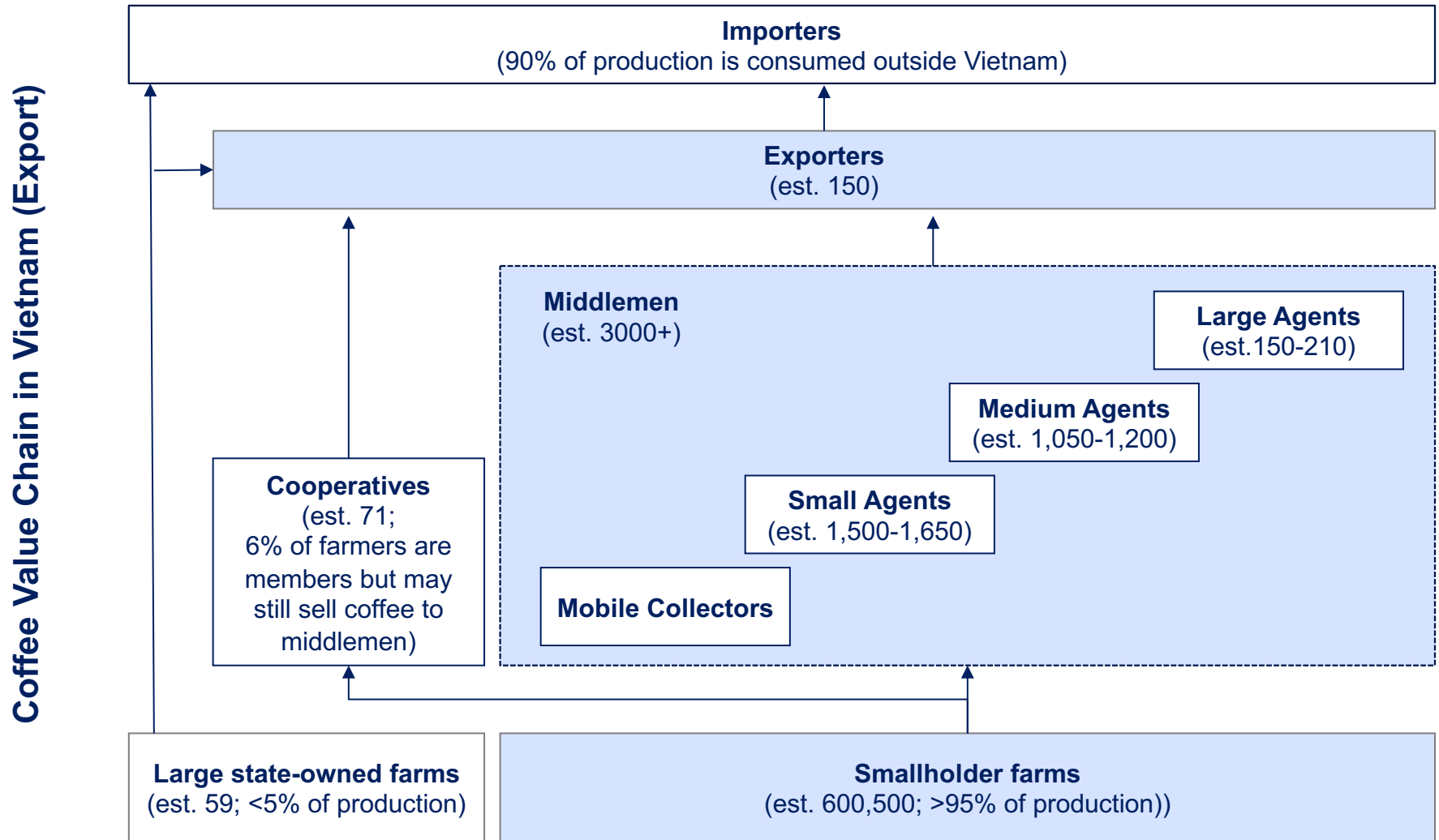
# Value chain recap



# Vietnam Case study review

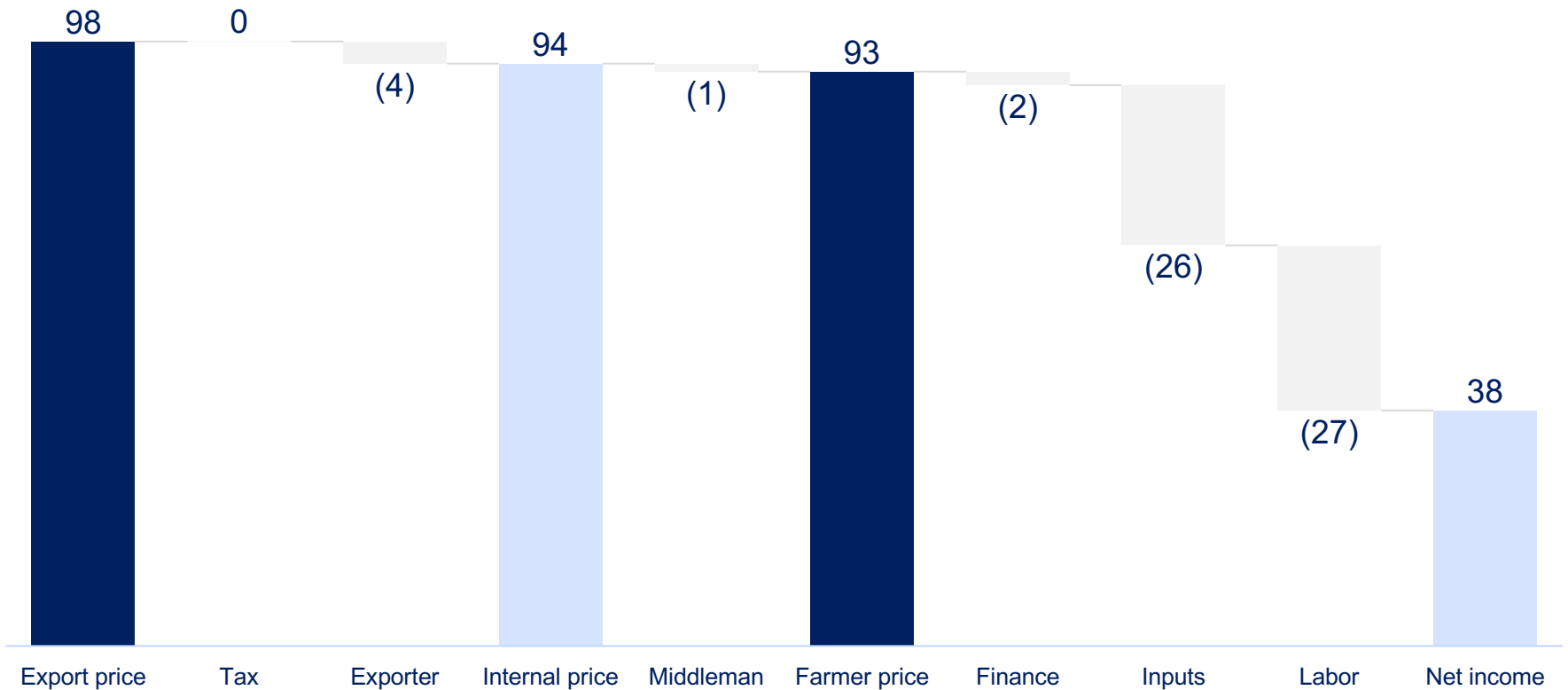


# Map: predominant value chain is smallholder farmers selling (Robusta) through middlemen for export



# Breakdown: Vietnams farmers receive 95% of the export price

**Illustrative Vietnam Robusta supply chain cost breakdown**  
US cents per pound green



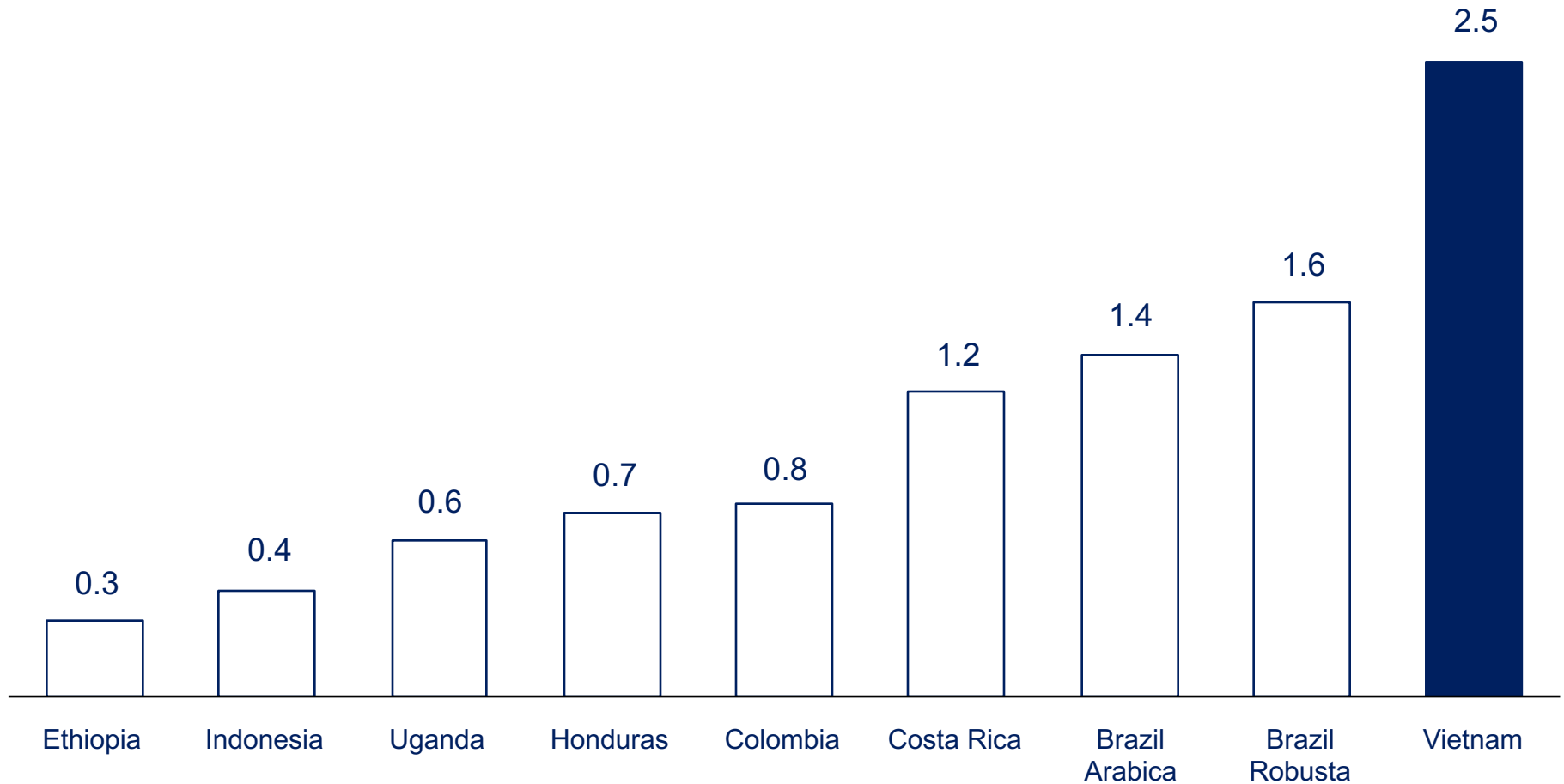
DATE: March 8, 2013 (for pricing)

