The Political Economy of Coffee in the Sidama-Gedeo-Guji Belt, Southern Ethiopia

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The Ethiopia Peace Research Facility

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Summary

This report is part of a wider research project on the political economy of coffee in Ethiopia in the context of the political transition since 2018. It focuses on the Sidama–Gedeo–Guji coffee belt in southern Ethiopia, aiming to understand the local implications of the 2017 coffee sector policy reform in this area. Sidama, Gedeo (Yirgacheffe) and Guji are globally recognized for their organic Arabica coffee. These communities use agro-forestry practices that integrate coffee with natural forests and other crops, which supports local ecology.

The study draws on primary and secondary sources. In-depth interviews and focus group discussions were held with more than 80 respondents, including coffee farmers, leadership of coffee cooperatives and unions, coffee traders (suppliers and exporters), brokers and government officials from regional, zonal and woreda (district) offices in Sidama Region, Gedeo zone (South Ethiopia Region) and Guji and West Guji zones (Oromia Region). Secondary sources comprise reports, articles, policy documents, unpublished doctoral and master's theses, and web content.

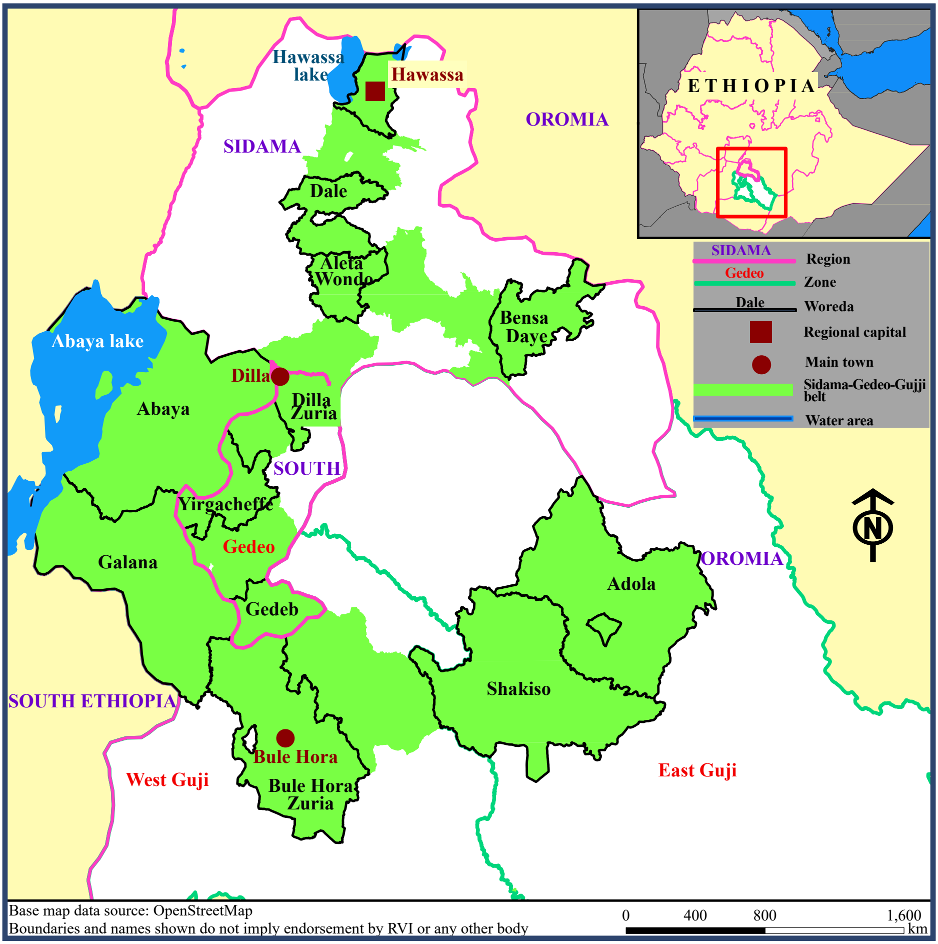
Although coffee is primarily produced by smallholder farmers, it remains heavily controlled and regulated by the state. The sector is also dominated by traders, with the primary objective of generating foreign currency. Since the 1920s, coffee production and trade have continuously reshaped state–society and society–society relations in the selected study areas. Arguably, the interaction between state coffee policy, pressure from the global coffee market and the local struggle for resource control has played a key role in shaping local autonomy movements and conflicts.

The 2017 coffee sector liberalization reform has significantly reshaped relations among coffee traders by increasing the number of local coffee exporters. In particular, the vertical integration model, which allows exporters to produce and buy coffee directly at local levels, has increased market choice for coffee farmers. At the same time, the direct involvement of exporters at the local market level has generated grievances among suppliers, who were previously the dominant players in the local coffee trade. Vertical integration has also heightened the risk of smallholder farmers being evicted from their land, a practice that existed during the imperial regime.

The 2017 coffee policy provides space to coffee producers who own 2 hectares of land or more to export the coffee produced on their plots. This reform, coupled with rising coffee prices, has sparked increased interest among farmers in the study areas to produce specialty coffee and secure export licences. Few farmers succeed in exporting, however, due to lack of capital, limited market access and corrupt practices in local governance. Operating since the 1970s, coffee farmer cooperatives, designed to serve the majority of smallholder farmers, have shown little improvement over time. More recently, they have been weakened by corruption, fierce competition, illicit coffee trade and security problems.

It is therefore vital to revisit the 2017 coffee policy in order to better protect the interests of the majority of coffee-producing farmers, who have yet to receive fair prices for their products. Specifically, it is necessary to mitigate the side effects of vertical integration, such as the eviction of smallholder coffee farmers from their land, increased illicit trade and the discontent of new entrant young coffee traders who hold supply licences but are unable to compete with exporters in the local coffee market. High youth unemployment in coffee-producing areas, combined with the minimal prices farmers receive, has already produced grievances that have fuelled both struggles for local autonomy and widespread violence against coffee traders and associated members of ethnic identities not considered local, thereby affecting inter-ethnic coexistence in Sidama, Gedeo and Guji.

Map: Sidama–Gedeo–Guji coffee belt



Introduction

Ethiopian coffee production and export go back at least to the sixteenth century. The country is the fifth largest coffee producer in the world and the largest coffee producer in Africa. Coffee remains the most significant source of export income in Ethiopia, accounting for an average of about 35 per cent of the total export value over the past decade and serving as a vital livelihood for approximately 15 million citizens.[1] Ethiopians consume about 50 per cent of the coffee produced in the country, although existing policy privileges coffee as an export commodity.[2]

The majority of coffee (about 95 per cent) comes from smallholder coffee farmers.[3] Smallholder farmers in Sidama, Guji and Gedeo produce about 34 per cent of the total national volume, with Sidama accounting for 13 per cent, Guji 13 per cent and Gedeo 8 per cent.[4] These areas are home to well-known cooperative unions; namely, the Sidama Coffee Farmers Cooperative Union (SCFCU), the Oromia Coffee Farmers' Cooperative Union (OCFCU) and the Yirgacheffe Coffee Farmers Cooperative Union (YCFCU). The people of Sidama, Gedeo and Guji inhabit an agro-ecological zone that is mainly midland and suitable for farming specialty coffee, although the Guji people also practice pastoralism in their vast lowlands. All three groups practice agro-forestry, mixing coffee with forests and other crops such as *enset* (false banana) and fruits.[5]

These peoples not only share coffee as their main crop but also share many aspects of their traditions, customs, cultural practices and political institutions. They are part of the Cushitic-speaking peoples of Ethiopia and the Horn of Africa and adhere to egalitarian traditional governance systems: Luwa (Sidama), Balle (Gedeo) and Gada (Guji Oromo). They lost their political autonomy during the expansion of Emperor Menelik II in the late nineteenth century—a key historical event that forced farmers in Sidama, Gedeo and Guji to produce coffee

1 Berihun Tefera, Habtemariam Kassa and Tigist Zelalem, 'Analysis of Ethiopian Coffee Value Chain for Compliance with European Union Deforestation Regulation', *Tree, Forest and People* 22 (December 2025).

2 Bart Minten *et al.*, 'Structure and Performance of Ethiopia's Coffee Export Sector', Ethiopia Strategy Support Program, Working Paper 66, June 2014, 1.

3 Alban Mas Aparisi, 'Ethiopian coffee marketing reform and smallholder coffee producers: A socio-legal empowerment lens', London: International Institute for Environment and Development, 2021, 3.

4 'Ethiopia Coffee Annual Report Summary-2025/26 Outlook' (based on USDA Ethiopian Coffee Annual-June 2025 Report), *CMB News*, 4 June 2025. Accessed 4 January 2026, *https://commodity-board.com/ethiopia-coffee-annual-report-summary-2025-26-outlook/*.

5 Daba Bogale, 'Agroforestry Systems in Ethiopia: A Systemic review of climate change mitigation, adaptation and sustainable land management potential', *F1000Research* 14:286 (2025).

for export markets. From the late nineteenth century, they had been grouped together under the same regional administration known as Sidamo *Kiflehager* (province), until the post-1991 decentralization reform.[6]

Beyond internal political forces in Sidama, Gedeo and Guji, the interaction of these peoples with state actors and other stakeholders through the intermediary of the coffee economy over the last century has profoundly influenced socioeconomic and political change in these areas. The coffee economy has consistently been a contested and conflicted space involving various actors, including central and regional states, traders, producers and other stakeholders. Since these areas were incorporated into greater Ethiopia, the central governments—which were typically controlled by political forces situated in the geographic north—have been highly involved in regulating the coffee sector and protecting the interests of traders from the central and northern parts of the country (and from abroad) to dominate the local coffee business.

As a result, grievances against external control of coffee revenue and extraction of trade profits, along with the low benefits received by producers, have consistently fuelled violent encounters. These tensions become particularly visible during regime changes, manifesting as conflicts between coffee producers, state actors and associated members of ethnic identities not considered local in the three study areas.

Notable historical examples include the 1960s Gedeo peasant uprising, which was a direct response to evictions by landlords seeking to expand coffee cultivation.[7] Similar unrest was reported in Bensa and Haroresa woredas of Sidama, which later evolved into the armed struggle in Sidama during the Derg regime.[8] This cycle of violence persisted across the Sidama–Gedeo–Guji belt throughout the Ethiopian People's Revolutionary Democratic Front (EPRDF) era (1991–2018), when disputes over coffee lands and administrative borders remained the primary drivers of local instability. In the post-2018 political transition, coffee has been central to the political discourses of local elites, especially in Sidama Region and Gedeo zone, in their struggle for greater local autonomy in the form of statehood and control of coffee revenue. The 2018 political transition saw a shift in the political centre from the north to the geographic south, with a key figure in the Prosperity Party leadership coming from the coffee-producing Oromia Region. Furthermore, the reform produced new regional states in southern Ethiopia, such as Sidama, which was recognized primarily to diffuse the long-standing grievances over inequitable benefit sharing from coffee production that fuelled demands for greater regional autonomy.

6 Almaw Kifle, 'The Political Economy of Coffee Production, Processing and Marketing in Gedeo and Sidama: Local, National and Global Developments (1941 to 2010)', PhD dissertation, Addis Ababa University, Addis Ababa, December 2015. Also see: Asebe Regassa Debelo, 'Inter-ethnic relations: the 'Ethiopian Experiment' and the case of the Guji and Gedeo', MPhil thesis, University of Tromsø, Tromsø, 2007.

7 Kibru Mamo Gemede, 'Ye Gedeo Hizb Yezemenat Tiyakiwoch?' ('*The Long-Standing Quests of the Gedeo People?*'), Dilla: BN Click Publisher, 2021.

8 Almaw, 'Political Economy', 280.

Among the Sidama people, these grievances were rooted in a perceived lack of response to their long-term quest for self-rule. The Sidama people have fiercely opposed what they see as the deliberate persecution of statehood advocates and the use of violence to suppress peaceful protests. They view statehood as essential for securing the federal budget allocation that is proportionate to their economic contribution; specifically, they argue that their specialty coffee accounts at least 13 per cent of total national foreign exchange revenue.[9]

A similar logic of unfair resource distribution has recently fuelled a quest for statehood among the Gedeo people. Despite these efforts, they were merged with other ethnic groups in the newly formed South Ethiopia Regional State following the dissolution of the former Southern Nations, Nationalities and Peoples' Region (SNNPR).[10] This decision is seen by the Gedeo people as breaching their constitutional rights to local autonomy and compromising the principle of geographic contiguity, as their territory has no continuous ties with other groups in the newly formed South Ethiopia Regional State.[11] Currently, Gedeo political elites are divided over either furthering integration with South Ethiopia Region or re-creating new forms of political alliance with the Guji Oromo, regardless of recent violent memories.

The 2018 transition also saw increased localized violence in Guji areas, resulting in the internal displacement of more than a million coffee producers. The Guji zones produce the largest volume of high-quality coffee in Oromia Region, including world-renowned Hambella coffee. The zones are rich in natural resources, such as gold and other minerals, as well as cattle and land that is uniquely fertile for high-grade specialty coffee. Despite these assets, the Guji zones continue to experience insecurity due to armed struggles in the area.[12]

The post-2018 political transition brought greater liberalization to the coffee sector and a loosening of the role of the Ethiopia Commodity Exchange (ECX). The ECX is a platform that replaced the previous auction system in 2008 but is disliked by coffee traders in the study areas for eroding coffee quality, blurring the traceability of specialty coffee and thereby affecting the price they received for their organic coffee. The ECX is further blamed for constraining the aspirations of traders from coffee-producing areas to be involved in export trade, as it is

9 Maya Misikir, 'Sidama's Statehood Quest, Beyond recognition', *Ethiopia Insight*, 17 June 2021.

10 Following the dissolution of the former SNNPR, the other newly formed states include: South West Ethiopia Peoples', Central Ethiopia and South Ethiopia regional states. These entities follow a cluster-based regional approach rather than one based primarily on ethnic identity. See Asebe Regassa Debelo and Yacob Cheka Hidoto, 'New Cluster Regions and Distributive Struggles in Southern Ethiopia: Boundary conflicts in the Zeyse–Gamo and Kabena–Gurage borderlands', Nairobi: Rift Valley Institute, 2024.

11 Kibru, '*Gedeo Hizb*'.

12 United Nations Office for the Coordination of Humanitarian Affairs. 'Ethiopia-Situation Report, 1 March 2024'. OCHA, 1 March 2024. Accessed 4 January 2026, https://www.unoocha.org/publications/report/ethiopia/ethiopia-situation-report-1-mar-2024.

perceived to be dominated by Tigray People's Liberation Front (TPLF)-affiliated traders, such as Guna Trading.[13]

During the EPRDF era, private traders based in the Sidama–Gedeo–Guji belt had a limited presence in the export market. Although cooperative unions and a few locally based private traders and entities—such as Daye Bensa in Sidama and Kerchanshe Trading in Guji—maintained a presence, the export market was largely controlled by private firms based in Addis Ababa and companies affiliated with the regional development endowments of the ruling coalition; for example, Wondo, Guna and Dinsho. These endowment companies held a significant competitive advantage, benefitting from preferential access to bank credit via the Commercial Bank of Ethiopia and logistics services provided by their own affiliated companies.[14]

The 2017 change in coffee policy and the subsequent political reforms under the Abiy administration post-2018 have significantly shifted these dynamics. The 2017 coffee policy reform, which was intended to benefit coffee producers, has generated new momentum by allowing farmers to export specialty coffee produced on their individual plots. The new policy has increased the visibility of exporters who come from coffee-producing areas and increased the involvement of exporters at local levels—simultaneously as producer, supplier and exporter. This development is most evident in the Guji zones, which have seen an unprecedented surge in private coffee businesses owned by local individuals over the last five years. Study participants note that this new dynamic in Guji is fuelled by the 2018 political reform, which further decentralized decision-making in these areas and encouraged the participation of local traders in the coffee sector.[15] In turn, this has fostered a sense of collective self-awareness rooted in an entrepreneurial identity that was less visible in the past. Similar increases in local participation in the coffee trade are reported in Sidama Region and Gedeo zone.

At the same time, however, the 2017 coffee reform has generated new problems and grievances. These have the potential to destabilize the socioeconomic and political lives of residents in coffee-producing areas once again if they are not proactively mitigated.

In this report, the coffee sector in the Sidama–Gedeo–Guji belt is studied from a political economy perspective, which focuses on analysing the embedded contextual factors influencing institutions and actors, the rules of the game or institutions that create incentives to influence actor behaviour, and the actors themselves, including their needs, interests, positions and the balance of power between them. This perspective is useful for understanding how the deep-rooted political and economic structures in Ethiopia, as well as the rules designed for the coffee

13 Interviews with exporters, Hawassa, Dilla and Bensa Daye, 28 September 2026, 1 October 2025 and 17 October 2025, respectively.

14 Sarah Vaughan and Mesfin Gebremichael, 'Rethinking business and politics in Ethiopia', African Power and Politics Programme (APPP), Research Report 02, London: Overseas Development Institute, August 2011. Also see: Tilman Altenburg, 'Industrial Policy in Ethiopia', German Development Institute, 2020.

15 Interview with Bule Hora University expert, Bule Hora, 8 April 2026.

sector, have influenced and continue to influence the needs, interests and positions of various actors.

This study argues that the coffee sector in the study areas is shaped and reshaped by an interplay of structural factors, rules of the game, actors and their interactions, needs, interests and power relations. Thus, the analysis in this report integrates macro, meso and micro-structures, institutions (both formal and informal), and actors and their interests, interactions and incentives—shaping and reshaping not only state–society relations but also the horizontal relations between various ethnic groups, traders and coffee farmers, and traders themselves in the Sidama–Gedeo–Guji belt.

Despite the influence of the interplay of structural factors, various institutions and individual actors in the coffee sector, most previous research and policy discourses focus on either agro-economic or purely economic aspects. Few studies directly utilize a political economy approach to coffee. Those that do, often focus on macro-level issues, with limited attention to local contexts in coffee-producing areas.[16]

Methodology

This study relies on qualitative research methods, drawing on both primary and secondary data sources. The primary data was collected during eight weeks of fieldwork (September–October 2025) in Sidama Region (in Hawassa, Dale, Aleta Wondo and Bensa Daye woredas), Gedeo zone of South Ethiopia Region (in Dilla, Dilla Zuria, Yirgacheffe and Gedeb woredas) and the two Guji zones of Oromia Region (in Shakiso woreda in Guji; and in Bule Hora and Abaya woredas in West Guji). These data include in-depth interviews with 65 participants and 3 focus group discussions comprising 18 participants. In total 83 respondents were purposively selected, including: coffee farmers; leadership of coffee cooperatives and cooperative unions; coffee traders (collectors, suppliers and exporters), brokers and experts; and officers from the coffee and tea authority offices at the regional, zonal and district levels across Sidama, Gedeo and Guji. This study also draws on the extensive research experience of the report author in this coffee belt, as well as his social and political networks both to gain access to study participants and to ensure reliable data. The secondary data comprises a desk review of relevant literature on the coffee sector, including reports, articles, policy documents, academic theses and relevant social media content.

16 There are three notable exceptions worthy of mention: 1) Almaw (2015) focuses on the political economy of coffee production, processing and marketing in Gedeo and Sidama, with specific attention to local, national and global development from 1941 to 2010. This study provides useful data for this report to reconstruct historical issues in the three study areas. It does not, however, include various developments in the coffee sector after 2010. 2) Love (2002) focuses on the political economy of coffee in Ethiopia, with attention to institutional factors affecting the sector. It is, however, a macro-level historical analysis up to 2002 with limited empirical evidence from the study areas covered in this report. 3) Aparisi (2021) focuses on Ethiopian coffee marketing reform and smallholder coffee producers. Using a socio-legal empowerment lens, he examines the 2008 and 2017 coffee marketing reforms, with attention to the participation of and outcomes for smallholder coffee farmers.

Background

The social and political background of the study communities is crucial for understanding the institutional arrangements that continue to affect the coffee sector in these areas. This includes reference to selected historical events that reveal change and continuity in the wider context of these coffee-producing communities.

The expansion of Emperor Menelik II and his forces into their lands in the late nineteenth century seriously affected the social, cultural, economic and political lives of the Sidama, Gedeo and Guji Oromo communities—leading to a decline in age-old indigenous institutions and practices due to a loss of freedom and sovereignty, along with economic collapse. Since the 1920s, these peoples have been forced to prioritize coffee production for the foreign market.

Community profile and governance

The Sidama, Gedeo and Guji Oromo communities live in contiguous territories in southern Ethiopia and speak related languages belonging to the Cushitic language family. These groups share geographic landscapes, economic exchanges, cultural practices and intermarriages. They also share related egalitarian institutions of governance recognized as cultural heritage by the UN Educational, Scientific and Cultural Organization (UNESCO): the Luwa system in the Sidama community, the Balle system in the Gedeo community and the Gada system in the Guji Oromo community.

Sidama: The population is estimated to be near 5 million people.[17] They predominantly reside in Sidama Region, cultivating coffee, *enset*, *khat* (or *chat*)[18] and other cereals in the highlands and midlands, while raising animals in the lowlands. Coffee cultivation started in areas such as Dale, Shebedino and Aleta Wondo, later expanding to midland and highland areas; for example, Bensa, Aroresa, Chire, Bura and Bona. Sidama oral history recalls internal non-violent power struggles between major subgroups (Yemerecho and Wolabicho) but the community has maintained internal cohesion under the council of elders (*songo*) practiced through the Luwa

17 Central Statistical Agency, 'Projected Population of Ethiopia in 2025', August 2025. Accessed 6 January 2026, https://ess.gov.et/wp-content/uploads/2025/08/projected-population-of-ethiopia-2025.pdf. The Central Statistical Agency (CSA) projected that the population of Sidama Region, Sidama zone and Hawassa city combined is 4,827,483 as of July 2024. This makes Sidama the sixth populous region after Oromia, Amhara, Somali, Tigray and South Ethiopia.

