Beyond the Beans: The Political Economy of Coffee in Ethiopia

A synthesis of three case studies in the Sidama-Gedeo-Guji, Kaffa-Bench-Sheko-Sheka and Jimma-Buno Bedele-Ilu Aba Bora belts

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The Ethiopia Peace Research Facility

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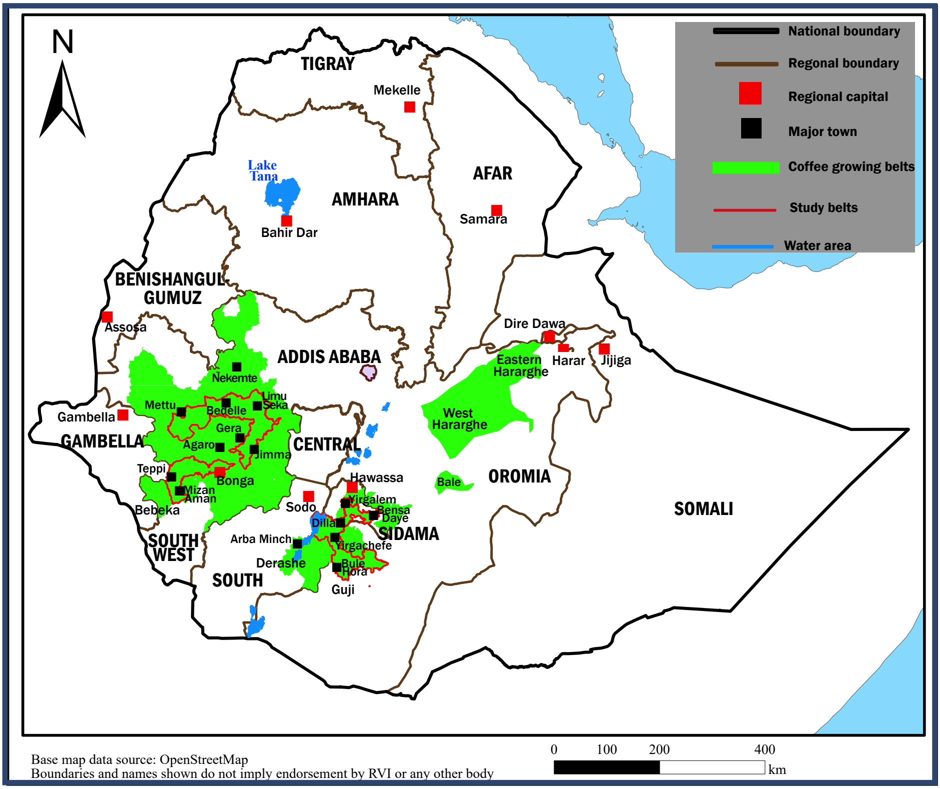
Summary

- Coffee is as a major export commodity that has been widely studied in Ethiopia from economic, technical and agro-economic perspectives. There are, however, few analyses of the political economy of the Ethiopian coffee sector. This reflects a critical gap in the extant literature.
- The Ethiopian coffee sector witnessed a major reform in 2017, the implementation of which coincides with the 2018 regime change. It is imperative to study the changes and continuities of the political economy of coffee during the Ethiopian People's Revolutionary Democratic Front (EPRDF) and Prosperity Party regimes.
- This synthesis report covers three case studies conducted in three major coffee belts; namely, Sidama–Gedeo–Guji, Kaffa–Bench-Sheko–Sheka and Jimma–Buno Bedele–Ilu Aba Bora. The study covers four regions, including Sidama, South Ethiopia, Southwest and Oromia.
- The three case studies were selected because they are major coffee-producing belts in the country. The Jimma–Buno Bedele–Ilu Aba Bora belt in Oromia provides for a comparative analysis with the adjacent Southwest Region on key themes of the study.
- Three thematic features are identified in relation to the history and governance of coffee: extraction, land tenure and a disjuncture between political autonomy and economic power. These themes are inherently inter-related and intertwined across four successive regimes.
- The centre–periphery dichotomy has continued in the coffee sector since the time of Menelik II (1889–1913), with changes only in the configuration of the extractive mechanism, which has not yet been dismantled. Landownership is another key issue, with state control of land and the centrality of land tenure persisting. The disjunction between political economy and economic power has also continued under successive regimes, with economic power held by the centre and the regions unable to capture coffee value.

- Smallholder farmers are essential to the coffee sector but they continue to receive little benefit for their participation. Neither the 2008 reform nor the 2017 reform has clearly improved their situation, even as results vary across the three case studies. It is too early to conclude whether the 2017 reform has helped farmers gain a stronger position or earn more income.
- After 2018, a major change allowed coffee farmers with 2 hectares or more to obtain an export licence. In practice, however, many face challenges such as limited access to finance and markets.
- Coffee suppliers note that their role as intermediaries has shrunk since the 2017 reform, as exporters can now buy directly from farmers.
- Well-established coffee suppliers and exporters often discourage new entrants, especially local traders. The 2010 and 2016 conflicts in Gedeo were partly fuelled by these tensions. Coffee reform needs to go beyond the national level and address regional issues to encourage local traders to participate in coffee trade and export.
- Exporters welcomed the 2017 reform because it reduced the role of the Ethiopia Commodity Exchange (ECX), which required centralized coffee marketing.
- Coffee cooperatives and unions now face stiff competition from traders and exporters who offer farmers immediate cash payments. Their role has declined since 2017–2018.
- After the 2017 reform, institutional competition between the ECX and the Ethiopian Coffee and Tea Authority (ECTA) in coffee marketing has continued. Since 2021, the ECTA vertical integration model has become dominant, involving more than 90 per cent of coffee exports.
- The illicit coffee trade is widespread. Illicit domestic trade is especially significant and reduces foreign exchange earnings from coffee exports.
- Not all coffee exporters are focused solely on marketing coffee. High demand for foreign currency and the import of expensive goods influences the market, sometimes pushing coffee prices above global selling prices.
- Patronage and clientelism heavily influence licensing, land grants and coffee marketing.
- Corruption is widespread in the coffee sector, involving cooperative leaders, local officials and state institutions such as law enforcement and customs.
- Neither the ECTA nor regional governments are well prepared to meet the European Union Deforestation Regulation (EUDR). Their limitations include a lack of technical capacity, especially in the geo-location of coffee farms to ensure traceability.

- There are two competing narratives about where coffee originated in Ethiopia: one in Kaffa zone (Southwest Region) and another in nearby Jimma zone (Oromia). Both areas have similar agro-ecology and were once part of the same administrative unit under Menelik II until 1991. After the 1995 multi-ethnic federalism system was implemented, these two zones were split into different regions and the origin narrative became divided. There is no doubt, however, that coffee originated in south-western Ethiopia. A shared narrative could reduce political competitions and open opportunities for coffee tourism, branding and specialty coffee marketing.
- The Manjja and Majang ethnic groups remain marginalized in the coffee sector. Being evicted from their ancestral lands and working as labourers for commercial plantations could lead to open conflict. Intermittent conflicts and property attacks are already occurring.

Map 1: Coffee belts in Ethiopia and the study sites



Introduction

Ethiopia is globally recognized as the birthplace of coffee and consistently ranks among the top five coffee-producing nations in the world. Coffee plays a vital role in the economy of the country, contributing significantly to GDP, foreign exchange earnings and rural employment. Revenues from coffee reached USD 2.65 billion in fiscal year (FY) 2024–2025, earned from exporting 470,000 tonnes.[1] The revenue from coffee is expected to reach USD 3 billion in FY 2025–2026, with an export of 600,000 tonnes, underscoring the strategic importance of the sector to the national economy.[2] Coffee also supports the livelihoods of more than 15 million people, primarily smallholder farmers.[3]

The political economy of strategic commodities in Ethiopia—such as khat,[4] gold in Guji, salt in Afar, oil and gas in Somali and sugar in South Ethiopia (South Omo)—has recently begun to receive attention in scholarly literature.[5] Prior studies and the broader policy discourse on the coffee sector, however, remain narrowly focused on technical, agronomic and purely economic dimensions—such as yield, export volumes, value chains, market access, climate change, coffee diseases, gender-related issues and farmer livelihoods. These studies are often conducted by agricultural economists and international development organizations. While they offer valuable

1 ‘Ethiopia’s Distinctive Coffee Sector Brews Record Export Revenue’, *Ethiopian Broadcasting Corporation*, 15 December 2025. Accessed 17 August 2026, https://www.ebc.et/english/Home/NewsDetails?NewsId=3541.

2 ‘Ethiopia’s Coffee Export Earnings Reach Historic 3 Billion USD Milestone’, *ENA*, 3 July 2026. Accessed 18 August 2026, https://www.ena.et/web/eng/w/eng_9151027.

3 Seneshaw Tamru, Bart Minten and Woubet Kassa, ‘The economic and environmental future of Ethiopian coffee’, International Growth Centre, 9 September 2024. Accessed 17 August 2026, https://www.theigc.org//blogs/climate-priorities-developing-countries/economic-and-environmental-future-ethiopian-coffee.

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

5 For the political economy of *khat*, see: Mustafe M Abdi, ‘Fixing the Price: The Politics of the Khat Trade Between Ethiopia and Somaliland’, Nairobi: Rift Valley Institute, 2022. For the political economy of gold, see: Asebe Regassa and Damena Abebe, ‘Gold Glitters, Grievances Grow: Contestation and Uncertainty Around Midroc and Godu Gold Mines in Guji, Oromia’, Nairobi: Rift Valley Institute, 2023. For the political economy of salt, see: Dereje Feyissa and Abubeker Yasin, ‘Afar’s Salty Politics: Monopolization and Marginalization in Afdera’s Salt Business’, Nairobi: Rift Valley Institute, 2023. For the political economy of gas and oil, see: Juweria Ali, ‘Squeezing the Ogaden Basin: Power and Protracted Oil and Gas Exploration in the Somali Region’, Nairobi: Rift Valley Institute, 2023. For the political economy of sugar, see: Yohannes Yitbarek and Benedikt Kamski, ‘Sugarcoating “Homegrown” Development in the Periphery’, Nairobi: Rift Valley Institute, 2023.

insight into market-oriented aspects of the sector, they tend to overlook the underlying political dynamics that fundamentally shape these economic relationships.

Notwithstanding its central economic importance in Ethiopia, the political economy of coffee is significantly underexplored.[6] The research upon which this synthesis report is based responds to this gap in the existing literature. In particular, it critically analyses how power, institutions, governance structures and socio-political dynamics fundamentally intersect with and shape the Ethiopian coffee sector. Shifting the analytical lens toward the political dimensions of the coffee value chain, this study explores how power, authority and state–market–community relations shape coffee production and trade across three specific coffee-growing belts in Ethiopia. These include the Sidama–Gedeo–Guji belt, the Kaffa–Bench-Sheko–Sheka belt and the Jimma–Buno Bedele–Ilu Aba Bora belt.

Instead of following regional boundaries, the geographic areas where the three studies were conducted each consist of a contiguous coffee belt. Taken together, these three study areas provide a comprehensive national perspective on the political economy of coffee in Ethiopia, their context-specific characteristics notwithstanding. They were also selected based on their share of production in four regions: Oromia, Sidama, Southwest and South Ethiopia. In fiscal year (FY) 2024–2025, for instance, Oromia accounted for the largest share of Ethiopian coffee production at approximately 59 per cent, followed by Sidama and Southwest Ethiopia at 13 per cent each, and South Ethiopia (mainly the Gedeo zone) at 8 per cent.[7]

This report presents a synthesis of the main findings of the three case studies that comprise this political economy analysis of the Ethiopian coffee sector. Drawing on these findings, this synthesis report also offers policy recommendations for strengthening coffee governance and institutionalization in Ethiopia. By applying a political economy lens, the report generates insights that are relevant to government reforms, donor programming and advocacy for more equitable rural development. Not only does this research address a significant gap the existing literature, it contributes to a more nuanced and policy-relevant understanding of the most iconic Ethiopian export commodity—coffee.

Aims of the study

This synthesis report examines three case studies conducted on the Ethiopian coffee sector to uncover the underlying power relations, institutional dynamics and historical changes and continuities that shape the coffee sector. It uses a political economy lens.

6 For a call to address this gap in the literature, see: Jonah Wedekind, ‘Prosperity to the Periphery? The Politics of Resource Extraction in Ethiopia, post 2018’, Nairobi: Rift Valley Institute, 2024.

7 Also see: Foreign Agricultural Service, ‘Coffee Annual’, Report Number ET2025-0014, Washington DC: United States Department of Agriculture, 3 June 2025. Accessed 17 August 2026, https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Coffee%20Annual_Addis%20Ababa_Ethiopia_ET2025-0014.

The specific objectives are to:

- analyse the governance of the coffee sector across different political regimes in Ethiopia;
- identify the actors—state institutions, cooperatives, private investors, farmers, brokers, smugglers and international buyers—who control or influence different nodes of the coffee value chain;
- assess how political and institutional arrangements shape access to resources (land, finance, licences, markets) and determine the distribution of value and risk in the coffee economy;
- explore regional and local political dynamics in key coffee-growing areas and how they interact with federal policies and market structures;
- investigate political patronage, corruption and clientelism in the coffee sector;
- examine contested narratives regarding the birthplace of coffee and their relevance for the multi-ethnic federal structure of Ethiopia; and
- contribute to policy debates on inclusive and equitable coffee sector reform by generating new political economy insights.

Research questions

Based on the findings of the three case studies, the synthesis report attempts to answer to the following fundamental questions:

- How has the governance of the coffee sector evolved across successive regimes in Ethiopia?
- Who are the key actors, what are their respective interests and how do these interests intersect or influence one another?
- What are the power dynamics and institutional arrangements that shape the coffee sector?
- How do political structures at all levels shape the distribution of benefits in coffee regions? What roles do political ties and clientelism play in access to licences, land and foreign exchange, and how are cooperatives influenced or controlled by local elites?
- How has post-2018 liberalization reshaped state–market–community relations in the coffee sector? How have political shifts affected the role, leadership and mandate of the Ethiopia Commodity Exchange (ECX)? Are regulatory reforms driven by equity or political agendas?
- How is coffee shaping the reconfiguration of ethnic power in Ethiopia, especially amid the shift of political and economic influence from north to south? How are coffee-producing regions negotiating with the federal government, and how is the sector influencing regional and inter-regional dynamics?
- Why is the origin of coffee becoming politically contested and how do origin narratives intersect with ethnic identity and federalism? What are the broader implications for regional representation, tourism and heritage politics?

Conceptual framework

The three case studies use a political economy lens, which emphasizes the interaction between economic systems and political power. This allows the three separate studies to go beyond surface-level economic analysis and explore the deeper political structures shaping the coffee sector.

The key analytical pillars covered in the three case studies include:

- **Historical legacies and governance:** How past regime policies (imperial centralization, Derg state monopoly, the Ethiopian People's Revolutionary Democratic Front [EPRDF] developmental state and Prosperity Party liberalization) continue to influence current structures and actor behaviour.
- **Institutions and governance:** How formal institutions (for example, ministry of agriculture, coffee and tea authority, regional administrations) and informal norms shape policy implementation, rent-seeking and enforcement.
- **Power and distribution:** Who controls resources and decision-making in the coffee sector and how this affects the distribution of value, profits and labour burdens.
- **Multi-scalar politics:** The interaction between global markets, national regulations and local practices; how actors at different levels influence outcomes.
- **Networks and patronage:** The role of informal networks, political allegiances and clientelism in mediating access to licences, markets and export opportunities.
- **Coffee origin mythology:** The political implications on the contestations between Kaffa and Jimma over the origin of coffee.

This synthesis report employs two frameworks to capture these key analytic pillars. First, the report uses a thematic synthesis framework to analyse similar findings in the three case studies. This includes themes such as history and governance, actors and institutions, and the nature of illicit trade. This thematic synthesis provides a national perspective on coffee governance and history, actors and institutions. Second, a comparative syntheses framework is employed to provide insights on power and distribution, institutions, multi-scalar politics, coffee mythology, and ethnic and gender marginalization. The major findings from the three case studies are presented thematically and generically, with specific examples cited from each of the individual case studies whenever a finding is unique or locally confined to a particular coffee belt.