Source: interviews with local and multinational exporters

# Benchmark: Vietnamese farms have very high yields

## Average coffee farm yields\*

Metric tons green coffee per hectare



\*National average based on total production (average of last two crops) and area under coffee; includes both Arabica and Robusta unless noted otherwise

Source: USDA; TechnoServe analysis



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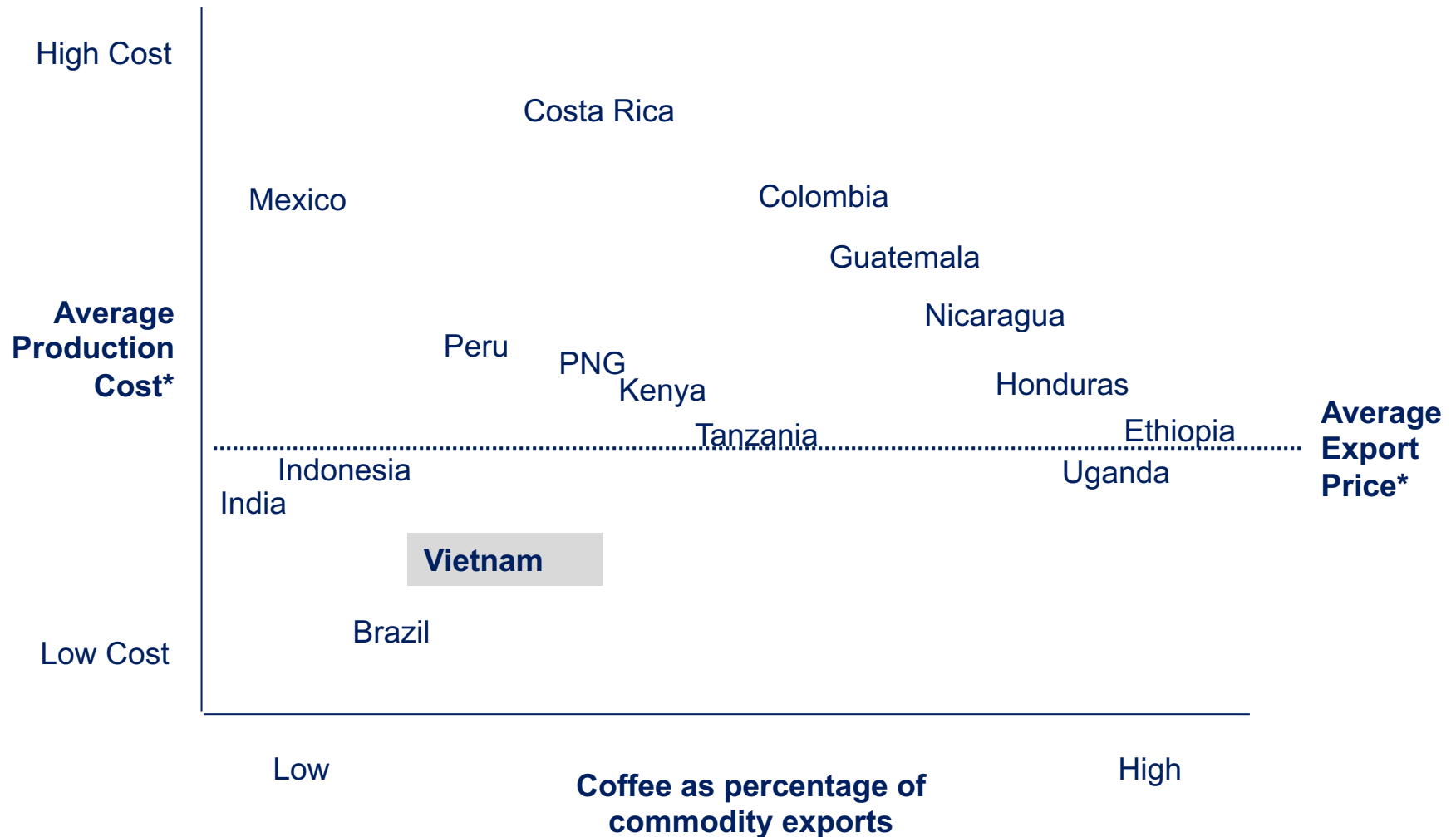
- Farmers earn 95% of export price
- Margins for exporters / collectors are very slim (<1%)

3

## BENCHMARK

- High farm yields and low costs relative to other coffee countries
- Production has a large environmental footprint

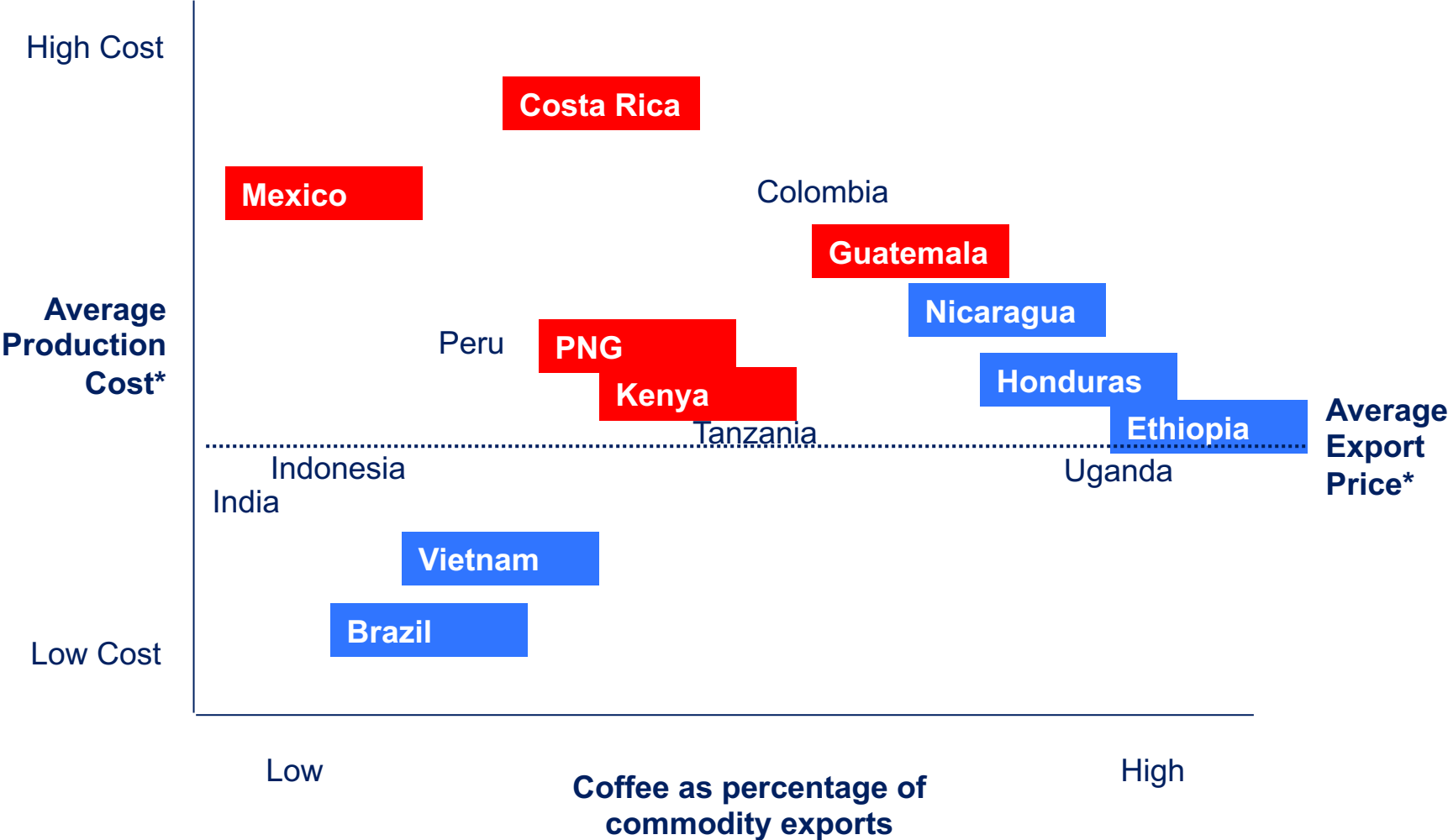
# What will happen after the 2001-03 “coffee crisis”?