18 *Khat* is a mildly narcotic plant (Catha edulis) native to the Horn of Africa.

system.[19] The cultural event known as '*Fichee-Chambalalla*' is the key ceremony of the new year, which has been celebrated for centuries among all members of the Sidama community.

Gedeo: The population is estimated to be more than 2 million people. The Gedeo community has a long history of close relations with the neighbouring Guji community, including stories of common ancestry. They predominantly live in Gedeo zone (more than 1.3 million people).[20] A significant number of Gedeo people also reside in neighbouring Guji zones. They practice agriculture, cultivating crops such as coffee, *enset* and maize in their traditionally collectively owned agro-forestry system. Coffee was initially produced in Dilla Zuria and Wonago, later expanding to Yirgacheffe, Kochore, Gedeb and Chorso woredas. They still practice the indigenous institution called Balle, which serves as the source of both religious and secular leaders. The system requires every male member to pass through nine grades, each lasting for eight years. The *Deraaro* event is the new year ceremony of the Gedeo people, marking a time of joy, gift sharing and the fostering social harmony in the community.[21]

Guji Oromo: The population is estimated to be more than 2 million, with most people predominantly residing in the Guji and West Guji zones of Oromia Region.[22] There are also significant numbers of Guji Oromo living in both Gedeo zone and Sidama Region. The Guji community, along with the Borana community, are considered to be the origins of Oromo peoples and culture because of the deeply embedded practice of the Gada system, which guides both their secular and religious leaders. The Guji people, along with other Oromo subgroups, celebrate *irreecha*, which is a cultural event rooted in the Gada system marking the new year and a time of thanksgiving.[23] The Guji community is divided into four subgroups, the members of which assist one another during warfare, crises and rituals. Although they were in frequent conflicts with neighbouring groups (Sidama, Kore, Borana), they maintained cordial relations with the Gedeo community until these relations were compromised by struggles over fertile coffee lands after 1991.[24] The Guji mostly practiced a pastoral economy in their large lowlands until the mid-twentieth century. Coffee is predominantly produced in Kercha, Odo Shakiso, Malka Sodda, Haro Wolabu, Uraga Adola Redi, Bule Hora, Abaya, Galana and Hambella woredas.

19 'Sidama', Ethiopian Peacemaking Database, The Pan-African Dialogue Institute. Accessed 6 January 2026, https://africanpeacemaking.org/ethiopia/Sidama/.

20 According to the CSA population projection, 1,240,720 people reside in Gedeo zone, as of December 2025. Central Statistical Agency, 'Projected Population'.

21 Kibru, '*Gedeo Hizb*', 7.

22 According to the CSA population projection, 2,159,404 people resides in the two Guji zones, as of December 2025. Central Statistical Agency, 'Projected Population'.

23 United Nations Educational, Scientific and Cultural Organization, 'Gada system, an indigenous democratic socio-political system of the Oromo', UNESCO Intangible Cultural Heritage, 2016. Accessed 29 July 2026, https://ich.unesco.org/en/RL/gada-system-an-indigenous-democratic-socio-political-system-of-the-oromo-01164.

24 Hussien Jemma, 'Competition Over Resource and Ethnic Conflict in Federal Ethiopia: the case of recent Guji–Gedeo Conflict', research report presented to Organization for Social Science Research in Eastern and Southern Africa (OSSREA), Addis Ababa, December 2000.

In Guji, nearly 95 per cent of coffee is produced by smallholders, whereas the remaining is sourced from large-scale privately owned coffee farmers who are primarily concentrated in Abaya and Galana woredas.[25]

Incorporation, exploitation and the rise of coffee

The Sidama, Guji and Gedeo communities lost their autonomy through incorporation into the Ethiopian state in the late nineteenth century. The local people were subjected to an extractive feudal *gabbar* (tenant) tribute system that forced them to both become tenants on their own lands and serve the interests of landlords appointed in the area. These landlords, in turn, used local chiefs and traditional leaders to exploit the local populace.

Balcha Safo's 25-year governorship (1898–1908, 1910–1914, 1917–1928) over the Sidama, Gedeo and Guji areas is recalled as particularly detrimental, severely affecting the social, economic and political lives of the people. He laid the foundation for an administrative structure (Sidamo) that combined Sidama, Gedeo and Guji into one province, which remained in place until the 1991 decentralization reform.[26] Crucially, Balcha introduced commercial coffee production in Sidama and Gedeo, later expanding to Guji. He acquired the practice from foreign-owned coffee farms in Harar in eastern Ethiopia in the 1890s. These foreign farms, especially in Arsi, played a key role in attracting labourers from Sidama and Gedeo, who returned home with new skills and expanded the planting of garden coffee in their villages. Balcha also introduced a locally hated land measurement system to free up more lands for coffee cultivation.[27]

Although the land measurement system was intended to increase land value by classifying it as cultivated, semi-cultivated or uncultivated, it was primarily used to address the growing demand for coffee land among individuals coming from the centre who were affiliated to the governors, and the imperial regime. This process effectively turned the local people into *gabbar* on their own ancestral lands. Although the peoples in the Sidama–Gedeo–Guji belt were economically integrated into the Ethiopian state, they remained socially and politically marginalized.[28]

The expansion of coffee in these areas was primarily driven by the central government need to find a replacement source of export income following the depletion of ivory and the global

25 Duressa Endalkachew Lelisa and Woyessa Tesema Ta'a, 'Dynamics of Changes in coffee industry and its socio-economic impact on smallholder coffee growers in Guji zone of southern Ethiopia', *RJOAS: Russian Journal of Agricultural and Socio-economic sciences* 3/159 (March 2025).

26 The former Sidamo *Teklaygizat* (governate-general; during the Balcha's time) and Sidamo *Kiflehager* (during the Derg) also included Borana and Wolaita, until 1987 when the former became separate region (Borana) and the latter became part of the newly formed Semien Omo region.

27 Almaw, 'Political Economy', 38.

28 Charles W McClellan, *State Transformation and National Integration: Gedeo and the Ethiopian Empire*, 1895–1935, Monograph 19, East Lansing, MI: African Studies Center, Michigan State University, 1988.

pressure to stop the slave trade. The central government thus prioritized coffee production and appointed governors with the aim of maximizing this revenue.

This reality, along with increased global demand for coffee, attracted large numbers of settlers into the Sidama, Gedeo and Guji areas. These settlers simply occupied land by either evicting farmers or taking over communal lands for their own farming purposes. This practice of land eviction by settlers was only briefly interrupted by the Italian colonial forces in the late 1930s, who sought to gain local support for their control.[29]

After the end of the Italian occupation in 1941, the trend of land acquisition for coffee intensified, with governors allowing relatives and government loyalists to claim lands. Members of Emperor Haile Selassie's royal family, most notably his daughter, Princess Tenagnwork, were involved. Those who acquired lands from the Sidama and Gedeo areas often leased them to European companies for commercial coffee farming to satisfy the rising demand in the global market.

In the 1950s and 1960s, a growing number of individuals affiliated to the regime and foreigners engaged in commercial coffee production, establishing coffee washing and processing stations in Sidama and Gedeo. The government encouraged, and gave legal protection and provided financial support to, Ethiopian traders to expand commercial coffee production. These traders acquired large coffee farms and processing stations, often through land measurement and sales. During this period, the role of local people in coffee producing districts was limited to serving as *sebsabies* (collectors) for the larger *akrabies* (suppliers) from the centre or expatriate merchants. In the 1950s, the strict licensing requirements introduced by the newly formed National Coffee Board in 1957 favoured those with significant capital and literacy skills, effectively foreclosing the emergence of a local group of coffee traders.[30]

Since the coffee expansion was not producer-owned but coercively enforced by governors and their associates, it inhibited the growth of local traders and powerful local elites. Landlords who became agro-capitalists, along with their associates, dictated what could be cultivated and who could grow it, profoundly affecting the livelihoods of the local people as they were exploited. One respondent with 30 years of experience in the coffee sector describes the conditions during the imperial regime:

> The system was feudal. The farmers produced the coffee but the owners of the coffee were the landlords. The farmers could not collect coffee, even for household consumption, without the arrival of the landlord from Addis Ababa. There were overseers [associates] of the landlord watching over the farmers. Farmers had no privilege to talk about the price of coffee. Farmers were also evicted from their farmlands for coffee production.[31]

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29 Kirbu, '*Gedeo Hizb*', 12. Also see: Almaw, 'Political Economy'.

30 Bahru Zewde, *A History of Modern Ethiopia*, 1855–1991 (second ed.), Oxford: James Currey, 2001, 197–198.

31 Interview with retired coffee sector expert and coffee producer, Dilla Zuria, 2 October 2025.

As a result, there was local resistance to land occupation, aggressive land measurements and evictions, particularly in Gedeo, which was the immediate cause for the 1960 Gedeo peasant uprising (also referred to as the 'Michelle' [or 'Michele'] peasant uprising).[32]

The imperial regime suppressed this resistance. To address land shortages in the Gedeo highlands, the regime introduced the resettlement of some farmers into areas claimed by the Guji community, a decision that later affected the peaceful coexistence between the Gedeo and Guji peoples.[33] In addition, the regime attempted to diffuse local resistance by organizing landless individuals and ex-soldiers into coffee producer cooperatives. This effort was, however, met with stiff resistance from landlords who relied on tenant labour. As the tension between the monarchy and powerful regional landlords persisted, the feudal system was further weakened by social change, growing rural discontent and the rise of a politically conscious educated youth. In the response, the emperor offered limited land reform but these measures were too little and too late.[34]

The Derg and land reform

Farmers in Sidama, Guji and Gedeo found relief from the extractive economy imposed by the imperial regime during the 1974 revolution. The nationwide revolt culminated in bringing the military regime (the Derg) to power, which implemented radical land reform. This reform nationalized land, established public ownership of land and abolished the feudal system, redistributing land 'to the tillers', especially in the coffee-growing areas and the wider south.[35]

Derg land reform efforts won significant support from local people, who were induced to retaliate against officials and wealthy groups of the feudal imperial regime. This retaliation caused a number of coffee farms, processing stations and stores to be looted or damaged. These attacks, in turn, triggered the displacement of non-local coffee farmers from rural areas to urban centres.

The new regime initially used local elites to administer the provinces to diffuse quests for local autonomy and mobilize the support of local peoples. Later, however, the Derg regime relied heavily on military personnel, eventually losing the trust of local leadership. The regime expelled and dispossessed foreigners who had coffee farms in Sidama, Gedeo and Guji. Their farms were initially given to peasant cooperatives and then later redistributed to landless peasants. The

32 The Michelle peasant uprising is exemplary among the peasant revolts that took place during Emperor Haile Selassie's regime. Following this revolt, the regime faced increased resistance from exploited peasants and students who championed their cause. See: Kibru, 'Gedeo Hizb', 11–13. Also see: Tadesse Kippe, *Five Thousand Years of Sustainability?: A Case Study on Gedeo Land Use* (Southern Ethiopia), Heelsum, The Netherlands: Treemail Publishers, 2002.

33 Asebe, 'Inter-ethnic relations'.

34 Bahru, *Modern Ethiopia*, 191–196.

35 The slogan 'land to the tiller' was popular during the 1960s–1970s protest movements, which eventually led to the 1974 revolution.

coffee market was strictly reserved for associations and cooperatives under the supervision of the National Coffee Board, leaving no space for private traders.

Although the cooperatives and government enterprises expanded the number of wet and dry coffee processing stations, peasants were often forced to set up these cooperatives, which were staffed by political party activists rather than professionals. One study participant explains this situation based on his professional experience in the coffee sector during the Derg regime:

> The Derg regime allowed farmers to regain their coffee farms. The price was set by the government, however, and farmers did not benefit from their crop. The government organized cooperatives but they had pressure from the bank, which did not lend money on time and the amounts were inadequate. The key decisions were taken by Derg cadres who did not understand profit and loss. The cooperative money was also frequently embezzled by these cadres.[36]

While Derg land reform enabled many landless individuals to own coffee farms in the Sidama–Gedeo–Guji belt, it also contributed to the fragmentation of coffee lands, leaving smallholder farmers with limited bargaining power. The lack of competition and the absence of private traders also caused stagnation in the coffee sector, as this gap resulted in a scarcity of capital and negatively impacted market access. The regime used coffee primarily as a source of foreign currency to buy weapons to fight its local and foreign enemies.

The presence of strict government control severely limited the income generated from coffee farms, increasing hostility toward the regime. As a result, many local elites, especially in Sidama and Guji areas, began to use armed struggle as an option to secure local autonomy. The struggle in Sidama was led by the Sidama Liberation Movement (SLM), formed in 1977 by Woldeamanuel Dubale. Woldeamanuel had served as the governor of the Sidamo province during the early years of Derg rule, prior to being replaced by military administrators. Dissatisfied with the transition and seeking to redress the long-standing grievances of local people, Woldeamanuel turned to armed rebellion. He drew inspiration from the earlier Bale Rebellion (1963–1970), led by Waqo Gutu, which served as a precursor for the more organized Oromo Liberation Front (OLF) established in 1973. Both the OLF and SLM sought to dismantle the extractive control central government had over land and resources.[37] These armed conflicts, in turn, affected coffee production in areas where they persisted, including Bensa, Chire and Haroresa woredas in Sidama and Bule Hora in Guji. Consequently, as the Derg regime fell, coffee farmers became the first to destroy the properties of the cooperatives they were not allowed to manage.

36 Interview with farmer, Dilla Zuria, 2 October 2025.

37 Shiferaw Muleta, 'Special edition: Chronicles of Sidama People's struggle for self-rule', *Addis Standard*, 30 May 2019. Accessed 29 March 2026, https://addisstandard.com/special-edition-chronciles-of-sidama-peoples-struggle-for-self-rule.

Post-Derg decentralization and political economy (1991–2017)

After the 1991 collapse of the Derg regime, the Ethiopian People's Revolutionary Democratic Front (EPRDF)-led government decentralized power, establishing administrative regions and zones largely based on ethnolinguistic identity. The Sidama and Gedeo communities were organized as zones, along with other ethnic groups, and placed under the regional authority of Southern Nations, Nationalities and Peoples' Region (SNNPR), while the Guji community was reorganized to be part of greater Oromia Region.

The collapse of the Derg once again led to a period of chaos and instability in the Sidama, Gedeo and Guji areas. Similar to the 1974 revolution, everything associated with the Derg was attacked: Coffee farms, processing stations and cooperative stores were raided, looted and damaged. The decentralization reforms also induced hostilities, however, causing non-local individuals resident in Sidama, Gedeo and Guji to migrate to bigger towns, often taking their capital and selling their coffee farms.[38]

Border disputes and inter-ethnic conflict

The demarcation of local administrative borders was crucial in leading to the outbreak of violent conflicts between the Gedeo and Guji communities. Previously, these communities had coexisted cordially for many years, often sharing coffee production skills. For members of each group, being on one or the other side of the new border determined fundamental issues such as the language used in schools, which culture was developed in public space and who governed the district.

This dispute was not just administrative but also political, centring on the question of whether Gedeo members living in Guji should be part of Gedeo zone, use their native language in school and govern themselves in West Guji zone. The dispute was also about who controls fertile coffee-producing land in ethnically mixed areas such as Kercha and Abaya and, thus, who controls tax revenue collection.[39]

This conflict first erupted in 1995, repeated in 1998 and recurred most recently in 2018, causing large-scale damage to both communities and their livelihoods. As respondents highlight, the Guji community predominantly practiced pastoralism in the past. During the second half of the twentieth century, this began to shift as they also started to produce coffee and *enset*, similar to their Gedeo neighbours. This shift in traditional livelihoods had already sparked competition over scarce resources between the Gedeo and Guji communities. In the post-1990s period, however, this competition eventually transformed into identity and border conflicts

38 Almaw, 'Political Economy', 195.

39 Hussien, 'Competition over Resource'. Also see: Getachew Senishaw, 'The Gedeo after Jensen's Ethnographic Fieldwork: Change and continuities in religion and the *baalle* system', *Ityopis: Northeast African Journal of Social Sciences and Humanities*, Extra Issue 3 (2018). Accessed 29 March 2026, http://www.ityopis.org/Issues-Extra-3_files/ityopis-extra3-getachew-senishaw.pdf.

affecting long-standing friendships, as well as economic and cultural exchanges, between the two groups.[40]

Liberalization and market struggles

The EPRDF maintained the public ownership of land that was initiated by Derg land reform policy. In Sidama, Gedeo and Guji, most lands surrounding small rural towns were included in town boundaries. When informal land selling practices became prevalent, this increased the insecurity of farmers living in town environs.[41]

Despite the damage to the coffee sector after the Derg fell, the EPRDF gradually liberalized the sector, expanding coffee purchasing into remote areas and allowing local individuals to participate in the coffee supply business. In relative terms, this action increased coffee supply and local coffee prices. The government also restored the cooperatives, reforming them as primary cooperatives and cooperative unions.[42] As a result, primary cooperatives expanded and formed major unions such as the OCFCU (Oromia Coffee Farmers' Cooperative Union) in 1999, the SCFCU (Sidama Coffee Farmers Cooperative Union) in 2001 and the YCFCU (Yirgacheffe Coffee Farmers Cooperative Union) in 2002.

These primary cooperatives were often mismanaged by local officials, who lacked skilled human resources and had limited access to capital and credit. The unions themselves often lacked the capacity to make independent decisions, suffering from government intervention and informal networks of non-local traders. Most respondents underscore that there was significant interference from local officials in the affairs of both the cooperatives and unions. This interference extended to the regional and federal levels. A study participant from Dilla explains the negative impact of regional government interference in the work of the YCFCU. This interference also affected inter-ethnic relations and dynamics between local and non-local traders in Gedeo zone:

> The union secured land to build a market complex in Dilla town through a formal process. … But the land was claimed by a group of merchants working in the town [members of other ethnic groups]. The case was taken to federal court. Due to interference from regional officials, the municipality was forced to issue a land certificate, which had been given to us, to them instead. This situation was manipulated to trigger a violent encounter

40 Asebe, 'Inter-ethnic relations', 2007. Also see: Girum Kinfemichael, 'The Quest for resolution of Guji-Gedeo conflicts in southern Ethiopia: A review of mechanism employed, actors and their effectiveness', *Ethiopian Journal of the Social Sciences and Humanities* X/1 (June 2014).

41 This is a widespread phenomenon in urbanizing Ethiopia. See Addiswork Tilahun Teklemariam and Logan Cochrane, 'The Rush to the Peripheries: Land Rights and Tenure Security in Peri-Urban Ethiopia', *Land* 10/2, 193 (2021): 1–20. DOI: 10.3390/land10020193.

42 A primary cooperative is a grassroots business owned and democratically controlled by its members (usually at least five natural persons) to meet shared economic, social and cultural needs. They operate on a one member, one vote basis, focusing on service provision, employment and community development instead of maximizing profit for external shareholders.

> in Dilla and its environs in 2016. This incident affected towns throughout Gedeo zone, causing deaths and destruction. It also impacted our coffee sector.[43]

Triggered by a federal court decision regarding landownership in the central market area,[44] the violent conflict that erupted in Dilla town and its surrounding towns in October 2016, following a protest by coffee union members, is arguably rooted in broader resentment towards non-Gedeo business actors. These actors are often perceived to have prospered at the expense of the wider community, with Gedeo members feeling increasingly powerless to alter this economic trajectory.[45] This tension reflects a sharp disjunction between political and economic power in Gedeo zone during the EPRDF era. That is, while Gedeo elites gained formal political authority at local levels, economic dominance remained largely in the hands of non-Gedeo groups. This imbalance fuelled feelings of exclusion and injustice, as political representation at the regional and federal levels did not translate into tangible economic benefits for the local Gedeo population. As of 2025, this same resentment persists. In the current context, and given fierce economic competition in the Sidama–Gedeo–Guji belt market, these grievances can easily become ethnicized. Whenever such grievances are triggered, this heightens the risk of future violence.

Farmer vulnerability and EPRDF priorities

Key market players in the coffee sector remained members of the EPRDF, including party-owned endowment companies, locals and non-local loyalists, and privileged individuals who received government support and market priority. In effect and as in the past, this kept the coffee trade under the command of the ruling party. Even though the government attempted to empower coffee producers, its primary focus was using the sector to generate foreign exchange.

As they had under past regimes, during the EPRDF era coffee producers in the study areas suffered much. Along with cooperative unions, a few local coffee traders from Sidama, Gedeo and Guji were involved in the coffee export market but those individual traders, especially in Gedeo zone, often went bankrupt. Local coffee suppliers struggled to stay in the market due to low export prices, indebtedness and fraud at the coffee auction centre (the ECX). The latter consisted of coffee buyers handing over cheques written on empty bank accounts. Locally, this

43 Interview with union representative, Dilla, 30 September 2025.

44 Yonas Aboye, 'Dozens killed due to violence in Dilla vicinity', *The Reporter*, 15 October 2016.

45 Kibru, '*Gedeo Hizb*', 46–66.

is referred to as a ‘dry cheque’.[46] In addition to going bankrupt, some traders suffered mental illness and even committed suicide. One respondent from Dilla recalls:

> During the EPRDF era, dry cheques were given to our merchants [traders] in Addis, leaving them burdened with debt. Some developed mental illness and others we know in Chelelektu town [in Gedeo zone] committed suicide.[47]

Study participants also note that many suppliers in the Sidama–Gedeo–Guji belt lost their collateral for bank loans in the 1990s. These assets, primarily residential houses, were auctioned by the banks when borrowers were unable to pay their debts. This created a social crisis in major urban centres such as Hawassa, Dilla and Bule Hora. As the banks moved to sell these properties, the resulting crisis significantly strained and disrupted the social and familial bonds between coffee suppliers and homeowners, many of whom were relatives who had offered their homes to suppliers to use as collateral.