Methodology

There are five major coffee-producing belts in Ethiopia: The Sidama–Gedeo–Guji belt in the south; the Hararghe belt in the east; the Kaffa–Bench-Sheko–Sheka belt in the south-west; the Wollega belt in the west; and the Jimma–Buno Bedele–Ilu Aba Bora belt in the south-west (see Map 1). Based on production shares across four regions—Sidama, South Ethiopia (Gedeo), Southwest Ethiopia and Oromia—three belts were purposely selected as case studies for this research on the political economy of coffee in Ethiopia. The first study covers the Sidama–

Gedeo–Guji belt, which is known for its agroforestry ecology and distinct livelihood patterns.[8] The second study focuses on the Kaffa–Bench-Sheko–Sheka belt, where both forest ecology and the presence of commercial agriculture are prominent features.[9] The third study covers the Jimma–Buno Bedele–Ilu Aba Bora belt in in south-west Oromia, where smallholder farmers dominate coffee production.[10]

The two Guji zones in South Oromia and the Jimma zone in south-west Oromia were included to enable a comparative analysis with neighbouring regions. The Guji zones are contiguous with the Sidama and Gedeo coffee-growing areas. Beyond regional representation, the Jimma–Buno Bedele–Ilu Aba Bora belt was selected over the Hararghe or Wollega belts for strategic reasons related to comparative analysis and research feasibility.[11] The research prioritizes spatial clustering, focusing on coffee belts that are adjacent or share regional characteristics. The Wollega zones were excluded due to inaccessibility and safety concerns for the researchers due to ongoing armed conflict during field work.

The three case studies began with a desk review consisting of an analysis of existing literature, policy papers and export data. This was followed by a series of key informant interviews with government officials, cooperative leaders, exporters, farmers and brokers. A total of 177 interviews were conducted in the three case study areas. The majority of the key respondents were adults between 21 and 65 years of age. All of them were men, with the exception of one woman who was interviewed in the Kaffa study. This implies male dominance in the coffee sector of Ethiopia. Table 1 presents the key features of the research areas (*woredas*, or districts) and a summary of the number and type of interviewees (see Table 1 in the Annex). Interviews were also conducted with the deputy head of the Ethiopian Coffee and Tea Authority (ECTA) and an expert at the ECX head office.[12]

The Sidama–Gedeo–Guji coffee belt stretches from northern Sidama to southern Gedeo and parts of the West Guji and East Guji zones, covering an estimated distance of 195 km along the

8 Yacob Cheka Hidoto, 'The Political Economy of Coffee in the Sidama–Gedeo–Guji Belt, Southern Ethiopia', Nairobi: Rift Valley Institute, 2026. All subsequent references to the findings of this case study are derived from this report, which may also be referred to as the Sidama study or the Sidama report.

9 Dubale Gebeyehu, 'The Political Economy of Coffee in Kaffa–Bench-Sheko–Sheka Belt, Southwest Ethiopia Region', Nairobi: Rift Valley Institute, 2026. All subsequent references to the findings of this case study are derived from this report, which may also be referred to as the Kaffa study or the Kaffa report.

10 Girma Defere, 'The Political Economy of Coffee in the Jimma–Buno Bedele–Ilu Aba Bora Belt, Oromia Region of Ethiopia', Nairobi: Rift Valley Institute, 2026. All subsequent references to the findings of this case study are derived from this report, which may also be referred to as the Jimma study or the Jimma report.

11 One theme of the study is the political implications of the contestation over the place of origin of coffee between two adjacent zones: Jimma zone in Oromia Region and Kaffa zone in Southwest Region.

12 As part of this research project, additional interviews were also conducted with federal institutions relevant to this study.

main Hawassa– Moyale road. This coffee belt produces high-quality washed coffee for export.[13] Washed coffee is well developed in the south compared to other regions.[14] For instance, 62 per cent of the coffee produced in Sidama and 35 per cent produced in Gedeo is washed coffee, whereas it is only 22 per cent of the coffee produced in Jimma and a minority in the west and elsewhere.[15] The Sidama–Gedeo–Guji coffee belt is well known for its agroforestry practice, where garden coffee plantations are nurtured with organic manures and sheds from trees such as Cordia Africana, Albizia gumeferra and Milletia feruginea, locally named in Amharic as *Wanza* (ዋንዛ), *Sesa* (ሰሳ) and *Birbira* (ብርብራ), respectively. This coffee belt produces the largest quantity of high-quality washed coffee in the country for export.

The Southwest Region is known for its wild coffee produced in the forests. Apart from its economic significance in the region, coffee is also associated with the livelihood and culture of the peoples who live in this area. In particular, the Kaffa–Bench-Sheko–Sheka coffee belt is well known for its forest coffee production. Due to its location in a geographic rainforest region with an abundance of dense forests, coffee production in this belt has attracted the attention of international actors who work on forest conservation.[16] The Kaffa study thus also examines the political dimension of these international actors and their involvement in the certification of coffee farmers and the benefits of their projects to the local community.

Oromia plays a central role in the Ethiopian coffee sector, contributing a large share of national output (close to 60 per cent) and bringing in significant export earnings through both private and cooperative investments.[17] These range from large plantations to small-scale processing ventures. The Jimma–Buno Bedele–Ilu Aba Bora coffee belt is known for coffee production by small-scale producers. This belt is also recognized for its specialty coffee production. For instance, Limmu coffee is one of the high-quality coffee varieties produced in the highlands of Ethiopia, along with specialty coffees from Sidama and Yirgacheffe.[18]

13 Coffee is processed using two primary methods: sun-dried (natural) and wet (washed). In the washed method, the outer skin of the coffee cherry is removed immediately after harvesting, after which the mucilage-coated beans are fermented in large tanks with water. The beans then undergo several water-based washing stages to remove residual mucilage, resulting in wet coffee in parchment, free of the sticky coating.

14 For example, see: Seneshaw Tamru and Bart Minten, 'Investing in Wet Mills and Washed Coffee in Ethiopia: Benefits and Constraints', Strategy Support Program, Working Paper 121, Addis Ababa: Ethiopian Development Research Institute (EDRI), August 2018. Accessed 17 August 2026, https://cgspace.cgiar.org/server/api/core/bitstreams/a7be9b76-be82-4a91-b17c-9c9a67b00ac9/content. Also see: 'Ethiopia', Ithaka Coffee. Accessed 17 August 2026, https://www.coffeeithaka.com/coffee-ethiopia/.

15 Seneshaw and Minten, 'Investing'.

16 Yuki Arai, Kitessa Hundera and Toshihide Yoshikura, 'Challenges in conserving forest ecosystems through coffee certification: a case study from southwestern Ethiopia', *Frontiers in Environmental Science* 11 (2023). DOI: 10.3389/fenvs.2023.1193242.

17 Abdi Biyenssa, 'Analysis: Conflict Brews: Coffee growers in Western Oromia battle for beans amidst violence, instability', *Addis Standard*, 15 March 2024. Accessed 18 August 2026, https://addisstandard.com//conflict-brews-coffee-growers-in-western-oromia-battle-for-beans-amidst-violence-instability/.

18 Bart Minten et al., 'Tracking the Quality Premium of Certified Coffee: Evidence from Ethiopia', *World Development* 101/C (2018). DOI: 10.1016/j.worlddev.2017.08.010. Also see: Ithaka Coffee, 'Ethiopia'.

A synthesis of patterns: History, governance and key actors

A synthesis of the main findings from each of the three case studies discloses useful information about the history of coffee and how governance of the sector has changed over time. It also reveals new insights about a range of key actors in this sector. This is valuable for better understanding the political economy of the coffee sector in Ethiopia.

Coffee: History and governance

Coffee remains the most significant Ethiopian export commodity and is a central pillar of its rural economy. As the fifth largest coffee producer in the world, Ethiopia is renowned for its high-quality Arabica beans, which command substantial demand in international markets. Historically, coffee has been a key foreign exchange earner since the imperial era, a role it has retained through successive political regimes, albeit in evolving forms.

Ethiopia has engaged in the international coffee trade since at least the mid-nineteenth century. Control of coffee production, trade and trade routes has been intimately connected to political power. The coffee trade played a crucial role in the rise of the Kingdom of Shewa, and subsequently the Ethiopian empire, under Emperor Menelik II (1889–1913). The strategic location of the kingdom in the central highlands allowed it to capitalize on the growing coffee exports from the south-western regions. This trade both generated wealth and helped Shewa distance itself from political instability in the north during the *Zemene Mesafint* (Era of the Princes), contributing to its consolidation of power and the eventual creation of the modern Ethiopian state.[19] Emperor Menelik II's southward territorial expansion was partially motivated by the desire to control the lucrative coffee trade. By conquering southern territories and establishing control over trade routes, Menelik aimed to benefit economically from this valuable commodity. He also sought to expand the reach of the empire reach and consolidate power, including gaining land for the nobility.[20]

19 Merid W Aregay, 'The Early History of Ethiopia's Coffee Trade and the Rise of Shawa', *The Journal of African History* 29/1, Special Issue in Honour of ROLAND OLIVER (March 1988). Published online by Cambridge University Press 22 January 2009. DOI: 10.1017/S0021853700035969. The *Zemene Mesafint* refers to a period in Ethiopian history from the mid-eighteenth to mid-nineteenth centuries characterized by fragmentation and instability.

20 Charles W McClellan, 'Land, Labor, and Coffee: The South's Role in Ethiopian Self-Reliance, 1889–1935', *African Economic History* 9 (1980).

Under Emperor Haile Selassie I (1930–1974), the Ethiopian coffee sector underwent significant commercialization, expanding into a major source of foreign exchange. His reign emphasized state modernization and political consolidation, which directly supported coffee sector growth. Following his return from exile in 1941, the state actively promoted coffee production. Several measures were taken to facilitate trade and market integration, including the establishment of the National Coffee Board in 1952, which helped regulate and centralize the export trade. Along with other cash crops, the coffee sector became a primary driver of Ethiopian economic development during this period.

Between 1974 and 1991, the Derg regime implemented a strict socialist political economy. This period is critical in reshaping the agricultural landscape by redistributing much of the large estate land to smallholders: As of 2026, 95 per cent of coffee in Ethiopia is grown on privately held plots of 2 hectares or less. Although land was effectively redistributed, under the Derg regime the state exercised tight control over the coffee sector through the Ethiopian Coffee Marketing Corporation (ECMC), a state monopoly responsible for coffee export. Smallholder farmers, the backbone of Ethiopian coffee production, were compelled to sell their harvests to local processors at state-determined prices, often far below market value. Rural farmer unions were introduced at the *kebele* level (ward), ostensibly to benefit producers, but in practice they became vehicles for centralized state control over the coffee value chain.[21] Privately owned coffee processing units were nationalized and the role of the private sector was limited during the Derg regime. Few people were licensed to supply the ECMC with coffee collected from smallholder farmers at state-determined prices.

Following the 1991 regime change and the rise of the Ethiopian People's Revolutionary Democratic Front (EPRDF), Ethiopia adopted a more liberal economic approach, opening the coffee sector to domestic private investment in processing and exporting. This shift partially decentralized the coffee value chain, although state oversight remained strong. Once controlling more than 80 per cent of the coffee trade, the ECMC was dissolved, giving way to private exporters bidding at auction. Reforms included ending quotas and simplifying taxes to curb smuggling. Traditionally, smallholders sold to licensed collectors (*sebsabies*), who then sold to suppliers (*akrabies*) who brought the coffee to auction. In the late 1990s and early 2000s, Ethiopia introduced limited direct trade, allowing some farmers and cooperatives to bypass intermediaries. This period also saw the rise of cooperative unions, beginning with Oromia in 1999, enabling farmers to retain more value.[22] The coffee sector underwent a reform in 2017, the implementation of which coincided with the liberalization policy of the 2018 regime change in Ethiopia, bringing Prime Minister Abiy Ahmed and the Prosperity Party to power.

21 Chris Kornman, 'Exchange is the Only Constant: The Evolution of Ethiopia's Commodity Marketplace', Royal Coffee. Accessed 18 August 2026, https://royalcoffee.com/exchange-is-the-only-constant-the-evolution-of-ethiopias-commodity-marketplace/.

22 'About OCFCU', Oromia Coffee Farmers Cooperative Union. Accessed 18 August 2026, https://www.oromiacoffeeunion.com/.

The three case studies analyse the history of coffee governance in their respective coffee belts across four successive political regimes: the imperial era under Menelik II and Haile Selassie; the socialist military government of the Derg; the EPRDF multi-federalist framework; and the post-2018 reform period under the Prosperity Party government. Together, these case studies reveal shared patterns in the political economy of coffee in Ethiopia. These can be synthesized as three thematic features related to the history and governance of coffee: 1) the persistence of extractive governance; 2) the centrality of land tenure as contested terrain; and 3) the disjunction between political autonomy and economic power.

The persistence of extractive governance

Despite profound ideological shifts—from imperial feudalism to revolutionary socialism to multinational federalism and market liberalization—each regime has maintained fundamentally extractive economic relationships with the coffee-producing regions in Ethiopia. The specific mechanisms of extraction have varied: imperial landlordism and tribute obligations; Derg state marketing boards, administratively set prices and compulsory deliveries; EPRDF political capture of export channels, preferential access for party affiliated enterprises and the exclusion of local traders from value chains. The underlying structure has remained consistent, however: Coffee-producing regions have functioned primarily as suppliers of value to central state institutions and elite networks, with limited local capture of the revenues generated from their labour and land.

This persistence suggests that the extractive relationship is not merely a policy choice that can be reformed away but is instead deeply embedded in institutional structures, elite interests and the political settlement that has organized centre–periphery relations in Ethiopia since the late nineteenth century. Each regime has inherited institutional legacies from its predecessors and reconfigured them to serve its own political and economic objectives. The imperial era land tenure asymmetries in the south, which established the foundational dispossession of coffee-producing communities, were formally abolished by the Derg but the structural position of these communities as suppliers of value to the centre persisted. The Derg cooperative system, designed as an instrument of socialist transformation, was inherited and reconfigured by the EPRDF as a mechanism for market-oriented development while remaining subject to political capture. Findings in the three case studies attest that the Ethiopia Commodity Exchange (ECX), which was established to improve transparency and producer welfare, was captured by networks that used it to concentrate value among a small number of traders and exporters.

The post-2018 period has also witnessed significant reforms that may signal a genuine break with past patterns. Vertical integration (also known as 'VI'), enabling producers and suppliers to bypass the ECX and export directly, has created new opportunities for value capture at the local level. Whether these reforms will prove sufficient to overcome the deeply entrenched structural constraints that have historically limited local value capture from coffee production remains uncertain. The case studies all identify persistent challenges: increased production costs; limited market and credit access; and new grievances related to vertical integration. Some of these grievances include a lack of transparency, an increase in illegal land sales as exporters are allowed to produce their own coffee, pervasive insecurity in some areas and the ongoing difficulty of translating regional restructuring into tangible improvements in living standards. Such challenges and grievances do not necessarily imply that the vertical integration model is a failure. Some farmers, for example, have noticed better price offers since their customer base has expanded.[23] At the same time, however, there is still a lack of concrete evidence to assert that vertical integration has benefitted smallholder producers.[24]

Land tenure as enduring contested terrain

Findings in the three case studies reveal a persistent pattern related to the centrality of land tenure as contested terrain. State ownership of land persists across all regimes and regions. Land remains a flashpoint for conflict and grievance.

Each regime has reconfigured land rights in ways that reflect its broader political and ideological orientation while maintaining state control as a constant feature. The imperial regime declared southern lands crown property and distributed usufruct rights to northern landlords, dispossessing indigenous communities. The Derg nationalized all rural land and vested ownership in the state, redistributing use rights to tillers while maintaining state ownership. The EPRDF retained state ownership of land—a cornerstone of the rural political settlement—while liberalizing markets and tacitly permitting informal land sales that increased farmer insecurity. The current Prosperity Party regime has not altered the fundamental framework of state landownership.

This continuity in state control of land has profound implications for coffee-producing communities. Land remains a crucial political and economic resource. State retention of landownership means that communities lack the security of tenure that might enable long-term investment and sustainable livelihood strategies. The Sidama study documents how, during the EPRDF era, most lands surrounding small rural towns were included in town boundaries and the informal sale of land became prevalent, thus increasing the insecurity of farmers living in town environs.[25] For instance, the 2016 Dilla conflict, triggered by a federal court decision regarding landownership in the central market area, illustrates how land remains a flashpoint for inter-ethnic tension and grievance between Gedeo and non-Gedeo peoples.