\* Cost positions are adjusted to reflect the relative prices differentials received by specific countries

Source: USDA; ICO Coffee Statistics, Sept 2002; Compete Coffee Coverage; TechnoServe; Economist Intelligence Unit; team analysis

# Fast growers



\* Cost positions are adjusted to reflect the relative prices differentials received by specific countries

Source: USDA; ICO Coffee Statistics, Sept 2002; Compete Coffee Coverage; TechnoServe; Economist Intelligence Unit; team analysis

# Actual growth over the period 2002 to 2020

	Non Ag GDP Growth	Ag GDP Growth	Coffee Sector Growth
Honduras	+3.8%	+3.6%	+4.4%
Ethiopia	+9.8%	+7.6%	+4.3%
Vietnam	+6.7%	+3.3%	+4.1%
Nicaragua	+3.5%	+3.0%	+3.6%
Brazil	+2.2%	+0.8%	+3.1%
Tanzania	+5.8%	+7.0%	+3.1%
Indonesia	+5.4%	+3.6%	+2.8%
Peru	+5.0%	+4.4%	+2.7%
Uganda	+5.9%	+6.2%	+1.9%
Colombia	+4.0%	+2.0%	+1.3%
India	+7.0%	+4.8%	+0.3%
Mexico	+2.2%	+2.4%	-0.2%
Guatemala	+3.5%	+1.2%	-0.6%
Papua New Guinea	+7.4%	+0.1%	-0.9%
Kenya	+4.2%	+6.7%	-1.1%
Costa Rica	+4.1%	+0.1%	-3.1%

# Plan for today

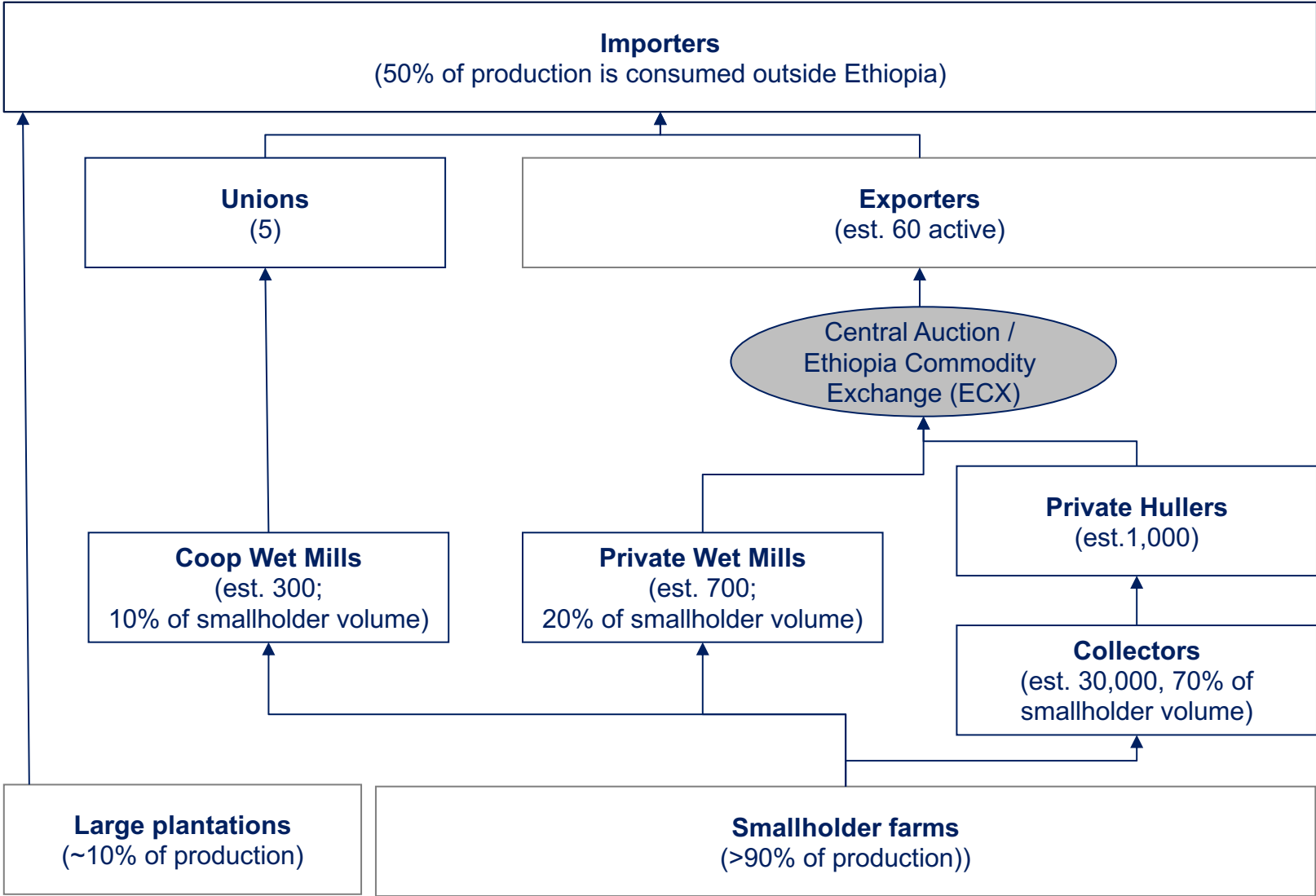
## Today

- The Value Chain Framework
- Global coffee value chain
- Break
- Case: Vietnam coffee

## Thursday

- **Case: Ethiopia coffee**
- Break
- COVID-19 implications
- Practical aspects / Q&A

# Ethiopia coffee value chain map in the 2000s



# Private vs cooperative

## Private



- Privately owned
- Owner keeps profits
- Easier to get bank loans
- Often has other business activities (coffee is seasonal)

## Cooperative



- Farmers elect leaders
- Farmers keep / reinvest profits
- Harder to get bank loans
- Coffee is usually the only (major) business activity

# Unwashed vs washed coffee

## Unwashed (naturals, sundried)



- Coffee is dried and hulled locally
- Labor intensive (for farmer)
- Inconsistent quality – low price
- Low margin / high risk business
- Can be stored as savings

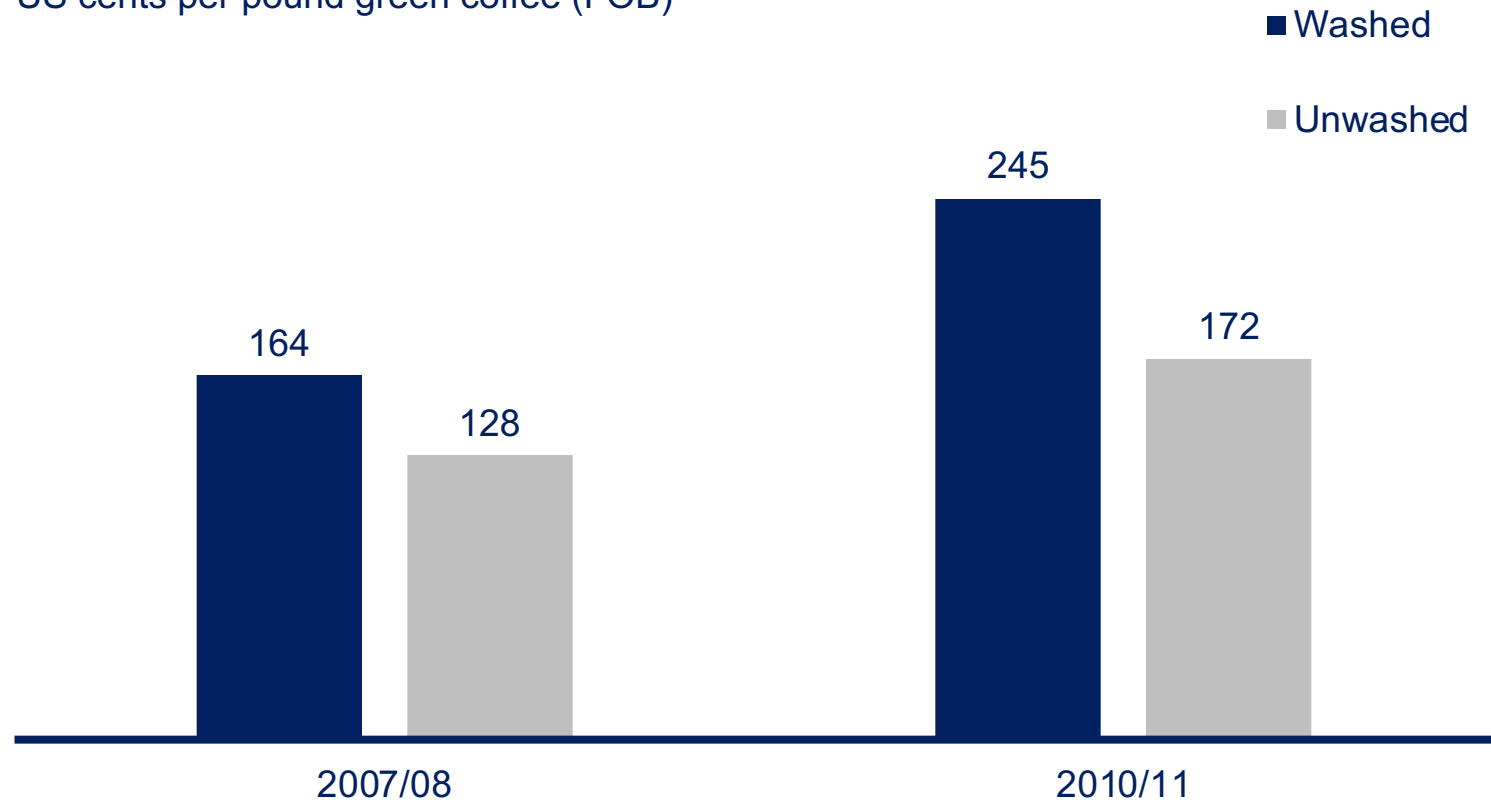
## Washed



- Farmers deliver ripe cherry to wet mill
- Wet mill processes into parchment
- Exported at a premium
- Large demand from specialty industry, as well as major roasters

# Ethiopian washed coffee earns a premium over unwashed

**Average prices for Ethiopian coffee exports**  
US cents per pound green coffee (FOB)



# The Ethiopia Commodity Exchange

## What is in a Bean?

ECX and the Specialty Coffee Market



The Ethiopia Commodity Exchange

December 2008

- **In July 2008**, a new law (Proclamation 702/2008) and the supporting Regulation issued by the Council of Ministers replaced the existing coffee quality control and marketing legislation governing the sector for the past nearly four decades, effectively legislating that **all supply coffees, with the exception of grower direct exports, are to be traded in the newly established Ethiopia Commodity Exchange (ECX).**
- The new legislation does not explicitly address or provide specific treatment for a **small but important share of export coffee** denoted as “specialty coffee”. Specialty coffee can be considered a **high end, high value product**, relative to bulk or commodity coffee.
- **The proportion of “specialty coffee”** is 6.4% for washed coffee and 2.4% for unwashed coffee, with an overall proportion of **3.7% for all coffees.**

# Homework

## Background reading:

“What is in a Bean? ECX and the Specialty Coffee Market”

## Excel:

Complete the ‘worksheet’ tab using the data in the preceding sheets

## Questions to think about:

1. Which problems in Ethiopia’s coffee value chain is ECX seeking to address?
2. How have Ethiopia's coffee export revenues changed since 2008?
3. What do the data suggest is the primary reason for the change?
4. How did the premium for Ethiopia's 'washed' coffee change over this period?
5. What share of the export price is the farmer capturing (as of 2010/11)?
6. Suppose you are interviewing an expert about the 2007/08 crop. The expert tells you that farmers received an average price of 4 birr per kg cherry for washed coffee and 3.3 birr per kg cherry for unwashed coffee that year (and the exchange rate was ~9 birr to the dollar). How would you interpret those prices? What share of the export price (for that harvest) does this represent?  
(Hint: the conversion ratio between ‘cherry’ and ‘green’ (exportable) coffee is 6 units to 1.)