Similarly, the sharp fall in global coffee prices during the 2015–2016 season triggered nationwide outcry from traders who were unable to repay their loans to both state and private banks. In response, a majority of coffee exporters signed a letter petitioning the government for relief. In May 2016, Prime Minister Hailemariam Desalegn’s administration intervened to protect the coffee traders from bank foreclosures. This move was intended to prevent the collapse of the coffee export sector, which has long been a primary source of foreign currency in Ethiopia, and to avoid a repeat of the social crises seen in earlier years.[48]

The precarious position of private traders working in the Sidama–Gedeo–Guji belt was further exacerbated by the negative influence of party-owned parastatals, such as Guna (Tigray People’s Liberation Front [TPLF]), Wondo Trading (Southern Ethiopian People’s Democratic Movement [SEPDM]) and Dinsho (Oromo People’s Democratic Organization [OPDO]). While private traders in the coffee belt struggled with high interest rates and dry cheques, these parastatals

46 In the context of the Ethiopian coffee trade during the 1990s, the term ‘dry cheque’ refers to a cheque issued by a coffee buyer without actual cash backing in the bank account. This became pervasive problem that trapped even experienced suppliers. These suppliers were often induced into risky deals by Eritrean traders, who operated freely at the auctions when the two countries shared the ETB as common currency and maintained an open border. Eritrean traders often issued cheques without adequate funds to Ethiopian suppliers. This left coffee suppliers holding worthless dry paper or forced them to accept repayment much later in the form of depreciated ETB. To mitigate these negative consequences, the National Bank of Ethiopia eventually issued Directive No. SBB/26/2001. This directive established a special account system, requiring buyers to prove they had sufficient funds before they could complete a coffee purchase from the auction centre. See: National Bank of Ethiopia, ‘Amendment of Directive No. SBB/19/96 (Establishment of Special Accounts for Coffee Purchase at the Coffee Auction Center)’, Directive No. SBB/26/2001, Addis Ababa: National Bank of Ethiopia, 2001. Accessed 29 July 2026, https://nbe.gov.et/wp-content/uploads/2023/04/sbb-26-01.pdf.

47 Interview with retired coffee sector expert and coffee producer, Dilla Zuria, 2 October 2025.

48 Dawit Endashaw, ‘Ethiopia: No Foreclosure on Coffee exporters, NBE Orders’, *Addis Fortune* (republished via *All Africa*), 31 May 2016.

enjoyed preferential access to credit from the Commercial Bank of Ethiopia. This access allowed them to buy coffee at higher prices in the domestic market to edge out private competitors, even if the export price did not justify such high costs.[49] Study participants remark that although the TPLF-affiliated Guna trading company entered the coffee trade later than Dinsho and Wondo, it emerged as a dominant player. Guna was accused of manipulating the ECX system and using coffee primarily as a tool to acquire US dollars; this access to foreign currency allowed the firm to profit significantly from the sale of hyper-inflated imported goods.[50]

Due to low coffee prices, farmers also experienced a food crisis, which led to asset sales and credit default.[51] Farmers, especially in Sidama Region, opted to plant eucalyptus trees and *khat* to secure a better income. The former SNNPR regional government (to which coffee-producing Sidama and Gedeo belonged) did little to mitigate the impact of coffee price fluctuations on traders and farmers. Instead, their efforts were focused on facilitating the construction of coffee infrastructure, such as building new coffee grading facilities in Hawassa and Dilla.

The 2018 political transition and reform

The 2018 political transition led first by the EPRDF and later by the Prosperity Party introduced significant liberalization reforms to the coffee sector in the Sidama–Gedeo–Guji belt. Implementation of the 2017 coffee reform coincided with the 2018 political transition, which is when the reform became more widely practiced. In terms of coffee markets, the 2017 reform allowed for more direct sales, enabling specialty coffee-producing farmers to bypass the ECX and earn a better price. In particular, the reform also allowed for the long sought-after vertical integration model, opening space for exporters to be involved in local coffee markets as producers, suppliers and exporters, thus increasing market competitiveness at the local level.

Most study respondents from the coffee belt note that former systems such as the open auction and the ECX favoured larger traders at the expense of both local producers and the quality of coffee. These systems restricted the potential of local traders, leaving them trapped in cycles of indebtedness and with limited knowledge of global market dynamics. Study respondents view the 2017 reform as having removed these restrictions. One long-time coffee trader in Sidama Region explains the impact of the reform, albeit with a degree of caution:

> Following the 2018 political reform, we are now witnessing better things. Many new coffee exporters have started to emerge, especially in the coffee-growing areas of Sidama, Oromo and Gedeo. Former coffee traders who defaulted were not able to recover fully, however,

49 Vaughan and Mesfin, 'Rethinking business', 2011.

50 Interview with president of Sidama Region coffee suppliers and processors association, Hawassa, 1 February 2026.

51 For further discussion on mechanisms of the debt trap, see: Alban Mas Aparisi, 'Coffee makers: how politics, economics, and evidence shaped coffee policy in Ethiopia, 1950–2018', PhD thesis, SOAS, University of London, London, 2024. DOI: 10.25501/SOAS.00042645.

> and new entrants are now dominating the local market. While we are seeing positive change, there are still problems.[52]

As noted by various study participants, the majority of local coffee traders who began exporting during the EPRDF era have been unable to sustain their operations in recent years. This decline is largely attributed to systemic indebtedness and a struggle to adapt to shifting market dynamics. Many well-known suppliers in the Sidama–Gedeo–Guji belt are currently out of the coffee market because of past losses. In their place, a new generation of market entrants has emerged. These are primarily young, educated traders who possess a deeper understanding of the socio-cultural contexts of coffee-producing communities, the complexities of coffee science and the specific demands of global consumers. These new actors are increasingly active in the local coffee market, motivated by what they perceive as the producer and quality-centric coffee policies of the current administration.

This transition toward quality-conscious coffee businesses is mirrored by the broader institutional shifts observed by experts in the field. A coffee researcher with embedded experience in the sector compares government attention to the sector under the two regimes (the EPRDF and the Derg):

> The EPRDF regime reduced the focus on the coffee sector, which had a structure at different levels and operated under the ministry of agriculture during the Derg era. During the EPDRF era, however, this support system wasn't maintained and the sector was demoted to a department level, despite the fact it remained the primary source of national foreign exchange. Recently, just on the eve of the coming to power of the Prosperity Party, a reform was initiated. The sector was re-established as an authority [the Ethiopian Coffee and Tea Authority, ECTA] and given attention. New declarations were issued that prioritized the private sector and the market improved. In the past, traders would buy coffee in bulk and it was blended. This practice did not differentiate the quality and there was, therefore, no difference in price. The new policy encourages farmers to produce quality coffee and export it by themselves. The policy now allows for vertical integration. Exporters can buy directly from specific farmers by contract and ship their coffee. This model provides a better price—a premium price—in the world market.[53]

The 2018 political transition also brought a demand for greater local autonomy, especially in Sidama. In late 2020, the formation of Sidama as a regional state was realized during the current regime, which furnished the region with better opportunities to decide on coffee revenue. The Gedeo people raised similar statehood questions, citing the unfair budget share they receive compared to their contribution to national revenue from coffee.[54] Their statehood question

52 Interview with coffee supplier, Bensa Daye, 17 October 2025.

53 Interview with coffee researcher at Dilla University, Dilla, 13 September 2025.

54 Kibru, '*Gedeo Hizb*'.

became critical following the mass displacement of Gedeo members due to renewed violence in West Guji zone during the political transition in 2018.

The Abiy administration opted to merge the Gedeo people with the newly formed South Ethiopia Region, despite the lack of a contiguous geographical border with other zones where Gedeo people also live.[55] Against this, the 1995 constitution stipulates contiguous geographical borders as one of the criteria to form regions. This has prompted local elites to consider some form of political arrangement with neighbouring Guji people, despite recent memories of violence. Meanwhile, the Guji zones continue to suffer from widespread insecurity, which severely affects local coffee production and trade.

While market liberalization and administrative reform have brought opportunities to coffee farmers and traders, emergent challenges with the potential for violence persist in the Sidama–Gedeo–Guji belt. These include the increased costs of coffee production (such as labour and compost), lack of access to markets and credit, new grievances related to vertical integration (such as increased land sales) and pervasive insecurity.

55 The creation of Sidama state cut off Gedeo zone from the rest of the southern nations. See: Marew Abebe, 'Sidama referendum: What Next?', *Addis Fortune*, 14 December 2019. Accessed 16 January 2026, https://addisfortune.news/sidama-referendum-what-next.

Coffee policies and institutional arrangements

Prior to the 2017 introduction of coffee sector reforms favouring vertical integration, a series of institutional arrangements had been established and in operation since the imperial era. These frameworks were largely designed to ensure centralized control over the revenue generated from coffee export. Notable among these institutional arrangements were the National Coffee Board, the open auction system and the Ethiopia Commodity Exchange (ECX). While these early coffee policies and institutional arrangements continue to impact the Sidama–Gedeo–Guji belt, the policies implemented by the current Prosperity Party regime are also having significant effects.

Early institutionalization of the coffee market

The first step to institutionalize the coffee market began during the imperial regime in the 1950s. This included the adoption of legislation to regulate coffee quality, specifically the Coffee Cleaning and Grading Regulation in 1952 and the creation of the National Coffee Board (NCB) in 1957.

The NCB was formed with the goals of improving quality, increasing production and enforcing the cleansing and grading proclamation. The NCB was empowered to construct and operate infrastructure such as warehouses and processing plants, employ cleaners and graders, issue licences to all value chain actors (exporters, traders and processors) and establish a central delivery point in Addis Ababa for inspection. The NCB assigned field officers to the provinces to teach farmers how to improve quality and enforce the regulation against poor coffee collection, processing and storage practices.[56]

The need to centralize coffee policy was fuelled by the 1950s price boom, as the government sought to maximize resource extraction from the coffee sector. The government encouraged large-scale agro-capitalist ventures for coffee export, which could generate foreign exchange and revenue, by granting bank loans.[57] In the Sidama–Gedeo–Guji belt, agro-capitalist traders such as imperial elites, civil servants and soldiers who received loans from the development bank branch in Yirgalem town invested in commercial coffee farms.

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56 Robert S Love, 'Political Economy of the Coffee Filiere in Ethiopia', PhD thesis, University of Leeds, Leeds, July 2002, 67–71.

57 Aparisi, 'Coffee makers', 96–97

Notwithstanding its primary objective of improving coffee quality, the NCB instead served as an instrument to centralize the coffee sector and enhance tax collection. In short, it was not an effective means of quality control. NCB influence at the farm level was minimal as its focus was on export income. Farmers in the study area operated under insecure tenancy arrangements, which encouraged extractive labour and rent-seeking. They were not even permitted to collect ripe coffee cherries without their *Balebat* (landlord) present. As much as 22 per cent of the taxes and other in-kind tribute payments in areas such as Gedeo consisted of coffee. This system later shifted to mandatory cash payments, arousing rural unrest, including the Gedeo peasant rebellion.[58] NCB agents were also often known to accept bribes as they were unable to ensure grading standards, resulting in poor and high-quality coffee being grouped into the same category.[59]

While the formal coffee market began in the 1950s, the central market or auction system was formally established in 1972, during the final years of the imperial regime. It was created at the request of suppliers and exporters to establish an improved trading system that would be managed by the state, acting as a neutral third party. After 1972, all coffee produced in the country was consequently required to pass through the two centralized auction markets in Addis Ababa and Dire Dawa. This auction system was designed to centralize the coffee market, thereby preventing direct farm-to-cup sales and ensuring the state could collect taxes and manage foreign exchange.[60]

Coffee market under the Derg

When the Derg regime came to power in 1974, it implemented a policy of strict centralization and state monopoly over the sector, controlling licensing, price setting and the state coffee farms. The regime abolished the NCB in 1978 and replaced it with the Coffee and Tea Development Marketing Authority. In 1980, this body was later elevated to a full ministry: the Ministry of Coffee and Tea Development (MCTD), serving as the primary buyer, seller and exporter of coffee.

Ministry power was expanded to include licensing and regulating every actor in the coffee value chain. At the local level, the MCTD bought coffee while licensed traders (*akrabies*) were permitted to buy dried coffee, although only if they made a higher annual licence payment. They were forced to buy and sell coffee at fixed prices and operated at designated locations. Coffee farmers were forced to fulfil coffee quotas for the cooperatives before they could sell to private traders. The private traders who did acquire coffee licences were then forced to sell their coffee through the auction market, which was by then highly centralized under the regime.[61]

58 Love, 'Political Economy', 51; Bahru, *Modern Ethiopia*, 217.

59 Aparisi, 'Coffee makers', 101.

60 Love, 'Political Economy', 68–69.

61 Aparisi, 'Coffee makers', 128–131.

Study participants emphasize that the coffee policy of the Derg regime was extractive, as the government utilized coffee to secure the highly sought after foreign exchange needed to buy weapons for use against its armed opposition groups in the north (Eritrea and Tigray). Although the attention the regime gave to the sector appears to have positively influenced coffee quality, the coffee farmers themselves received low prices. In terms of coffee quality and the importance of the sector to the regime, a farmer and retired government employee states:

> I was employed in the coffee and tea office in 1974 EC [1982] during the Derg regime. There was strict attention to the quality of coffee. Its production and harvest were rigorously supervised. There were local checkpoints to control the coffee trade. I believe the quality of the coffee back then was better than what we produce now. At that time, coffee was the single most important source of foreign currency for the government. The money from coffee played a key role in helping the government defeat its enemies from Somalia and the north.[62]

Another farmer from Sidama Region expresses a contrasting view, as well as offers insight on the then coffee prices:

> In the past, we as coffee producers did not benefit from our products. We laboured much but the benefit was very low, especially during the Derg era. There was improvement during the Ethiopian People's Revolutionary Democratic Front [EPRDF] era and now it is even better in terms of price. The production costs are high, from seedling to harvest, yet the price we get is minimal.[63]

Coffee sector policies under the EPRDF

After the fall of the Derg regime in 1991, the EPRDF introduced market-oriented reforms that liberalized the coffee sector and replaced the MCTD with the Coffee and Tea Authority. Most of the strict state-controlled regulations, such as fixed prices (in favour of price floors) and quotas imposed by the Derg, were eliminated and the licence fees for exporters were reduced.

At the same time, however, the basic structure of the central auction system, in place since 1972, was initially maintained. All coffee designated for export was required to pass through the auction centres, where it was graded, weighed and traded by licensed exporters and suppliers. Suppliers were required to take the purchased coffee to the warehouse of the buyer and receive payment within three days. Coffee produced and supplied by coffee farmer cooperative unions, which had been restructured following the fall of the Derg, were privileged to bypass the auction system and could instead export directly under the Fair Trade system. This global trade system protects small farmers by setting a guaranteed minimum price to shield them from sudden

62 Interview with farmer and retired government employee, Dilla Zuria, 2 October 2025.

63 Interview with farmer, Aleta Wondo woreda, 15 October 2025.

market drops. It also pays an extra bonus directly to cooperatives to fund local community projects.[64] Hence, the system offered much better returns to farmers.

Although the auction system maintained some degree of coffee traceability (for example, identified by region such as Sidama 2, Yirgacheffe 2 for washed coffee), it was negatively perceived by traders in the Sidama–Gedeo–Guji belt for several reasons. These include: the magnified role of brokers, which made trading costly and arbitrary; a lack of transparency and collusion among exporters to manipulate prices; the pervasive problem of dry cheques; and high storage costs. These issues discouraged suppliers from Gedeo and Sidama from participating in the auction system, instead driving the expansion of the illicit coffee market in the belt. A seventy-year-old man who has worked in the coffee supply business since the early 1990s elaborates:

> After the EPRDF came into power, it allowed private merchants to participate in the trade and it was profitable at the beginning. The coffee was sold at an auction centre where the buyer sat on one side and the seller on the other, and made bids. If you wanted to sell your coffee, you could, but if you didn't like the price, you had the option to wait for three days. After that period, storage costs would be charged to you. TPLF [Tigray People's Liberation Front] members started to dominate the auction and coffee export business, however. They began to manipulate the process as they wished, which led to bank loan defaults by many suppliers from the Sidama, Gedeo and Oromo regions. Many lost their collateral when the banks seized it and sadly, many people died as a result.[65]

Another supplier from Gedeo sheds further light on problems with the auction system:

> During the EPRDF era, it was difficult for suppliers. There were dry cheque issues. A buyer might take your coffee and give you a cheque that had no deposited money in its bank account. In fact, I myself was not a victim of this problem but many suppliers from Gedeo were. Some of the victims became indebted and bankrupt. Others were forced to sell their machinery and some even committed suicide. At that time, the government did not pay attention to creating a system where a person could buy the coffee by giving the money for it.[66]

A similar problem is reported from the West Guji zone, shared through a supplier's personal experience of default:

> Merchants were not the beneficiaries of the auction system during the EPRDF era. Around 1993 EC [2001], the exporters confiscated our coffee by giving us unfunded checks. I

64 Yuka Kodama, 'New role of cooperatives in Ethiopia: The case of Ethiopian coffee farmers cooperatives', *African study monographs*, supplementary issue 35 (2007).

65 Interview with coffee supplier, Bensa Daye, 17 October 2025.

66 Interview with local exporter, Dilla, 1 October 2025.

> lost two carloads of coffee. They would tell us to wait 15 days but the payment never came. Things improved afterward, especially following the establishment of the Ethiopia Commodity Exchange [ECX], as exporters were then required to show a confirmed purchase order as a guarantee.[67]

Overall, study participants note that the auction system was heavily influenced by the companies affiliated with the ruling party. Unlike private merchants who struggled with credit, party-affiliated companies such as EFFORT (the Endowment Fund for the Rehabilitation of Tigray), linked to Guna Trading, and others possessed significant capital due to access to bank loans with more flexible terms. Leveraging their political connections, these firms secured coffee supply from regional cooperatives and often manipulated the auction market. Their better access to market intelligence also created an uneven playing field, affecting private suppliers throughout the Sidama–Gedeo–Guji belt.

Policy shifts and the introduction of the ECX

The existing auction system failed to consider the needs and benefits for smallholder coffee producers, who supply about 95 per cent of the coffee in Ethiopia. To ensure producers received a fair price and to preserve coffee quality, in 2001 the government issued a proclamation to establish primary market centres at the local level. This policy was intended to put producers in direct contact with suppliers (*akrabies*), thereby limiting the role of collectors (*sebsabies*), who were then officially outlawed.[68]

The ECX model was later introduced as a policy instrument originally intended to ensure food security by addressing issues in the marketing and distribution of grains and, eventually, export crops such as coffee. In the context of the 2007–2008 global financial crisis—which led to decreased export earnings—and due to pervasive problems in the existing auction system, the government mandated the use of the ECX for coffee trading in August 2008. The ECX aims to make the coffee marketing system fast and cost-effective and enable producers to earn better incomes. Specifically, it aims to:

- create an efficient, transparent and orderly marketing system to increase small-scale producer participation;
- establish more secure value chains using government-controlled warehouses for standardized handling, grading and storing;
- reduce transaction costs using warehouse receipts;
- provide timely market information to all participants, including smallholders; and

67 Interview with supplier, Bule Hora woreda, 8 October 2025.

68 Aparisi, 'Ethiopian coffee marketing reforms'.

- end the risk of contract default faced by producers by introducing instant electronic payment guaranteed by the ECX.[69]

The ECX system is reportedly effective in eroding the price manipulation and collusive practices by long-established exporters, which had been common under the former auction system. It has also facilitated the entry of new capital into the coffee sector and significantly improved the market position for *akrabies* by eliminating fraud resulting in the use of dry cheques.

Smallholder farmers are not, however, direct traders on the ECX. The primary users are *akrabies*, cooperatives and large coffee farms. Smallholder farmers typically collect coffee cherries and sell them to informally operating village collectors, suppliers or washing stations, which then process the cherries into beans for sale on the ECX. The ECX system has also improved market information for these intermediaries, albeit more so than for smallholder coffee farmers themselves.

Study participants note that the ECX system fails to achieve the objective of displacing local collectors in the Sidama–Gedeo–Guji belt. They cite several reasons for this. Most immediately, many producers reside too far away from the primary market centres and are therefore still compelled to sell to local collectors. Collectors are typically young village traders who have some capital to purchase coffee independently or who have money from larger suppliers to facilitate farm-gate purchases. Even when producers reach the primary market centres, they often receive a similar price to what they would have received from local collectors. This affects smallholder commitment to quality. Farmers who bypass collectors can also become victims of new brokers. These brokers tend to be young men originally from rural areas who now live in urban centres and have gained the insights necessary to transact on behalf of suppliers or processors at the primary market centres. These brokers negotiate the price with the suppliers, who are mainly individuals from the communities, and subsequently push down the price offered to the producers. Various other factors can discourage farmers from giving their coffee to cooperatives that export outside the ECX system, including lower prices, immediate needs for cash and corrupt practices such as underestimating the weight or quality of the coffee, etc.[70]

The ECX legislation suggests aggregating all coffee beans by producing regions. This policy contradicts the demands of specialty coffee buyers: It results in the loss of traceability and impacts high-quality specialty coffee export. Combined with a severe drought in the Sidama–Gedeo–Guji belt in 2009, aggregation practices contributed to an estimated 60 per cent

69 Federal Democratic Republic of Ethiopia, 'A Proclamation to Provide for the Establishment of the Ethiopia Commodity Exchange Proclamation No. 550/2007', *Federal Negarit Gazeta*, 13th Year, No. 61, Addis Ababa, 4 September 2007. Accessed 30 March 2026, https://chilot.wordpress.com/wp-content/uploads/2011/01/proc-no-550-ethiopia-commodity-exchange.pdf.