The disjunction between political autonomy and economic power

Findings in the three case studies point to a persistent disjunction between political autonomy and economic power in coffee-producing regions. The multi-ethnic federalism of the EPRDF transferred formal political authority to regional and local elites from historically marginalized communities. Yet these communities remain unable to capture significant value from the coffee

23 Perceptions of the vertical integration model vary among actors; e.g. suppliers perceive it as diminishing their role since exporters can directly purchase from farmers.

24 Alban Mas Aparisi, 'Ethiopian coffee marketing reform and smallholder coffee producers: A socio-legal empowerment lens', London: International Institute for Environment and Development, 2021. Accessed 18 August 2026, https://www.iied.org/sites/default/files/pdfs/2021-04/12609iied.pdf.

25 This insecurity is not limited to urban peripheries. Following the 2017 reform, the illegal sale of coffee farms has intensified, which will eventually evict farmers.

produced on their lands. This disjunction has generated deep frustration and fuelled autonomy demands that continue to reshape the Ethiopian political map.

According to respondents in the Sidama study, for instance, Gedeo elites have formal political authority at local levels but economic dominance largely remains in the hands of non-Gedeo groups. Political representation at regional and federal levels has not translated into tangible economic benefits for the wider Gedeo population. This imbalance has fuelled feelings of exclusion and injustice that have ethnicized economic competition and heightened the risk of violence.[26] The case of Sidama, which culminated in a successful mobilization for statehood, reflects similar grievances about the gap between the coffee revenues that are contributed to national coffers and the budget shares received in return in the regions. A parallel dynamic is noted in Southwest Region, which was established as a separate state from the former Southern Nations, Nationalities, and Peoples' Region (SNNPR) in 2021, following the establishment of Sidama Region. As Kaffa study respondents indicate, despite the significant role of Southwest Region in Ethiopian coffee production, it remains resource rich but poor, with limited local value capture.

Clearly, then, the three main themes linked to the history and governance of coffee that emerge from the case studies are inter-related, revealing patterns of both continuity and change across the four political regimes (see Table 2 in the Annex). First, the extractive mechanism has changed from landlordism to state marketing boards into ECX capture, and finally into a partial reform based on the vertical integration model. It should be noted, however, that even if the specific mechanisms of extractive governance have changed over time, the underlying structure persists: coffee-producing regions function as suppliers of value to central state institutions and elite networks, with limited local revenue capture. The post-2018 vertical integration reforms may signal a break but evidence remains inconclusive. Second, land tenure has changed in terms of user rights: from northern landlords with tenant farmers to smallholder tillers and, most recently, to exporters using land to produce their own coffee. The state ownership of land remains unchanged, however, as a constant feature over the four successive political regimes. Third, in terms of political autonomy versus economic power, political arrangements have shifted from no autonomy during the imperial era and the Derg regime to federal autonomy under the EPRDF and permitting regional statehood as practiced under the current Prosperity Party regime. Nonetheless, what remains is a persistent gap between formal political authority and actual economic power, with regions still unable to capture coffee wealth.

Mapping coffee sector actors

Study findings are informed by a stakeholder mapping designed to identify key actors and power relations in the coffee value chain. All three case studies reveal that the actors in the

26 The Sidama–Gedeo–Guji coffee belt case study lists at least three conflicts between the Gedeo and Guji in 1991, 2005 and 2018. For additional insight, see: Getachew Senishaw, 'The Gedeo after Jensen's Ethnographic Fieldwork: Changes and continuities in religion and the *baalle* system', *ITYOPIS: Northeast African Journal of Social Sciences and Humanities*, Extra Issue III (2018): 19. Accessed 18 August 2026, http://www.ityopis.org/Issues-Extra-3_files/ityopis-extra3-getachew-senishaw.pdf.

coffee sector range from smallholder producers at the lowest level to coffee exporters at the highest level. Local traders, who mainly play an intermediary role, are present in between. Coffee cooperatives and coffee unions also exist along this continuum. Cooperatives are close to farmers, while unions engage in coffee export. The major coffee sector actors are presented by type.

Smallholder producers

Smallholder coffee producers are found at the lower level of the coffee value chain. Across all three case studies, the smallholder farmer is identified as the central, indispensable actor in Ethiopian coffee production. Their predominance is not merely numerical but is essential to the quality of coffee across the country, the ecological sustainability of the sector and the vibrance of the rural economy. Their land holdings and cultivation practices exhibit three slight variations that describe the diversity of smallholder production. First, the Sidama study illustrates that coffee production is overwhelmingly characterized by smallholder farmers cultivating in their gardens on very small plots. Typically ranging from 0.5 to 1.5 hectares, landholdings are constrained by extreme population density. This limits the scale of production for most farmers and is a key factor in their economic vulnerability.

Second, the Jimma study demonstrates that smallholders also cultivate modest plots (averaging 1–2 hectares) but do so within diverse systems (forest, semi-forest, garden). Forest coffee is found in the wild, growing under thick, fully covered natural forest trees. Semi-forest coffee is from forest land secured by the producer, which has been selected based on adequate sunlight and shade for the coffee trees. Garden coffee is produced on small farm holdings. In contrast, plantation coffee is grown on large commercial plantations mostly owned by state entities or private investors. According to the Ethiopian Coffee and Tea Authority (ECTA), these four types of coffee production in Ethiopia account for 10 per cent, 35 per cent, 50 per cent and 5 per cent, respectively.[27]

Third, the Kaffa study reveals that smallholders produce coffee as a supplement to other cash crops, along with cereal crops. Coffee serves these producers as a cash complement to food crops, a strategy for risk mitigation. Smallholders with less than 2 hectares cultivate coffee in forest and semi-forest ecosystems. According to study respondents, coffee production in the Kaffa–Bench-Sheko–Sheka belt is defined by a dual structure of smallholders and large-scale private investments, with smallholders accounting for more than 90 per cent of output. Their role is uniquely framed as being environmental stewards, as their farming practices preserve biodiversity and the genetic diversity of wild Arabica coffee.

A dominant and unifying theme across all the case studies is the chronic economic marginalization of coffee producers. Despite being the primary source of value in the coffee sector, smallholder farmers across all three belts report receiving a disproportionately small

27 Ethiopian Coffee and Tea Authority, 'Ethiopian Coffee', Addis Ababa: Ethiopian Coffee and Tea Authority, 2022. Accessed 18 August 2026, https://ethiocta.gov.et/wp-content/uploads/2022/09/ECTA-new-Coffee-Booklet-.pdf.

share of the final coffee price, a situation that has led to feelings of relative deprivation. They document the presence of exploitative practices, an intergenerational poverty trap, power asymmetry and intermediary capture.

Key respondent farmers in the Sidama–Gedeo–Guji belt describe a range of exploitive and unethical practices by private merchants and brokers. These include artificially driving down prices during harvest, colluding to set prices and exploiting the immediate need for cash among farmers. These respondents also reveal a stark disparity, which is illustrated by the comparison of record-breaking international auction prices for specialty coffee (for example, more than USD 1,700 per kg in 2025) and the meagre local farm-gate prices (as low as USD 0.27 per kg for cherries in 2020 and USD 0.59 in 2024).[28] One farmer from this belt describes a multi-generational cycle of poverty tied to coffee farming: Despite producing high-quality coffee, each generation has died without seeing any change in life. Other farmers articulate deep-seated frustration with the inter-generational poverty trap, noting that despite generations of coffee farming, the economic circumstances of their families have not improved. A farmer from Yirgacheffe (in Gedeo) even notes that coffee has caused a social crisis, with young men migrating to urban centres or to Kenya to find work, leading to labour shortages in the coffee sector. This narrative powerfully encapsulates the depth of the structural problem smallholder farmers face.

Similarly, in the Kaffa report, the marginalization of smallholders is framed as a power asymmetry that is entrenched in market institutions. Producers generate immense ecological and commercial value but are price-takers who have little influence over grading, pricing or financial flows. They are described as being embedded in unequal exchange relations, with downstream actors capturing the value they create.

The Jimma study indicates the same dynamics. Respondents indicate that the position of smallholders has not fundamentally altered in the post-2018 period, despite the 2017 coffee reform. They remain dependent on local traders and intermediaries who exploit their urgent cash needs, particularly during harvest, to purchase coffee at low prices. Key respondents also note new tactics such as traders using social media to spread misinformation about falling prices to exploit farmers.

Most smallholder farmers across the three coffee belts report a lack of power in deciding prices. Private merchants continue to use advance payments to secure coffee ahead of harvest, enticing financially vulnerable farmers into selling their crop before market prices are known. A key grievance farmers note is that they sold their coffee to brokers at low prices early in the

28 It is important to note that all specialty coffee is not sold in this price range. This is a unique incidence, during the Cup of Excellence in 2025. See: *Addis Standard*, X post, 23 September 2026, 9.57 a.m., https://x.com/addisstandard/status/1970396982763024785; and Daniel Woods, 'Ethiopian coffee breaks auction record', *Bean Scene*, 23 September 2025. Accessed 18 August 2026, https://www.beanscenemag.com.au/ethiopian-coffee-breaks-auction-record/.

season (ETB 130 [USD 1.04] per kg in December 2024), only to see the market price skyrocket months later (more than ETB 500 [USD 3.35] per kg in October 2025), with merchants and brokers reaping the windfall. The Sidama report shows that brokers, operating informally, play a significant role in the Sidama–Gedeo–Guji coffee belt. Respondents speak of brokers positioned between farmers and coffee traders, which lengthens the coffee value chain. They are seen as an intermediary actor who captures value that would otherwise go to farmers. Farmers also report the existence of informal networks among private merchants, who collude to suppress prices. This includes refusing to open buying sites at the start of the harvest to force prices down. Farmers are discouraged from investing in quality because traders often offer the same price regardless of quality, undermining the efforts of those who produce high-grade coffee.

Key respondents underscore negative relationships with the traders and exporters in their areas, which is beginning to take on ethnic dimensions. In Gedeo, particularly Yirgacheffe, there is resentment against traders from other areas who dominate the sector.[29] Historical accounts of fraud by non-local merchants have discouraged local business initiatives and fuelled past conflicts. Some key respondents also explain that some exporters are more interested in obtaining organic certification using farmer produce than in paying them a better price. There are further allegations of bribery to obtain certification licences under false pretences.

Implemented to increase smallholder participation and benefits, the 2017 coffee reform is a critical inflection point. The three case studies reveal a paradoxical outcome: While the reform has created unprecedented opportunities, its benefits are unevenly distributed and fiercely contested. All three case studies reveal that a key outcome of the reform is the emergence of a new class of certified farmers licenced by the ECTA to export specialty coffee. The actual practice, however, varies by region. In Oromia, study participants in the Jimma report indicate that the 2017 reform, which has weakened ECX centrality and enabled vertical integration, has created alternative market avenues, as envisioned by vertical integration. The Sidama study documents positive impacts and optimism, as well as the rise of certified farmers, but also identifies new barriers to export their products. In Southwest Region, according to respondents in the Kaffa study, the certification of farmers with coffee plots of 2 or more hectares has not yet been implemented.

Overall, certified farmers are a small minority, numbering in the hundreds or low thousands across the three coffee belts. They generally have larger landholdings (more than 2 hectares), better awareness and higher educational backgrounds than ordinary farmers, with some having been previously recognized as model farmers. They view the tax-free export licence as an opportunity to achieve more equal footing with larger merchants. Certified farmers note growing optimism in their coffee belts due to higher prices and more selling options (cooperatives, suppliers, exporters, international buyers). This has led some farmers to shift from alternative crops such as *khat* back to coffee.

29 Traders also share farmer claims that there is mistrust with non-Gedeo coffee buyers.

There is also variation in a coffee belt in the implementation of certification for farmer exporters, however. For instance, in Sidama Region, unlike in Gedeo zone and Guji zones in South Ethiopia and Oromia Region, many farmers report significant delays in receiving their licences, with some applications pending for more than three years. They attribute this to interference from local suppliers and exporters who have invested heavily in washing stations and fear losing their supply of coffee. Regional authorities, however, justify the delays as necessary to prevent abuse of the system by those who do not actually own farms. It is not only local suppliers who pose challenges for certified farmers. Established exporters can actively block direct trade by threatening international buyers and their agents to prevent them from coming to the farming regions. One study participant in the Sidama–Gedeo–Guji coffee belt who is a farmer from Bule Hora in West Guji zone details how a promising deal with a South Korean company collapsed after their agent was threatened.

Once licensed, key respondents identify two barriers to exporting. First, they face financial constraints, including lack of access to credit to invest in their farms, lack of processing equipment and prohibitive transportation costs. They cannot use their coffee farms as collateral for bank loans because commercial banks do not lend to smallholders, which hinders their ability to scale up and capture more value. Second, certified farmers face challenges related to finding reliable international buyers. They struggle to make direct connections and are often forced to rely on the same brokerage networks based in Addis Ababa. This process involves providing numerous costly samples to agents with no guarantee of a sale. As a result, most certified farmers sell their coffee in the domestic market. To tackle these barriers, some certified farmers have joined together to form informal local associations to pool their coffee and export collectively. Key respondents report, however, that the ECTA discourages such formal associations due to the traceability issues that arise when harvests from several farms are combined.

Private investors

Coffee production in Ethiopia is also undertaken by private investors operating large-scale plantations, particularly in the Kaffa–Bench-Sheko–Sheka and Jimma–Buno Bedele–Ilu Aba Bora belts. The Sidama–Gedeo–Guji belt presents a contrasting case: Due to high population density, large coffee plantations are mostly absent, although some exporters claim to maintain holdings of more than 30 hectares to qualify for organic certification. In the wake of the 2017 reforms, a new trend has emerged in which exporters are increasingly engaging in informal land acquisitions so they can be licensed to produce their own coffee. This can be characterized as a modern form of tenancy, a practice that is re-emerging—notably, in Gedeo and Sidama.[30]

The profile of private investors in the Kaffa–Bench-Sheko–Sheka coffee belt reveals the presence of commercial entities such as Horizon Plantations PLC. Study respondents from this belt identify a shortage of labour driven by urbanization and outward migration as a key challenge for large-scale plantations. They further note that day labourers on these plantations receive low wages, highlighting systemic labour concerns. Horizon Plantations PLC also operates in

30 The Sidama study points to the need for stronger legal protection for smallholder coffee producers in this belt.

Jimma zone, with respondents in belt reporting allegations of child labour; specifically, the forced involvement of school children in coffee harvesting.

As a result, conflict emerges, where both active and latent tensions reflect growing resentment toward large plantations. As indicated in the Kaffa report, an incident occurred during the 2018 political transition. The warehouse of Green Coffee Plantations, allegedly affiliated with the Tigray People's Liberation Front (TPLF), was allegedly attacked by local youth who had been displaced from their ancestral lands and subsequently employed on the same plantations. The Kaffa report proposed that this can interpreted as evidence of how two key issues intersect: land governance and marginalization, in particular in forest-dependent communities. The report further argues that the corporate social responsibility initiatives undertaken by these large plantations remain superficial and insufficient to address underlying grievances.

A fiscal tension also emerges between the plantations and regional governments. This tension can be synthesized in terms of two thematic features: 1) an overlap in tax remits between federal and regional levels; and 2) regional responses to fiscal imbalances. The Kaffa report illustrates the first thematic feature. Study respondents explain that coffee plantations remit taxes to the federal government rather than to the regional government where they are located. This arrangement has generated friction in the decentralized governance framework in Ethiopia. Plantation managers argue that persistent demands from local government for direct contributions, despite federal tax payments, subject them to multilayered financial extraction. A similar fiscal tension between the Oromia regional government and the federal government occurs in the Jimma–Buno Bedele–Ilu Aba Bora coffee belt. The Jimma report also documents the second thematic feature, which is how regional government can respond to fiscal imbalances. At the end of 2025, the Oromia regional government introduced a directive requiring all coffee exporters in the region to pay 5 per cent of their export revenues to the regional government to redress the fiscal imbalance. Unlike Southwest Region, which has not introduced such measures, it seems that since 2018, Oromia Region has enjoyed relatively greater leverage in advancing its regional economic interests. Among other things, perhaps this is due to its preferential treatment by the federal government under the current regime. A similar pattern is reported in the Oromia mining sector.[31]

Coffee traders: suppliers and exporters

Coffee traders serve as essential intermediaries connecting producers and exporters. The trade hierarchy is typically composed of small-scale traders (*sebsabies*), who purchase small quantities of coffee directly from farmers at rural collection stations. These collectors then resell the coffee to suppliers (*akrabies*). Prior to the 2017 coffee reform, suppliers sold directly to exporters through the ECX.