# Which problems in Ethiopia's coffee value chain is ECX seeking to address?

- **Commodity classification that still retains a great deal of differentiation**... increasing transparency and product integrity
- **Secure inventory management** in production area and a guaranteed warehouse receipts system
- **Quality certification** that preserves the origin of the coffee and establishes a finer distinction between coffee qualities
- **Trading system that ensures competition** and transparency
- Clearing and settlement of payments that is quick and guaranteed, with a **zero default settlement system**
- **Aggressive market data dissemination** that provides clear signals of prices according to quality and that enables **even small market actors to benefit from market data** knowledge of both national and international prices
- Through **improved consistency of qualities and reliability of delivery**, creates the **potential to obtain deliverable grade status in the New York market**, which achieves higher prices across all coffees, which in turn **enhances Ethiopia's competitiveness in the world coffee market**

# Drawbacks (market perspective)

“Starbucks wants to buy an additional 2,000 tons, but only if it is traceable and identity preserved.”

“Lack of action in addressing the issue of traceability poses a real threat to Ethiopia. Once roasters have changed their blends – and believe me, they will if they cannot get hold of the coffee they want – then to get them back could take years and years....”

“Buyers need to do their own cupping to define quality, especially for specialty coffees.”

“Ethiopia is the only producing country in the world where buyers are not able to buy identity preserved lots and see the quality of the coffee before they buy it.”

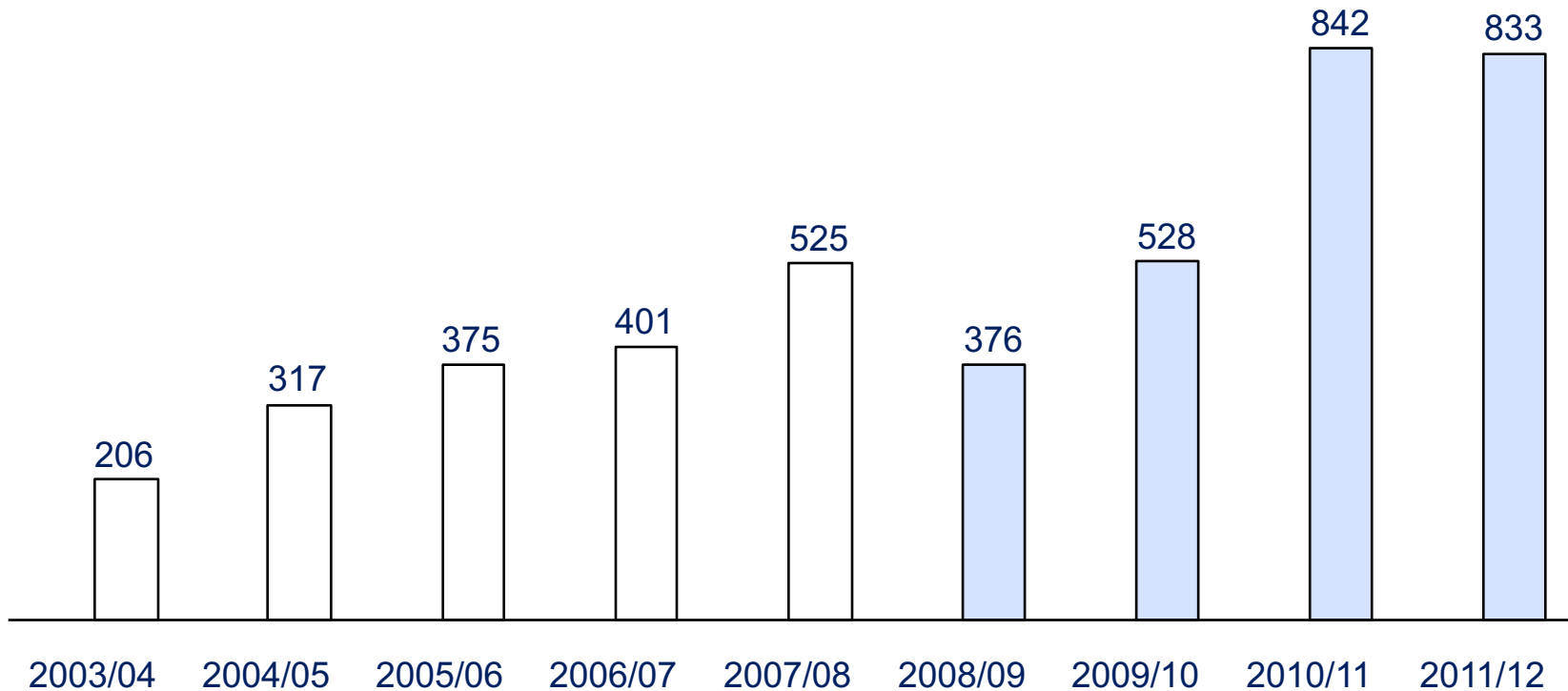
“The buyer needs to be able to evaluate the coffee for himself. If he cannot, he will inevitably value the coffee at the “lowest common denominator” price according to what he might receive.”

“Coffee is not a commodity... Ethiopia has a lot of special, valuable coffee. Making it a commodity by standardizing and mixing makes it trade at the bottom.”

“Buyers work in a very competitive international environment and demand reasonable prices for the quality offered. The market will push buyers in the direction of alternative countries.”

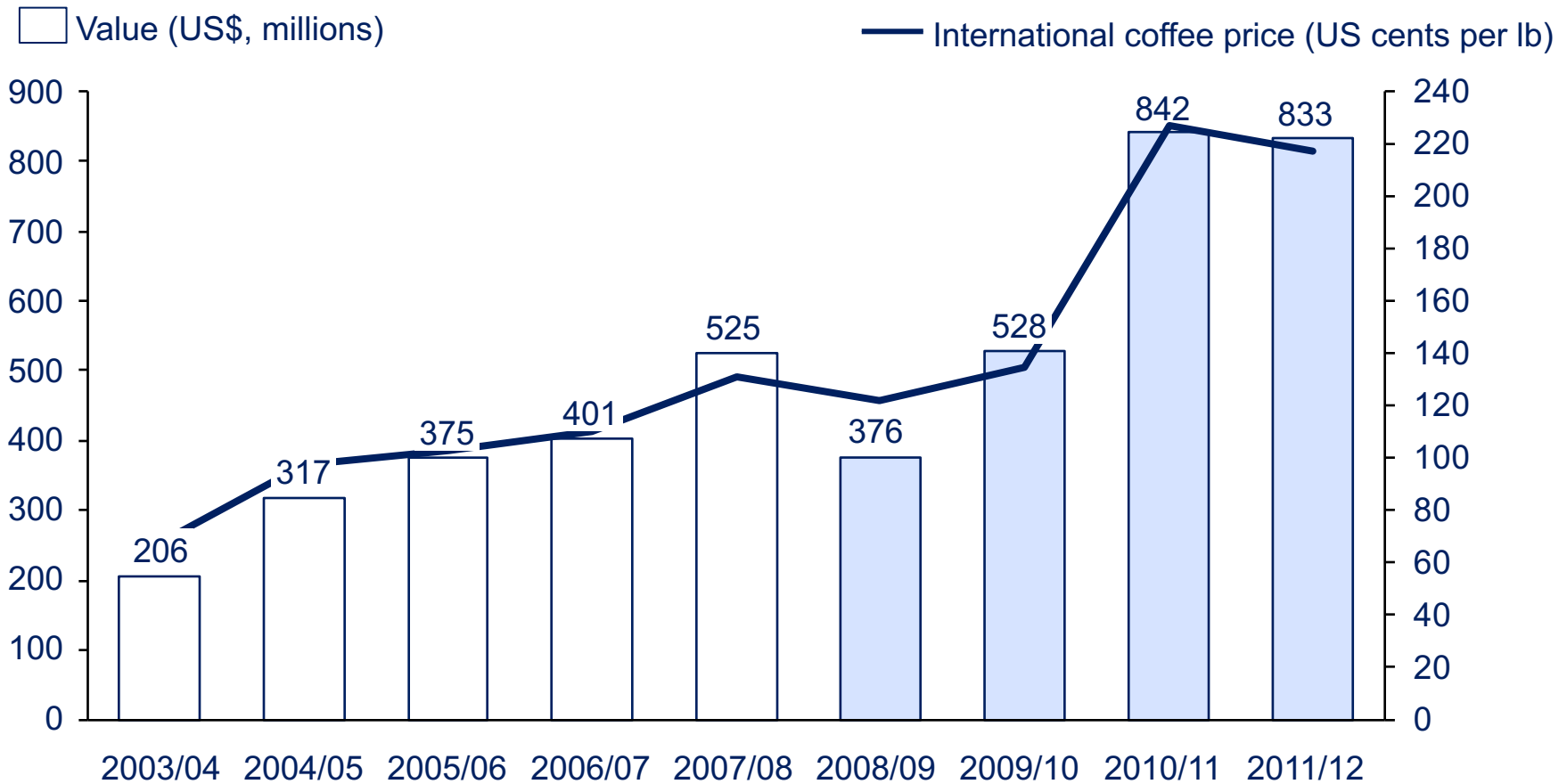
# How have Ethiopia's coffee export revenues changed since 2008?