70 Similar findings are reported by Aparisi, 'Ethiopian coffee marketing reforms', 202; Almaw, 'Political Economy'.

production fall for the sector in the same year.[71] Producers and suppliers from this coffee belt continue to suffer from coffee blending, with traders mixing in low-quality coffee beans from other areas to profit from their brand names.

The ECX system has also fuelled the expansion of import–export companies with little prior coffee knowledge. Such companies are primarily motivated by securing foreign currency for importing profitable goods, with coffee merely a means to this end. One specialty coffee exporter summarizes these problems:

> The market problem was due to the blending of different coffee varieties in the ECX. It would blend coffee brought from different growing areas such as Sidama, Gedeo and Harar. The focus was on the volume of coffee instead of its quality. The coffee business was also monopolized by a few traders from specific areas. They lacked basic knowledge, to the extent that they could not even differentiate the leaves of the coffee plant. The ECX system blocked coffee producers and local traders in the growing areas from participating in the market. The motivation behind this approach was not just profit but primarily the aim of earning foreign currency [US dollars] by selling coffee. They sold the coffee at a cheap price, worried only about securing the dollar for imported goods.[72]

According to most study participants, the ECX system has caused many coffee exporters and suppliers to go bankrupt due to the lower prices they are paid for their specialty coffee. Many traders in Sidama and Gedeo have experience massive losses, which has stifled the production of quality coffee. As a result, homeowners in urban centres have lost their houses, which had been used as collateral for bank loans. Some were even forced to sell their coffee washing stations and dry mill sites to repay debts. Because the system often determines prices regardless of specific coffee quality, suppliers who have held onto their stock in hopes of a better price have instead been burdened by mounting storage costs. These financial strains along with limited access to bank credit severely constrain the ability of local actors to participate in the coffee export market.

Further, the ECX system has created new opportunities for rent-seeking through regional ECX grading officers, who are tasked with determining quality. These officers have reportedly engaged in collusion with suppliers (to over-grade coffee) and buyers (to under-grade coffee). Despite these issues, the government insisted on the necessity of the ECX to stabilize the financial sector. In particular, the ECX is seen to reduce practices related to both under invoicing and hiding foreign currency earnings in offshore accounts. The ECX is also seen to mitigate the risk of systemic collapse due to merchant fraud.

71 Almaw, 'Political Economy', 174.

72 Interview with coffee exporter, Hawassa, 28 September 2025.

The 2017 coffee sector reform

The 2017 coffee sector reform, currently implemented by the Prosperity Party administration, was prompted by the negative impacts of the ECX system. This reform was designed to address systemic issues that impact the coffee sector, including decreasing export prices despite growing export volumes, a long value chain, and the negative role of illicit traders.

The reform was driven by intense pressures from multiple sources. First and foremost, the government faced urgent and growing pressures to generate more foreign currency to cover increasing import bills, particularly from oil, fertilizer and other capital goods costs. Second, the reform was also strongly pushed by specialty coffee buyers and exporters who lobbied for two issues: to increase traceability in the ECX; and to allow for coffee trading entirely outside the ECX. Third, a key background factor is the findings of a 2014 European Union delegation-funded study,[73] which recommends the re-establishment of a dedicated coffee ministry (leading to the re-institution of the ECTA in 2015) and a re-assessment of the coffee marketing system to facilitate the export of traceable coffee for all suppliers.[74]

A government-led consultation, which involved various stakeholders—including members of cooperatives and unions—paved the way for the 2017 proclamations.[75] Proclamation No. 1050/2017 establishes a traceable coffee marketing system, specifically allowing non-members to sell their coffee directly to the ECX system without using intermediaries. Proclamation No. 1051/2017 establishes a traceable coffee marketing and quality control system through vertical integration, a reform point that featured prominently in the 2014 EU study. Vertical integration aims to increase the participation of small-scale farmers, cut the number of brokers and intermediaries in the value chain, and boost the benefits for coffee producers.

Crucially, Proclamation No. 1051/2017 liberalized the sector by allowing coffee trading outside the ECX—not just for cooperatives and large coffee plantations (which was already permitted) but for any producer or supplier that processed coffee into green beans or wished to export identity-preserved speciality coffee directly to international buyers. This includes farmers with coffee holdings of 2 hectares or more, as the law now allows them to obtain their own export licences. The law also places the ECTA in charge of quality control inspection throughout the supply chain. All coffee exporters are also required to register their contracts with the National Bank of Ethiopia and notify the ECTA.

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73 Agrer Consortium, 'Coffee Sector Development Strategy for Ethiopia', final report, volume 1, Brussels: Agrer Consortium, 2014.

74 Aparisi, 'Ethiopian coffee marketing reforms', 22.

75 Federal Democratic Republic of Ethiopia, 'A Proclamation to Provide for the Amendment of the Ethiopia Commodity Exchange Amendment Proclamation No. 1050/2017', *Federal Negarit Gazette*, 23rd Year, No. 78, Addis Ababa, 7 August 2017. Accessed 29 July 2026, https://www.metaappz.com/References/ethiopian_laws/federal/pr_1050_2017/en/pdf; Federal Democratic Republic of Ethiopia, 'A Proclamation to Provide for Coffee Marketing and Quality Control Proclamation No. 1051/2017', *Federal Negarit Gazette*, 23rd Year, Addis Ababa, 5 June 2017. Accessed 29 July 2026, https://chilot.wordpress.com/wp-content/uploads/2017/11/proclamation-no-1051-2017-coffee-marketing-and-quality-control.pdf.

Although the 2017 coffee policy does not directly restrict the role of the ECX, ECTA branches in the Sidama-Gedeo-Guji belt have taken over responsibility for grading and facilitating coffee exports. Consequently, ECX activities are now limited to grading and facilitating trade for grain and '*terefe merte*' (residue coffee) destined for the domestic market. Because the ECTA no longer licenses coffee graded by the ECX for export, the operational relevance of these local ECX branches offices has become almost negligible. This decline is due to the fact that coffee destined for the domestic market from this belt is often traded informally. While the belt does produce some grain, it remains primarily known for its high-value coffee.[76]

Complementing these structural changes, the Coffee Trade and Quality Control Directive No. 1106/2017 introduced new guidelines for export certificates.[77] Individuals or companies applying for export certificates must now demonstrate initial capital of ETB 15 million (USD 103,444) and ETB 20 million (USD 137,925), respectively, representing a tenfold increase from the previous ETB 1.5 million (USD 10,344) requirement.[78] Key shareholders must also provide bank-certified proof of one year of financial activity. Beyond finance, the new guidelines also impose strict quality control measures.

76 Interview with ECX Hawassa branch manager, Hawassa, 17 April 2026.

77 Ethiopian Coffee and Tea Authority, 'The Coffee Marketing and Quality Control (amendment) Directive No. 1106/2025', Addis Ababa: Ethiopian Coffee and Tea Authority, July 2025. Accessed 29 July 2026, https://justice.gov.et/wp-content/uploads/2026/02/1106-The-Coffee-Marketing-and-Quality-Control-amendment-Directive-No.-1106-2025.pdf.

78 Unless otherwise specified, exchange rates are calculated using the oanda currency converter for 1 October 2025: ETB 1 is approximate to USD 0.0069. All exchange rates are approximate. See: https://www.oanda.com/currency-converter/en/?from=ETB&to=USD&amount=1.

The local–global value chain (actor analysis) in the Sidama–Gedeo–Guji coffee belt

It is imperative to examine the interactions among key actors in the Sidama–Gedeo–Guji coffee value chain to fully understand the multi-scalar politics in the sector. The analysis in this section relies on the primary data collected from study participants to understand the local implications of the 2017 coffee sector reform. What emerges is an understanding of how these reforms favour larger exporters, who possess greater influence and connections, over smallholder producers. The actor analysis is comprehensive and includes smallholder coffee farmers, cooperatives, private coffee traders, collectors and brokers, and exporters and coffee-outgrowers, including the influence of global actors.

Smallholder coffee farmers

The majority of coffee in the Sidama–Gedeo–Guji belt is produced by smallholder farmers in their gardens, with only a limited presence of large-scale commercial farms. The latter are primarily in the Guji and West Guji zones. Despite being the primary producers for many years, the findings of this study reveal that smallholder coffee producers benefit the least from the coffee trade.

The Sidama–Gedeo–Guji belt is one of the most densely populated areas of the country. Average landholding in Sidama typically ranges from 0.5 to 1 hectare.[79] Landholding in Gedeo zone is generally less than 1 hectare due to extreme population density (618 persons per km^2).[80] In the Guji zones, coffee cultivation plots typically range from 0.5 to 1.5 hectare, representing a slightly higher average than in the highly dense Gedeo and Sidama areas.[81]

79 Wendmagegn Belete and Jema Haji, 'Market Chain Analysis of Coffee in Sidama Zone, SNNPR, Ethiopia: The case of Dale District', *Journal of Science & Development* 6/1 (2018), 8.

80 Zinabu Wolde et al., 'A Review of Coffee Farming, Production Potential and Constraints in Gedeo Zone, Southern Ethiopia', *Journal of Natural Science Research* 7/23 (2017), 2.

81 Adanech Jarso and Endalkachew Lelisa, 'Coffee production, quality and marketing in West Guji zone, southern Ethiopia', *International Journal of Research Publication* 131/1 (2023). DOI: 10.47119/IJRP1001311820235374.

Farmers produce both washed and sun-dried coffee. Due to the massive expansion of washing stations by private traders, cooperatives and, recently, exporters (especially in Sidama), much of the coffee is now being processed as washed coffee. In the past, government regulation limited farmers to selling their coffee through two local channels: cooperatives and private suppliers or collectors acting on behalf of the suppliers.

The prevailing perception among the coffee farmers involved in this study is that despite their continued commitment to produce organic coffee, the price they receive does not significantly change their lives. They experience relative deprivation when compared to the earnings of private merchants and traders in the coffee sector. A 58-year-old farmer from Aleta Wondo reflects on the benefit disparity:

> We collect our coffee and sell it to those who have coffee washing stations in our village. They buy our coffee at the price they desire. They employ many unethical practices against us. Once coffee matures, you must pick it. Otherwise, it falls and gets spoiled. The private merchants know this and claim that they do not want to buy it, just to drive the price down. So, we usually sell it to them simply to get some money to survive.[82]

Farmers who participated in this study note that this trend has long prevailed in the coffee belt, even though they currently have better access to market information. Consequently, an increasing number of farmers are seeking farmer export licences. Nonetheless, they highlight a persistent systemic issue: Prices are often set by the buyers themselves, frequently through collusion with local government officials.

A coffee farmer who worked for one of the coffee cooperatives in Yirgacheffe district shares his personal experience:

> The price of coffee is set by the brokers and private merchants. Farmers do not have an appropriate place or a reliable pricing system to sell their coffee. The brokers and merchants have become millionaires, while the lives of the farmers are still the same. Despite the farmers being able to produce a specialty coffee, their lives have not changed. The money the farmer receives from coffee production is not enough for survival. We are not getting fair prices for the coffee we produce.[83]

He goes on to emphasize the inter-generational poverty trap that results from low earnings based on his own family experience of coffee farming:

> Let me share the experience of my great-grandfather. He started planting coffee in the forest and transferred the plants to my grandfather without any change in his life. My grandfather produced the same coffee but died without any change in his life. My father

82 Interview with farmer seeking farmer export licence, Aleta Wondo woreda, 15 October 2025.

83 Interview with farmer and government employee, Yirgacheffe town, 3 October 2025.

> inherited those coffee trees and improved and expanded them but he died without seeing any change in life. My life today is still the same, even though I produce coffee on about 3 hectares.[84]

The stark disparity between the earnings of a smallholder farmer and those of coffee exporters is clearly evident in the massive price gap between local farm-gate rates and Cup of Excellence auction valuations, as this coffee-outgrower in Bensa Daye explains:

> Our coffee won the first Cup of Excellence held in Ethiopia among more than 1,800 samples in 2020. The contest was managed by international experts. At that time, our coffee sold at the international auction market for USD 407 per kg, and one cup of it cost USD 64 in London. When we competed, the price of red cherries was 8 birr [USD 0.27] per kg at the local market in Bensa Daye.[85]

Five years later, the gap has widened even further. In July 2025, the same company sold its specialty coffee for USD 1,607 per kg, while another Sidama-based exporter, Alo Coffee, achieved a historic valuation of USD 1,739 per kg September 2025.[86] Despite these record-breaking Cup of Excellence prices, which offer significant benefits to exporters in the export market, local producers in the district continue to receive low returns. For instance, during the peak harvest in December 2024, the price paid to smallholder farmers in the district did not exceed USD 0.59 USD per kg.[87]

Coffee farmers also have the option of selling their coffee to cooperatives. In fact, the cooperatives were established to assist farmers, who lack negotiating power in the global market, by providing services such as information and transportation. The actual volume of coffee purchased by the primary cooperatives and unions is limited, however, due to financial constraints. Because of this, the majority of farmers rely on private traders, who often pay a slightly higher price on an immediate basis.

A 30-year-old study participant from Wara village in Dale woreda in Sidama, who is currently serving as an expert in the coffee and tea office in his woreda, speaks about this issue:

84 Interview with farmer and government employee, Yirgacheffe town, 3 October 2025.

85 Interview with exporter based at Bensa Daye, Hawassa, 28 September 2025. Also see: 'A kilo of Ethiopian Coffee Sold for 13, 838 Birr at Auction', *Ethiopian Monitor*, 29 June 2020. Accessed 12 January 2026, https://ethiopianmonitor.com/2020/06/29/a-kilo-of-ethiopian-coffee-sold-for-13-838-birr-at-auction/. Note: The exchange rate is calculated based on the 1 October 2019 rate (1 USD = 29.25), rather than the current rate, based on the previous harvest year before the Cup of Excellence competition held in 2020.

86 'Ethiopian coffee Hits $1,739 per kilo in record-breaking auction', *Addis Insight*, 12 September 2025. Accessed 30 March 2026, https://addisinsight.net/2025/09/12/ethiopian-coffee-hits-1739-per-kilo-in-record-breaking-auction/.

87 Interview with coffee supplier, Bensa Daye, 17 October 2025.

> In the past, the price was low and coffee farmers often could not find a buyer. As a result, farmers paid more attention to owning cattle and planting eucalyptus trees and *khat,* which served as a source of quick cash for them. I remember when I was in sixth grade, I took 17 kg of coffee to a nearby washing station. Since the station was not interested in buying it, I just threw the coffee away there. Likewise, you might go to a cooperative and they might send you away, claiming they had no money. Sometimes, the private washing station owners would say they already had enough coffee.[88]

In order to make a living, many smallholder coffee farmers, particularly in Sidama Region, previously resorted to producing *khat*, pineapples and eucalyptus trees instead of growing coffee. They were attracted by the higher prices these alternative crops offered, compared to the lower and fluctuating prices they earn from coffee production.[89]

The small earnings from coffee often make producers vulnerable to the creditor trap. A study participant from Bule Hora in West Guji zone explains that the persistently low prices farmers receive have forced many to engage in the widespread practice of advance sales. Under this arrangement, farmers who are struggling financially often enter into informal contracts to sell their coffee to private merchants ahead of harvest. They do this to secure credit based solely on the early appearance of the coffee flower or pre-mature coffee cherries. This practice prevents farmers from receiving a fair price for their product, as they sell it below the market price merely to solve their immediate financial problems.[90]

Study participants in Gedeo and Sidama raise similar concerns. Highlighting the challenge of relying on coffee for their livelihood, this participant from Yirgacheffe district notes that farmers have little hope for the future of coffee production. He explains:

> As a permanent crop, coffee has occupied the land where we could produce grain here in Gedeo. As in other parts of the country, you can at least feed children from it. Our young men do not want to produce coffee. Migration has become a common way out for them as they go to Gambo in Kenya. That is where most of our young men go and sell charcoal by burning forest trees at night [to avoid the police]. My point is that the coffee we are producing is not benefitting us. Instead, it is causing a social crisis in our district.[91]

Specifically, a labour shortage is reported in Gedeb woreda as young men increasingly prefer to go other areas or engage in trade in urban centres. Labour has also become one of the main challenges facing the Sidama coffee sector. Similar to other densely populated areas in southern Ethiopia, the rate of rural-to-urban migration in Sidama is increasing, driven largely by poverty

88 Interview with coffee and tea authority expert, Dale woreda, 13 October 2025.

89 A similar shift to *khat* production has already been prevalent in the eastern part of the country.

90 Interview with coffee and tea authority officer, Bule Hora woreda, 9 October 2025.

91 Interview with farmer and government employee, Yirgacheffe town, 3 October 2025.

and a lack of local employment opportunities. Consequently, there is an insufficient labour force as more young men and women migrate to urban centres such as Hawassa and Addis Ababa in search of work.[92]

Impact of the 2017 coffee reform

It is in recognition of such dire conditions for smallholder coffee farmers that the 2017 coffee reform was initiated. Its overall objective is to boost the benefits these farmers derive from their coffee products by increasing their market participation.

In contrast to the persistent challenges faced prior to the 2017 reform farmers, traders and coffee experts in the Sidama–Gedeo–Guji belt now report notably positive shifts. Study participants describe this shift as a significant opportunity. They explain that in the past, coffee passed through a long three-step process to reach exporters: Village collectors bought coffee from farmers and then sold it to agents working for private merchants or suppliers. These agents next sold the coffee to the private merchants or suppliers, who often owned coffee washing machines. The private buyers and suppliers then sold it to the exporters, who in turn sold it to international buyers. Study participants note that there are now many buyers available to the farmers, providing better options.

For instance, a coffee farmer from Dilla Zuria draws on his experience as both a producer and an expert across three different regimes to note that since the Prosperity Party took power, particularly over the last two years, he has been witnessing visible positive change both for coffee producers and in the quality of coffee.[93] He observes that the price received last year was historic, contrasting this with the past suffering of farmers, when benefits primarily went to the merchants and brokers. He also highlights the revival of some local coffee suppliers, who had been unfairly indebted during the Ethiopian People's Revolutionary Democratic Front (EPRDF) era.

Likewise, an expert working in the coffee and tea office in Dale woreda of Sidama describes a growing interest among farmers to produce coffee, especially after 2022. He states that because farmers have benefitted from coffee sales in recent years, they have begun removing eucalyptus trees and planting coffee instead.[94]

92 'Everything you need to know about coffee from Sidama, Ethiopia', *Perfect Daily Grind*, 4 June 2020. Accessed 8 January 2026, https://perfectdailygrind.com/2020/06/everything-you-need-to-know-about-coffee-from-sidama-ethiopia/.

93 Interview with farmer, elder and retired civil servant, Dilla Zuria, 2 October 2025. The remaining information in this paragraph is derived from this interview.

94 Interview with coffee and tea authority expert, Dale woreda, 13 October 2025.

Another study participant from Guji zone reports that farmers have been getting a better price, especially since late 2024.[95] He points out that while the highest price for sun-dried coffee was ETB 200 (USD 3.42) per kg in October 2023, it has risen as of October 2025 to more than ETB 500 (USD 3.49), though currency devaluation has largely offset the real value of this price increase. Similarly, he notes that the initial price for red coffee cherries during the 2024 harvest season increased from ETB 30 (USD 0.26) per kg to ETB 160 (USD 1.28) by the end of the harvest season.

Apparently, this growing optimism across the Sidama–Gedeo–Guji belt is explained partly by the increased options the current policy provides to coffee-growing farmers. Farmers in the belt now have numerous options for selling their produce, namely cooperatives, suppliers, supplier brokers, out-growing schemes, domestic roasters, exporters and international buyers. These expanded opportunities appear to have boosted production. Reportedly, over the last three years more than half of the cultivated areas in the country have been replaced with high-yielding coffee varieties.[96]

While domestic reforms have increased capacity, it is important to note the high prices in the global coffee market have also resulted from climate-related shortages in Brazil and Vietnam,[97] as well as geopolitical disruptions, such as US tariffs on imports from Brazil.[98] In line with these wider trends, some study participants note that the favourable prices they are currently witnessing are tied to drought in major coffee producing nations such as Brazil and Columbia, along with the significant depreciation of the Ethiopian birr.

Among the recent reforms, the vertical integration model in particular has expanded options for the majority of smallholder farmers to sell their coffee at a better price because it allows major coffee exporters to directly buy coffee from farmers. These companies buy coffee through their local agents from voluntarily organized farmers in the region. These farmers also benefit from technical assistance and a guaranteed market for their harvest with premium prices. These

95 Interview with supplier, Odo Shakiso, 28 September 2025. The remaining information in this paragraph is derived from this interview. The exchange rates in the remainder of this paragraph are calculated based on 15 October 2023; 1 October 2025, 15 October 2024 and 15 January 2025, respectively.

