



INTERNATIONAL COFFEE ORGANIZATION
ORGANIZACIÓN INTERNACIONAL DEL CAFÉ
ORGANIZAÇÃO INTERNACIONAL DO CAFÉ
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**Valorization of the Ethiopian coffee origins
for marketing improvement**

Background

1. This document, submitted by the United Nations Industrial Development Organization (UNIDO) and Illycaffè, contains the summary of a revised project proposal aimed at increasing the global market awareness of the selected Ethiopian coffee origins and providing additional knowledge to the entire Ethiopian coffee sector thereby improving the marketing of coffee and subsequently the income of smallholders.
2. The proposal will be forwarded to the Virtual Screening Subcommittee (VSS) for an evaluation and will be considered by the Projects Committee in September 2013.

Action

The Projects Committee is requested to consider this proposal as well as the recommendations of the VSS and, if appropriate, to recommend its approval by the Council.

PROJECT SUMMARY

1. **Project title:** Valorization of the Ethiopian coffee origins for marketing improvement
2. **Duration:** Two years
3. **Location:** Ethiopia
4. **Brief description:** The project aims at the valorization of the coffees produced in different Ethiopian regions of origin in order to improve the direct marketing of coffee at the cooperative level. The project will include the following activities: an environmental analysis to describe and record the coffee areas and coffee plants; a quality analysis to describe the coffee product; a socio-economic analysis. It will support and train the target farmers on how to improve their quality standards at farm level. All the phases will be linked to a communication and visibility plan.
5. **Estimated total cost:** €4,000,000
6. **Counterpart contribution:** Being sought
7. **Project Executing Agency (PEA):** United Nations Industrial Development Organization (UNIDO) and Illycaffé
8. **Supervisory Body:** International Coffee Organization (ICO)
9. **Partners** UNIDO, EU Delegation, Italian Cooperation, Ethiopian MoARD, Illycaffè, Ethiopian MoT, ECX, ECEA, WCR
10. **Beneficiaries** Oromia Coffee Union, Ethiopian Government, Ethiopian coffee farmers

Project Background

Ethiopia is the birthplace of Arabica coffee. On its fertile highlands in the South of the country it is still possible to find native varieties of *Coffea Arabica*. The importance of Ethiopia for the global coffee sector goes far beyond production and export.

Coffee is a fundamental component of Ethiopian society and culture, both in production as well as in consumption.

The distinctive and marked citric and flowery notes are an important characteristic of the Ethiopian coffees. This characteristic has been much studied and it has been discovered that it is the chemical result of the presence of the linalool compound resisting the roasting process because the coffee bean cells have a developed structure which is a result of the environment and genetics.

Therefore, following the definition of Specialty Coffee given by Erna Knutsen in 1978 stressing the importance of unique flavour profiles related to special geographic conditions, Ethiopia has a very high potential for valorizing its coffees through its regions.

The valorization of identities around coffee (the product, the coffee growing areas, the people, etc.) is a primary tool for development in Ethiopia. It can be supported by quality improvement, sustainable supply chain management, organizational improvement, communication and marketing planning. Territorial marketing is a fundamental tool for rural development.

Coffee is a symbol for Ethiopia and its coffees should not be conceived only as a commodity. It is also the most important source of foreign currency, representing around 30% of total export earnings, and employing more than 25% of the economically active population.

Ethiopian coffees are primarily natural coffees and potential for quality improvement would be to promote the washed and semi-washed systems.

In 2008 the country registered trademarks for the three most important origins: Yirgacheffe, Sidamo and Harrar under the umbrella of Ethiopian Fine Coffees. This is a promotional tool that needs to be supported by mapping and research to provide more tangible value which can be perceived by the market.

In 2009, the Ethiopian Government introduced the Ethiopian Commodity Exchange to allow the cooperatives to trade their coffee directly.

Project activities

This first phase includes the following activities:

- Project governance
- Value chain structure analysis
- Environmental and genetic research in the coffee growing areas: state of the art
- Social and economic research in the coffee areas: state of the art
- Mapping: Geographical Information System
- Identification of research gaps
- Identification of infrastructures gaps
- Identification of final beneficiaries (coffee farmers and coffee cooperatives)

Duration: Six months.

The second phase includes the following activities:

- Research
- Infrastructure
- Organization of beneficiaries
- Tailored capacity-building for final beneficiaries
- Marketing and communication planning
- Partnerships and networking

Duration: 18 months.

The third phase includes the following activities:

- International training for project leaders and final beneficiaries
- Educational trips to the areas of coffee origins

Dissemination

This activity will be done throughout the implementation. It will include the publication of all relevant paperwork to qualify for 'appellation of origins'. The results of the project will also be disseminated through a multi-stakeholder platform.