Value of Ethiopia coffee exports (US\$ millions)



# What do the data suggest is the primary reason for the change?

Value of Ethiopia coffee exports (US\$ millions)



# What share of the export price is the farmer capturing (as of 2010/11)?

<b>Indicator</b>	<b>2007/08</b>	<b>2010/11</b>	<b>Change</b>
Export revenues		\$842M	
Export volume		196K tons	
Avg. export price		\$4.29/kg	
Avg. farmer price		\$3.02/kg	
Share of export		70%	
Costs		\$1.27/kg	

# How do you convert the 2007/08 prices?

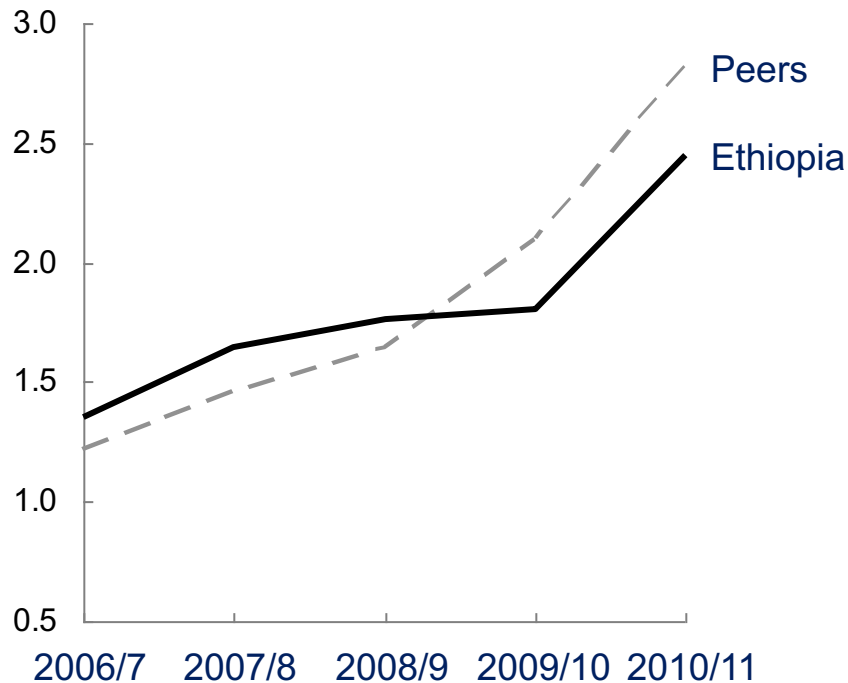
The expert tells you that farmers received an average price of 4 birr per kg cherry for washed coffee and 3.3 birr per kg cherry for unwashed coffee that year (and the exchange rate was ~9 birr to the dollar). Hint: the conversion ratio between 'cherry' and 'green' (exportable) coffee is 6 units to 1.

Indicator	2007/08	2010/11	Change
Export revenues	\$525M	\$842M	+60%
Export volume	171K tons	196K tons	+15%
Avg. export price	\$3.07/kg	\$4.29/kg	+40%
Avg. farmer price	\$2.35/kg <small>(3.3 x 68% + 4.0 x 32%) x 6 / 9</small>	\$3.02/kg	+29%
Share of export	76%	70%	-8%
Costs	\$0.72/kg	\$1.27/kg	+75%

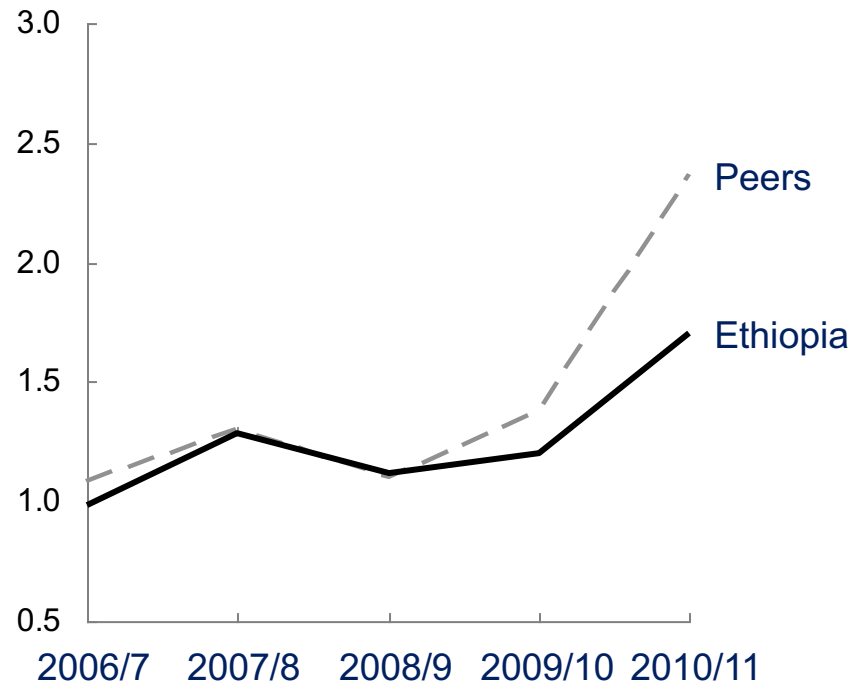
# While the international market price increased, Ethiopia's differential declined from 2008-2011

**Ethiopia export prices vs ICO composite prices by crop year**  
US\$/lb green

## Washed comparison

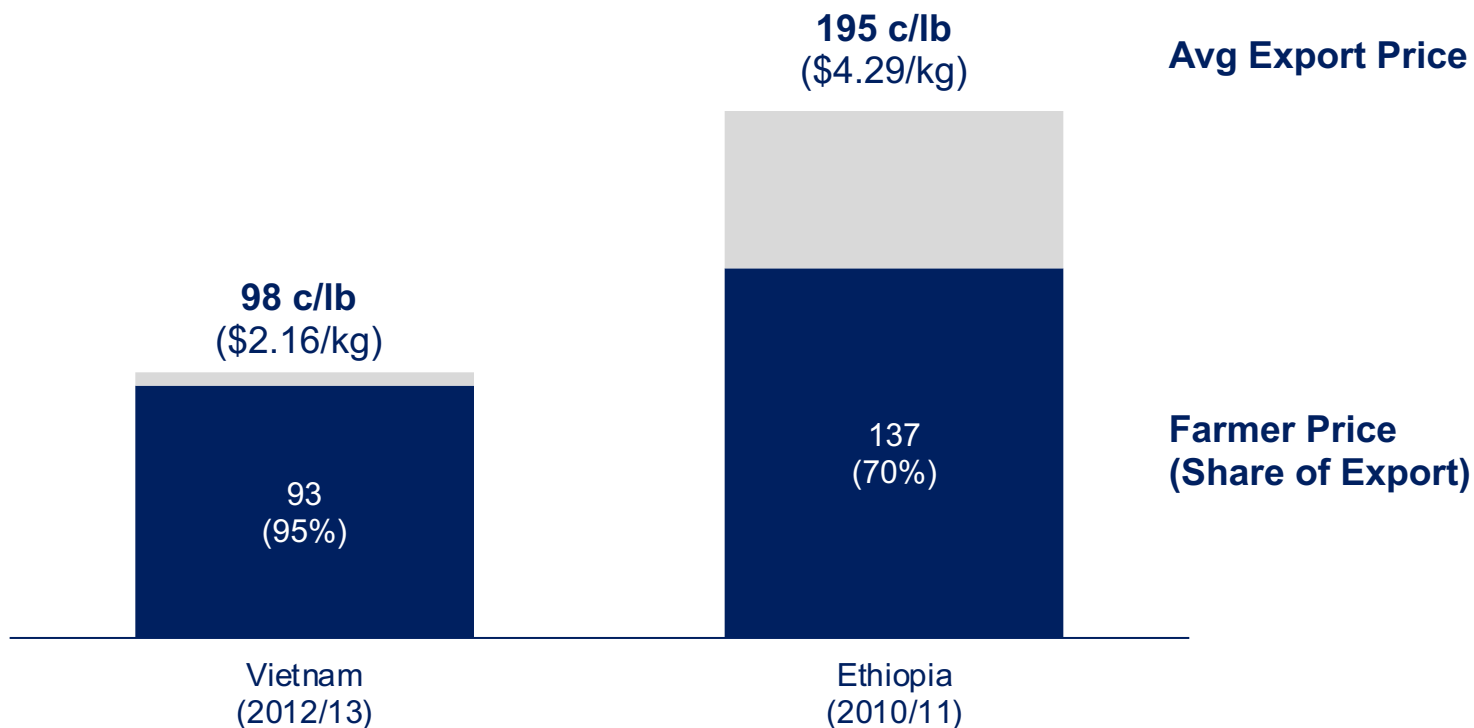


## Unwashed comparison



# Benchmarking: Vietnam and Ethiopia

Price comparison for Vietnam and Ethiopia



# What are some ways forward?

## Value Chain issues identified from our analysis

- Farmer share of export price decreased (domestic value chain costs increased)
- Ethiopia's differentials for washed and unwashed coffee declined (reduced demand)

## Potential solutions:

### Improve quality

- Shift greater production from unwashed to washed
- Realize higher prices

### Reduce costs

- Find efficiency gains in the supply chain
- Transfer greater share of export price to farmer

### Review policy

- ECX allows for traceability?
- Financial and/or cooperative regulations?