A synthesis of the findings from the three case studies on the role and experiences of private coffee traders, specifically suppliers and exporters, in the Ethiopian coffee sector in pre and

31 Asebe and Damena, 'Gold Glitters'.

post-2017 reform highlights the complex and often contradictory position of these two actors in the coffee value chain. Five key themes emerge from a synthesis of the case study findings, revealing common experiences: 1) coffee trade patterns prior to 2008; 2) the dual impact of the 2017 reform; and 3) ethnic tensions and local resentment; 4) the informal economy and illicit trade; and 5) change and continuity in the coffee exporter landscape.

The three case studies note that the coffee trade was not institutionalized until 2008, when the ECX was established to facilitate a smooth coffee trade to benefit smallholder producers. Before the implementation of the centralized ECX model, study respondents indicate that the coffee trade in the Sidama–Gedeo–Guji belt was plagued by financial fraud; most notably, insufficient funds resulting in cheques that bounced. These practices resulted in significant financial losses and property forfeitures. In some documented cases, residential properties used as collateral for bank loans were auctioned off when credit could not be repaid due to such fraud. Key respondents recall that until around 2000, Eritrean traders were extensively involved in these fraudulent schemes.[32] The ECX introduced a centralized auction system where suppliers and exporters could meet. With the introduction of the vertical integration model in 2017, suppliers and exporters could directly trade with one another. Past reminiscences of fraudulent practices resurfaced, however.

In response to these challenges, the ECTA, which is tasked with monitoring coffee exports at the federal level since the 2017 reform, introduced a mandatory contractual agreement between suppliers and exporters.[33] Under this arrangement, the exporter pays 80 per cent of the total price after quality assessment and upon loading the coffee for transport, with the remaining 20 per cent settled after the shipment reaches the warehouse of the exporter.

The 2017 reform introduced vertical integration, fundamentally restructuring the coffee trade by allowing licensed exporters to purchase directly from farmers and suppliers, effectively bypassing the centralized ECX. A key theme across the three case studies is the transformative effect of the 2017 reform, which dismantled the ECX monopoly. This reform is perceived in starkly different terms by exporters and suppliers.

Exporters in the Sidama–Gedeo–Guji and the Jimma–Buno Bedele–Ilu Aba Bora coffee belts view the reform in overwhelmingly positive terms. It allows them to buy directly from farmers and suppliers, enabling a focus on traceability, quality and certification to meet global demand. They further argue that their local presence increases competition, raising prices for smallholder farmers. Direct procurement has also reduced transaction costs, eliminated previous market monopolies and facilitated the promotion of unique and diverse coffee varieties. The reform has also been accompanied by more favourable foreign exchange retention policies at the National Bank of Ethiopia (NBE); for example, NBE Directive FXD/01/2024, which allows exporters to

32 Eritrea allegedly became one of the largest coffee exporters, potentially benefitting from the open-door policy of the EPRDF and the alliance system at the time.

33 Interview with deputy of the ECTA, Addis Ababa, 15 October 2025.

retain 50 per cent of their earnings, encouraging new entrants and cross-sectoral investment, and more recently, NBE Directive FXD/04/2026, issued on 12 February 2026, which allows exporters to retain their export earnings in full.[34]

In contrast, suppliers in the Sidama–Gedeo–Guji coffee belt tell a different story. They express significant grievances, feeling their position is undermined by the 2017 reform. In particular, their role as intermediaries between farmers and exporters has become much weaker. Suppliers who own washing stations and dry mills indicate that their role as essential intermediaries has been eroded by exporter direct market entry. This has led to a sense of displacement, with one supplier stating that exporters are actively displacing local suppliers by creating unfair competition with much higher prices, causing many to default on bank loans and lose their collateral.

The contractual relationships between exporters and suppliers are also a major source of friction, characterized by mutual distrust and accusations of abuse.[35] Supplier discontent is rooted in a pervasive lack of access to formal credit, as slow bank processes and demanding collateral requirements force them into vertical integration contracts with exporters. While these agreements provide necessary operating capital, they also create a profound power imbalance.

Suppliers report feeling constrained by fixed prices that neither accommodate open market competition nor consistently cover processing costs, leading to allegations that exporters exploit their financial leverage to impose unfavourable terms. Specific claims include that exporters artificially inflate local prices to displace suppliers—thereby triggering loan defaults—only to later reject contracted coffee on quality grounds, citing it as below standard. Conversely, exporters accuse suppliers of contractual misconduct, such as manipulating coffee grades, breaching agreements by accepting higher offers from third parties after receiving advance payments or misappropriating funds for personal use. This reciprocal distrust, wherein each party perceives the other as acting opportunistically, has become a central source of friction, threatening the stability of the vertical integration model.

Compounding this dynamic is the intensely competitive, and at times predatory, environment among traders. Suppliers report that some competitors offer inflated prices to undercut rivals, and that coffee intended for one merchant may be intercepted by another. For their part, exporters describe a climate of tough competition that rapidly drives up prices and erodes profit margins. This rivalry further extends to the suppression of market entry: Established exporters

34 'NATIONAL BANK OF ETHIOPIA FOREIGN EXCHANGE DIRECTIVE NO. FXD/01/2024', National Bank of Ethiopia, 29 July 2024. Accessed 6 August 2026, https://nbe.gov.et/wp-content/uploads/2024/07/FXD012024-FOREIGN-EXCHANGE-1-1.pdf; 'DIRECTIVE NO. FXD/04/2026 AMENDMENT TO FOREIGN EXCHANGE DIRECTIVE NO. FXD/01/2024', National Bank of Ethiopia, 12 February 2026. Accessed 18 August 2026, https://nbe.gov.et/wp-content/uploads/2026/02/DIRECTIVE-NO.-FXD042026.pdf.

35 The ECTA prepares contractual agreements between suppliers and exporters but mistrust persists despite these contracts.

are alleged to collude in preventing new actors from forming relationships with local suppliers or obtaining licences to construct washing stations in prime coffee-growing areas.

A powerful and recurring theme is the ethnic dimension of the coffee trade. This theme has two aspects. First, as the Jimma and Kaffa reports demonstrate, coffee suppliers in these belts are locals. In Jimma, the suppliers are mainly Muslim Oromo from the Gibe regions. In contrast, exporters are either based in Addis Ababa or on large coffee plantations such as those run by Horizon Plantations PLC. In Kaffa, suppliers are a mixed group of both locals and non-locals. Exporters are, however, based in Addis Ababa. Whereas the Jimma report shows ethnic tension between suppliers and exporters, the Kaffa report documents ethnic tension between the owners of large coffee plantations and the local communities.[36]

Second, as the Sidama report illustrates, there are tensions between local and non-local traders. This report reveals how informal networks among established, predominantly non-local traders, specifically from the Silte, Gurage and Amhara ethnic groups, systematically exclude the local Gedeo population from advancing in the coffee trade. This has created significant economic marginalization that fuels ethnic tensions. In Gedeo zone, particularly in Yirgacheffe, this dominance is long-standing, with key respondents recounting stories of fraud and exploitation by non-local merchants dating back to the 1990s. These historical grievances are perpetuated through documented cases of exploitation passed down through generations, such as the case of a Gedeo respondent, whose father entered the coffee trade as a supplier but was deceived by a non-Gedeo exporter and bankrupted by price manipulation.

This sense of exclusion is reinforced by informal barriers to entry, including control over market infrastructure such as the central market in Dilla. This is further aggravated by allegations that some exporters bribe officials to obtain organic certification using local farmer produce without providing them fair compensation. As a result, despite the presence of hundreds of suppliers and washing stations, Gedeo-owned enterprises remain a small minority, fostering a deep-seated perception that informal networks are designed to block local business initiatives.

These economic grievances have periodically erupted into violent inter-ethnic conflicts, most notably in 2006 and 2016, resulting in loss of life and widespread property destruction. The ethnic dimension also extends to competition among exporters themselves, with Sidama, Guji and Gedeo traders reportedly seeking to monopolize business in their respective regions and zones, further suppressing local participation and reinforcing cycles of exclusion and tension.
The coffee trade is characterized by a significant informal sector, which plays a dual role as both a necessity and a source of market distortion. The three studies highlight the role of collectors and brokers, fraud and rent seeking. Two findings are of particular interest. The first focuses on the role of collectors and brokers. As the Sidama report shows, following the 2017 reform, collectors (*sebsabies*) and brokers were rendered informal, yet they remain crucial to the supply chain. Suppliers rely heavily on these unlicensed informal actors (brokers) to purchase

36 There is also conflict between dominant ethnic groups and marginalized groups such as Manjja and Majang in the south-west zones.

coffee from farmers at the *kebele* level, providing them with money or commissions. Brokers are described as the essential link to smallholders: They are vital for aggregating coffee from a dispersed farmer base.

The second finding focuses on widespread fraudulent practices in the coffee trade, as demonstrated by both the Jimma and Kaffa reports. This includes the mislabelling of smuggled low-quality coffee by certified farmers. These reports also highlight how exporter behaviour is fundamentally shaped by the national macroeconomic context. This behaviour likewise cannot be divorced from the broader policy environment that shapes the coffee sector. Chronic foreign currency shortages in Ethiopia drive exporters to use coffee exports primarily as a means to access dollars, often at the expense of profit from coffee itself. For example, exporters may engage in coffee trade at a loss to leverage foreign exchange for more lucrative imports. This leads to practices such as invoice manipulation, quality downgrading and speculative purchasing. In the end, this incentive structure prioritizes rent-seeking over productive investment and shifts risk onto smallholders.

In particular, historical policy instability in foreign exchange retention policies is reported as encouraging illicit practices in the coffee trade. By detailing the fluctuations in retention rates from 100 per cent under Directive FXD/11/1998 to 30 per cent in 2017, and back to 50 per cent in 2024, both the Jimma and Kaffa reports demonstrate that policy inconsistency has been a feature of both the EPRDF and post-2018 governments. This context helps explain exporter behaviour as a rational response to an unpredictable regulatory landscape. Consequently, coffee quality and long-term supplier relationships are deprioritized, embedding the entire value chain in systemic rent-seeking dynamics.

Similarly, the Sidama report illustrates how such practices, which were exacerbated by foreign currency shortages during the war in the north in 2021, effectively pushed cooperatives out of the market. The market in this coffee belt is dominated by large-scale companies based in Addis Ababa that have diversified business interests beyond coffee; for example, imports, construction, real estate. At the same time, however, a growing number of exporters are emerging from the coffee-growing regions themselves, in particular in the two Guji zones of Oromia following the 2018 political reform. In contrast, local exporters who entered the market during the EPRDF era often went bankrupt (largely due to fraudulent practices) and did not recover.

The political economy surrounding Ethiopian coffee exporters has experienced significant shifts and notable continuities between the period before 2017 and after 2018. These dynamics can be elucidated by examining the number of coffee exporters and a ranking of the top ten exporters by total export value (USD) in FY 2017–2018 compared to FY 2024–2025. There were 462 exporters in FY 2017–2018 and 916 exporters in FY 2024–2025, showing an increase of nearly 100 per cent over the last eight years.[37]

37 The number of exporters and export data are obtained from the ECTA department of marketing in the form of unpublished Excel data. Unless otherwise noted, all data in this section are derived from this source.

The top ten coffee exporters during the coffee reform in 2017 and 2018, and during the regime change in 2018 and 2019 are compared with the current top ten exporters (see Table 4 in the Annex). During 2017 and 2018, coffee farmer cooperative unions were dominant, with the Sidama and Oromia unions ranking among the top ten exporters. During this period, the ECX was the primary trading platform, and uniquely, these unions were permitted to export directly, a privilege not extended to private exporters.

The years 2018 and 2019 mark a turning point with the introduction of the vertical integration model by the ECTA. This policy allows exporters to bypass the ECX and trade directly with coffee washing stations, fundamentally altering the competitive landscape. This shift began to empower a new class of private exporters. While the Oromia and Sidama unions remained in the top ten in 2018 and 2019, the vertical integration model brought large-scale change. By 2021, for example, nearly 90 per cent of export volume was traded through direct contracts. The positive impact on national export performance is undeniable. For instance, 2021 and 2022 saw a historic 53.8 per cent increase in revenue and a 20.5 per cent increase in volume, a boom that the ECTA attributes to direct export rights.[38] In contrast, the Sidama report suggests that confounding variables such as a production decline in Brazil and a surge in global coffee demand also played a significant role.

Beyond aggregate export figures, the 2017 reform brought about two other major changes. First, exporters are now allowed to export all grades of coffee. Prior to 2017, grades 5 and below were directed to the local market. Second, while vertical integration uplifted private exporters, it simultaneously disadvantaged the unions, which relied on primary cooperatives. During this time, a period of high inflation and strong foreign exchange demand created a powerful incentive for new entrants, as the Sidama study reports. This new environment, however, proved challenging for the cooperative unions. Unable to compete with the price competitiveness and agility of private exporters, the unions began to disappear from the top ten rankings.

The post-reform era has also seen a significant mix among the top ranked private companies. For instance, Kerchanshe Trading, which ranked first in FY 2017-2018 and FY 2018-2019, ranked tenth in FY 2024-2025, while Abdulhakim Mohammed Gelato, which had not been among the top ten before the 2017 coffee reform and the 2018 regime change, ranked first in FY 2024-2025. This exporter also ranked first in unwashed coffee export, whereas Tracon Trading remained dominant in exporting washed coffee. Another interesting trend is the emergence of Daye Bensa Business PLC in the export of washed coffee, which ranked fourth in FY 2024-2025.[39] By FY 2024-2025, the rankings reflect a market now led by specialized high-volume exporters; for example, Daye Bensa specializes in Sidama coffee and Testi in specialty coffee from Yirgacheffe. Notwithstanding its decline in aggregate coffee export ranking, Kerchanshe has solidified its positions among industry leaders: The company has maintained its sixth rank in washed coffee export, sourcing from prime regions such as Yirgacheffe, Sidama and Guji.

38 Interview with deputy of the ECTA, Addis Ababa, 22 October 2025.

39 Daye Bensa is a company run by two brothers from the Bensa area in Sidama.

By FY 2024-2025, companies such as Arfasa Trading PLC, Kebir Coffee Export and Nefas Silk Paint Company emerged as among the top ten coffee exporters, while previously dominant firms such as Adem Kedir Hajji and Arfassa General Trading were excluded.[40] The political economy driving this shift among top-tier companies warrants further investigation into the nature of both the emerging and the displaced exporters from top ten ranking.

The introduction of the vertical integration model proves to be a double-edged sword. On the one hand, it has propelled private exporters and national export volumes to new heights. On the other, it has led to the decline of the coffee unions in the export rankings. The primary cooperatives, which form the base of the unions, have been unable to compete with private traders in attracting smallholder producers. While the ECTA has at times aggregated union exports to help them remain visible, this practice has not been a consistent solution. The Sidama study indicates that farmer exporters have been denied permission to form an association that would have helped them aggregate volume and access international markets. ECTA concern over traceability is noted but facilitating such associations at the woreda level could help these smaller actors compete without compromising quality control. To foster a more inclusive coffee export sector, the ECTA should make greater efforts to address the challenges that prevent farmer exporters from connecting with international buyers.

Institutional actors: Cooperatives and unions

Cooperatives and their unions were established as intermediary institutions to counterbalance market asymmetries faced by smallholder farmers. The primary unions in focus in this synthesis report are the Oromia Coffee Farmers' Cooperative Union (OCFCU), the Sidama Coffee Farmers' Cooperative Union (SCFCU) and the Yirgacheffe Coffee Farmers' Cooperative Union (YCFCU). The cooperative unions in the Kaffa belt are organized at zonal level and named after their respective zones; for example, Kaffa Forest Coffee Farmers' Cooperatives Union, Bench Maji Forest Coffee Producer Farmers' Cooperatives Union, Bench-Maji Andinet Farmers' Multipurpose Cooperatives Union, Yesheko Amora Gedel Farmers' Multipurpose Cooperatives Union in Bench-Sheko zone and Teppi Coffee Farmers' Cooperatives Union in Sheka zone.