96 'Coffee: World Markets and Trade', United States Department of Agriculture, Foreign Agriculture Service, December 2025. Accessed 30 March 2026, https://www.fas.usda.gov/sites/default/files/2025-12/coffee.pdf; 'Ethiopia's Annual Coffee Export Earnings Hit $2.65 Billion', *Ethiopian Monitor*, 8 July 2025. Accessed 30 March 2026, https://ethiopianmonitor.com/2025/07/08/ethiopias-annual-coffee-export-earnings-hit-2-65-billion/.

97 'Adverse climatic conditions drive coffee prices to highest level in years', Food and Agriculture Organization, 14 March 2025. Accessed 30 March 2026, https://www.fao.org/newsroom/detail/adverse-climatic-conditions-drive-coffee-prices-to-highest-level-in-years/en. In 2024, there was a nearly 40 per cent price surge due to supply side disruptions due to primarily unfavourable weather in coffee producing areas.

98 Max Nicholas-Fulmer, 'Tariff updates: What's Changing and What to Watch', *Royal Coffee*, 9 July 2025. Accessed 30 March 2026, https://royalcoffee.com/july-2025-coffee-tariffs-updates-impact/.

exporters make contractual agreements with local suppliers, who receive advance payments to buy the coffee, thereby intensifying competition in the local coffee market and pushing the price up. This, in turn, is widely viewed as an opportunity by coffee farmers.

Continuing challenges and unfair practices

Despite improvements, the majority of farmers report that they still lack the power to decide to whom to sell their coffee or to set the price. Due to increased market competition in the Sidama–Gedeo–Guji belt, private merchants still entice farmers by offering advance payments to secure their coffee ahead of harvest time. As one farmer from Dale woreda notes:

> There is fierce competition between those who have coffee processing sites in our district. These merchants seduce the coffee farmers who cannot afford to sell their coffee without getting immediate cash. These farmers frequently get advance payments from the private merchants. Two private merchants in our *kebele* [ward] have already distributed money to the farmers to secure their coffee. This money is being distributed by brokers working on behalf of the suppliers.[99]

A broker from Dilla notes a similar trend in Gedeo and neighbouring Guji:

> The private merchants are giving the money to the farmers without the farmers asking for it in order to secure their coffee. At the moment, there are merchants who have already distributed the money to get the red cherries at ETB 250 [USD 1.72] per kg. This practice exists here and in neighbouring zones in Sidama and Guji. Some farmers who have money do not need it.[100]

Farmers who participated in this study raise issues related to the negative role of brokers, especially in Sidama and Gedeo. Typically, these brokers are young local men who previously collected coffee using a collector's licence, which has since been outlawed. Currently, the majority of them act on behalf of suppliers or operate alone through informal networks. As in the past, their visible presence in the study areas is obvious.

Due to the influence of these brokers, farmers have not benefitted from the increased coffee price in 2024, as this study participant explains:

> In December 2024, the farmers sold their sun-dried coffee for 130 birr [USD 1.02] per kg.[101] After all the farmers emptied their stores of coffee by selling to the brokers and private merchants, the current market price [October 2025] is beyond 500 birr [USD 3.38] per

99 Interview with farmer, Dale woreda, 13 October 2025.

100 Interview with broker, Dilla town, 1 October 2025.

101 The exchange rate is calculated based on the 1 December 2024 rate.

> kg.[102] The merchants have stockpiled this coffee in their own stores and have become the main beneficiaries. This is a problem for the farmers.[103]

Farmers who participated in the study also raise concerns about the informal networks between private merchants aiming to deliberately suppress the price of coffee—a problem reported at Aleta Wondo, Bensa Daye and Yirgacheffe. This farmer from Aleta Wondo clarifies:

> We hear these merchants have networks all over the region and they collude to determine the price for our coffee. This is a problem for us. Look, now it is October and the coffee is maturing and some are falling. But they are unwilling to open their sites to buy the coffee, aiming to bring down the price from its current 110 Birr [0.74 USD] per kg for red cherries.[104]

This problem has an ethnic dimension in Gedeo, especially in Yirgacheffe, where the coffee supply trade and washing stations are dominated by traders coming from other areas. Informal networks between coffee traders have long been a source of resentment among the local community and have even fuelled violent conflict in the past. One study participant shares a personal history that illustrates the long-standing nature of these grievances:

> In 1987 EC [1993], my father held a licence for retail coffee and was allocated a site to conduct his business. He collected coffee from local farmers to sell to a specific merchant, who acted as a supplier. Although the merchant was aware that the coffee price was falling, he urged my father to continue purchasing stock, promising he would buy it from him. Consequently, my father collected sun-dried coffee paying 9 birr [USD 1.50] per kg. However, the merchant later refused to accept the coffee, forcing my father to sell it for only 4 birr [USD 0.65] per kilo. This left him heavily indebted and forced him out of the business entirely.[105]

This same respondent further notes that there are numerous similar accounts of fraud committed by non-Gedeo merchants in the district, which serves to discourage local business initiatives. In this regard, local authorities in Gedeo zone observe that such fraud still persist. Some non-local exporters are merely motivated to obtain organic certification by using smallholders instead of

102 The exchange rate is calculated based on the 15 October 2025 rate.

103 Interview with farmer, Yirgacheffe, 2 October 2025.

104 Interview with farmer, Aleta Wondo woreda, 15 October 2025. The exchange rate is calculated based on the 15 October 2025 rate.

105 Interview with farmer and government employee, Yirgacheffe town, 3 October 2025. The exchange rate is calculated based on the 1993 rate.

owning their own investment land.[106] These exporters reportedly bribe regional officials to help them obtain this certification, which normally requires coffee production on 30 hectares, a land area that does not exist in the zone.

Coffee farmers who participated in the study report that a lack of attention to the quality of the coffee they produce discourages their commitment to quality. They explain that traders often offer similar prices regardless of differences in quality. As one farmer from Bule Hora district says:

> Private merchants buy the coffee without paying attention to the quality. There are farmers who produce high-quality coffee and others who do not pay serious attention to quality but the merchants give the same price to all the coffee in the market. This practice affects the overall quality of coffee by discouraging those farmers who produce high-quality coffee.[107]

The rise of certified farmers and export barriers

The 2017 reform has focused on supporting coffee farmers who produce high-quality specialty coffee. One significant development in the Sidama–Gedeo–Guji belt is the growing number of farmers certified by the Ethiopian Coffee and Tea Authority (ECTA) to produce organic coffee and sell it to international buyers. This certificate is contingent upon farmers having more than 2 hectares of land covered by coffee trees and a commitment to producing specialty coffee, among other requirements.[108]

Currently, there are around 824 such farmers certified in Gedeo zone,[109] more than 125 in West Guji zone[110] and 260 in Sidama Region.[111] The figure is reportedly more than 5,000 in Nansebo woreda of West Arsi zone, where the local process is simpler compared to the certification process in the study areas.[112]

106 Having an organic certificate generates a premium of about 9 per cent, other things being equal. Because the Yirgacheffe coffee brand is so highly valued, exporters often seek certification for this brand without even owning their own farms. See: Barte et al., 'Structure and Performance', 20.

107 Interview with farmer, Bule Hora woreda, 9 October 2025.

108 To elaborate this process: Farmer-exporters first receive certificates from their respective region once they have met specific criteria; e.g. in addition to land requirements and growing speciality coffee, with assistance from a local agricultural agent, they must also plant coffee seedlings and use organic fertilizers. Once they receive a regional certificate, the ECTA verifies all the required documents and refers them to the ministry of trade, which then issues the export licence.

109 Reported by the Gedeo zone president. See: 'The role of stakeholders collaboration in transforming Ethiopia's coffee industry', The 4th National Coffee Symposium, Dilla University, Dilla, April 2024, 7.

110 Interview with West Guji zone coffee and tea authority expert, Bule Hora woreda, 8 October 2025.

111 Interview with office head of coffee and tea authority of Sidama Region, Hawassa, 20 October 2025.

112 Interview with farmer-exporter who has coffee farm in the Nansebo woreda of West Arsi, Bensa Daye, 17 October 2025.

In Sidama in particular, hundreds of farmers express growing discontent because regional officials have not responded to their applications for certification, some of which have been pending for more than three years. The applicants who have yet to receive certification attribute this delay to the interference of local traders who have invested in the rapidly growing number of washing stations over the last five years—since Sidama Region was established.

The Sidama coffee farmers who participated in this study highlight undue influence exerted by Sidama suppliers and exporters to block farmer-exporter licensing. As one farmer with 3.5 hectares of land in Aleta Wondo, where only four certified farmers are present, remarks:

> I applied for my licence in 2023 but haven't collected it yet. I was told that my application was approved at the district [woreda] level and sent to the regional coffee and tea bureau in early 2025. I have been travelling many times from here [Aleta Wondo] to the regional centre at Hawassa. I was told the licence isn't being issued at the moment.[113]

He further notes that:

> We asked for the reason but they didn't give us a concrete answer. We hear rumours that the bigger coffee merchants are interfering with the farmer-export licensing process. They are reportedly bribing the officials not to issue certificates. The officials are not independent and are under their influence. We hear that suppliers who own washing stations say to the district officials, 'If you give the certificate to the coffee farmers, to whom will we give our processing machine services?' They threaten to pay no taxes to the district if they do not stop the farmer-exporter licence scheme.

In contrast, the head of the Sidama Regional coffee and tea authority justifies the delay as a measure to curb the abuse of the certification.[114] The official claims that some individuals who previously obtained certification without actually owning coffee farms are using their licences to buy coffee from other producers. He notes that this practice diverts coffee away from local washing stations and allows traders to exploit tax benefits specifically intended for legitimate farmers. Similar cases of abuse are reported by the Yirgacheffe coffee and tea authority, where traders allegedly used farmer-exporter licences to bypass tax obligations.

Most farmers who have already received the certificate—through a process that starts with the land measurement of individual coffee farms and ends with its issuance by the ECTA—generally possess better awareness, exposure, information and educational backgrounds than ordinary farmers. A few of them have even previously received recognition as model farmers. One farmer-exporter from Dale woreda confirms this:

113 Interview with farmer seeking export licence, Aleta Wondo woreda, 15 October 2025. The following quote is also derived from this interview.

114 Interview with the office head of coffee and tea authority of Sidama Region, Hawassa, 20 October 2025. The remaining information in this paragraph is derived from this interview.

> Farmers have much better awareness now. They won't give away their coffee to the merchants cheaply, as before. Everyone with more than 2 hectares of coffee land is entitled to this licence, a privilege provided by the government. The local merchants are complaining about this increasing trend in our district. This opportunity helps us to be on a more equal footing with the bigger merchants in Addis Ababa.[115]

Most certified farmers who participated in the study recognize that the process is slower at the district and zonal levels than at the regional and federal levels. The certification process also often involves informal practices at lower levels. At the same time, however, they view the certificate as a tax-free opportunity provided by the government to produce and sell specialty coffee.

Another certified farmer-exporter from Dilla Zuria adds:

> The farmer-export licence allows coffee farmers to search for a market beyond their village to sell their product. In the past, producers sold their coffee to collectors or private traders located in their village, receiving low prices. Now, the farmers who have this certificate can bargain with any buyers or exporters. These certified farmers also have the chance to contract with international buyers to get foreign currency [the US dollar].[116]

Consequently, certified farmer-exporters in the study areas are currently investing in the production and marketing of specialty coffee. This undertaking requires tedious work, including pruning old trees, planting new ones, caring for them with organic fertilizers, and building elevated tables for drying and proper storage facilities before searching for buyers. So far, however, few certified farmers from the study areas have been able to sell their coffee to international buyers due to lack of market access. Those who have managed to export abroad highlight difficulties in finding international buyers, noting their continued reliance on agents based on Addis Ababa to facilitate these connections.

One farmer-exporter from Bensa Daye reports obtaining his licence in 2018 after being encouraged by district agricultural officials.[117] He notes that after repeatedly providing coffee samples via agents, he eventually found international buyers. These agents initially charged a 12 per cent commission, which was later reduced to 5 per cent of the sale price. Upon receiving offers from international buyers, he would agree to the terms and finalize official contracts through the National Bank of Ethiopia. After the quality standards of the coffee have been verified by the Ethiopia Commodity Exchange (ECX), he then transports it to the port in Djibouti. He notes that his coffee remains in high demand due to his attention to its high

115 Interview with licensed farmer-exporter, Dale woreda, 14 October 2025.

116 Interview with licensed farmer-exporter, Dilla Zuria, 1 October 2025.

117 Interview with licensed farmer-exporter, Bensa Daye, 16 October 2025. The remaining information in this paragraph is derived from this interview.

quality. He remarks that his earnings have undergone a significant transformation compared to his previous sales in the local market.

Similarly, a farmer-exporter from Dilla Zuria district who obtained certification in 2018 and then was licensed by the ECTA also notes difficulty in finding reliable international buyers.[118] He explains that international buyers often require small volumes or fail to purchase consistently. This has often led to an unnecessary waste of their coffee samples, which are frequently solicited by multiple agents in Addis Ababa. This lack of market access for certified farmers is discouraging others in his village who commit to produce specialty coffee.

Due to this lack of market access, most certified farmer-exporters often sell to exporters or licensed agents based in Addis Ababa. As one farmer-exporter from Yirgacheffe district explains:

> We use coffee buying agents or brokers to sell our coffee. It is difficult to find international buyers. Other licensed farmers are selling their coffee through this brokerage network. These brokers are coming mostly from Addis Ababa. They ask for a sample. Several people come and ask for the sample. I gave about 17 kg for a sample test to a single agent last year. They receive the sample but may or may not come back to buy it. You do this until you sell your coffee. We sold our coffee to one agent twice but we do not know the price he sold our coffee for. He sets a price and you have no option other than accepting what he decides.[119]

He also adds:

> But the price the agents offered us is better than the one at the ECX. In 2024–2025 at the ECX, the price of coffee was 7,000–7,500 birr [USD 48.27–51.72] per *feresula* [17 kg] but the farmers who sold through the agents got prices up to 14,000 birr [USD 96.55]. The problem is that such agents need a limited volume of coffee. If we do not find agents, we sell our coffee to suppliers here. In 2024–2025, the price for sun-dried coffee was higher than specialty coffee. Some specialty coffee producers in the area even tried to sell their coffee mixed with sun-dried coffee, as there was no demand for specialty coffee in the market.

Farmer-exporters, especially those from Sidama and West Guji, point to challenges related to interference from established traders who block interested buyers from coming and directly purchasing their coffee. As one farmer-exporter from Bule Hora district emphasizes:

118 Interview with licensed farmer-exporter, Dilla Zuria, 1 October 2025. The remaining information in this paragraph is derived from this interview.

119 Interview with licensed farmer-exporter, Yirgacheffe woreda, 3 October 2025. The following quote is also derived from this interview.

> The foreign buyers do not like to come here to see and buy our coffee because of the interference of the coffee traders operating here. The traders restrict us from selling our coffee to international buyers. They oppose the export licences given to farmers. They also threaten foreign buyers not to come here, claiming there is a security problem. For instance, one year ago, a foreign company from South Korea visited our coffee farms to buy coffee directly. This company selected 21 model coffee farmers. They liked our coffee and promised to buy it after harvest time. We were told to get passports and we got them ready. After this, while we were waiting for them to return, the company informed us that they were threatened—specifically that their agent was threatened to be killed—by coffee exporters working here if they came back. This pressure from already dominant exporters is severely impacting our aspiration to export coffee.[120]

Similarly, another farmer-exporter from Dale woreda underscores the influence of established traders:

> Their [local suppliers and exporters] desire is to subjugate the farmers because they want to set the price for our coffee and take our product at a very cheap price. They are simply self-interested. They do not support us. They don't show us how to produce quality coffee but simply want to exploit our product. They know if we sell our coffee for US dollars, our influence will grow and affect their dominance. Thus, they block external buyers from finding us and threaten them not to come into our area. They don't even like farmers selling their coffee on the domestic market. They want farmers to live a hand-to-mouth life.[121]

The coffee and tea authorities in Dale and Bensa Daye acknowledge the ongoing tension between certified farmers and local suppliers and exporters. In contrast, the Bule Hora district authority attributes the collapse of the South Korean contract to internal conflict.[122] The head of Bule Hora district coffee and tea office claims that four of the farmers in the group conspired to benefit at the expense of the other members. According to this official, the internal disagreement among the farmers led to the breakdown of the deal, not external pressure from suppliers.

Lacking reliable market access, some farmer-exporters, especially those from Dilla Zuria and Dale, are attempting to jointly export their coffee. They have not, however, received a positive response from the federal and regional government for their request to form some sort of association or agency to facilitate the export. A certified farmer from Dilla Zuria highlights the importance of the association formed with other certified farmers in the district (although it is yet to be officially recognized by the government):

120 Interview with licensed farmer-exporter, Bule Hora woreda, 9 October 2025.

121 Interview with licensed farmer-exporter, Dale woreda, 14 October 2025.

122 Interview with coffee and tea authority head, Bule Hora woreda, 9 October 2025. The remaining information in this paragraph is derived from this interview.

> We have not exported our coffee abroad so far, as our production capacity and the volume of our production is limited. To address this, we formed an association of licensed farmers, involving 20 producers in the district. We pull our coffee together, carefully maintaining the quality of each producer's lot, and send the aggregated coffee via containers through the agency of another company. This company performs a prior quality test on the coffee and sets the price. We negotiate on the price but our influence remains limited. So far, I have produced specialty coffee for four consecutive years that was ranked first and received a better price. Other members also receive some benefit, depending on the grade of their coffee.[123]

Study participants from woreda coffee and tea offices in the Sidama–Gedeo–Guji belt note that the ECTA discourages such associations. This stance is allegedly due to past abuses by some licensed farmers who profited at the expense of their peers under the guise of collaboration. Study participants also suggest that some certified farmers have abused the system by purchasing coffee from others or covertly working with exporters who seek to exploit the tax-free licences that farmers have. These practices hinder the support needed for serious farmers who produce quality coffee on their own farms.

When it comes to investing in specialty coffee, most licensed farmers indicate that they face financial constraints due to their lack of access to credit to support these efforts. As a farmer-exporter from Bule Hora district explains:

> So far, we do not have access to bank credit unless we have collateral in the main town [for example, a house in a woreda or zonal capital]. Farmers are unable to receive credit using their coffee farm as collateral, even though there was a government policy to support this. I have 10 hectares of coffee. I have invested a lot of resources to produce specialty coffee. It only yields a product after three or four years. I need a car to transport the coffee and its market price is more than 6 million birr [USD 410,344]. As a farmer, you cannot afford this price. You cannot get that amount from one year of coffee sales. The government needs to support us by allowing bank credit for us in this regard. If you have assets, you can go to a private bank to get credit but most farmers do not have such assets—except for their coffee land.[124]

Farmers also often lack the capital to own washing stations for processing. Despite these challenges, there are no visible attempts by local or regional governments to support coffee farmers who want to have their own washing station. A notable exception is reported by a study participant from Nansebo district in West Arsi zone, who says that licensed farmers in this district are permitted to obtain an additional licence to establish washing stations.[125] He also confirms that he has begun the process to get one. This appears to reflect a growing trend

123 Interview with licensed farmer-exporter, Dilla Zuria, 2 October 2025.

124 Interview with licensed farmer-exporter, Bule Hora woreda, 9 October 2025.

125 Interview with licensed farmer-exporter, Nansebo woreda, 17 October 2025.

in Oromia Region, where regional leaders support both farmer-owned enterprises and greater value capture at the local level.

In stark contrast, authorities in Gedeo zone have actively blocked the use of small processing machines, locally manufactured by technical colleges. Local officials justify this ban as a measure to prevent illicit operations by informal collectors. These informal coffee collectors utilize the small machines to hull dry coffee at the household level to sell low grade or contraband coffee directly to the domestic market. Instead, local government in the Gedeo and West Guji zones are focusing on reviving local cooperatives. Many of these were heavily indebted and forced out of the market due to growing market competition following the 2017 reform and the introduction of vertical integration. These revitalization efforts have gained momentum due to currently higher coffee prices at the local level.

Overall, the rise of certified farmer-exporters has been a key impact of the 2017 reform, although their number is still low compared to the millions of smallholder coffee farmers in the Sidama–Gedeo–Guji belt. The potential for increasing the number of certified farmers is limited, especially in Gedeo and Sidama where most coffee farmers possess plots averaging less than 0.5 hectare. In Guji zones, where a relatively higher number of farmers own more than 2 hectares of land, interest in farmer-export certification is hampered by both ongoing insecurities and lack of market access for those who are already certified. Consequently, most coffee farmers in the Sidama–Gedeo–Guji belt still sell their coffee to cooperatives and private traders.

Cooperatives

The Sidama–Gedeo–Guji belt has three well-known coffee cooperative unions, which were granted the privilege to bypass the auction centres and the ECX for direct coffee export:[126]

- Oromia Coffee Farmers' Cooperative Union (OCFCU), formed in 1999, with 66 primary cooperatives in West Guji zone;[127]
- Sidama Coffee Farmers Cooperative Union, formed in 2001, with 67 primary cooperatives;[128] and
- Yirgacheffe Coffee Farmers Cooperative Union, formed in 2002, with 28 primary cooperatives.[129]

126 Other coffee unions are: Kaffa Forest Coffee Farmers' Cooperative Union; Bench Maji Forest Coffee Producers Cooperative Union; and Sheka Forest Coffee Farmers' Cooperative Union.

127 Interview with West Guji zone cooperative office head, Bule Hora, 9 October 2025.

128 'About us', Sidama Coffee Farmer's Cooperative Union. Accessed 30 March 2026, https://sidamacoffee.com/index.php.