# Plan for today

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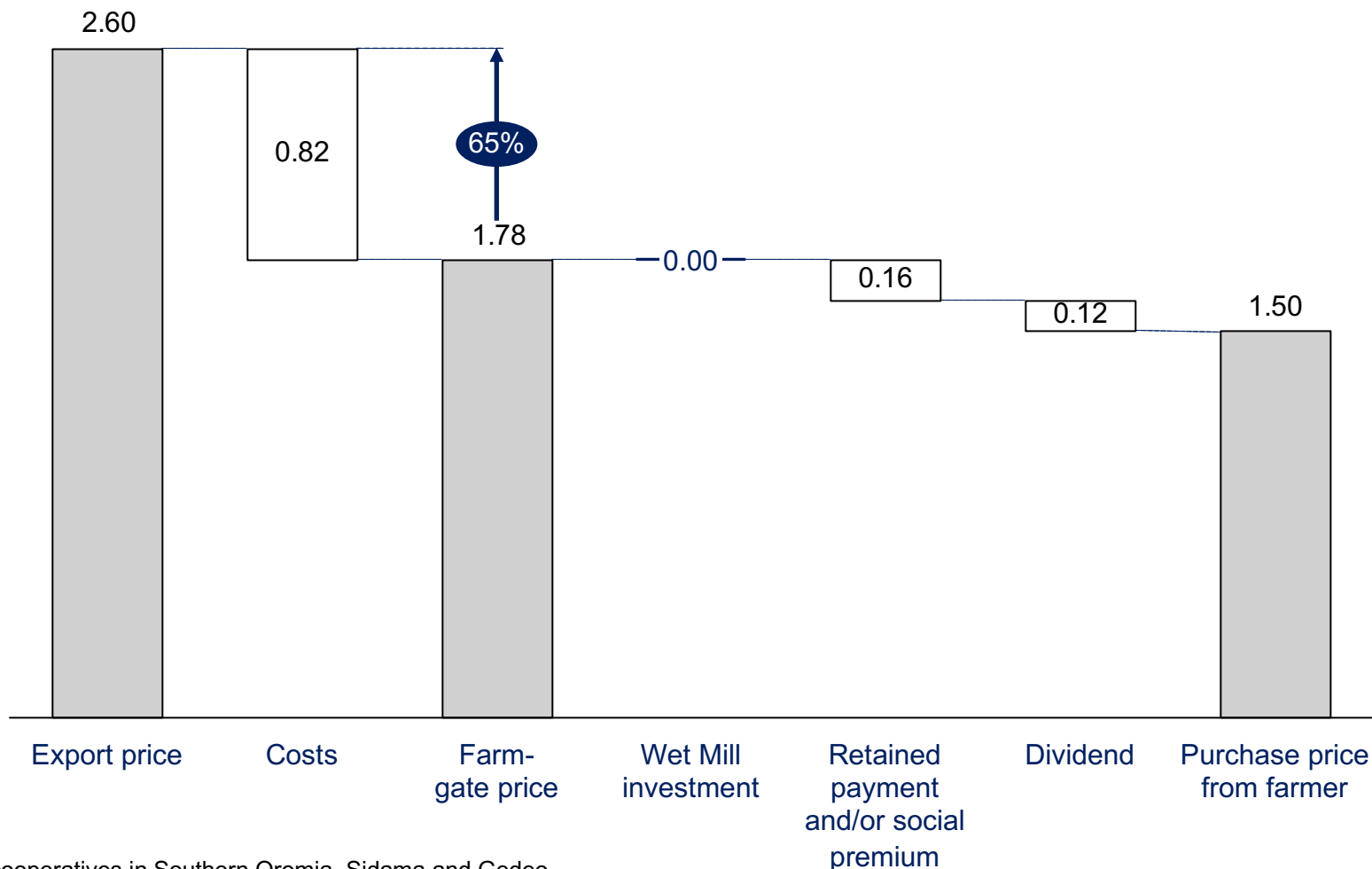
### Review policy

- ECX allows for traceability?
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# Breakdown: Cooperative washed coffee value chain

## Washed coffee cost analysis for traditional cooperatives (2010/11)

US\$/lb green

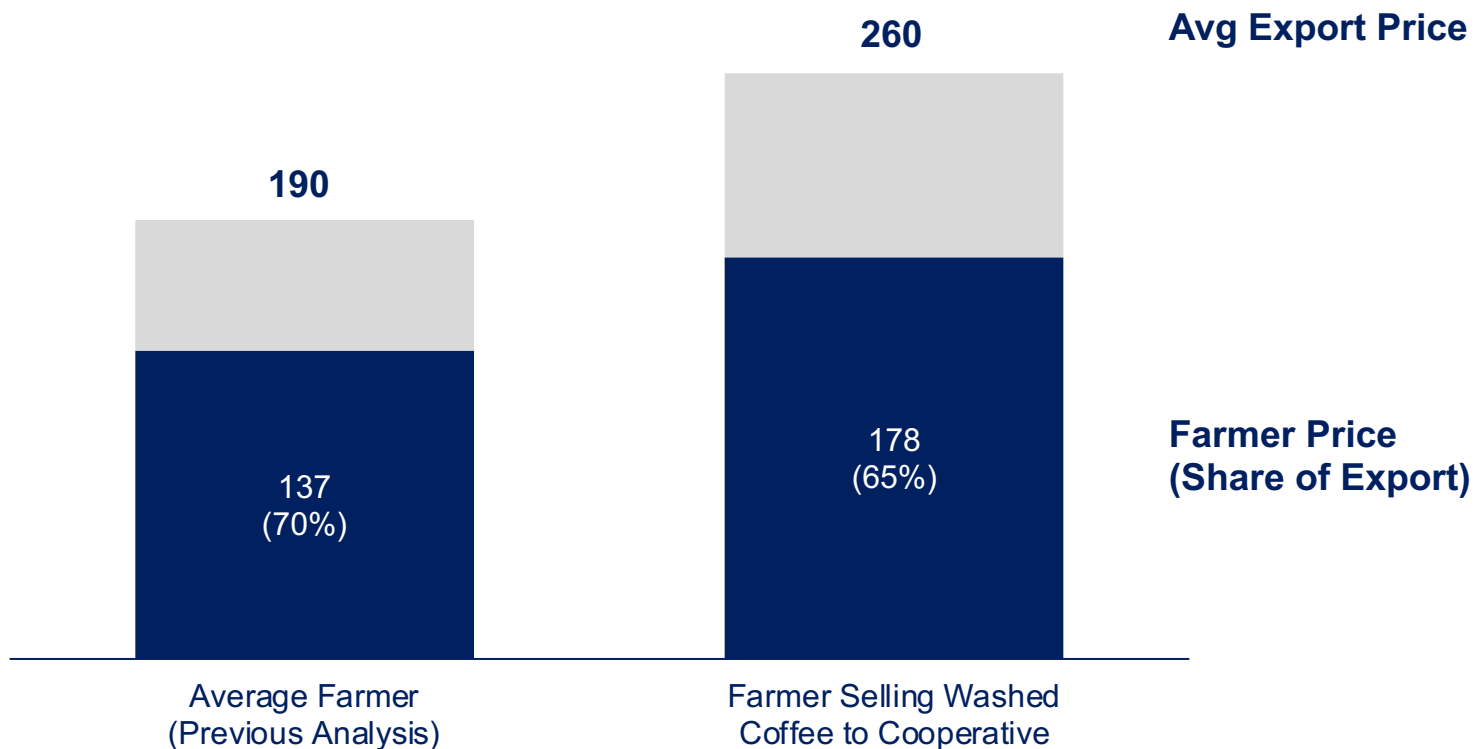


\* Includes cooperatives in Southern Oromia, Sidama and Gedeo

Source: TechnoServe interviews and analysis

# Benchmarking: Ethiopia value chains

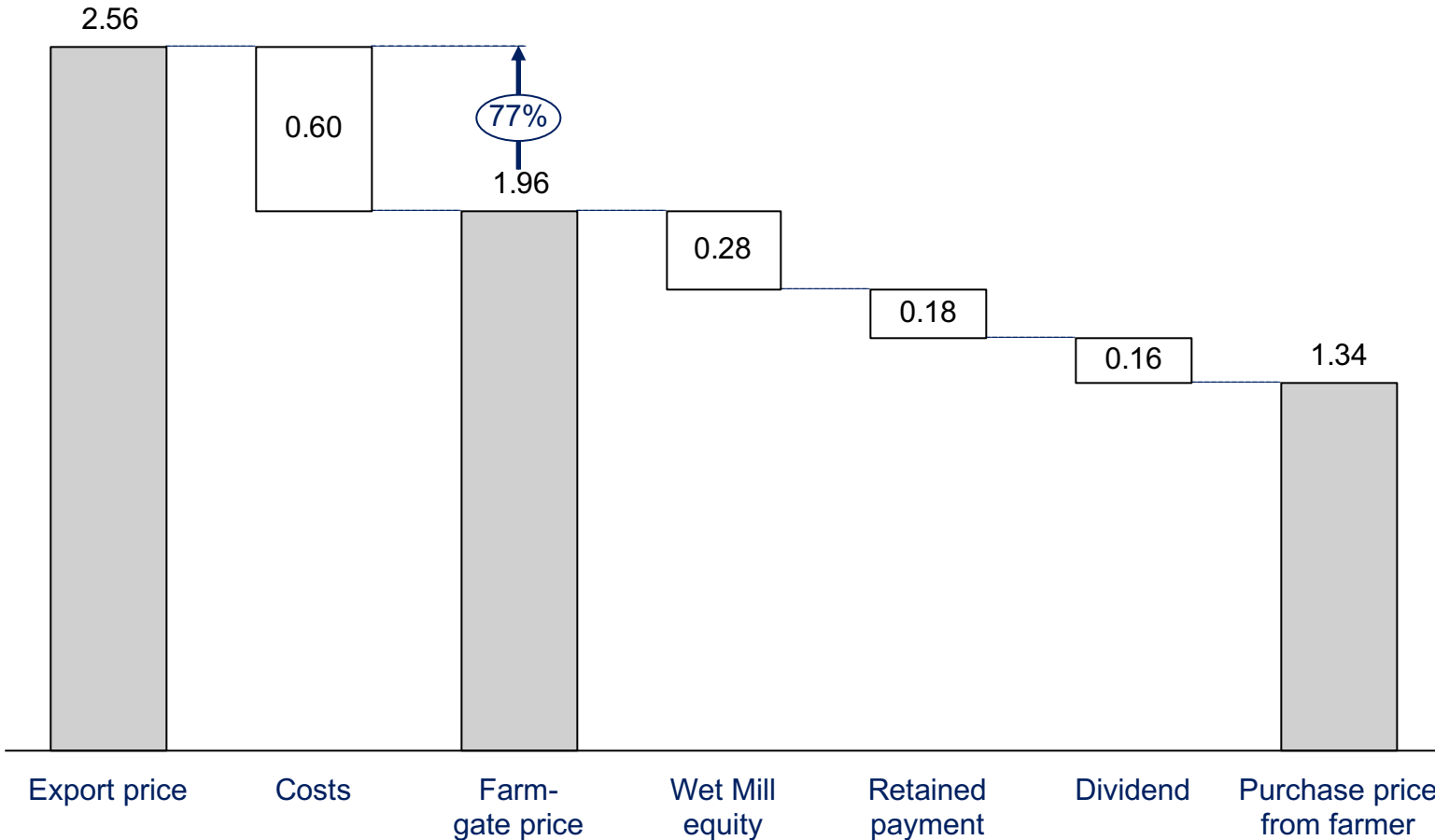
**Price comparisons within Ethiopia – 2010/11**  
US cents per lb (green)



\* Includes cooperatives in Southern Oromia, Sidama and Gedeo  
Source: TechnoServe interviews and analysis