Together, the three case studies reveal shared patterns in the governance structures of coffee cooperatives, including common pressures, contradictions and mixed outcomes. Situated in the context of the evolving Ethiopian coffee sector, these can be synthesized in terms of seven inter-related themes: 1) mandate and structure; 2) compromised independence; 3) financial constraints and competitive disadvantages; 4) strained relations between primary cooperatives and unions; 5) fragmentation along ethnic lines; 6) impact on the economic empowerment of smallholder farmers; 7) impact of the 2017 coffee reform on cooperatives and their unions.

Structurally, primary cooperatives are the base, serving local farmers, with unions acting as their collective representatives. The history of cooperatives and unions reveals two primary

40 Nefas Silk is a well-known paint manufacturer. A topic of future research could be exploring the drivers to its engagement in the coffee export sector, which is a tertiary economic activity.

features. First, as the Sidama report notes, cooperatives were revitalized in 1998, following the fall of the Derg regime, as voluntary organizations dedicated to supporting smallholder coffee farmers who lacked negotiating power. The report also details the profit-sharing mechanism: A union retains 30 per cent of its net profit, distributing 70 per cent to its primary cooperatives, which then reserve 30 per cent of that and share the remainder with member farmers. In theory, this guarantees farmers 49 per cent of the total net profit.

Second, as the Kaffa report demonstrates, cooperatives and unions are mandated to facilitate market access, particularly through Fairtrade and Organic certification schemes. This report further highlights the material growth of some institutions since the early 2000s, with unions significantly expanding their capital base, membership and processing infrastructure, driven by their integration into global value chains. According to the Kaffa report, for example, the Kaffa Forest Coffee Farmers' Cooperatives Union expanded from 17 associations with ETB 200,000 (USD 21,500) capital in 2012 to 46 associations with ETB 22 million (USD 143,000) in November 2025.

The theme of compromised independence has three specific dimensions: local government intervention; elite capture; and corruption. The first dimension is well represented in the Jimma report. Cooperatives are meant to be member-owned and democratically governed organizations, with the general assembly as the supreme decision-making body. The report affirms, however, that a significant gap exists between the formal democratic design of cooperatives and the substantive internal power relations. Key respondents state that cooperatives practice democratic norms to some extent, with leaders elected by the general assembly. At the same time, they emphasize that cooperatives are not entirely free from external influence. Local government interventions remain a significant challenge, with committee members sometimes serving beyond their tenure. Cooperatives can also be under political control that dictates them to distribute chemical fertilizers or supply particular food items. This contravenes the legal autonomy of cooperatives.

The Kaffa report exemplifies the second dimension. This report demonstrates the material basis of elite capture, where information asymmetries between ordinary members and educated leadership make genuine accountability practically impossible. This enables wealthier members to secure preferential access. Study respondents in the Sidama–Gedeo–Guji coffee belt also identify low organizational capacity as an internal problem, noting that committees are often hand-picked from members and lack the knowledge to run a business profitably.

Corruption is the third recurring governance dimension observed among the cooperatives in the three studies. The Sidama report best illustrates this theme. The report directly links the debt that hinders cooperatives to corrupt practices and a lack of transparent financial auditing, citing an example of a cooperative with more than ETB 30 million (nearly USD 200,000) in debt. Likewise, the Jimma report acknowledges that while corruption in cooperative societies remains largely anecdotal, the economic status of committee members is often observed to change markedly after assuming leadership positions. Despite their observations, however, members are often unable or unwilling to challenge these leaders due to a lack of awareness.

A dominant theme across all three studies is the severe financial constraints that limit the ability of cooperatives to function effectively, especially in competition with private traders. This theme also has three specific dimensions. First, as the Sidama report illustrates, cooperatives rely on bank credit accessed through their unions to finance their transactions. This process is often slow, with credit arriving late in the buying season. In this report, an officer from the West Guji coffee and tea authority notes that this forces cooperatives to enter the market after private traders have already begun purchasing. Moreover, the credit provided is often insufficient. As a result, farmers tend to sell most of their coffee to private traders who offer instant cash, leaving only a small portion for cooperatives. This lack of capital also forces some cooperatives to rent out their assets to cover costs.

The second dimension is succinctly stated in the Jimma report. That is, cooperatives have limited financial resources to buy coffee on a timely basis from local producers. An absence of sufficient credit facilities also affects the performance of cooperatives. The Kaffa report reveals the third dimension, describing how private traders and usury networks deploy predatory strategies, such as lending at high rates during scarce harvests, which can trap farmers in debt cycles and lead to land dispossession. This is a dynamic that cooperatives struggle to counteract with their own limited loan schemes.

The findings in the three case studies reveal that financial pressures and market changes have exacerbated tensions between primary cooperatives and their unions, resulting in strained and deteriorating relations. Multiple factors erode trust and cooperation. These include issues related to pricing and transparency, financial control and payment delays. This theme has two aspects. The Sidama report best encapsulates these.

First, cooperative members point to a significant opaque price difference between what they receive from the unions and the prevailing market price. In one instance from Dale district in Sidama Region, a cooperative received ETB 7,000 (USD 314) per *feresula* (17 kg) from the union, while the ECX market price was ETB 14,000 (USD 628). In Yirgacheffe, members note a lack of transparency in how union export profits are distributed, leading to ongoing disputes. Promised community benefits from Fairtrade premiums are also reportedly not being implemented in practice.

Second, there is a delay in the release of working capital for cooperatives. In particular, the slow and bureaucratic process of the union releasing credit is identified as problematic. Additionally, the practice of unions setting fixed purchase prices for cooperatives limits their ability to compete with private traders, who can respond with more flexibility to international benchmarks. Combined, these factors have eroded trust and deteriorated the relationship between the cooperatives and the unions in this coffee belt. For instance, in Bule Hora district in Guji zone, out of 11 cooperatives, only 2 were functioning in October 2025 due to internal problems and disputed issues in their working relations with the OCFCU.

The three studies reveal that cooperatives are not insulated from broader political and social dynamics. This is well noted in the Kaffa report. This report indicates fragmentation along ethnic lines, citing a politically motivated departure of one union from another that left a debt ballooning from ETB 23 to ETB 60 million (USD 143,000 to USD 389,332), imposing material costs on members. This demonstrates how ethnic mobilization can override cooperative solidarity and lead to financial instability.

The ultimate goal of cooperatives is to ensure the economic empowerment of smallholder coffee farmers. Based on study findings, however, the evidence for this is largely negative. This theme has two aspects. First, the Sidama report notes that while farmers theoretically receive 49 per cent of net profit, the actual pay-out rarely reflects this. Instead, pay-outs are often minimal to none due to cooperatives prioritizing debt repayment over profit sharing. Second, as demonstrated in the Jimma report, the dividend remains low because of corruption and a lack of transparent auditing. The report directly addresses this by citing research showing that in Ethiopia, unlike in Kenya, cooperatives have not brought about differences in income between members and non-members. Most respondents from cooperatives indicate that these institutional actors lack adequate financial resources to meaningfully influence the economic well-being of smallholder coffee farmers.

The 2017 coffee reform, particularly the shift from the centralized ECX to vertical integration, has profoundly altered the operating environment for cooperatives. This theme offers two key insights. The first is documented in the Sidama report. Because the 2017 reform allows exporters and suppliers to buy directly from farmers, this is consequently dismantling the previous monopoly of cooperatives on traceable and certified coffee in this coffee belt. The report documents the immediate pressures of this new competition between exporters and the cooperatives. Exporters have aggressively entered the coffee market, paying higher prices than the official floor price, driven partly by a high demand for US dollars. This has led many cooperatives to go bankrupt. According to the report, for instance, out of 66 primary cooperatives in the West Guji zone, only 23 were active in October 2025.

The second insight pertains to contrasting perceptions about the impact of the 2017 reform, which is demonstrated in the Jimma and Kaffa reports. In areas such as Jimma, the post-reform framework has expanded market access and enhanced revenue retention, with some unions currently reporting improved returns compared to the ECX era. In contrast, the Kaffa report presents a critical view from union leaders, who characterize the vertical integration model introduced by the ECTA as having been opaque, enabling fraud and driving cooperatives toward bankruptcy. These opposed views suggest the impact of the reform is not uniform.

Institutional actors: ECX and ECTA

The Ethiopia Commodity Exchange and the Ethiopian Coffee and Tea Authority are key institutional (state) actors in the coffee value chain. Together, the three case studies reveal shared patterns in these institutional actors that have overseen coffee marketing and related issues in Ethiopia since 2008. Six cross-cutting themes emerge from a synthesis of the case study findings. These focus on: 1) institutional origins; 2) achievements and limitations in governance; and 3) impacts on the livelihood of farmers.

The ECX was established in 2008 as a centralized marketplace designed to enhance transparency, standardize quality grading and ensure fair price discovery through electronic trading and public auction systems. The ECX was conceived to serve both domestic and export markets by pooling coffee from multiple producers and institutionalizing grading, warehousing and traceability mechanisms. This system aimed to reduce information asymmetries, curb rent-seeking by intermediaries and protect producers from arbitrary price setting.

The three studies also document the evolution of the ECTA, which has three inter-related features. First, the Sidama report indicates that the 2017 coffee reform (Proclamation No. 1050/2017 and Proclamation No. 1051/2017) was prompted by the negative impacts of the ECX system, including decreasing export prices despite growing volume, long value chains and the negative role of illicit traders. Multiple pressures drove the 2017 reform: government urgency to generate foreign currency; lobbying by specialty coffee buyers and exporters for traceability; and a 2014 study funded by an EU delegation recommending re-establishment of a dedicated coffee ministry, leading to the re-institution of the ECTA in 2015.

Second, as noted in the Kaffa report, Proclamation No. 1051/2017 established a traceable coffee marketing and quality control system through the vertical integration model, allowing coffee trading outside the ECX for any producer or supplier processing coffee into green beans or wishing to export identity-preserved coffee directly. The ECTA was placed in charge of quality control inspection throughout the supply chain.

Third, the Jimma report explains that the post-2018 institutional reforms restructured coffee governance by weakening ECX centrality and enabling vertical integration mechanisms under the ECTA. The post-EPRDF period marks a shift away from centralized ECX-dominated governance toward a more flexible, vertically integrated model. Key respondents underscore that ECX bureaucratic procedures (in particular, delays, administrative costs and rigid marketing rules) undermined potential gains for cooperatives and smallholders.

All three case studies document the achievements and limitations of these two institutions. Two primary achievements are noted. First, as the Sidama report illustrates, the ECX system was reportedly effective in eroding price manipulation and collusive practices by long established exporters, which had been common under the former auction system. Second, the ECTA vertical integration model had been effective in facilitating the entry of new capital into the sector and addressing the problem of dry cheque fraud, significantly improving the market position for suppliers (*akrabies*).

Four key limitations are identified in the case studies. All of these pertain to the ECX. First, as the Sidama report emphasizes, smallholder farmers are not direct traders on the ECX. Rather, the primary users are suppliers, cooperatives and large coffee farms. Farmers typically sell to village collectors (*sebsabies*), suppliers or washing stations, which then process the cherries into beans for ECX sale. In the end, the ECX system has improved access to market information for these intermediaries more than for the farmers themselves.

Second, as the Jimma report shows, despite the stated ECX objective of ensuring equitable pricing, farmers have little bargaining power and are often compelled to sell their coffee through intermediaries at low prices, with profits accruing largely to a small number of traders and exporters.

Third, as demonstrated by the Kaffa report, while the ECX has been credited with improving price discovery and transaction transparency, critics argue that its centralized auction model weakened origin-based marketing, diluted specialty coffee identities and constrained the direct relationship between producers and international buyers.

Fourth, the Jimma report reveals a limitation that is useful for a political economy analysis of the ECX under the EPRDF government. That is, the ECX is characterized as formally centralized and politically embedded, producing elite capture at the national level. Key respondent accounts point to a dominance of networks affiliated with the TPLF at the national level, particularly in export and access to ECX mechanisms. This dominance reflects national-level capture of export channels through institutional design rather than direct control over production.

While the ECX established standardized oversight and price discovery mechanisms, it failed to ensure equitable benefit distribution and faced declining relevance amid political transitions and institutional competition. The vertical integration model implemented by the ECTA has improved traceability and direct market access for some actors but this has not fundamentally altered smallholder livelihoods. As farmers from all three coffee belts indicate, they have not seen any significant change in their livelihoods even though some have welcomed the recent price increases. The political economy of coffee governance remains characterized by power asymmetries that privilege well-connected actors, whether through the ECX under the EPRDF or the vertical integration model under post-2018 arrangements. In contrast, smallholder farmers continue to face constrained bargaining power, uneven access to information and weak value capture as they are still price-takers in the coffee sector.[41]

Smugglers

It is not uncommon to witness informal value chains in commodity exchange, particularly in developing countries where bureaucratic issues related to export licensing are barriers. Due to high prices across borders, informal traders often engage in coffee smuggling. The findings from the three case studies can be organized around three themes: 1) smuggler profiles and the scale of illicit trade; 2) the role of state actors in illicit coffee trade; and 3) drivers and enablers of illicit trade. Respondents also disclose information about domestic and cross-border smuggling routes.

Smugglers differ in their profile and actions. Study findings reveal three key insights. First, the Sidama study reveals that smugglers tend to be unemployed young men from town centres who

41 The findings in all three studies concur with those in another study, which states, ‘There remains no conclusive evidence that either the introduction of coffee trading through ECX or the subsequent coffee marketing reforms have improved coffee smallholder livelihoods.’ See: Aparisi, ‘Ethiopian coffee marketing reforms’, 1.

move from household to household purchasing fresh coffee cherries and dried beans directly from farmers. These collectors operate outside primary market centres, often using motorcycles for transport (although their activities are limited in West Guji due to insecurity and motorcycle restrictions). Critically, they consistently offer farmers higher prices than formal primary markets, creating a powerful incentive for producer participation in the illicit economy.

A price differential of ETB 30 (USD 0.195) per kg (a 75 per cent premium in Gedeo) between two neighbouring zones creates a powerful economic pull for coffee to be moved informally from West Guji to Gedeo. This suggests the scale of smuggling in that specific corridor could be substantial, driven by basic market arbitrage. The scale of illicit coffee trade intensifies when the price of coffee rises, drawing in a wide range of non-traditional buyers. The Sidama study quotes an interview conducted with the head of the cooperative office in West Guji, who explains that due to higher prices, everyone—a wide range of individuals, including shop owners—is participating in the market. While many have little understanding of the coffee market, they are nonetheless drawn by profit opportunities.

According to estimates from the Sidama regional coffee and tea authority, a staggering 74 per cent of coffee produced in the region is either diverted to the domestic market or smuggled, with only 26 per cent reaching the central market for official export. This figure represents a near complete inversion of the formal marketing system and a catastrophic loss of potential foreign exchange revenue. While startling, further investigation based on data collected from larger samples is necessary to confirm this finding.

The second insight is twofold. As the Kaffa study demonstrates, on the one hand, smugglers in the belt tend to exhibit violent characteristics; on the other, they penetrate state security structures. Key respondents describe protection by actors with power, money and covert security structures. As evidence, the study reports an incident in 2025 in which informal traders fired upon police officers in Chena town in Kaffa zone. Government task forces and regulatory agencies are persistently undermined through illicit negotiations in which enforcement actions are neutralized through political pressure, bribery or direct intimidation. The study further reports that coffee smugglers have acquired coercive capacities, with armed youth and demobilized security force members protecting routes and deterring interference. The study identifies specific practices that demonstrate the use of criminality and violence in illicit trade; for example, raiding official coffee warehouses, the disappearance of sealed shipments ostensibly destined for legal export and the intimidation of inspectors and cooperative union staff. At the local level, these disappearances are understood to be post-sealing diversions to informal channels rather than logistical mishaps.

Third, the Jimma report documents that illicit trade has persisted across regime change. While the EPRDF era saw widespread smuggling with limited restrictions, the post-2018 government has not succeeded in diminishing the trend, despite introducing positive measures.

Across all three studies, respondents describe the protection of illicit networks by actors embedded in political and security institutions. Three key features emerge. First, the Sidama study documents that checkpoint officers play a critical role in facilitating the coffee being smuggled and illicit traders make deals with checkpoint officers. Second, the Kaffa study indicates that protection by actors with power, money and covert security structures and enforcement actions are neutralized through political pressure, bribery or direct intimidation. Third, the Jimma study demonstrates that local and mid-level government officials, as well as police commanders ensure transporters evade customs inspections at checkpoints. It is clear, then, that smugglers use corruption as a tool to evade law enforcement. They also take advantage of limited state capacity to effectively control illicit coffee trade.