LOGICAL FRAMEWORK

Narrative summary	Objectively verifiable indicators	Means of verification	Assumptions
<p>Broad goal: The general objective is to contribute to the sustainable development of the livelihood of Ethiopian smallholders increasing the global market awareness of the selected Ethiopian coffee origins and providing additional knowledge to the entire Ethiopian coffee sector.</p>	<ul style="list-style-type: none"> ▪ Market surveys show awareness of the Ethiopian identified origins ▪ Project beneficiaries earn better income ▪ Ethiopian coffee industry more market oriented 	<ul style="list-style-type: none"> ▪ Better export performance ▪ Focus groups ▪ Ministry of Agriculture 	<ul style="list-style-type: none"> ▪ Socio-economic stability prevails ▪ Political commitment to support coffee characterization ▪ Climate is not changing dramatically
<p>Project Purpose: The objective of this project is to valorize the Ethiopian coffee supply chain through improved marketing of its coffees.</p>	<ul style="list-style-type: none"> ▪ Coffee exported under origin at differentiated prices. ▪ Ethiopian coffees available in the final market ▪ Percentage of small producers undertaking improved practices 	<ul style="list-style-type: none"> ▪ Export data ▪ Market survey ▪ Reporting 	<ul style="list-style-type: none"> ▪ Prevailing conditions of the world coffee market remains stable or improves ▪ Consumers and large buyers maintain willingness to pay premiums for value-added coffee ▪ Commitment of farmers and exporters to project ▪ Coffee production to favour? better livelihoods
Outputs	Objectively verifiable indicators	Means of verification	Assumptions
<p>1. Origin Consortium</p>	<ul style="list-style-type: none"> ▪ An origin consortium is the place to valorize, protect and promote the target coffee origin ▪ A product specification document for the target coffee origin and related Origin Label (OL) in place 	<ul style="list-style-type: none"> ▪ Project reports ▪ Statute of the consortium ▪ Product specification document ▪ Registration of the Origin Label (according to available legal schemes: collective mark, geographic origin, etc.) 	<ul style="list-style-type: none"> ▪ Political and financial commitment of national authorities to support coffee valorization ▪ Commitment of members of the value chain to implement the product specifications and to invest resources (human and financial) in the origin consortium
<p>2. Socio-economic valuation 2.1 Social and Human component 2.2 Economic component</p>	<ul style="list-style-type: none"> ▪ social and economic analysis documentation 	<ul style="list-style-type: none"> ▪ Reporting ▪ Documentation 	<ul style="list-style-type: none"> ▪ The designed methodology is validated by national scientific and technical community and the coffee sector
<p>3. Environmental valuation 3.1 Genetic component 3.2 Environmental component</p>	<ul style="list-style-type: none"> ▪ genetic mapping ▪ environmental analysis 	<ul style="list-style-type: none"> ▪ Reporting ▪ Documentation 	<ul style="list-style-type: none"> ▪ Enlisted farmers adopt best practices that enable access to the consortium
<p>4. Development of international partnerships to support the valorization of the Ethiopian coffees</p>	<ul style="list-style-type: none"> ▪ Amount of funds raised for the coffee Origin Label. ▪ Number of new roasters of varying sizes buying certified coffee from agroforestry systems 	<ul style="list-style-type: none"> ▪ Official trade data ▪ Purchasing reports by roasters ▪ Events ▪ Visibility and communications plans 	<ul style="list-style-type: none"> ▪ Financial institutions and coffee buyers interested in Ethiopian coffee origins ▪ Consumers and large buyers maintain willingness to pay premiums for high-quality Ethiopian coffee
<p>5. Training</p>	<ul style="list-style-type: none"> ▪ Number of farmers and extensionists trained ▪ Number of supply chain professionals trained 	<ul style="list-style-type: none"> ▪ Training workshop reports 	<ul style="list-style-type: none"> ▪ Political commitment to support coffee characterization

BUDGET

Valorization of Ethiopian Coffee Origins for marketing improvement		Financing sought		
Activities	Input	Y1	Y2	Subtotal €
Component 1: Coordination and project management				
Institutional, financial and market barrier analysis	Consultancy Services	50,000	50,000	100,000
Set-up and facilitation of national platforms and task-forces	Costs	20,000	20,000	40,000
Socialization	Editing and publishing	20,000	20,000	40,000
Infrastructures	Construction	450,000	700,000	1,150,000
Project coordinator	Consultancy services	90,000	90,000	180,000
Administrative assistant	Consultancy services	70,000	70,000	140,000
Technical advisor	Consultancy services	30,000	30,000	60,000
Supplies & materials	Supplies & materials	20,000	20,000	40,000
International & domestic travel	Travel services	50,000	50,000	100,000
Evaluation & auditing	Consultancy services	30,000	30,000	60,000
Component 2: Training and Competences				
Training	Consultancy services	150,000	150,000	300,000
Personnel selection	Consultancy services	20,000	20,000	40,000
Component 3: Quality analysis and documentation				
Quality analysis	Consultancy services	50,000	50,000	100,000
Reporting	Consultancy services	15,000	15,000	30,000
Component 4: Environmental and genetic research and documentation				
Environmental research	Consultancy services	90,000	90,000	180,000
Genetic research	Consultancy services	150,000	150,000	300,000
Reporting	Consultancy services	30,000	30,000	60,000
Component 5: Socio-economic research and documentation				
Social analysis	Consultancy services	50,000	50,000	100,000
Economic research	Consultancy services	90,000	90,000	180,000
Reporting	Consultancy services	30,000	30,000	60,000
Component 6: Scaling up				
International training	Costs	50,000	50,000	100,000
International travelling	Costs	30,000	30,000	60,000
Component 7: Communication and marketing plan				
Visibility plan	Consultancy services	90,000	90,000	180,000
Marketing	Costs	120,000	120,000	240,000
Networking	Costs	10,000	10,000	20,000
Appellation of origin	Consultancy services	50,000	100,000	150,000
Total*				4,000,000

*Provisional figures