# Breakdown: new cooperative washed coffee chain

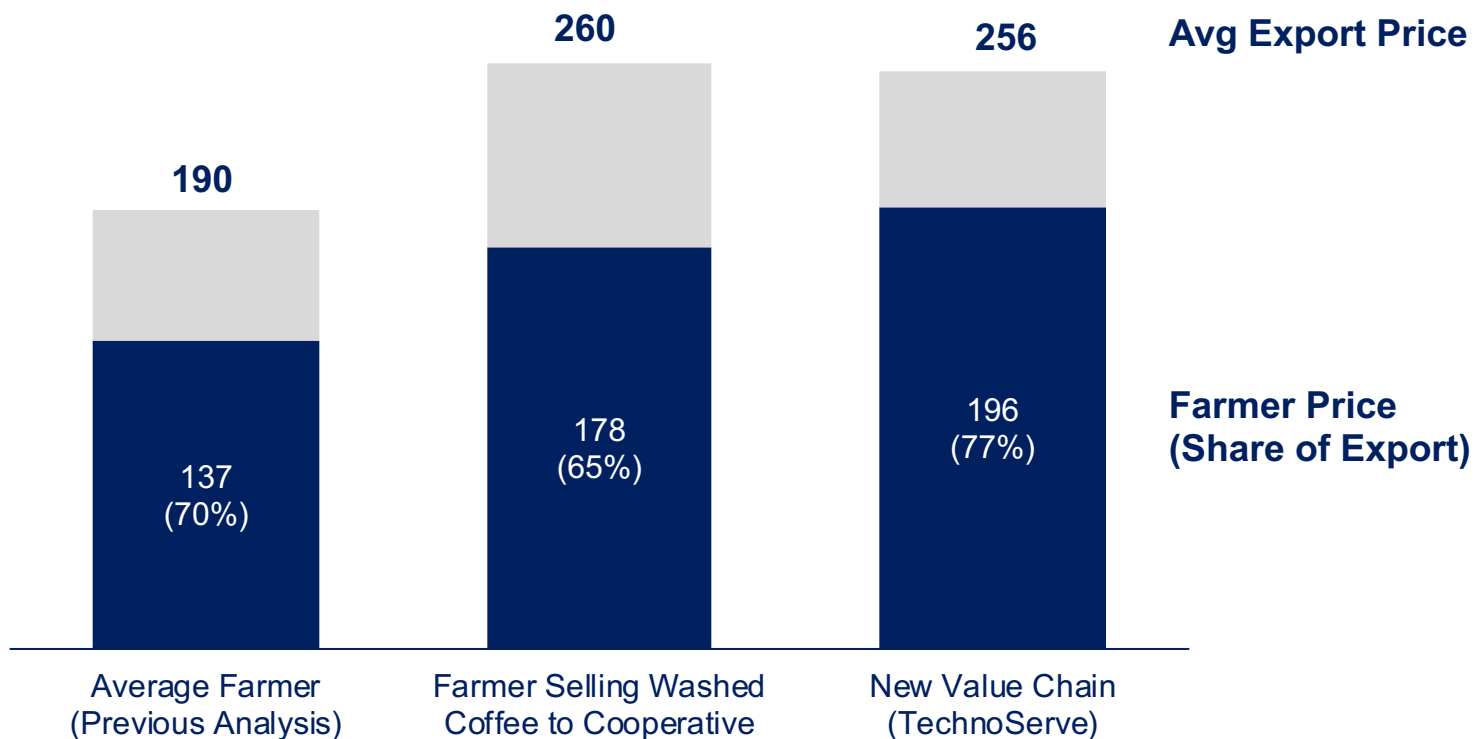
Washed coffee cost analysis for cooperatives working with "CSP"  
US\$/lb green



Source: TechnoServe results in 2010/11

# Benchmarking: Ethiopia value chains

Price comparisons within Ethiopia – 2010/11  
US cents per lb (green)



\* Includes cooperatives in Southern Oromia, Sidama and Gedeo  
Source: TechnoServe interviews and analysis

# Ethiopia review

1

**MAP**

- ~2M+ small-scale farmers
- Distinct value chains: washed vs unwashed, private vs cooperative

2

**BREAKDOWN**

- Farmers earn <75% of export price
- High supply chain costs, especially through cooperatives

3

**BENCHMARK**

- Declining competitiveness (rising costs, not meeting market demand)
- High potential for impact (quality improvement, cost reduction, yield improvement)

# Ethiopia today: changes underway

## ፌዴራል ነጋሪት ጋዜጣ

### FEDERAL NEGARIT GAZETTE

OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

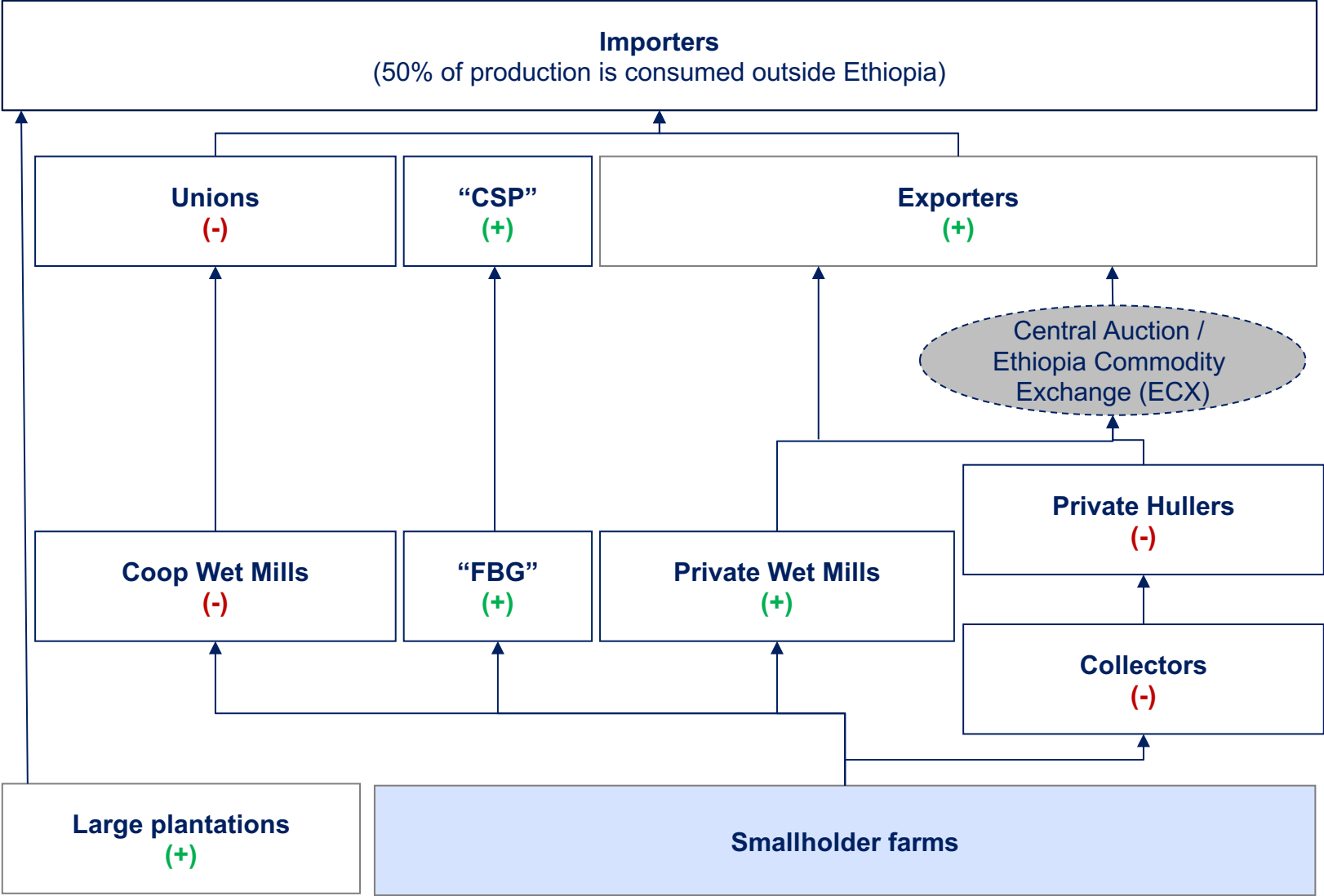
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የሕዝብ ተወካዮች ምክር ቤት ጠባቂነት የወጣ

23<sup>rd</sup> Year No. 72  
ADDIS ABABA, 24<sup>th</sup> July, 2017

<p><u>ማውጫ</u></p> <p>አዋጅ ቁጥር ፩ሺ፶፩/፪ሺ፱ ዓ.ም</p> <p>የቡና ገብይትና ጥራት ቁጥጥር አዋጅ ገፅ...፱ሺ፯፻፵፫</p>	<p><u>CONTENT</u> :</p> <p>Proclamation No.1051/2017</p> <p>Coffee Marketing and Quality Control Proclamatio...page 9743</p>
<p>አዋጅ ቁጥር ፩ሺ፶፩/፪ሺ፱</p> <p><u>የቡና ገብይት እና ጥራት ቁጥጥር አዋጅ</u></p> <p>በዓለም አቀፍ ገበያ ተወዳዳሪ የሆነ በጥራውና እሴት የተጨመረበት የቡና ምርት በጥራትና በከፍተኛ መጠን፣ ቀጣይነት ባለውና የምርት ዱካውን በጠበቀ ሁኔታ ለማቅረብ የሚያስችል የቡና ገብይትና ጥራት ቁጥጥር ሥርዓት መዘርጋት በማስፈለጉ፤</p>	<p>PROCLAMATION NO. 1051/2017</p> <p><u>A PROCLAMATION TO PROVIDE FOR COFFEE MARKETING AND QUALITY CONTROL</u></p> <p>WHEREAS it has become necessary to establish a sustainable and traceable coffee marketing and quality control system which enables supply of quality, voluminous and competitive unfrosted and value-added coffee to the global market;</p>