As evidenced in the findings of the three case studies, there are four major factors that drive illicit trade: 1) price distortions due to a disadvantage in the formal market; and 2) regulatory burden and quality exclusion; 3) presence of institutional corruption and selective enforcement; and 4) limited state capacity in law enforcement.

Findings in the three case studies reveal that a fundamental driver of the illicit coffee trade is the price gap between formal and informal channels. Farmers receive better prices from illicit collectors because these collectors avoid the costs of compliance: taxes, licensing fees, quality control expenses and foreign exchange surrender requirements. Lower-grade coffee excluded from formal export has no legal channel to reach willing international buyers. For instance, the Kaffa study argues that smuggling routes respond rationally to irrational state intervention, particularly price controls that render legal exports uncompetitive relative to domestic or cross-border informal markets.

The Jimma study specifically reports the most troubling finding: Licensed exporters themselves often participate in illicit trade for multiple reasons. When coffee fails to meet export quality standards, informal channels become the only route to avoid losses. When domestic prices exceed export prices, coffee sold to the domestic market can reach nearly six times the farm price. In this case, exporters have strong incentives to divert coffee intended for export into domestic markets. This dual participation by licensed actors blurs the boundary between formal and informal economies and makes enforcement particularly challenging. Regulators are attempting to police actors who simultaneously operate within and against the formal system, using their licensed status as cover for illicit activities while exploiting their knowledge of regulatory procedures to evade detection.

There are two aspects related to the regulatory burden and quality exclusion. As the Jimma study illustrates, the first is how regulatory requirements themselves create illicit markets. The strict quality grading system that protects the reputation of Ethiopia for premium coffee production simultaneously creates a class structure for coffee. For instance, in the ECX system, grade 5 and below could not be legally exported. Traders holding this coffee thus face a choice between financial loss and illicit sale. When there are international buyers—notably, Chinese and other Asian buyers—for this coffee, the illicit market becomes not merely attractive but a necessity for traders to avoid bankruptcy. In August 2025, the ECTA lifted these restrictions and all grades of coffee can be exported through formal channels as long as buyers exist.[42] The impact of this new regulation in deterring the illicit trade is yet to be tested, however.

As the findings in all three case studies reveal, the second aspect is how bureaucratic procedures in the formal export sector (for example, licensing requirements, quality inspections, documentation, foreign exchange controls) impose significant costs and delays. The Jimma study, for instance, notes that these bureaucratic procedures, strict quality control requirements and regulatory hurdles discourage many traders from using the formal channel. In contrast, the informal system offers speed, simplicity and immediate payment. Crucially, these are advantages that formal channels cannot offer.

In all three case studies, institutional corruption emerges as a critical enabler of illicit trade. Checkpoint officers accept bribes to allow smuggled coffee to pass. Government officials protect networks in which they have interests. Security personnel share intelligence or look the other way. Warehouse staff facilitate diversions of sealed shipments. This corruption is not peripheral but systemic. For instance, the Kaffa study reports illicit negotiations in which enforcement actions are neutralized through political pressure, bribery, or direct intimidation. The result is selective enforcement: Those without connections are vulnerable and those with protection operate with impunity. Over time, this selectivity corrodes institutional legitimacy and entrenches a culture in which rules exist to be evaded rather than followed.

The Kaffa study also documents a particularly interesting finding. That is, cooperative officials coordinate with illicit traders. Exporters have used cooperatives to export their graded coffee in their names. This is to seize the opportunity that unions can export without recourse to the ECX channel and that they pay lower taxes as compared to exporters.

The extensive geography of smuggling routes documented across the three studies, which span thousands of kilometres of porous borders, remote terrain and multiple administrative jurisdictions, exceeds the monitoring and enforcement capacity of any conceivable regulatory agency. Ethiopian border regions are vast under-governed spaces where state presence is limited and informal economies have historically flourished. The resources required to effectively police all potential smuggling routes would be prohibitive.

This capacity constraint is compounded by coordination failures between federal and regional authorities, between security and regulatory agencies, and between Ethiopian authorities and their counterparts in neighbouring countries. Smugglers exploit these coordination gaps, moving coffee across jurisdictions faster than enforcement can follow.

42 Bezawit Huluager, 'Authority Relaxes Coffee Export Restrictions', *Addis Fortune*, 9 September 2025. Accessed 18 August 2026, https://addisfortune.news/authority-relaxes-coffee-export-restrictions.

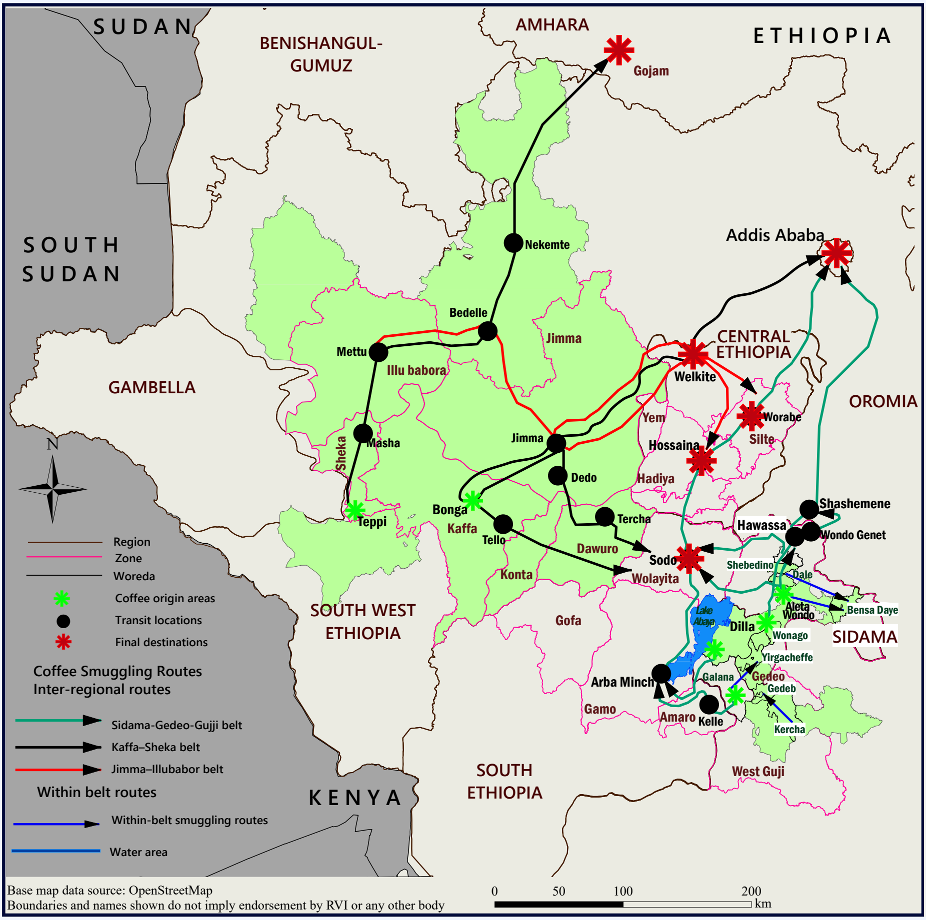
Box 1. Domestic coffee smuggling

A large volume of illicit coffee is diverted to the domestic market, particularly the Merkato trading centre in Addis Ababa. Domestic smugglers are motivated by two factors: price and blending. They smuggle along two primary routes: within a specific coffee belt and inter-regionally. Some smuggling is driven by regional domestic price variations that can be substantially higher than official export prices.

The illicit trade for blending purposes involves the movement of fresh coffee cherries from lower-prestige areas to districts renowned for high-quality coffee, where they are illicitly blended with local production and marketed under premium origin brands. For instance, the Sidama study documents that blending routes are to two districts known for their specialty coffee: Bensa Daye in Sidama and Yirgacheffe in Gedeo zone. Coffee to Bensa Daye is smuggled from Dale and Aleta-Wondo woredas in Sidama Region. Coffee smuggled to Yirgacheffe comes from neighbouring woredas in Guji zone; notably, from Abaya/Galan and Kercha to Gedeb then to Yirgacheffe.

Mixing lower-grade with higher-grade cherries affects the quality and taste of this speciality coffee. The long-term reputational damage to specialty brands could be severe if consumers lose confidence in the origin of the beans.

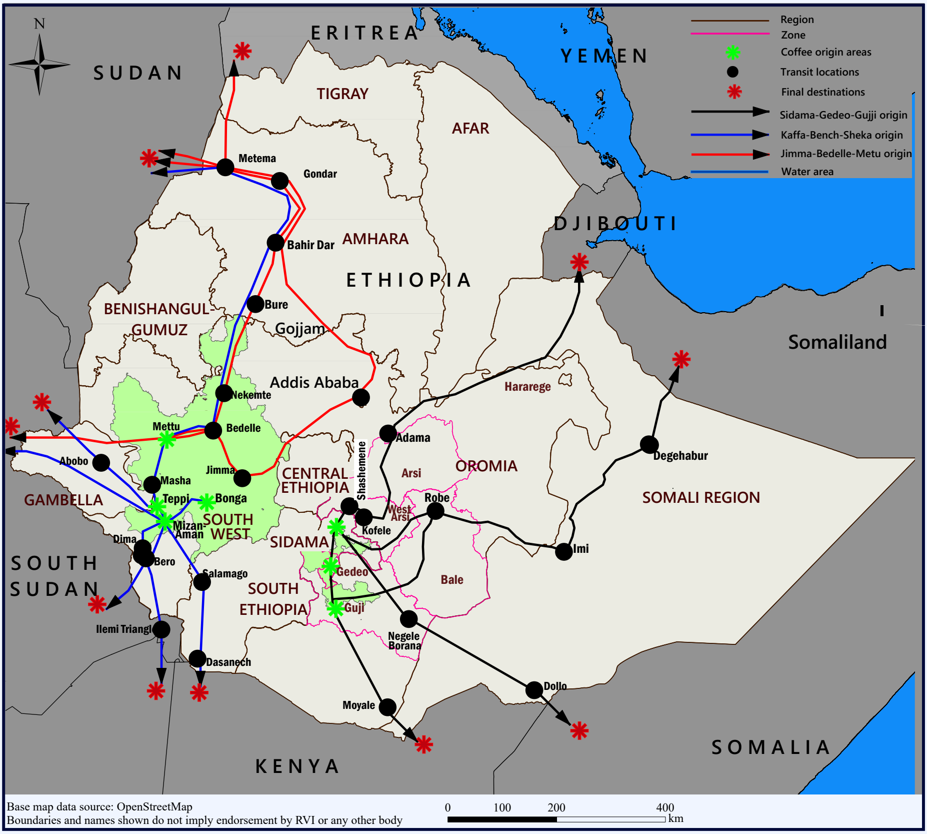
Coffee Origin	Route
Sidama-Gedeo-Guji belt	*Route 1 (main highway corridor)*
	Dilla Zuria/Wonago → Hawassa → Shashemene → Addis Ababa
	Dale/Shebedino/Aleta Wondo → Hawassa/Wondo Genet → Shashemene → Addis Ababa
	Route 2 (central bypass corridor)
	Dale/Aleta Wondo/Shebedino → Wolaita → Kembatta/Hadiya → Addis Ababa
	Route 3 (via Arba Minch to central corridor)
	Galana/Abaya → Kelle/Soyama → Arba Minch → Addis Ababa
Kaffa-Bench-Sheko-Sheka belt	Bonga/Gojeb → Jimma → Dawuro → Addis Ababa
	Bonga/Gojeb → Jimma →Dedo → Dawuro → Wolayita
	Bonga → Tello → Ameya (Konta zone) → Dawuro → Wolayita
	Teppi → Masha → Mettu → Bedele → Wallega → Gojjam
Jimma-Buno Bedele-Ilu Aba Bora belt	Mettu → Jimma → Welkite → Hossaina
	Jimma → Welkite → Silte zones


SUDAN
BENISHANGUL-GUMUZ
AMHARA
ETHIOPIA
Gojam
SOUTH SUDAN
Nekemte
Addis Ababa
Bedelle
Jimma
CENTRAL ETHIOPIA
Mettu
Illu babora
Welkite
OROMIA
GAMBELLA
Yem
Worabe
Jimma
Silte
Masha
Hossaina
Sheka
Dedo
Hadiya
Shashemene
Bonga
Tercha
Hawassa
Teppi
Kaffa
Wondo Genet
Tello
Dawuro
Sodo
Shebedino
Wolayita
Dale
Konta
Bensa Daye
Aleta Wondo
Lake Abaya
Dilla
SOUTH WEST ETHIOPIA
Gofa
Wonago
SIDAMA
Yirgacheffe
Arba Minch
Galana
Gedeo
Gedeb
Gamo
Amaro
Kelle
Kercha
West Guji
SOUTH ETHIOPIA
KENYA
N
Region
Zone
Woreda
Coffee origin areas
Transit locations
Final destinations
Coffee Smuggling Routes
Inter-regional routes
Sidama-Gedeo-Gujji belt
Kaffa–Sheka belt
Jimma–Illubabor belt
Within belt routes
Within-belt smuggling routes
Water area
Base map data source: OpenStreetMap
Boundaries and names shown do not imply endorsement by RVI or any other body
0 50 100 200 km

Box 2: Cross-border smuggling

While domestic diversion accounts for the largest volume of illicit coffee trade, cross-border smuggling to neighbouring countries represents a more direct loss of foreign exchange earnings. Crucially, it is also a source of regional instability. Extensive smuggling networks that reach multiple countries are documented in the three case studies. Extending domestic routes, these cross-border smuggling routes take illegal coffee from Ethiopia to all six neighbouring countries.

Destination	Route
Somalia & Somaliland	Sidama and Guji zone → Negele Borana → Dollo → Somalia
	Sidama and Guji zone → Bale zone → Somali Region → Somaliland
South Sudan & Kenya	Sidama-Gedeo-Guji belt → Moyale → Kenya
	Teppi/Mizan-Aman → Dima → Kibish → South Omo (Salamago) → Dasanech → Turkana area, Kenya
	Mettu → Gambella → South Sudan
	Teppi → Gambella through Nuer zone → South Sudan
	Teppi → Mizan-Aman → Biftu → Dima → Tinshu Gessena → Shama → Ilemi Triangle → South Sudan & Kenya
	Mizan-Aman → West Omo zone → Bero (Jeba) district → South Sudan & Kenya
	Teppi → Met'ii (Godere district of Majang zone) → Mengeshi district (Agnuwa zone) → Fungido in Abobo district → South Sudan
Sudan	Mettu → Bedele → Jimma → Addis Ababa → Bahir Dar → Gondar → Metema → Sudan
	Mettu → Bedele → Nekemte → Burie → Gojjam → Sudan
	Teppi → Masha → Mettu → Bedele →Wollega → Gojjam → Mettema →Sudan
Djibouti	Sidama and Gedeo → Shashemene → Adama/Kofele/Arsi → Hararege → Djibouti
Eritrea	Mettu → Bedele → Jimma → Addis Ababa → Bahir Dar → Gondar → Metema → Eritrea


Region
Zone
Coffee origin areas
Transit locations
Final destinations
Sidama-Gedeo-Gujji origin
Kaffa-Bench-Sheka origin
Jimma-Bedelle-Metu origin
Water area
SUDAN
ERITREA
YEMEN
DJIBOUTI
Somaliland
SOMALIA
KENYA
SOUTH SUDAN
ETHIOPIA
TIGRAY
AFAR
AMHARA
BENISHANGUL-GUMUZ
Gojjam
Addis Ababa
OROMIA
Hararege
Arsi
West Arsi
Bale
SOMALI REGION
GAMBELLA
CENTRAL ETHIOPIA
SOUTH WEST
SIDAMA
SOUTH ETHIOPIA
Metema
Gondar
Bahir Dar
Bure
Nekemte
Mettu
Bedelle
Jimma
Abobo
Masha
Teppi
Bonga
Mizan-Aman
Dima
Bero
Salamago
Ilemi Triangl
Dasanech
Shashemene
Kofele
Gedeo
Guji
Adama
Robe
Imi
Degehabur
Negele Borana
Dollo
Moyale
Base map data source: OpenStreetMap
Boundaries and names shown do not imply endorsement by RVI or any other body
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Competing institutional models: Horizontal versus vertical integration

Since 1991, the Ethiopian coffee sector has undergone two major waves of reform, each introducing a distinct institutional model. The first was the establishment of the Ethiopia Commodity Exchange (ECX) in 2008. The second commenced with the 2017 coffee sector reform, which introduced an alternative channel for trade. These reforms have created a dual system often characterized as horizontal integration (via the ECX) and vertical integration, which is facilitated by the Ethiopian Coffee and Tea Authority (ECTA).