129 Interview with representative of the Yirgacheffe Coffee Farmers Cooperative Union, Dilla, 30 September 2025.

Most primary cooperatives in Sidama and Gedeo have been operational since the Derg regime. The majority in West Guji zone were established after the 1990s decentralization reform. Most cooperatives in these unions are certified as FairTrade and organic.[130]

Primary cooperatives are normally expected to purchase coffee from farmers at the current market price, which is determined by competition with private coffee traders. Payment is made to member farmers immediately or within one week. The union receives the coffee from the cooperatives at a price equivalent to the domestic auction (ECX market price) and sells it through either FairTrade or ECX routes. After the sale, the union retains 30 per cent of its net profit and distributes the remaining 70 per cent as dividends to the primary cooperatives. The primary cooperative then reserves 30 per cent of its new profit and shares the remaining 70 per cent with member farmers based on their contribution. Farmers ultimately get 49 per cent of the total net profit. While this arrangement is attractive, it is a lower share than seen in most other producing countries, such as Kenya (70 per cent) or Brazil (90 per cent).[131]

Despite the theoretical guarantee of a 49 per cent share of the total net dividend, the actual payout received by farmers after export sale rarely goes beyond ETB 14,000 (USD 96.55) per 100 kg. In many instances, this dividend remains minimal or even zero as cooperatives are often forced to prioritize repaying outstanding debts. These debts are frequently the result of corrupt practices and a lack of transparent financial auditing. Persistent insecurities can also contribute to debt problems. For instance, one prominent cooperative in the West Guji zone, the Kilenso Coffee Farmers' Cooperative, was recently unable to participate in the market altogether due to accumulating more than ETB 30 million (USD 206,887) in bank debt. This debt blocked their access to bank credit to buy coffee. Currently, the local government is attempting to revive these indebted cooperatives in collaboration with the OCFCU.[132]

Other studies indicate that despite the benefits farmers receive and their willingness to continue selling to the cooperatives, financial constraints limit the volume of coffee that cooperatives can purchase.[133] Cooperatives rely on bank credit accessed through the union to finance their transactions. Failure to repay existing credit has prevented them from receiving new credit, leading some cooperatives to spend years with zero purchases. Participants of this study recognize that this remains a major problem for coffee cooperatives in the Sidama–Gedeo–Guji belt.

130 Organic certification focuses on environmental health, requiring farmers to use compost to produce coffee instead of synthetic fertilizers. FairTrade certification focuses on social and economic justice for the people who produce the coffee. It requires a minimum price that covers the costs of production and includes an extra premium that is invested back into the local community. See: Barte *et al*., 'Structure and Performance'.

131 Aparisi, 'Ethiopian coffee marketing reforms', 3.

132 Interview with West Guji zone cooperative office head, Bule Hora, 9 October 2025.

133 Yuka, 'New role of cooperatives'.

A study participant from the Dale cooperative office elaborates the issue:

> Cooperatives do not receive credit on time. They cannot get direct bank credit. Instead, they access it through the union. The union process for releasing credit is, however, very slow and often late, which negatively affects their coffee business.[134]

An officer from the West Guji coffee and tea office observes that while cooperatives receive credit from the Oromia union to facilitate their purchase, the main problem is that this credit often lags behind the market.[135] The officer goes on to note that the cooperatives do not receive the credit on time, which forces them to enter the market after private traders have already begun purchasing. Moreover, the credit that is provided is often insufficient to purchase sufficient volume of coffee.

A similar issue is reported by an officer at the Yirgacheffe cooperative office, who states that the most serious problem facing coffee cooperatives is the lack of cash to pay their members on time.[136] According to this officer, because private traders offer instant cash farmers tend to sell most of their coffee to them, leaving only a small portion for the cooperatives. He further explains that cooperatives both lack the capital to compete effectively in the market and do not receive sufficient support from the government. The late release of credit from the union has also led to a significant loss of trust between the primary cooperatives and the union. He notes that some cooperatives in the district are even forced to rent out their coffee washing machines to cover recurring costs. The Yirgacheffe union leadership in Dilla elaborates this issue by linking financial constraints to the daily withdrawal limit (ETB 500,000 per day [USD 3,448]) set by the commercial bank.[137] They claim that the cooperatives cannot withdraw their money as they desire, which affects their ability to participate in the market.

The position of cooperatives has deteriorated, especially with the 2017 coffee reform. Because vertical integration now allows exporters and suppliers to invest in medium-sized outgrowing farms and export directly, cooperatives have lost their previous monopoly on traceable and certified smallholder coffee. The cooperatives in the study areas have already felt the pressure of this competition at the local market level. Some are so indebted that they are out of the market. For instance, in October 2025, of 66 primary cooperatives in West Guji zone, only 23 were active in the local market. In Bensa Daye district, also in October 2025, only three cooperatives were active, and these were overshadowed by the large presence of private traders. Compounding this problem, the union often sets the prices at which cooperatives can purchase from their members, further limiting their ability to operate flexibly in the market.

134 Interview with Dale woreda cooperative office head, Yirgalem, 13 October 2025.

135 Interview with West Guji zone coffee and tea authority officer, Bule Hora woreda, 8 October 2025.

136 Interview with Yirgacheffe woreda cooperative office expert, Yirgacheffe, 6 October 2025.

137 Interview with representative of the Yirgacheffe Coffee Farmers Cooperative Union, Dilla, 30 September 2025.

A study participant from Bule Hora, who chairs one of the cooperatives in the zone, explains the challenges:

> Between 2021 and 2022, we did not provide coffee to the union, partly due to the security situation and inflated market prices. This was the time when vertical integration was implemented and private traders aggressively entered the market to buy coffee, which negatively affected our ability to participate. Exporters became directly involved in the market and paid higher prices to the farmers than the minimum price set by the federal coffee and tea authority [the ECTA]. As a result, many coffee cooperatives in our zone went bankrupt. While their presence was beneficial to farmers, it negatively affected suppliers and cooperatives.[138]

He further adds:

> During that time, exporters had a high demand for the US dollar. They were willing to sell the coffee at a loss to profit from imported goods using the acquired dollars from coffee sales. This development negatively affected every cooperative in the zone that had bought coffee at a high price in competition with the private traders. The international market price was below the domestic market price, leading cooperatives to sell their coffee at a loss.[139]

Committee members of cooperatives in the study areas complain about a significant price difference between what they receive from unions and the prevailing market price. They also raise concerns about a lack of transparency regarding the export sales conducted by the union. For example, committee members from a cooperative in the Dale woreda in Sidama explain that while the relationship with the union is generally positive and includes access to credit for purchasing coffee, they were recently aggrieved regarding payment.[140] They note that despite purchasing high-quality coffee, the union paid them a lower price. They report receiving ETB 7,000 (USD 48.27) per *feresula*, while the market price at the ECX was about ETB 14,000 (USD 96.55). This significant price difference created dissatisfaction among cooperative members and reduced the volume of coffee they could collect. In response, the Sidama union claims that

138 Interview with cooperative chairperson, Bule Hora woreda, 9 October 2025. In early 2021, the ECTA introduced vertical integration, allowing exporters to purchase coffee directly from suppliers and farmers. During the 2021–2022 period, Ethiopia faced a serious foreign exchange crisis, high inflation (peaking at 35 per cent in December 2021) and the conflict in the north. During all this, the National Bank of Ethiopia (NBE) frequently changed its directives regarding the percentage of foreign currency earnings coffee exporters could retain: initially 70 per cent, then reduced to 40 per cent and eventually 20 per cent in early 2022. Hence, coffee exporters were willing to accept a loss on coffee exports to get US dollars to fund their other import businesses. See: Samuel Bogale, 'Forex trouble cause franco valuta share spike', *The Reporter*, 26 November 2022. Accessed 30 March 2026, https://www.thereporterethiopia.com/28144/.

139 Interview with cooperative chairperson, Bule Hora woreda, 9 October 2025.

140 Interview with cooperative committee members, Dale woreda, 14 October 2025.

they provide numerous additional benefits to the cooperatives, including from various projects outside the direct coffee trade.[141]

Similarly, study participants from Yirgacheffe note the lack of transparency in profit distribution.[142] They observe that although the union is organic certified and has a strong global reputation, the process of distributing profits to cooperatives based the share of coffee they have contributed remains unclear. While it is known that the union receives a large sum of profit, the specific division of those profits is not transparent to the cooperatives, leading to ongoing disputes. There are also FairTrade premiums intended for building community service infrastructure but these funds are currently not being distributed.

Study participants from Bule Hora district raise concerns about the deteriorating relationships between the union and cooperatives.[143] They note that of 11 cooperatives with their own sites and industries in the district, only two are currently functioning, one of which was only recently revived in 2025. The remaining cooperatives are indebted and non-functioning due to both disputed issues in their working relations with the Oromia coffee union and internal problems. While private traders consider the international benchmark to determine the local price, for example, these cooperatives are given a fixed price by the union and thus do not play an active role in the market. The internal problems are largely related to the low organizational capacity of coffee cooperatives. These cooperatives are run by committees that serve for fixed three-year terms. They are, however, often hand-picked from among members (as opposed to being elected), who frequently lack the knowledge to run a business profitably. Cooperatives face further problems in terms of corruption, bureaucratic hurdles and government interference.

Although cooperatives were organized to benefit from the monopoly of traceable and certified coffee they were granted, they have not successfully increased their share of the coffee export market. As study respondents indicate, this failure is due to low organizational capacity, lack of capital and lack of flexibility to compete with traders, as well as difficulties in incentivizing the production of quality coffee and finding buyers for specialty coffee.[144] Struggling to survive amid tough competition from new entrants in the direct export market—such as certified farmers, exporters and suppliers at the local coffee market—cooperatives in the Sidama–Gedeo–Guji belt reportedly receive little support from either their unions or government bodies. Despite these issues, the current coffee price hike is having a positive impact on the activity of most cooperatives. At the same time, however, their return to full participation in the market largely depends on how they manage the new challenges they have encountered in recent years.

141 Interview with union representative, Hawassa, 25 October 2025.

142 Interview with Yirgacheffe woreda cooperative office expert, 6 October 2025.

143 Interview with heads of West Guji cooperative office and coffee and tea authority, Bule Hora woreda, 9 October 2025.

144 See: Aparisi, ‘Ethiopian coffee marketing reforms’, 21.

Private coffee traders

The landscape for private coffee traders in the Sidama–Gedeo–Guji belt underwent a crucial transformation following the 2017 coffee reform. The new system of vertical integration introduced by this reform permits all licensed exporters to purchase coffee directly. As such, the new system formally recognizes two types of coffee merchants: exporters and suppliers.[145]

Coffee exporters

Numerous coffee exporters are now directly involved in the Sidama–Gedeo–Guji belt, including companies such as AMG, Tracon, Hadeed, Mullege, Testi Coffee, METAD, Kerchanshe, Adulina, Bensa Daye, Snap Coffee and Ranger. Among the top ten coffee exporting companies based in Addis Ababa, most are active in local areas renowned for specialty coffee, including Bensa Daye, Yirgacheffe, Gedeb and Hambella. These companies also tend to have diversified business interests beyond coffee. Some companies, such as Kerchanshe in Guji and Bensa Daye in Sidama, already had a strong presence in the study areas before the 2017 reform and are still dominant in their respective areas. Other locally owned companies, such as Alo Coffee and Keramo Coffee in Sidama, have entered the coffee export sector since vertical integration.

A respondent from Gedeb details the current operational model:

> There are exporters coming from Addis Ababa to buy coffee directly here. Some of them have their own washing stations, while others rent them. They buy coffee from farmers in the primary market centres using their agents. They often work in partnership with local suppliers. These suppliers make contracts with exporters at the federal level and then buy coffee here in competition with other exporters. The competition is very tough, involving bigger companies such as Tracon, Ranger, Testi, Snap and METAD.[146]

An agent of Kerchanshe Coffee offers additional detail:

> For the last eight years, our company has been dominant in the coffee export trade. We are currently shifting to different businesses beyond coffee. Recently, however, new and bigger companies such as AMG, Tracon, Hadeed and Mullege are massively involved in the coffee business and are active in the Sidama, Gedeo and Guji areas. There is competition among companies to get coffee, which is good for coffee producers.[147]

Based in Dilla town, one coffee exporter who also operates in the import sector describes the new business environment:

> The business climate in the last three years has been good. The government is supporting us. For instance, we import medicine and can easily get the dollars from coffee sales to

145 While collectors and brokers remain relevant in the current system, they now operate informally.

146 Interview with coffee and tea authority head, Gebed woreda, 7 October 2025.

147 Interview with company agent, Gwanga, 10 October 2025.

> import it. We buy coffee from suppliers. We do not have our own washing machine. We make an agreement with suppliers to buy coffee from them based on the local price. We make an 80 per cent payment upon contract signing and pay them the remaining 20 per cent upon receiving the coffee. Vertical integration is good because it has reduced fraudulent behaviour at the ECX and enabled us to buy the coffee directly from producers and suppliers.[148]

The coffee potential of the Guji zones in particular is substantial. For instance, Kercha district—which has been at the centre of the conflict between the Gedeo and Guji communities—alone produces approximately 28 tonnes of coffee per year, representing more than 41 per cent of the total coffee produced annually in West Guji zone.[149] Due to this immense economic potential, West Guji zone has recently attracted a growing number of private coffee traders, including commercial farms that are expanding operations in the zone. An expert in West Guji zone verifies this trend:

> We have many private coffee traders in our zone, including suppliers and exporters. There are more than 20 registered exporters, some of whom rank among the top four nationally. For example, Kerchanshe Coffee has 20 coffee processing industries in our zone and there are many others such as Libu Coffee, Highland Coffee and Tracon. While the coffee market historically featured local merchants, diversity is now increasing. The number of coffee processing industries is growing rapidly, now totalling around 550, with more than 100 pending licence applications. The market is now open to anyone who fulfils the criteria. Coffee traders are no longer required to buy seats on the ECX, a system that previously allowed only a few entities to dominate the business.[150]

Despite the market dominance of Addis Ababa-based companies, a growing number of coffee exporters is emerging from coffee-growing areas around the country. A Sidama exporter highlights this trend:

> The number of exporters from coffee-growing areas is increasing at the moment. The majority of coffee exporters are emerging from Oromia Region, especially after the 2018 political reforms. I know of one man's sons, numbering more than 20, who are exporting coffee in the Guji zones. There are some Sidama exporters who started coffee export during the EPRDF era but most of them are declining, except Daye Bensa. The ones who

148 Interview with agent for exporter, Dilla, 30 September 2025.

149 Adanech and Endalkachew, 'Coffee production', 254. Importantly, these statistics underscore the existence of concrete local interests and material conditions that are often overlooked in studies that interpret the Gedeo–Guji conflict solely through an ethnic lens. By exclusively focusing ethnicity, such analyses often ignore the micro-level conflict generating dynamics rooted in resource competition.

150 Interview with West Guji zone coffee and tea authority expert, Bule Hora, 8 October 2025.

> are expanding the coffee business are young Sidama traders who emerged after the reform. I think the most important factor is their exposure to coffee rather than their ethnicity.[151]

This same study respondent adds that the coffee market remains dominated by large-scale companies:

> Still, the coffee market is dominated by traders located in Addis Ababa. They are involved in import trade [such as chemicals, iron sheet, medicine, etc.] and other businesses, including construction, transport and real estate. These companies are involved in buying coffee directly at local levels. Most of them do not have washing stations and do not produce coffee on farms.[152]

Regardless of existing market structures, coffee exporters who participated in this study view the 2017 policy shift positively. The new system enables a focus on coffee quality to meet the rising global demand for traceable and certified coffee, and supports farmers in producing high-quality coffee. As the Sidama exporter continues to explain, the 2017 policy allows each coffee variety to be exported separately, from farm to roaster.[153] He also notes that farmers and coffee traders are currently preparing coffee on a village-by-village basis (in specific *kebeles*), preserving the unique identity of each type of coffee. He explains that this is due to the policy shift in favour of traceable organic coffee.

An agent for the Alo Coffee Exporting Company from Bensa Daye district in Sidama also emphasizes the value of quality coffee production:

> We started the coffee business in 2021. We buy coffee directly from farmers. We focus on the quality of coffee and support farmers to ensure it. They are the primary beneficiaries of producing quality coffee. We do not focus on the primary market centres as there is no system to ensure quality in it. Hence, the farmers bring coffee to our washing stations. We buy their coffee and pay them with a premium price after sale. We won the Cup of Excellence contest in the year we started the business.[154]

An agent for Kerchanshe Coffee likewise indicates the importance of focusing on quality:

> In the past, only a limited number of coffee brands and a few specific areas—such as Yirgacheffe, Limu and Sidama—were well known. Due to the 2017 reform, we are now

151 Interview with Karamo coffee exporter, Hawassa, 28 September 2025.

152 Interview with Karamo coffee exporter, Hawassa, 28 September 2025. Against the comment that Addis Ababa-based companies do not tend to have their own farms, this agent for Kerchanshe Coffee states, 'We have recently begun producing on these farms and are expanding them. The volume of farm coffee is increasing.' Interview with Kerchanshe Coffee agent, Gwanga, 10 October 2025.

153 Interview with Karamo coffee exporter, Hawassa, 28 September 2025.

154 Interview with Alo Coffee agent, Bensa Daye, 17 October 2025.

> working hard to promote coffee by highlighting different varieties from various places. Previously, awareness among farmers was limited but because of our efforts, the farmers in the areas where we currently work now clearly recognize the value of quality coffee.[155]

Overall, coffee exporters in the Sidama–Gedeo–Guji belt view the 2017 reform as enabling them to buy or produce quality coffee and achieve better export prices, thereby reducing transaction costs. It is also seen positively for eliminating market monopolies and providing free access to information. Exporters who participated in the study also believe that their local presence provides additional opportunities for smallholders to access capital, training and inputs, which consequently raises their productivity and the quality of the coffee they produce. In this regard, some exporters prefer licensed farmers to already established local suppliers to access quality coffee. In addition, exporters view their presence as having increased competition between buyers for coffee cherries, which increases the bargaining power of smallholder farmers and their share of the export price.

At the same time, however, exporters operating in the study areas indicate that they are facing tougher competition from other exporters to buy coffee, which is leading to rapid price increases at local levels. They attribute these inflated prices to the growing role of unlicensed traders or brokers who purchase coffee from farmers. A study respondent from the Bensa Daye district explains that the intensity of the competition between coffee traders to access coffee is now so tough that some of them are using clan networks and brokers for access.[156] Another respondent from the same district points out that because the price of specialty coffee is already high, it requires a higher price to attract farmers, which consequently lowers the export profit margin. Aware of this situation, farmers even cheat exporters by selling low-quality coffee smuggled in from other areas, claiming it is from their own certified farm.[157]

Exporters also report a lack of effective control of certified farmers who buy coffee from their neighbours—an action not allowed under their export licence. Exporters further report the widespread presence of abuse by suppliers in the Sidama–Gedeo–Guji belt. The exporter from Bensa Daye explains the abuses related to advance payments:

> In the past, the supplier struggled to buy coffee due to a lack of money. The bank was not giving adequate credit to the supplier due to the lower export price. Vertical integration was meant to enable the suppliers to get interest-free money from the exporters to buy the coffee by contract. The exporters would then receive the coffee collected by the supplier according to the contract. The suppliers abused this money, however. Most of them used the money to buy houses and cars instead of delivering the coffee to the exporter. They also gave the collected coffee to other exporters for a better price, breaching the contract.

155 Interview with Kerchanshe Coffee agent, Gwanga, 10 October 2025.

156 Interview with coffee and tea authority expert, Bensa Daye woreda, 17 October 2025.

157 Interview with Alo Coffee agent, Bensa Daye, 17 October 2025.

> Due to this problem, vertical integration is now affected. There is a lack of trust between exporters and suppliers.[158]

The exporters interviewed for this study raise significant concerns related to fraudulent practices in coffee sampling. Study participants report that suppliers often manipulate the grading process by providing high-quality samples that do not match the actual coffee delivered after a sale is finalized. They cite these discrepancies as a serious source of disputes between exporters and suppliers. Some exporters also report difficulty getting a licence to expand their sites, especially in Sidama and Oromia. They point to the influence of existing exporters and suppliers, who have already built washing stations and dry mills in quality coffee-producing areas and do not want new entrants in their spheres of influence. In contrast, government representatives, particularly those in Dale, Bensa Daye, Gedeb and Bule Hora woredas, note that exporters often exert undue influence over their routine administrative roles.

Other locally based private coffee traders, including exporters and suppliers, identify a negative impact from the concentration of coffee infrastructure in Addis Ababa. This includes licensing. This persists despite their repeated requests to the government for greater decentralization of the coffee sector.

Coffee suppliers

Coffee suppliers (*akrabies*) largely view the 2017 reform in negative terms, as the direct involvement of exporters has weakened their previous influence in local coffee markets. Most of these suppliers operate washing stations and dry mills. A few also hold farmer-exporter licences for coffee grown on their own farms. They largely rely on unlicensed and illegal collectors to purchase coffee from farmers.

As one supplier from Shakiso district explains:

> We get the coffee from farmers through collectors who do not have licences but operate as an organized group at the *kebele* level. We provide them with money. They earn a commission for their work, receiving 2 to 5 birr [USD 0.014 to 0.035] per kg of coffee. Some collectors buy coffee with their own money and earn an even better price. This has been common practice in the area for a long time.[159]

These actors remain active in the local coffee trade despite regulations outlawing their activity. Some collectors purchase coffee from primary market centres on behalf of suppliers using temporary badges issued by the local government to operate formally in the market. Collectors are currently seen as brokers who largely buy coffee informally and transport it using motorcycles, which are widely used except in the Guji zones, where they are restricted for security reasons.