# Ethiopia value chain in 2020



# Plan for today

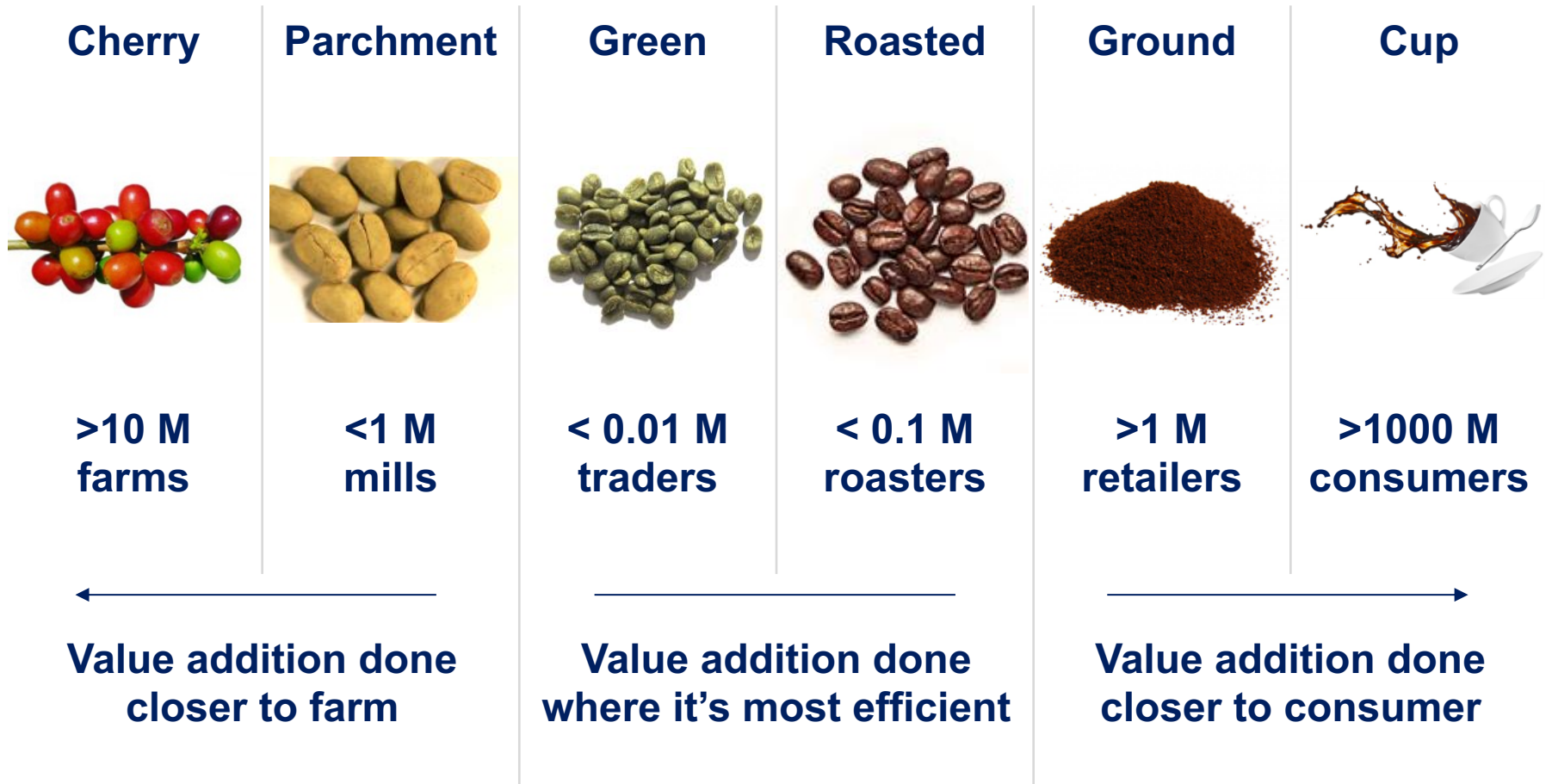
## Today

- The Value Chain Framework
- Global coffee value chain
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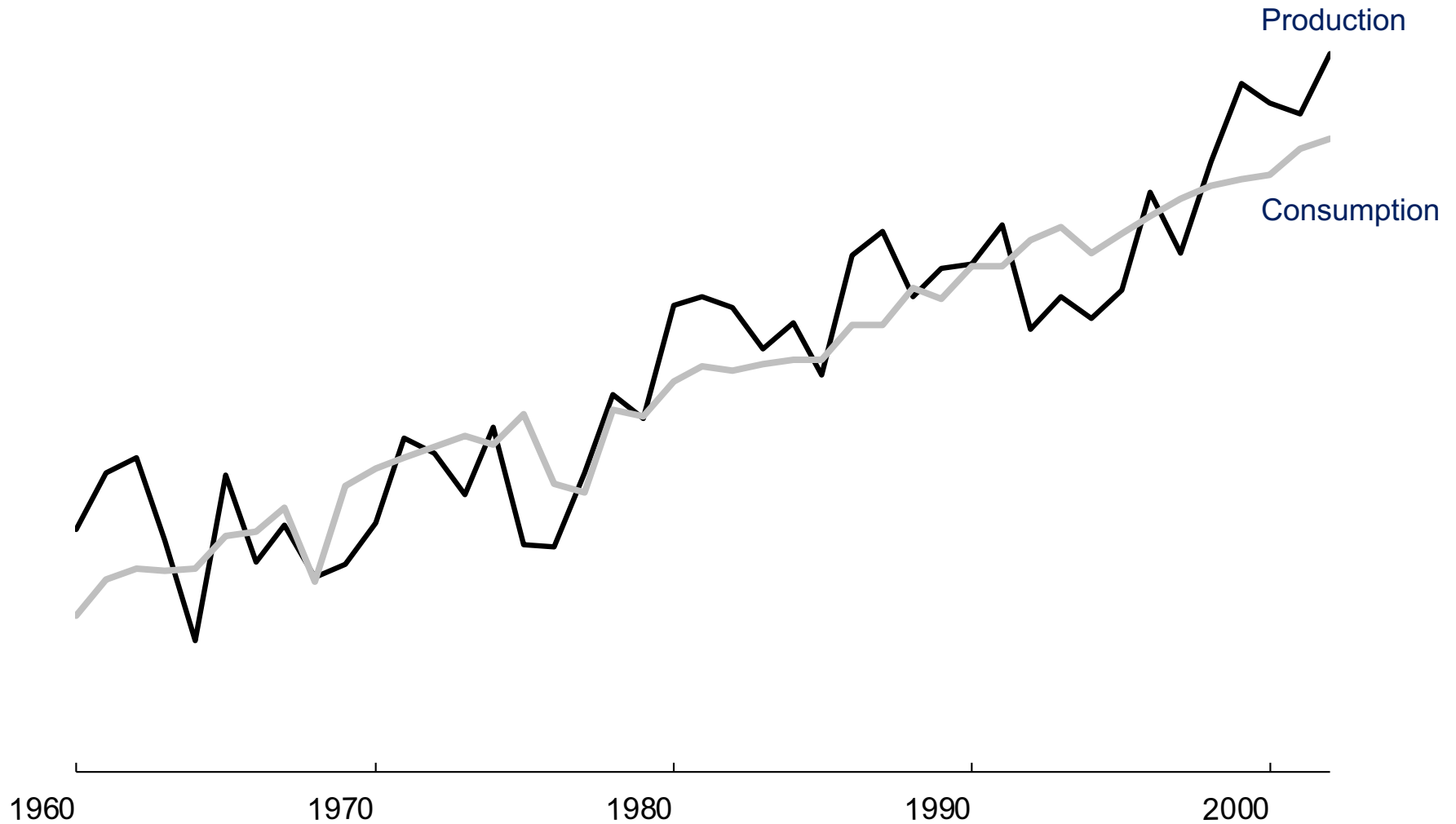
## Thursday

- Case: Ethiopia coffee
- Break
- **COVID-19 implications**
- Practical aspects / Q&A

# Which parts of the value chain are likely to face the most disruption?



# Coffee production is more elastic than consumption



# Likely changes in consumption patterns?

Cup



> 1000 M  
consumers



Source: Google Images

# Brazil: export prep

**Green**



**< 0.01 M  
traders**



# Ethiopia: export prep

**Green**



**< 0.01 M  
traders**



Source: Crop to Cup

# Brazil: harvesting

**Cherry**



**>10 M  
farms**



Source: Coffee Shrub

# Guatemala: harvesting

**Cherry**



**>10 M  
farms**



Source: <https://i.pinimg.com/originals/c0/bb/3d/c0bb3dd8ecc9616c165b11990ca219f8.gif>

# Market report

## Impact of Covid-19 on Origin Logistics Update as of 26<sup>th</sup> March

Key: Normal Slow/-ve Suspended

<u>ORIGIN</u>	Vietnam	Brazil	Colombia	Peru	Honduras	Indonesia	India	PNG	Ethiopia	Uganda	Kenya	China	Costa Rica	Guatemala	Tanzania
Port operations	Normal	Normal	Normal	Slow/-ve	Normal	Normal	Slow/-ve	Normal	Normal	Slow/-ve	Normal	Normal	Normal	Normal	Slow/-ve
Container availability	Normal	Slow/-ve	Normal	Slow/-ve	Normal	Normal	Slow/-ve	Normal	Normal	Slow/-ve	Normal	Slow/-ve	Normal	Slow/-ve	Normal
Domestic Trucking	Normal	Slow/-ve	Slow/-ve	Suspended	Slow/-ve	Normal	Suspended	Slow/-ve	Normal	Slow/-ve	Normal	Normal	Normal	Normal	Normal
Customs	Normal	Normal	Normal	Suspended	Normal	Normal	Suspended	Normal	Normal	Normal	Normal	Normal	Normal	Normal	Normal
Phytosanitary	Normal	Normal	Normal	Suspended	Normal	Normal	Suspended	Normal	Normal	Normal	Normal	Normal	Normal	Normal	Normal
Courier	Slow/-ve	Normal	Normal	Suspended	Slow/-ve	Normal	Suspended	Normal	Slow/-ve	Normal	Slow/-ve	Normal	Normal	Normal	Normal
Coffee mills	Normal	Normal	Slow/-ve	Suspended	Slow/-ve	Normal	Suspended	Normal	Normal	Normal	Slow/-ve	Normal	Normal	Slow/-ve	Normal
Harvesting	Normal	Normal	Slow/-ve	Suspended	Slow/-ve	Normal	Normal	Slow/-ve	Normal	Normal	Normal	Normal	Normal	Normal	Normal

Source: Volcafe

# Plan for today

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- The Value Chain Framework
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## Thursday

- Case: Ethiopia coffee
- Break
- COVID-19 implications
- **Practical aspects / Q&A**

# Some pointers

- Context, context, context
- Identify the right mix of stakeholders to interview
- Get diverse opinions
- Carry a USB drive (people never email data after you leave)
- Official statistics aren't always accurate
- Corroborate numbers with different sources
- Go bottom-up and top-down
- Talk through hypotheses with experts
- One-size-fits-all solutions are rare; segmentation is usually needed
- Keep slides simple