The horizontal model: the ECX

Launched in 2008 as a public–private partnership, the ECX was designed to modernize agricultural marketing, enhance price transparency and improve returns for producers. Its mandate made coffee trading through the ECX compulsory for most market actors, with exemptions granted only to cooperatives and large plantations. Consequently, nearly all exports of Ethiopian green coffee were channelled through the ECX, except for certified specialty coffees.

The ECX model enforced a horizontal integration structure. Suppliers delivered coffee to designated ECX warehouses, where it was graded (1 through 9, with grades 1 to 5 qualifying for export) and sold anonymously on an electronic trading floor. A key feature, and a later point of contention, was the prohibition of vertical integration, whereby exporters were barred from establishing direct relationships with local suppliers and farmers. While intended to ensure fairness, this rule was criticized for creating bureaucratic hurdles and distancing exporters from the origin of their beans. Mounting pressure from exporters, international buyers and donors led to a pivotal change in 2017, ending the ECX monopoly over the export channel.

The vertical model: the ECTA

The 2017 reform fundamentally liberalized the market by permitting coffee trading outside the ECX. This shift empowered the ECTA to oversee a new vertical integration model. Under this system, suppliers and exporters can enter into direct contractual agreements without an intermediary exchange. One of the primary goals of the model is to enhance the global competitiveness and traceability of Ethiopian coffee by connecting producers directly with international buyers.

Key changes include allowing any producer or processor, not just cooperatives or large estates, to trade directly if their beans arrive at Addis Ababa warehouses. Blending at ECX warehouses was banned to preserve traceability.[43] This model gained rapid dominance: By the 2021–2022 season, more than 90 per cent of coffee exports were conducted through vertical integration, drastically reducing the volumes traded on the ECX platform.

Institutional competition and strategic shifts

The coexistence of the two models has generated notable institutional tension between the ECX and the ECTA.[44] This competition originates in a broader context of national policy shifts. The ECTA has further institutionalized the vertical integration model through the Comprehensive Ethiopian Coffee Strategy and Implementation Roadmap (CECSIR) (2019–2033), developed with partners such as the Ethiopian Institute of Agricultural Research (EIAR) and TechnoServe.[45] The dominance of this model continues, with vertical integration still accounting for more than 90 per cent of the coffee exports in fiscal year (FY) 2024–2025.[46] In contrast, ECX revenue decreased by 29 per cent in the same period. Since 2020, the ECX has adapted by easing entry requirements and lifting prior price caps to remain attractive.[47]

This competition is also regulatory in nature. First, the ECTA has raised the bar for new export licences, requiring ETB 15 million (USD 100,000) in capital to deter opportunistic entrants.[48] Second, the ECTA expanded licence categories to include farmers with 2 hectares or more. The latter regulation diversifies the exporter profile beyond the traditional traders, unions and international companies registered by the ECX.

Parallel operating systems and jurisdictional conflict

Evidence from the three case studies consistently reports competition between these two institutions. Prior to 2017, the ECX channel was mandatory for most actors. Post-reform, its role has significantly diminished in favour of direct transactions under the ECTA vertical integration model.

43 Aparisi, ‘Ethiopian coffee marketing reforms’, 23.

44 ‘ECX, ECTA clash over coffee trading’, Capital, 19 October 2021. Accessed 18 August 2026, https://capitalethiopia.com/2021/10/19/ecx-ecta-clash-over-coffee-trading/.

45 Ethiopian Coffee and Tea Authority, in collaboration with EIAR and TechnoServe, ‘Comprehensive Ethiopian Coffee Strategy 2019 to 2033’. Accessed 18 August 2026, https://www.technoserve.org/wp-content/uploads/2022/06/Comprehensive-Ethiopian-Coffee-Strategy.pdf.

46 Bezawit Huluager, ‘Commodity exchange struggles to hold ground as direct trade surges’, *Addis Fortune*, 27 September 2025. Accessed 18 August 2026, https://addisfortune.news/commodity-exchange-struggles-to-hold-ground-as-direct-trade-surges.

47 Interview with head of trading operation and market data at the ECX head office, Addis Ababa, 22 October 2025.

48 Interview with deputy of the ECTA, Addis Ababa, 08 October 2025. The interviewee argues that this opportunistic act is to seize foreign exchange to import valuable goods such as construction materials and for money laundering that are obtained from the illegal sale of items such as gold.

The ECX does not officially acknowledge the vertical integration model as a competitor, with an ECX expert maintaining it remains a viable channel for willing traders.[49] The data, however, indicates a stark shift. The rapid adoption of direct trade has sharply reduced coffee volumes on the ECX platform, challenging its sustainability. Nevertheless, a hybrid system persists, with both models officially operating in parallel.

Documented in all three studies, these parallel operations create a complex governance architecture. Two key insights emerge in this regard. First, the Kaffa study notes that the parallel operations of these two state-sanctioned but fundamentally different marketing models are reshaping coffee governance, pricing structures and market access across Ethiopia. Second, the Jimma study highlights that although the ECX and the ECTA operate alongside each other, their overlapping mandates in quality testing, certification and market coordination generate confusion and inefficiency.

In addition to noting the problems with parallel operating systems, the three case studies point to jurisdictional conflict between these two institutions. The Jimma report provides specific evidence of this. In October 2021, for example, the ECX and the ECTA clashed over an ECX proposal to double the coffee price fluctuation limit from 5 per cent to 10 per cent. The ECTA blocked the move as both illegal and a threat to global price competitiveness. In contrast, the ECX contended the reform was necessary to attract sellers shifting to direct vertical trading. This dispute highlights a significant jurisdictional rift, with the ECX fighting to maintain its market relevance against a newer, more flexible trading model favoured by the ECTA. The Kaffa study illustrates a more overarching problem. It locates the tensions between the ECX and the ECTA in a context of broader institutional fragmentation and policy incoherence. Specifically, it notes that the ECX operates under the ministry of trade and regional integration, whereas the ECTA operates under the ministry of agriculture.

Across the three case studies, regional political dynamics are also manifested in these parallel operating systems. This has two features. First, as the Jimma study documents, regional authorities in Oromia have frequently demonstrated strong support for the regulatory framework of the ECTA. At times, security mechanisms have even been used to enforce compliance among traders and exporters. The study corroborates this with evidence that in April 2022, Oromia state security forces arrested some employees and closed six branch offices of the ECX, including branches in Mettu, Jimma and Bedele, by order from a higher government authority. Regional authorities also discourage use of the ECX, saying that it threatens benefits for smallholders. The study adds that after stakeholder consultations, a more flexible arrangement has emerged, allowing producers and suppliers to choose between ECX and ECTA mechanisms, although the ECX market share and influence remain limited.

49 Interview with head of trading operation and market data at the ECX head office, Addis Ababa, 22 October 2025.

Second, the Kaffa study reveals one of the most consequential manifestations of institutional fragmentation: the emergence of parallel enforcement structures, most notably the regional illicit trade task force chaired by senior political executives. This task force operates with expansive discretion and limited transparency, cutting across administrative boundaries and combining political, security and revenue functions in ways that bypass standard bureaucratic checks. Rather than resolving governance failures, this structure intensifies them, with selective enforcement, uneven sanctions and informal negotiation that transforms enforcement into a political resource. The Kaffa report also documents persistent policy volatility. Frequent regulatory adjustments are often introduced without clear implementation guidelines or coordination across agencies, which generates an environment of chronic uncertainty. Rather than correcting governance failures, policy changes tend to be reactive, producing a self-reinforcing cycle: fragmentation leads to incoherence, incoherence prompts ad hoc policy interventions and these interventions further entrench fragmentation.

Contested outcomes and scholarly debate

In essence, the core stated objective of both sets of coffee reforms is to improve smallholder welfare. The impact of these dual models on smallholder welfare, however, remains a subject of debate. Some observers argue that the parallel system fosters competition, potentially enabling producers to secure better prices.[50] Conversely, research employing a socio-legal lens contends that Ethiopian smallholders and traders remain largely disconnected from global markets due to persistent barriers such as poor price transparency, complex regulations and logistical challenges.[51]

The Ethiopian coffee sector is currently defined by the competition between the horizontal integration model of the ECX and the vertical integration model overseen by the ECTA. While vertical integration has become the dominant channel for exports, the horizontal model retains a formal, if diminished, role. This institutional duality reflects deeper tensions between centralized control for market stability and liberalized direct trade for traceability and competitiveness. The ultimate effect of this competition on sector efficiency and, more importantly, on the livelihoods of coffee smallholders, remains an unresolved issue central to the political economy of the Ethiopian coffee sector.

50 Ermias Wodajo, 'Coffee export: Ethiopia's mix of horizontal and vertical integration', *Further Africa*, 24 January 2022. Accessed 18 August 2026, https://furtherafrica.com/2022/01/24/coffee-export-ethiopias-mix-of-horizontal-and-vertical-integration/.

51 Aparisi, 'Ethiopian coffee marketing reforms'.

Beyond the beans: Comparative insight into the political economy of coffee in Ethiopia

Going beyond the beans to develop a comparative insight into the political economy of coffee, it is useful to examine the three case study findings in relation to four critical issues: 1) power dynamics and distribution; 2) how patronage and corruption interfere in coffee sector; 3) political instability and its dynamics; and 4) multi-scalar politics. A synthesis of case study findings on coffee origin myths in Kaffa zone in Southwest Region and Jimma zone in Oromia Region also offers a valuable perspective on the political implications of these competing claims. A comparative analysis of the changes and continuities in this mythology in pre and post-2018 Ethiopia adds greater nuance. This political economy analysis is further enriched by the case study findings on the place of marginalized groups such as ethnic groups and women in the coffee sector.

Power dynamics and distribution: Mechanisms of power and control

Collectively, the three case studies paint a picture of a sector where the benefits of a globally prized commodity are unevenly distributed. While these studies were conducted in different geographical areas, they converge in a central finding: The coffee economy is structured by deep power asymmetries that marginalize smallholder farmers and concentrate value among a coalition of private traders, politically connected investors and, in some cases, state actors. Together, the case studies reveal several interconnected mechanisms through which power is exercised and value is distributed upwards. These can be synthesized in terms of four themes that are critical mechanisms of power and control: 1) land governance and dispossession; 2) market power and finance control; 3) political patronage and illicit networks; and 4) labour and social reproduction.

Land emerges as the fundamental asset and a primary site of contestation in the three coffee belts that are studied in this research. Land dispossession has three key dimensions. First, the Sidama study shows a rise in the number of informal land sales in high-value areas such as Bensa Daye and Yirgacheffe. These illegal sales are often disguised as contract farming, which further concentrates land and resources. The study argues that the rise in informal land sales will eventually make smallholder coffee producers landless. The prevalence of illegal land sales has intensified after the introduction of the vertical integration model, which allows exporters to also engage in coffee production. As the Sidama study puts it: In effect, the rise in informal land sales, along with contract farming, results in a revival of feudal experiences. This observation vividly captures the regressive redistribution of assets.

Second, the Kaffa study demonstrates how the allocation of agricultural investment licences often leads to dispossession without due process or adequate compensation. Importantly, this is not seen as a market failure but rather as a feature of a system wherein land governance operates through political patronage to consolidate state authority and reward allies. Third, the Jimma study, in particular the analysis of the Horizon Plantations PLC, considers the effects of land dispossession by large-scale consolidated plantations, where labour relations, not smallholder production, become the norm.

There is a power asymmetry between smallholders and coffee traders. Study findings disclose three key dimensions. First, the Jimma study shows there is power imbalance in the market. Private traders dominate because they have superior access to capital, enabling them to buy coffee promptly and on a larger scale, unlike cash-strapped cooperatives. This financial control translates into pricing power, allowing traders to dictate terms to atomized farmers. Second, this power dynamic is implicitly reinforced by illicit trade and capital distortion, as the Kaffa study demonstrates, whereby coffee is diverted from formal channels, weakening the institutions (such as cooperatives and regulatory bodies) that could otherwise help stabilize prices for farmers. Third, the Sidama report shows how smallholder producers fall into creditor traps during the summer months, when their need for cash is urgent.

The three studies reveal how power dynamics manifest in the exploitation of labour, particularly among the most vulnerable members of society. This theme offers three insights. First, the Sidama study raises concerns about child labour in sparsely populated lowland areas, linking this to a shortage of adult labourers, who are instead drawn to illicit trade or migration. The study provides evidence of Gedeo youth migration to Kenya and Sidama as well as to Addis Ababa and other places. Young Sidamas do not want to work in the coffee fields as it entails intergenerational poverty. Based on study findings, then, child labour is presented as a consequence of a distorted labour market.

Second, the Kaffa study explains that the power dynamics and distribution among the actors in the coffee sector as a political economy where land, capital and regulatory power are managed through patronage networks to facilitate accumulation by an elite. Third, the Jimma study documents the systemic use of coerced child labour on Horizon Plantation PLC coffee farms, where schools both force students to harvest coffee for the investor and punish non-compliant parents. This practice artificially suppresses labour costs and gives the company an unfair market advantage. This represents the most extreme form of power imbalance, where the line between state authority and private capital is erased to create a captive workforce.

Patronage and corruption

All three studies agree that patronage and corruption are fundamental to understanding the political economy of coffee in Ethiopia. Three key dimensions emerge. First, the Sidama study offers a granular ground-level view of corrupt practices across the belt. It documents illicit payments for licences, fraud in grading centres, political interference in regulatory enforcement and the embezzlement of cooperative funds. Second , the Kaffa study shows that illicit practices are embedded in the governance architecture of the sector. It frames corruption and patronage not as distortions but as central mechanisms through which land, capital and commodities are circulated. Political authority is mobilized to facilitate land dispossession, protect informal trade and capture institutions intended for farmer empowerment. Third, the Jimma study compares the patronage system under the Ethiopian People's Revolutionary Democratic Front (EPRDF) regime with the post-2018 era. It shows that while the form of patronage has shifted from centralized party-mediated control to more diffuse and informal clientelism, the underlying dynamic of exchanging political loyalty or relational proximity for economic advantage persists.

Findings in the three case studies reveal the evolution of patronage from centralized control during the EPRDF era to a diffused clientelism in the post-EPRDF era. This evolution helps explain the coexistence of phenomena documented in all three studies. This theme consists of three aspects. The first is the systemic capture of cooperatives and regulatory bodies. As both the Sidama and Kaffa studies indicate, this can be described as a legacy of entrenched patronage networks that have adapted to the more fragmented post-2018 environment. The second aspect is the shift towards capital as a primary gatekeeper, which the Jimma study notes: During the EPRDF era, the Ethiopia Commodity Exchange (ECX) functioned as a gatekeeping instrument. The third aspect is the rise in informal land sales and trader dominance, as documented in the Sidama and Kaffa studies, where those with financial power can navigate or bypass formal systems. Table 3 compares the evolution of centralized patronage under the EPRDF into diffused clientelism in the post-2018 context (see Table 3 in the Annex).

The three case studies collectively identify a consistent set of sites where corruption and patronage are most active.

- **Access to land and licensing.** Access to land and licensing is a primary arena of contestation across all three case studies. This theme has three key features. First, the Sidama study shows that farmers pay bribes (for example, ETB 30,000 [USD 200] in Bensa Daye) to have their land measured and their export applications accepted. It also notes that licensing for new processing sites is facilitated through informal networks that reward cliques, relatives and close associates. Second, the Kaffa study frames land allocation itself as a patronage mechanism, whereby agricultural investment licences are granted to politically connected investors. This practice often leads to the dispossession of indigenous smallholders without due process. Third, the Jimma report explains a post-2018 period phenomenon: Access to land and regulatory processes is shaped by informal networks, bureaucratic discretion and localized power relations, rather than formal party affiliation.