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158 Interview with Karamo Coffee owner, Hawassa, 28 September 2025.

159 Interview with supplier, Odo Shakiso, 28 September 2025.

Suppliers are generally members of local communities, though Gedeo remains an exception, where there is still a significant presence of suppliers from other ethnic groups. As an experienced coffee trader from Gedeo states:

> Among the 600 suppliers, Gedeo ethnic coffee traders do not exceed 120. Out of about 400 coffee washing stations and dry mills in the zone, local traders own a maximum of 50. In terms of ethnicity, the majority of suppliers are Silte and Gurage, and a few are Amhara. During the EPRDF era, there were Tigrayan coffee traders in the zone but their number is now limited. There are also few women coffee suppliers—one woman in Dilla and another in Yirgacheffe.[160]

The domination of the local coffee trade by members of non-local ethnic groups, along with the presence of informal networks to block local traders, has already become a significant source of resentment against these non-local traders in Gedeo. This tension led to two violent incidents, first in 2006 and again in 2016. These events were not triggered by a single case but rather reflect broader local frustrations with the economic dominance of non-local traders. On both occasions, this resentment and frustration resulted in the loss of lives and the widespread destruction of both private and public properties.[161]

Most suppliers participating in the study report involvement in vertical integration agreements with one or more exporters, noting both the positive and negative aspects of these arrangements.

One supplier from the Dale woreda in Sidama highlights the benefits:

> We sell the collected coffee through a vertical contractual agreement with the exporters. This contract typically lasts for two years and is revised afterward. The contract is beneficial to us because accessing credit from the bank presents significant hurdles. Banks require collateral, the process is very slow and they usually do not lend beyond 60 per cent of the estimated collateral value.[162]

The same supplier describes the limitations of contracts involving advance payments from exporters, a sentiment other suppliers echo:

> The major downside of the contract is that it forces us to buy the coffee at the price we agreed upon in the contract. If we try to pay a higher price to the farmers to secure coffee, the exporter will not accept a price that goes beyond the one specified in the contract.

160 Interview with local exporter, Dilla, 1 October 2025.

161 See: Yonas, 'Dozens killed'.

162 Interview with supplier, Dale woreda, 14 October 2025.

> This means we cannot buy the coffee as we desire in the open market and we lose the confidence to compete effectively with other merchants.[163]

A woman supplier from Dilla Zuria, who took over the coffee trade established by her husband after his death, underscores the relevance of the vertical integration contract, noting that processing and supplying coffee to the market, while temporary, is demanding work.[164] It requires substantial support, especially financial resources, specifically access to credit. Reflecting the experiences of other suppliers, she reiterates the hurdles related to accessing bank credit, reporting that bank feedback is not encouraging, the loan amounts are inadequate and funds are not provided on time.

This supplier states that as a woman in the industry, she expects significant support from the government, particularly to address the financial gaps in her business. She explains that competing with men presents a unique challenge, as they often move quickly to control the market and inflate prices. She further notes that while the local government frequently organizes meetings to gather feedback, these sessions have resulted in little practical support for her business operations. She emphasizes that this lack of tangible assistance discourages other women from entering the sector, noting that there are currently only two women suppliers in the zone.

Regarding the limits of the advance contract with exporters, she states that the system does not compensate for coffee processing costs. This is because exporters, leveraging their dominant positions, dictate the price in the contract. She further notes that she has limited options to negotiate outside the pre-set contract terms. All of this is compounded by the limited access suppliers have to finance.

In particular, she points to the tough competition between private coffee traders as a serious challenge when it comes to fulfilling her contractual commitments:

> There is unhealthy competition between coffee supplier businesses in the zone. Specifically, one competitor tries to undermine the others in the market. Some give an inflated price to undercut your business. You may find the coffee collected for you being taken by other merchants. There is also no coordination or collaboration between supplier businesses to address common challenges and increase our influence. The men are not supporting me. But I have a good relationship with the coffee collectors [*sebsabies*] and they encourage me to continue my business. They give me strong moral support and advise me on how to source the coffee.[165]

163 Interview with supplier, Dale woreda, 14 October 2025.

164 Interview with woman supplier, Dilla town, 4 October 2025. Unless otherwise noted, the information in the following four paragraphs is derived from this interview.

165 Interview with woman coffee supplier, Dilla town, 4 October 2025.

A supplier from Bensa district shares similar concerns, adding that the exporter also defines the timeframe in the contract, forcing them to sell coffee to the same buyers for two or three years in return for a price only 5 per cent higher than the market price.[166] The same supplier also says that the new system sees interference from established exporters in the district. He reports working under contract agreements with exporters twice, in 2020 and 2021, but did not continue the contract trade because established exporters threatened other non-local exporters not to enter the district or form ties with local suppliers. He explains more specifically:

> Now, the exporters collude with one another and suppress local suppliers. For example, Sidama native exporters suppress local suppliers here. Guji exporters suppress suppliers in Guji zones and the same is true in Gedeo zone. They are monopolizing the coffee business.[167]

A supplier from West Guji also expresses opposition to the direct involvement of exporters in the local coffee market:

> The direct involvement of exporters in the local coffee market presents a huge problem for us, as they are actively displacing local suppliers. Suppliers typically operate using bank credit. Exporters create unfair competition by offering a much higher price. For instance, they might pay 17,000 birr [USD 117.24] for one *feresula*, an action that causes many local suppliers to default on their loans and lose collateral, such as houses, to the bank. Following this, they then refuse to purchase the supplier contracted coffee for 15,000 birr [USD 103.44]. This is the current reality in our zone. Furthermore, exporters often claim the coffee is below standard simply to acquire it cheaply. Their presence is also detrimental to the farmers because once we are removed from the market, the exporters will inevitably target buying coffee cheaply from the farmers as well.[168]

Suppliers who operate outside the vertical integration model highlight the consequences resulting from the lack of a central coffee market that once brought exporters and suppliers together. They state that they have become victims of brokers based in Addis Ababa and are forced to search door-to-door for exporters. An officer in the Bule Hora district adds to this, saying that the current coffee market is loose and relies on the goodwill of exporters and brokers.[169] He goes on to explain that without a central market, many suppliers (and licensed farmers) are compelled to sell their coffee cheaply at the local market. This officer sums up the situation: A supplier who does not have a contract with an exporter is not an active player in the local market.

166 Interview with coffee supplier, Bensa Daye, 17 October 2025.

167 Interview with coffee supplier, Bensa Daye, 17 October 2025.

168 Interview with coffee supplier, Bule Hora woreda, 8 October 2025.

169 Interview with coffee and tea authority officer, Bule Hora woreda, 9 October 2025. The remaining information in this paragraph is derived from this interview.

Overall, suppliers highlight the constraints of obtaining export certificates, citing difficulty finding the more than ETB 20 million (USD 137,925) bank deposit required in the new guidelines issued in 2025. This is especially difficult if they have already been struggling financially to run their existing washing stations and dry mills. They are also discouraged because of the rumours that suppliers are unwanted in the coffee value chain. To mitigate this, the Sidama Region Coffee Suppliers and Processors Association is advocating for a more robust coffee market led by the federations of coffee traders and producers. The goal of this initiative is to create predictable market environment that benefits all participants across the coffee value chain.

According to the president of the Sidama Region Coffee Suppliers and Processors Association, while the vertical integration model has addressed significant gaps in the ECX platform, it has not resolved serious underlying issues in local coffee markets.[170] He notes that the current local market operates much as a game of chance, where one actor gains at the expense of others. This occurs without any insurance against losses and in the absence of mechanisms to stabilize the market against price fluctuations. He further claims that associations across all coffee producing areas are calling for the coffee market to be managed by the federations of coffee traders and producers, noting that such an approach is common practice in world-renowned coffee growing nations such as Brazil and Colombia. In contrast to the satisfaction with vertical integration that is expressed by the exporters interviewed for this study, the suppliers interviewed remain critical of the status quo.

The influence of global actors

Global actors exert considerable influence on producers and traders in the Sidama–Gedeo–Guji belt. Global consumers, notably the United States, have historically played a key role in shaping coffee research and policy in Ethiopia since the 1950s. This influence enabled the World Bank and the Food and Agriculture Organization (FAO) to support extensive coffee cultivation, establish washing stations and even develop the first coffee policy for the country, which led to the creation of a national coffee board and the development of regulations for coffee cleaning and grading. European consumers supported the coffee sector during the Derg regime, despite tight state control of the market. Both the United States and the European Union have been instrumental in liberalization of the coffee sector during the Ethiopian People's Revolutionary Democratic Front (EPRDF) era and, more recently, under the Prosperity Party.[171]

The 2017 coffee sector reform took place in a wider context of political instability in the country, including widespread protests, such as those by the Oromo Youth (*Qeerroo*) starting in late 2015. These protests were fuelled by a distributive crisis, including the unfair revenue received for the coffee they produced and issues surrounding land sales near the capital. Despite this

170 Interview with president of Sidama Region coffee suppliers and processors association, Hawassa, 1 February 2026.

171 Aparisi, 'Coffee makers'.

domestic upheaval, external consumers played a key role in shaping the direction of the 2017 reform.

A pivotal factor was a 2014 EU-funded study, which pushes for a reassessment of the coffee market system outside the ECX to increase the traceability of coffee beans.[172] The goal is to promise extra benefits to producers and traders through various certification schemes, such as FairTrade, Organic Coffee and the Rainforest Alliance. The findings of the 2014 study specifically advocate for the creation of vertically integrated supply chains. This integration allows larger exporters to bypass the ECX to directly source coffee from producers and/or invest in coffee farms for export. The 2023 European Union Deforestation Regulation (EUDR) is also highly influential, as the Ethiopian government has endorsed it.[173] The EUDR specifically reflects its commitment to environmental justice and the protection of the ecosystem, aiming to ensure that producers entering EU markets do not contribute to deforestation or undermine the rights of nature. This regulation requires coffee producers and traders to be certified as deforestation free. The requirement specifies that coffee must only be sourced from lands not deforested after 31 December 2020 and that it must be fully traceable to the farms via geolocation.[174]

Coffee-producing regions such as Oromia and Sidama now wield greater power to influence the sector in favour of their producers, which is a result of a power shift from the geographic north to the south of the country.[175] Nonetheless, global consumers still play a key role in reshaping the landscape of coffee production and the local markets in the study areas (and more generally, across Ethiopia). These various international requirements for specific certifications have clear impacts at the local level.

For instance, one officer in Gedeb woreda reports that some exporters are pressuring local government bodies to obtain organic certificates using smallholder farmer lands without owning private farms themselves.[176] Such certifications are normally issued by accredited international agencies that verify whether production, processing and handling meet global standards through on-site inspections. The same officer adds that a growing number of exporters are buying coffee from smallholder farmers, seeking their support to obtain the deforestation-free

172 Aparisi, ‘Ethiopian coffee marketing reforms’, 22.

173 European Union, ‘Regulation (EU) 2023/1115 of the European Parliament and of the Council of 31 May 20’, *Official Journal of the European Union* L 150 EN (9 June 2023). Accessed 29 July 2026, https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32023R1115.

174 See: Markos Makiso et al., ‘Ethiopian coffee: production system, geographical origin traceability and European Union deforestation regulation directive compliance’, *Journal of Agriculture and Food Research* 19 (2025). DOI: 10.1016/j.jafr.2025.101695.

175 Oromia regional government is taking significant steps to empower local coffee traders, including farmers, to capture more values at the local level. Similarly, Sidama Region has seen increased investment in coffee infrastructures such as processing and washing stations following its formation as a region in 2020. Farmer empowerment in Sidama lags behind that of Oromia or Gedeo, however.

176 Interview with coffee and tea authority officer, Gedeb woreda, 7 October 2025.

certificate. This officer goes on to note that even though experts at relevant local government offices have received government-provided training on implementing the EUDR, including social responsibility aspects such as protecting child rights, they face significant challenges. These challenges include the costs of developing farm geolocation due to financial constraints and a lack of trained personnel at the district level.

Farmers who participated in this study generally state that deforestation is not a problem for them, citing the common practice of agro-forestry—mixing coffee with other crops and trees—in the Sidama–Gedeo–Guji belt. They are also investing significant time and money in producing high-quality organic coffee. As one farmer from Bule Hora district explains, they even plant trees to provide shade for the coffee, noting that without this cover, they get minimal coffee yields.[177]

The exporters and suppliers involved in this study highlight that while they are committed to meeting the growing demand for certified organic coffee, they face a dilemma: They fulfil the requirements for traceability and ethical sourcing, yet the price they receive from international sales often does not correspond to the costs they have incurred. This discrepancy is fuelling a call for the diversification of the coffee market away from traditional Western buyers toward growing markets in Asia, the Middle East and Africa.

Data from fiscal year 2024–2025 highlights this significant market shift. Among the top ten buyers of Ethiopian coffee, 48.4 per cent are now located in the Middle East, Asia and Africa. This group is led by Saudi Arabia (19.5 per cent), followed by South Korea (9.1 per cent), Japan (7.3 per cent), China (5.9 per cent), the United Arab Emirates (3.5 per cent) and Sudan (3.1 per cent). In contrast, traditional Western buyers now account for a smaller combined share of 30.1 per cent. This includes the United States (11.8 per cent), Germany (9.5 per cent), Belgium (5.9 per cent) and Italy (2.9 per cent).[178] It appears that in response to this trend, a high-level delegation from Starbucks visited Ethiopia in early January 2026. This visit specifically targeted specialty coffee areas such as Yirgacheffe to ensure a reliable supply, with the delegation promising to support smallholder coffee farmers to improve production and productivity.[179]

177 Interview with licensed farmer-exporter, Bule Hora woreda, 9 October 2025.

178 'Ethiopia Export Statistics', Tradeimex. Accessed 30 March 2026, https://www.tradeimex.in/ethiopia-export. While buyer data fluctuates annually, recent statistics show a significant shift towards markets in the Middle East, Asia and Africa.

179 'Starbucks Eyes Expansion of Ethiopian Coffee in Global market', Ethiopian News Agency-ENA English, 12 January 206. Accessed 30 March 2026, https://www.ena.et/web/eng/w/eng_8102398.

New coffee policies, new problems

The shift toward new coffee policies aims for traceability, quality and better benefits for smallholder producers. Recently, however, it has created a complex array of new challenges in the Sidama–Gedeo–Guji belt. These issues include intensified commercial interest in lands, which is fuelling a rise in rural land sales among smallholder farmers and increasing the risk of farmer eviction, child labour concerns, illicit trade, patronage networks, corruption and security problems.

Rising land sales and eviction risks

The problems of increasing land sales and the corresponding risks of eviction are widely reported in areas known for their high-quality coffee brands, especially in Bensa Daye woreda in Sidama and, Yirgacheffe and Gedeb woredas in Gedeo. A study respondent from Bensa Daye reports there is a growing trend of coffee exporters buying fertile farmlands that is 'bringing a feudal experience back to their areas', although this time it is driven by local traders, particularly in Sidama Region.[180] Reportedly, 1 hectare of coffee land in the rural areas of Bensa Daye district is being sold for more than ETB 4 million (USD 27,585). Despite laws prohibiting rural land sales, such sales are increasing. These transactions are often reported to local courts under the guise of contract farming, even though they represent actual land transfers.[181] There are fears that this problem could eventually cause intra-community tensions, fuelled by those who have lost their lands.

While private coffee traders such as exporters and suppliers recognize the problem, they claim that it is driven by unlicensed coffee traders who have significant influence in their areas.[182] Against this, an officer from the Bensa Daye district coffee and tea office notes that the land sale trend was initiated by exporters, who simply buy land wherever it is available to expand

180 Interview with coffee supplier and elder, Bensa Daye, 17 October 2025. The remaining information in this paragraph is derived from this interview.

181 Agricultural Production Contract Proclamation No. 1289/2023 allows an investor (contractor) to formally partner with a farmer (producer) who either owns a landholding certificate or legally rents a farm. This law protects both the investor and the local smallholder farmer. See: Federal Democratic Republic of Ethiopia, 'A Proclamation to Provide for Agricultural Production Contracts Proclamation No. 1289/2023', Federal Negarit Gazette, 29th Year, No. 27, Addis Ababa, 6 July 2023. Accessed 29 July 2026, https://www.moa.gov.et/wp-content/uploads/2024/06/A-PROCLAMATION-TO-PROVIDE-FOR-AGRICULTURE-PRODUCTION-CONTRACTS-PROCLAMATION-NO.12892023.pdf.

182 Interview with local exporter, Bensa Daye, 28 September 2025.

their coffee sites.[183] He goes on to say that other small traders and unlicensed persons have continued the trend, explaining that reversing it is now beyond their capacity, even though local government officials do not officially recognize these transactions.

Similar cases are reported across the districts of Yirgacheffe and Gedeb in Gedeo zone, as well as in Guji zone, where there is growing manipulation by private traders to illicitly possess the land of coffee farmers. Despite the high population density in the Yirgacheffe district, for instance, private traders are informally buying land from farmers under the auspices of contracts for washing stations, leading to increased local disputes in the district.[184] In Guji zone, acquiring a farmer's land for a coffee washing station involves informal dealings with community leaders such as *Abba Gadaas* (leaders of the Oromo Gada system) and various government bodies.[185] This unfolding rural transformation process is likely to result in an increasing share of smallholder farmers becoming labourers, which could lead to resentment against traders.

Commercial farming and child labour concerns

There is growing demand among coffee traders to own coffee lands in the sparsely populated lowland areas of the Sidama–Gedeo–Guji belt to produce specialty coffee on a commercial scale, especially in Guji zones. Since finding local labourers in these areas is difficult, these farms often rely on workers from neighbouring Sidama, Gedeo, Kore and Burji.

Significant concerns have been raised, however, regarding the use of child labour and the lack of personal security for these labourers, which is necessary due to high levels of insecurity in the area. The use of child labour in these lowland areas is often linked to a lack of interest among adult labourers, even those from traditional coffee-growing areas. This disinterest stems from their increasing involvement in alternative higher-income activities such as illicit coffee trade, the informal urban sector and migration.[186] This competitive labour environment has resulted in rising labour costs, which have become increasingly difficult to manage for smallholder farmers and washing station owners in the Sidama–Gedeo–Guji belt.

Illicit coffee trade

There is a widespread problem with illicit coffee trade in the Sidama–Gedeo–Guji belt. Participants in this study note that the issue has become more serious in the current context of heightened competition between suppliers and exporters. The illicit coffee trade involves various actors, including collectors, brokers, smugglers and private coffee traders.

183 Interview with coffee and tea authority officer, Bensa Daye woreda, 17 October 2025.

184 Interview with licensed farmer-exporter, Yirgacheffe woreda, 3 October 2025.

185 Interview with supplier, Odo Shakiso, 28 September 2025.

186 Interview with farmer and government employee, Yirgacheffe town, 2 October 2025.

Study participants mention the presence of numerous illicit coffee collectors, who move from one coffee farming household to another, buying both fresh coffee cherries and dried beans outside the primary market centres. Illicit collectors are often unemployed young men, typically from town centres, who receive money from brokers to collect the coffee. While their presence is widely reported in Sidama and Gedeo, in West Guji their activities are limited due to insecurities and restrictions on the use of motorcycles, which are often used by these collectors for transport.

Illicit collectors reportedly set prices and consistently pay better prices to producers than the prices offered at the primary market centres. As study participants also report, there is minimal support from coffee farmers for law enforcement efforts or task forces working to combat illicit trade, precisely because of the better prices they receive from these collectors. They further note that coffee price hikes often induce unlicensed traders to become involved in coffee buying in order to profit.

A woman who is the head of the cooperative office in West Guji zone reports that due to higher prices the previous year (2024), everyone—a wide range of individuals—was participating in the market this year.[187] She also notes that although many people were unfamiliar with the current market situation, they were still getting involved. Recently, she even saw a shop owner she knew who had rented a site and was preparing to buy coffee. Similar stories are reported from Bensa Daye and Yirgacheffe. This influx of non-traditional buyers is reportedly affecting the activity of the formal coffee market as the market becomes dominated by illicit traders.

Fresh coffee cherries are also being smuggled from neighbouring districts to areas that produce high-quality coffee, despite restrictions designed to prohibit coffee blending. For example, study respondents from Dale and Aleta Wondo woreda in Sidama report that their fresh coffee cherries are being smuggled into Bensa Daye district because of the higher prices offered there. Similarly, respondents from West Guji zone widely report that fresh coffee cherries from Kercha, Gelana and Ababay districts are being smuggled to dry mill sites in the neighbouring districts of Yirgacheffe and Gedeb in Gedeo, also for the better price. The illicit coffee trade involves traders, brokers and go-betweens who operate in wider networks, as confirmed by the majority of study respondents in the districts of Yirgacheffe and Gedeb.

One respondent in Yirgacheffe elaborates:

> Look at the fresh coffee trade in the town at the moment [October 2025]. This is happening without the official opening of the coffee market by the district authority. The coffee in the district is not ripe for harvest at the moment. But there are dry mill sites here in Yirgacheffe that are full of fresh coffee cherries. These coffee cherries are being smuggled in from neighbouring districts in Gedeo and West Guji zones. They are smuggling them to blend with our coffee. It affects the quality and taste of our coffee.[188]

187 Interview with West Guji zone cooperative office head, Bule Hora woreda, 9 October 2025.

188 Interview with licensed farmer-exporter, Yirgacheffe woreda, 3 October 2025.

Most illicit collectors buy fresh coffee cherries and dry it themselves or buy sun-dried coffee from producers before selling to illicit traders, who often arrive from Addis Ababa. These illicit traders, in turn, use brokers—who often possess retail licences—to buy the coffee they have collected. Study respondents report that most coffee in the Sidama–Gedeo–Guji belt is bought by illegal traders to be sold at domestic markets, especially in Addis Ababa (Merkato).

Coffee-producing areas such as Dilla Zuria, Wonago, Aleta Wondo and Dale are highly vulnerable to the smuggling of sun-dried coffee because of their proximity to major neighbouring towns. Because of price incentives, farmers in the Sidama–Gedeo–Guji belt increasingly rely on home-based machines to process their coffee and sell it to these smugglers. Wet coffee processing mills in these areas are consequently becoming idle. A study respondent from Dale woreda confirms the high prevalence of coffee smuggling:

> There are many brokers who smuggle coffee from one place to another, which creates unstable market prices. They take the coffee to other woredas, and even beyond Sidama Region. This coffee is smuggled by trucks through checkpoints, where they pay money to the security personnel monitoring the checks. This is a serious problem in our district. Although there is high coffee production in the district, nearly half of the fresh coffee produced in Dale woreda is taken away to other districts to be processed and mixed with other coffee for the market.[189]

Another respondent from Dilla similarly states:

> There is an illicit coffee trade here at Dilla. The Dilla Zuria farmers are especially victims of illicit trade. In the Wonago district, farmers use home machinery to clean coffee and sell to the smugglers. We have been talking about this problem in recent days as one wet coffee mill at Dilla has become idle because people are not bringing coffee.[190]

Most participants in this study recognize that coffee from the Sidama–Gedeo–Guji belt is also smuggled to neighbouring countries, specifically Somalia and Kenya. They cite the urgent demand for foreign currency as a driver for these cross-border smuggling activities. These volumes are, however, minimal compared to that destined for the domestic market. Study respondents note that the price of coffee in the domestic market is much higher than the Ethiopia Commodity Exchange (ECX) export price and that there are growing demands for export-standard coffee in the country.

Smugglers often transport the coffee in small amounts, loading approximately 50 kg into each minibus headed to major town centres such as Hawassa and Shashemene. Smuggled coffee can be accumulated in Shashemene, reportedly for direct shipment to Djibouti. Coffee is also smuggled in larger trucks to domestic markets, often by mixing it with other crops, such as corn.

189 Interview with supplier, Dale woreda, 14 October 2025.

190 Interview with local exporter, Dilla, 1 October 2025.

According to estimates from the Sidama regional coffee and tea authority, 74 per cent of coffee produced in the region is either diverted to domestic market or smuggled.[191] Consequently, only 26 per cent of regional coffee production reaches the central market for official export.

In addition, study participants highlight the existence of a complex network of unlicensed and licensed traders who work closely with officers at border checkpoints. Reportedly, checkpoint officers play a critical role in facilitating coffee being smuggled to neighbouring countries. A study respondent from Bensa Daye explains:

> There are illicit traders who buy and dry coffee without a licence. They buy the coffee at a higher price because they do not pay tax, nor do they worry about dollars [foreign exchange] or about coffee quality. Most coffee is collected by these illegal coffee traders and they then sell it to the domestic market. Most illicit traders come from Addis Ababa, especially from Merkato. They make deals with local brokers to buy coffee. Illicit coffee traders also sell coffee to Kenya via Moyale and to Somalia via Guji zone. They sell the coffee by sealing it in containers and using forged papers. They have dealings with checkpoint officers.[192]

In sum, the smuggling routes from Sidama–Gedeo–Guji belt fall into two main categories: those diverting coffee to specialty areas (for blending) and those diverting coffee out of the belt to major domestic markets or neighbouring countries.

Routes for blending

The routes involved in illicit coffee blending entail moving red coffee cherries from one district to a neighbouring district known for higher-quality coffee. The primary motive is to increase the volume of higher-quality coffee cherries or falsely market the mixed coffee under a high-value origin brand such as Yirgacheffe or Bensa Daye (see Map).

To Bensa Daye (Sidama Region):
Dale → Bensa Daye
Aleta Wondo → Bensa Daye

To Yirgacheffe (Gedeo zone):
Abaya/Galana[193] → Yirgacheffe

To Gedeb (Gedeo zone)
Kercha → Gedeb

191 Interview with office head of coffee and tea authority of Sidama Region, Hawassa, 20 October 2025.

192 Interview with local exporter, Bensa Daye, 28 September 2025.

193 This is a neighbouring woreda in West Guji zone.

Routes to the domestic market (Addis Ababa)

There are three primary routes for diverting large volumes of coffee to more profitable domestic consumer markets, specifically Merkato, which is the major trading centre in Addis Ababa (See Map).

Route 1 (main highway corridor):
Dilla Zuria/Wonago → Hawassa → Shashemene → Addis Ababa
Dale/Shebedino/Aleta Wondo → Hawassa/Wondo Genet → Shashemene → Addis Ababa

Route 2 (central bypass corridor):
Dale/Aleta Wondo/Shebedino → Wolaita → Kembatta/Hadiya → Addis Ababa

Route 3 (via Arba Minch to central corridor):
Galana/Abaya → Kelle/Soyama → Arba Minch → Addis Ababa

Routes to neighbouring countries

There are four main smuggling routes to facilitate the illegal export of coffee, thus avoiding official export duties and earning foreign currency on the black market (See Map).

Route to Somalia (via Guji zone):
Sidama/Guji zone → Negele Borana → Dollo → Somalia

Route to Somaliland (via Bale zone):
Sidama/Guji → Bale zone → Somali Region → Somaliland

Route to Kenya/Somalia (via southern border):
Sidama/Gedeo/Guji → Moyale → Kenya/Somalia (Dollo town)

Route to Djibouti (via Hararege):
Sidama/Gedeo → Shashemene → Adama/Kofele/Arsi → Hararege → Djibouti

Corrupt practices and patronage networks

Corrupt practices and patronage networks pose a serious threat to the integrity of the regulatory framework of the coffee sector in the Sidama–Gedeo–Guji belt. Corruption and patronage are evident at multiple critical points across the coffee sector.

Farmers report the presence of corrupt practices and embezzlement in cooperatives and unions, which they feel have become tools for politicians and managers to accumulate personal wealth. They cite a lack of significant positive change since the formation of these institutions. Most cooperatives suffer from poor leadership, with reports of committee members embezzling funds, which contributes to indebtedness and eventual closure, especially in West Guji zone.

Both farmer-exporters who are already licensed and those seeking certification for coffee export report instances of needing to make illicit payments to have their coffee land measured and their applications accepted by district-level offices. Farmers seeking a licence in Bensa Daye district, for example, reportedly pay at least ETB 30,000 (USD 206.89) to facilitate the process.[194] Similar cases of illicit payments are reported in the districts of Dilla Zuria and Yirgacheffe, although the amounts are reportedly lower than ETB 10,000 (USD 68.96).[195]

Farmers seeking new export licences, especially in Sidama and West Guji, cite collusion between local politicians and coffee traders to deny them the necessary export licence and market access.[196] They also cite cases of unfair imprisonment for those who criticize malpractice and land sales, along with threats against international buyers visiting the farms. In addition, farmer-exporters report widespread corruption and fraud in grading and certification centres, noting that their coffee can be unfairly graded, which negatively affects the price they receive.

Some private coffee traders (especially exporters) report difficulty in obtaining licences to open new coffee washing sites, in particular in Sidama and Guji.[197] They cite the presence of informal practices driven by personal motives or a desire for rents. A few exporters or licence seekers mention informal requirements that complicate the process, especially for obtaining a technical certificate at the federal level.[198] Licensing related to new processing sites is reportedly facilitated through informal networks that reward cliques, relatives and close associates, reflecting the influence of political elites at regional and local levels.

Experts at the district level likewise cite the interference of politicians in their regulatory activities. For instance, washing stations and dry mills that were closed for breaching sanitation and environmental regulations are often reopened in the absence of experts, frequently following phone calls between high-ranking officials and the owners.[199] Private traders and farmers, particularly from Gedeo zone, report the existence of informal networks and fraud among non-local coffee traders designed to deny local traders space, which has caused resentment against outsiders. Non-local traders often leverage regional officials to exert pressure on the local officials.

Study respondents emphasize that the expansion of the illicit coffee trade in the Sidama–Gedeo–Guji belt is directly related to loose government control over brokers and illicit collectors, as well as corrupt practices that allow the broker system to persist. Illicit traders often bribe

194 Interview with licensed farmer-exporter, Bensa Daye woreda, 16 October 2025.

195 Interview with licensed farmer-exporters, Dilla Zuria and Yirgacheffe woredas, 1–2 October 2025.

196 Interview with farmer, Aleta Wondo woreda, 15 October 2025; interview with licensed farmer-exporter, Bule Hora woreda, 9 October 2025.

197 Interview with exporter, Bensa Daye woreda, 17 October 2025.

198 Interview with exporter, Dilla town, 1 October 2025.

199 Interview with coffee and tea authority expert, Dale woreda, 13 October 2025.

members of task forces and officers at checkpoints to allow illegally acquired coffee to pass. Both licensed and unlicensed traders are also reported to work in coordination with officers at checkpoints.

Private coffee traders, especially from Guji zone, also raise concerns about the high number of checkpoints during the harvest season. They contend that these checkpoints primarily serve to collect rents rather than to control illicit trade or maintain security. They further indicate that the security situation in the zone is being exploited by local politicians as an excuse to collect rents and embezzle cooperative money. Overall, the pervasive influence of corruption and patronage networks—from the local cooperative level up through licensing and regulatory enforcement—severely undermines fair market practices and creates an unstable environment for both smallholders and legitimate businesses in the coffee sector of the belt.

Security problems

Security problems remain a significant challenge in the Sidama–Gedeo–Guji belt, seriously affecting coffee production and marketing, especially in Guji zones. Since 1991, both West Guji and Gedeo zones have experienced recurring conflicts in ethnically mixed coffee-producing areas. The most recent conflict in 2018 caused significant displacement and disrupted livelihoods and the local coffee market. The 1995 Guji–Gedeo conflict was centred on disagreement over border demarcation in ethically mixed areas such as Kercha, a prominent coffee producing district in West Guji zone. In contrast, subsequent conflicts have been driven by a mix of factors, including heightened ethnic nationalism, favouritism and the destabilizing influence of armed groups. Communities affected by recent violence are in the process of rebuilding their lives and restoring previous ties after resettlement but West Guji zone continues to face persistent insecurity due to the presence of armed groups.

As a result of this insecurity, coffee farmers are often victims of price discrimination, frequently receiving a lower price than their counterparts in neighbouring Gedeo, irrespective of quality. For example, in recent years, while private coffee traders were buying fresh cherries for ETB 70 (USD 0.48) per kg in the Gedeb woreda of Gedeo, the price was only ETB 40 (USD 0.28) in West Guji. One farmer from West Guji reports that armed groups demand payments while farmers are harvesting coffee, threatening to confiscate their yield.[200] He goes on to explain that due to fear, farmers are often forced to quickly sell their coffee at a lower price.

The security situation also poses a serious challenge for cooperatives, as they struggle to safely purchase coffee, leading to increased indebtedness and defaults.[201] Similarly, coffee collectors report that some of their peers have been killed on the roads, citing widespread youth joblessness and their involvement in armed groups.[202] Private coffee traders report notable challenges

200 Interview with licensed farmer-exporter, Bule Hora woreda, 9 October 2025.

201 Interview with West Guji zone cooperative office head, Bule Hora woreda, 9 October 2025.

202 Interview with broker, Bule Hora town, 9 October 2025.

related to both buying and transporting coffee, alongside difficulties in transferring money to conflict-affected districts such as Kercha in West Guji.[203] They indicate that armed groups not only solicit funds but also kidnap coffee traders and their agents, demanding ransom for their freedom.

According to study respondents, traders have to bear multiple financial burdens imposed by local government bodies, militias operating at checkpoints and armed groups in order to maintain coffee processing operations and transport the commodity. Non-compliance, in particular with armed groups, can lead to serious consequences, including trucks being set on fire or road blockades being set up.

In addition, the security situation has restricted the ability of agricultural experts to provide free support to farmers or monitor the harvest, given the inherent risks for government-affiliated personnel visiting rural villages or coffee sites.[204] Overall, the security situation in Guji zone continues to negatively affect market prices, undermine local commerce and expose all actors—from smallholders to exporters—to significant physical and financial risks, thereby severely constraining the vast potential of coffee production in this area.

Study participants in Gedeo zone note that the current insecurities in neighbouring Guji zone have a minimal effect on their day-to-day activities. At the same time, however, traders who have lost coffee washing stations and dry mills in conflict-affected border areas continue to suffer from the previous violence as they have not been compensated for their losses.[205]

Many Gedeo respondents cite the limited benefits farmers derive from coffee, combined with unfair revenue distribution practices as critical issues. They highlight the significant contribution—more than 8 per cent to national coffee export revenue—the zone makes to the coffee sector. In recent years, this economic grievance has driven a strong quest for statehood for the Gedeo people, a movement amplified by the formation of Sidama Region, which left Gedeo geographically non-contiguous with the current South Ethiopia Region to which the Gedeo people belong.

This intricate political issue, combined with widespread poverty, unemployment and subsequent youth migration to neighbouring Oromia Region and Kenya, and resentment over the minimal participation of their local traders in the coffee export trade, has already caused strain in the relations between the local population and non-local traders. These factors appear to be driving the quest for new forms of political rapprochement by Gedeo political elites with the politically influential Oromia Region to reduce vulnerability in the zone due to recurring insecurities.

203 Interview with supplier, Shakiso woreda, 25 September 2025.

204 Interview with coffee and tea authority officer, Bule Hora woreda, 9 October 2025.

205 Interview with coffee and tea authority head, Gedeb woreda, 7 October 2025.

Sidama Region has been relatively peaceful, especially since the violent protests that had occurred during the quest for regional statehood have now ended.[206] Nonetheless, the regional government has recently faced growing criticism from social media activists, civil servants and farmers alike, who express concerns about poor governance, in particular due to widespread corrupt practices and patronage in local administrations. Youth unemployment and rising rates of out-migration also remain critical socioeconomic issues that are likely to drive further tensions if left unaddressed.

Participants in this study specifically note growing popular grievances against the illicit sale of land to facilitate the expansion of coffee washing stations, dry mills and petrol stations. Illicit land sales create risks of eviction for smallholder farmers. There is also widespread dissatisfaction among farmers related to the lack of response by the regional government to their applications for farmer-exporter licences.

206 An exception is coffee farmers residing in the borderlands in the eastern part of Sidama, in particular in the woredas of Bensa Daye, Chire and Bura, who continue to be affected by conflicts arising from resource-related disputes with neighbouring Oromia Region.

Conclusion

Coffee remains the primary source of foreign currency for the Ethiopian government and a vital livelihood for millions of smallholder farmers across the belt. This study finds that recent reforms have revitalized interests in specialty coffee production by increasing market choices to producers and driving up farm-gate prices. There has been a notable surge in the number of farmer-exporters licensed by the Ethiopian Coffee and Tea Authority (ECTA) to export their own produce, accompanied by a broader desire among producers to bypass intermediaries. The reform has also catalysed the widespread participation of young entrepreneurs in the coffee sector and led to the expansion of established local exporters, particularly in the Guji and Sidama.

Despite these gains, this study finds that suppliers appear to be the primary losers in this transition. As vertical integration tightens, these intermediaries are increasingly squeezed out of the market. While many suppliers initially gained access to capital through advance payment contracts with exporters, this system has been severely compromised. Exporters report a loss of trust due to some suppliers misappropriating funds or breaching contracts by selling coffee to a higher bidder. Suppliers view the emerging alliance between producers and exporters as a direct threat to their long-term economic survival.

While many farmers have obtained export licences through the certification process, the study reveals they continue to face significant barriers in accessing the international market. Only a small minority have successfully sold directly to international buyers. Many continue to sell their coffee locally or to major exporters based in Addis Ababa. Additionally, farmers seeking to obtain an export licence report that the process is frequently delayed or disrupted by bureaucratic hurdles, corrupt local practices and deliberate obstruction by established local suppliers and exporters who seek to protect their market share.

Vertical integration has also heightened eviction risks for smallholder farmers. As exporters scramble to secure coffee land in the Sidama–Gedeo–Guji belt, the threat of dispossession has increased. Evidence indicates a rise in illicit rural land sales, often disguised as land lease contracts for the construction of washing stations or secure plots for coffee farms in speciality coffee producing areas in the belt.

In addition, coffee farmer cooperatives are failing to serve most smallholder farmers and have been weakened by mounting debts, corruption, fierce competition, illicit coffee trade and insecurities. The Illicit coffee trade in particular continues to affect the quality and price of coffee, with huge amounts illicitly routed to domestic markets and nearby countries.

The coffee sector in the Sidama–Gedeo–Guji belt suffers from corrupt practices and patronage networks that threaten its integrity. This is evident in licensing practices for new processing sites and farmer-exporters, and in fraud in grading and certification centres. The sector is also affected by persistent insecurity, especially in Guji areas, where armed groups operate. These groups often demand illicit payments from farmers and owners of coffee processing plants. They have also been known to kidnap coffee traders and their agents for ransom payments.

The coffee sector has benefitted from the recent liberalization spurred by the 2017 coffee reform policy and its implementation in post-2018 Ethiopia, which has increased prices and opportunities for some actors. Nonetheless, the sector remains fundamentally constrained by a range of significant factors. These include the complex political economy in which it is enmeshed, the shifting demands of global actors, global price fluctuations, the continued pressure for foreign currency and endemic institutional failures. The 2017 policy is also deemed to ease the flow of the coffee value chain. Notwithstanding its positive aims, at present it is inadvertently generating serious socioeconomic and political risks—including the revival of land-grabbing practices and the discontent of local suppliers. Along with rising youth unemployment and out-migration, these issues have the potential to destabilize the Sidama–Gedeo–Guji belt and threaten the livelihoods of the majority of smallholder farmers, who have yet to receive fair prices for their products.

Policy considerations

- Regional and local government bodies should strictly audit rural land leases between holders and investors to ensure they do not become permanent land transfers that dispossess farmers.
- Federal and regional governments should implement a transparent digitalized licensing system with clear criteria at all levels to reduce opportunities for patronage networks and rent-seeking.
- Federal and regional governments should ensure small-scale producers have access to credit to meet their capital demands for production and export costs.
- Federal and regional governments should create an information and networking hub to facilitate direct access to international markets.
- Regional governments should scale-up the best practices of high-performing farmer-exporters to enable a higher level of value capture at the local level.
- Regional governments should facilitate debt restructuring and financial management training for indebted cooperatives. Timely audits are also necessary to eliminate corruption in cooperative and union leadership, ensuring transparency, accountability and fair benefits for the community.

- Federal and regional governments should actively support women's involvement in the sector to address low participation rates and entry barriers. This includes providing access to low-interest credit and relevant business training.
- Regional and local government should provide support to new market entrants; for example, young local traders with supplier licences who struggle to compete with established exporters in the local market. Focusing on local value capture, such as local coffee roasting, can reduce youth unemployment and out-migration.
- Regional and local governments should mitigate the expansion of illicit coffee collectors, which compromises quality and affects local prices. This can be achieved by re-evaluating relations with licensed suppliers, improving farmer access to local primary markets and holding complicit law enforcement officers accountable.
- Federal and regional governments, in collaboration with international partners, should empower experts in local coffee and tea offices. This includes creating robust organizational structures, providing specialized training and allocating adequate budget resources to meet rising demand for coffee traceability, such as geolocation mapping of smallholder farmers.
- Regional governments should ensure the professional autonomy and administrative immunity of environmental, traceability and coffee quality inspectors to allow them to strictly enforce regulations without interference.
- Federal, regional and local governments should work together to sustainably address security issue, particularly in West Guji zone and in border areas. Improving security is essential for local market stability, transport mobility and labour exchange.
- The regions of Oromia, Sidama and South Ethiopia should establish an inter-regional council to combat illicit coffee trade and smuggling while de-escalating local tensions.
- Local governments in areas such as Gedeo zone should facilitate the formation of a joint trade council involving both local and non-local traders to improve trade relations, reduce misunderstandings and enhance shared interests.

Glossary of acronyms, words and phrases

akrabies	(*Amharic*) suppliers
CSA	Central Statistical Agency
ECTA	Ethiopian Coffee and Tea Authority
ECX	Ethiopia Commodity Exchange
enset	(*Amharic*) false banana
EPRDF	Ethiopian People's Revolutionary Democratic Front
EUDR	European Union Deforestation Regulation
feresula	(*Amharic*) weight measurement of 17 kg
gabbar	(*Amharic*) tenant
kebele	(*Amharic*) ward or neighbourhood; lowest administrative level
khat	(*Amharic*) or *chat*; mildly narcotic plant (*Catha edulis*) native to the Horn of Africa
Kiflehager	(*Amharic*) province or the highest-tier subnational administrative division
MCTD	Ministry of Coffee and Tea Development
NBE	National Bank of Ethiopia
NCB	National Coffee Board
OCFCU	Oromia Coffee Farmers' Cooperative Union
OLF	Oromo Liberation Front
SCFCU	Sidama Coffee Farmers Cooperative Union
sebsabies	(*Amharic*) collectors
SLM	Sidama Liberation Movement
SNNPR	Southern Nations, Nationalities and Peoples' Region
TPLF	Tigray People's Liberation Front
UNESCO	United Nations Educational, Scientific and Cultural Organization
woreda	(*Amharic*) district; the primary local administrative unit
YCFCU	Yirgacheffe Coffee Farmers Cooperative Union

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