- **Cooperatives and collective institutions.** All three studies identify cooperatives as sites of significant malfeasance, identifying three key manifestations. First, the study notes that farmers see cooperatives as tools for politicians and managers to accumulate personal wealth, citing the embezzlement of funds by committee members, particularly in West Guji. Second, the Kaffa study documents how political interference, elite capture and managerial inefficiencies have driven many cooperatives toward institutional collapse. It notes that traders strategically engage with cooperatives to exploit tax exemptions and licensing privileges, turning empowerment institutions into instruments of private accumulation. Third, the Jimma study reveals a shift towards regional banks.

- **Regulatory bodies and market oversight.** Findings in the three case studies indicate that corruption systematically undermines the regulatory framework intended to ensure quality and fair trade. This happens in three primary ways. First, the Sidama study provides vivid examples of accusations of alleged fraud at grading and certification centres, with coffee unfairly graded to reduce prices paid to farmers. It also documents that washing stations closed for regulatory breaches are often reopened without the presence of an expert, frequently following simple phone calls between high-ranking officials. Second, checkpoints—ostensibly for controlling illicit trade—are described as rent-collection points. The Kaffa study supports this in describing a weak, fragmented and selectively enforced regulatory framework in which illicit coffee flows operate under tacit political protection. Third, the Jimma study indicates that at Siinqee Bank, internal audit, risk management and compliance systems were allegedly weakened on purpose.

- **Illicit trade and the broker system.** Evidence from the three case studies offers greater insight into the role patronage and corruption play in illicit trade. Study findings indicate that the persistence of a robust illicit coffee trade is, in fact, a direct consequence of patronage and corruption. The Sidama study, for example, explicitly links the expansion of illicit trade to government loss of control over brokers and illicit collectors, and corrupt practices that allow the broker system to persist. It details how illicit traders bribe task forces and checkpoint officers. From another perspective, the Kaffa study frames the illicit flow of money as capital distortion enabled by regulatory gaps and patronage, which allows opportunistic accumulation, while undermining institutions meant to stabilize prices and ensure quality. The Jimma study notes that new state-led investments in warehouses are partly designed to weaken the role of these informal traders and illicit export routes. At the same time, however, such investments nonetheless implicitly acknowledge their current strength.

Political instability and its dynamics

The case studies document distinct patterns of political instability across the three coffee belts where this research was conducted. These patterns demonstrate that the nature and intensity of the challenges linked to political instability vary significantly by coffee belt and region.

- **The Sidama–Gedeo–Guji coffee belt.** This coffee belt is characterized by recurring inter-ethnic violence and the presence of armed groups. The Guji and Gedeo zones have experienced repeated conflicts since 1991 and most recently in 2018. Conflict mainly occurs over border demarcations in ethnically mixed areas. West Guji zone remains a persistent insecurity hotspot due to active armed groups. In contrast, study respondents from Sidama describe their region as relatively peaceful since its quest for statehood was resolved, although it faces emerging governance-related grievances.

- **The Kaffa–Bench-Sheko–Sheka coffee belt.** Study respondents in this coffee belt describe a different form of instability: a regulatory deficit and fragmented sovereignty. Here, formal state authority is undermined by elite capture, corruption and the influence of informal networks. This creates an unstable and unpredictable environment for smallholder farmers, characterized by insecure land tenure, manipulated markets and a lack of regulatory protection.

- **The Jimma-Buno Bedele-Ilu Aba Bora coffee belt.** The activities of armed forces such as the Oromo Liberation Army in Oromia are well documented.[52] Nonetheless, this coffee belt is presented as relatively peaceful. Officials and traders who participated in this study claim that the coffee trade continues without major disruption, even though this peace is precarious. The case study notes indirect spillover effects from the active armed conflict in Wollega, including the sporadic relocation of rebel groups.

A key theme emerging from the synthesis of study findings is the complex relationship between political instability and governance in the coffee sector. In particular, three insights emerge: 1) conflict as a driver of governance failure; 2) governance failure as a driver of instability; and 3) political transitions and uncertainty.

The first insight is detailed in the Sidama report, which links Gedeo zone economic grievances (unfair revenue from coffee) to a quest for statehood, demonstrating how economic discontent in the coffee sector can translate into major political movements. In Guji zone, active conflict directly prevents the state from functioning (for example, coffee experts cannot access farms). This creates a governance vacuum that is filled by armed groups, which impose their own taxes and rules. The second insight closely follows: governance failure also creates grievances among farmers (for example, over land sales, lack of export certificates) that, in turn, can fuel broader political unrest and identity-based mobilization. For instance, a coffee farmer in West Guji is forced to sell his cherries at half the market price because armed groups control his land.

52 Abdi, 'Analysis: Conflict Brews'.

The Kaffa study also reveals governance failure as a driver of instability, arguing that a weak, captured and selectively enforced regulatory system is itself a form of instability. That is, the structural governance failure in the belt produces a quieter but more pervasive form of instability that is embedded in the daily operations of the sector. This is the instability of unpredictable regulations, of justice and security being for sale, of markets rigged in favour of the politically connected and of a state that is both weak and predatory.

The Jimma study presents the third insight. In a comparatively stable present, it describes a connection between past political agitations (the *Qeerroo* movement) and the direct displacement of coffee farmers, notably in Limmu Kossa woreda.[53] These examples show how national-level political transitions create localized shocks in the coffee sector.

Multi-scalar politics

Coffee as an export commodity involves various actors, which operate at global, national and local scale, influencing the sector directly or indirectly. Three comparative themes emerge from a synthesis of case study findings: 1) external governance and market power at the global scale; 2) dynamics at the national scale; and 3) the experiences of smallholder producers at the local scale.

The global scale: External governance and market power

All three studies identify global actors as powerful forces shaping the trajectory of the Ethiopian coffee sector, primarily through regulatory standards, market access and price dynamics. The studies trace a long history of global influence, from the United States, World Bank and the FAO (Food and Agriculture Organization) shaping early coffee policy and infrastructure, to the European Union funding the 2014 study that pushed for reforms allowing vertical integration. The findings identify the European Union Deforestation Regulation (EUDR) and coffee certification schemes, along with their impact on global buyers, as key factors shaping the Ethiopian coffee sector.

The EUDR emerges as the most significant and immediate global intervention across all three coffee belts.[54] Study findings point to three key aspects regarding the impact of the EUDR on the Ethiopian coffee sector. First, the Sidama study frames the EUDR as a highly influential regulation that the Ethiopian government has endorsed. It requires coffee to be deforestation free and fully traceable via geolocation. The study highlights the practical challenges at the local level, where district officers face financial and personnel constraints in implementing regulation requirements such as developing farm geolocation data. It also notes the irony that

53 Prior to the 2018 regime change, there was a riot in Oromia. Key respondents in the Jimma study only mention this period and attest such instabilities have not resurfaced since then.

54 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.

while farmers practice traditional agroforestry and invest in organic production, the price they receive often does not reflect the costs of compliance.

Second, the Kaffa study describes the EUDR as a form of externalized environmental governance that transfers regulatory responsibility and compliance costs to upstream actors. It identifies a clear paradox: The smallholder farmers whose traditional forest-based systems underpin Ethiopian sustainability credentials are the least equipped to demonstrate compliance in the required standardized forms. The study warns that without coordinated investment, the EUDR risks reinforcing informality, accelerating smallholder exclusion and deepening existing inequalities. The study sees the EUDR as a threat that could further displace the burden of compliance onto smallholders.

Third, the Jimma study indicates that the EUDR has a temporal and economic dimension. It notes that a third of Ethiopian coffee export earnings come from Europe, making compliance a strategic national imperative. It outlines the different compliance deadlines for large operators and smallholders, and notes that while the EU has acknowledged the progress made in Ethiopia, the requirement for GPS coordinates poses significant challenges in geographically inaccessible areas.

Beyond the EUDR, global actors further shape the sector through certification and direct market engagement. The role of coffee certifiers has three dimensions. The first dimension is noted in the Sidama study, which highlights the role of certification schemes (Fairtrade, Organic, Rainforest Alliance) in promising benefits to producers. The report also notes, however, a growing dilemma: The costs of meeting these ethical and traceability requirements often do not correspond with the prices received, fuelling a shift towards emerging markets in Asia, the Middle East and Africa. The recent visit by a Starbucks delegation is presented as a response to this shifting global landscape.[55]

The second dimension is acknowledged in the Kaffa study. While noting the role of certification bodies in advocating for sustainability, the study also points out that their involvement can introduce complexities, favouring specific procedures without guaranteeing significant economic benefits for all stakeholders. It contrasts this with NGOs such as NABU (*Naturschutzbund Deutschland*; Nature and Biodiversity Conservation Union Germany) and EWNRA (Ethio Wetlands and Natural Resources Association), which, through their Participatory Forest Management programme, demonstrate a more integrated approach that aligns profitability with social equity and environmental stewardship.

55 A Starbucks delegation visited Bensa Daye woreda in Sidama Region in January 2025. This visit was part of an under-the-radar trip to key Ethiopian suppliers to strengthen partnerships and explore increased sourcing of high-quality coffee. For more detail, see: Etenat Awol, 'High-Level Starbucks Delegation Visits Ethiopia Under the Radar', *Shega*, 20 December 2024. Accessed 18 August 2026, https://shega.co/news/high-level-starbucks-delegation-visits-ethiopia-under-the-radar.

The third dimension is described in the Jimma study, which affirms the role of certifiers (Fairtrade, Organic, Rainforest Alliance) in enabling cooperatives and farmers to secure better prices and access new markets, while also enhancing transparency and traceability.

The national scale: The state, reforms and regional assertiveness

The national scale is characterized by a dynamic interplay between federal institutions, shifting regulatory frameworks and the rising power of regional states. Key inter-related issues identified in the study findings include: 1) state initiatives; 2) the diminished role of the ECX and the rise of regional power; and 3) a shift from political identity to economic empowerment.

The Jimma report highlights state-led investment initiatives in the coffee sector; notably, a project undertaken by the office of the prime minister to construct 123 standardized warehouses. These facilities are intended to reduce post-harvest losses and prevent quality deterioration by providing adequate storage and handling infrastructure. Additionally, the initiative aims to enable traceability, improve grading and ensure compliance with the requirements of the specialty coffee market. The warehouses are located across several major coffee-producing areas, including Oromia, Gedeo, Sidama and West Arsi woredas. The study also issues a cautionary note, however, emphasizing that such state-led projects must be designed and implemented with sensitivity to existing inequalities. If not carefully managed, they risk entrenching patronage networks and exacerbating uneven patterns of development, thereby undermining the broader objective of balanced regional growth.

The three studies collectively document a significant power shift away from traditional federal institutions towards regional governments, particularly in Oromia. This power shift towards the regions has two dimensions. First, the Sidama study notes that coffee-producing regions such as Oromia and Sidama now wield greater power to influence the sector in favour of their producers, a result of a power shift from the geographic north to the south. It specifically mentions steps in Oromia to empower local traders and farmers, and increased investment in Sidama in coffee infrastructure since becoming a regional state in July 2020.

Second, all of the case studies indicate that the ECX, once a powerful gatekeeping institution under the EPRDF, has lost its institutional relevancy. Criticized as a predatory institution that exploited smallholder farmers, its role has been significantly diminished in the post-EPRDF era, with the Ethiopian Coffee and Tea Authority (ECTA) emerging as a more significant actor. The Jimma report documents the rise of Oromia as a dominant economic actor, which it interprets as a transformation of political identity into economic empowerment. Four pieces of evidence are presented in the study. First, the Oromia Coffee Farmers' Cooperative Union (OCFCU) has expanded dramatically, now representing more than 560,000 farmers and becoming one of the top 10 coffee exporters in the country. Second, the region accounts for 59 per cent of national coffee exports and its revenue collection is soaring, with coffee playing an enormous role. Third, the establishment of the Oromia Sovereign Wealth Fund to consolidate regional assets is presented as a direct parallel to the EPRDF-era practice of state-affiliated endowment fund but now at the regional level.[56] This is seen as a mechanism to build economic power to maintain political leadership. Fourth, the study corroborates this by noting the significant steps taken in Oromia to empower local actors. For instance, the proliferation of new exporters in Oromia following the reforms is cited as evidence of the opening up of the coffee sector.

The local scale: Smallholder marginalization and resistance

At the local level, the three studies converge on the finding that smallholder farmers, who produce most of the coffee in Ethiopia, remain marginalized and bear the brunt of the risks emanating from both global and national levels. This theme has three dimensions. First, the Sidama study emphasizes that despite coffee being a major source of foreign currency since the imperial era, the benefit for smallholder farmers (who produce 95 per cent of export coffee) remains minimal. Farmers are victims of global price fluctuations. They are also the ones investing time and costs in producing organic coffee yet they are also the ones facing the additional compliance costs of new regulations such as the EUDR.

Second, the Kaffa study frames smallholder farmers as located as the base of a hierarchical system, whose lived experience encapsulates the cumulative effect of patronage, dispossession and illicit accumulation. It argues that their participation in illicit flows is a rational response to their exclusion from formal markets.

Third, the Jimma study adds that smallholder farmers have poor bargaining power and are simply price-takers, selling to the traders who come to their vicinity. It critically notes that sector reforms, including those of 2008 and 2017, have proceeded with limited participation by smallholder coffee producers. In other words, these reforms lack full information derived from all key stakeholders, especially smallholders, and their interests consequently are not represented in macro-level changes. This dual effect undermines their livelihoods and, by extension, the national economy.

56 The Oromia Sovereign Fund is restructured from the previous Public Enterprise to centralize asset management and align investment with regional priorities. Its future investment areas include agriculture, mining and construction. Coffee is one of the investment areas. See: Mintesinot Nigusse, 'Oromia Forms Sovereign Wealth Fund to Consolidate Regional Assets', *Birr Metrics*, 23 July 2025. Accessed 6 August 2026, https://birrmetrics.com/oromia-forms-sovereign-wealth-fund-to-consolidate-regional-assets/.

Contestation over origin mythology

There is a consensus among scholars that coffee originated in Ethiopia.[57] While the origin of coffee in Ethiopia is confirmed by scholars, the question remains: Where exactly in the southwestern part of the country? This synthesis compares the findings from the two case studies that addressed the mythology surrounding the origin of coffee: the Kaffa–Bench-Sheko–Sheka belt and the Jimma–Buno Bedele–Ilu Aba Bora belt.

Both studies acknowledge Ethiopia as the global birthplace of coffee but reveal deep and politically charged divisions regarding the specific site of origin. The primary contest is between Kaffa zone in Southwestern Region and Gomma district (in particular the site of Kata Muduga) in Jimma zone in Oromia Region. The two studies present the central conflict as a dispute over geographical and historical primacy.

The Kaffa narrative

The Kaffa study presents Kaffa, both as a contemporary zone in Southwest Region and as the historical entity of Kaffa Kiflehager (province) as the origin of coffee.[58] This narrative draws on botanical, historical and cultural evidence. This includes the great genetic diversity of the region, its status as a UNESCO biosphere reserve, the local origins of the Kaldi legend and the etymological link between the words 'coffee' and 'Kaffa'. The Kaffa study frames this narrative as a foundational truth that is scientifically and culturally validated but politically contested. A key flashpoint is the public protest in Bonga on 26 November 2018, which was triggered by a change in Ethiopian Airlines marketing materials. This illustrates the high emotional and political salience of heritage claims. While Kaffa has received partial formal recognition such as hosting the National Coffee Museum and its UNESCO status, the study argues these gestures remain symbolic. They fail to secure broader acknowledgment of coffee as a cultural and historical asset originating in Kaffa.

Employing a political economy and epistemic justice lens, the study interprets the marginalization of Kaffa as a process of cultural and epistemic dispossession, where historical contributions are systematically overlooked in favour of a technocratic market-driven view of coffee as a mere commodity. It links the challenge to the primacy of Kaffa directly to post-2018 political transition in Ethiopia and emergence of multi-ethnic federalism, which intensified identity-based claims. According to the study, revisionist narratives serve to redistribute symbolic capital away from

57 Worku Derara Megenassa, 'The Ethnoarchaeology of Coffee in Ethiopia', in *Oxford Research Encyclopedia of Anthropology, ed. Mark Aldenderfer*, New York, NY: online edn, Oxford Academic, 2019–, DOI: 10.1093/acrefore/9780190854584.013.536; see chapter on coffee in James F Hancock, *Plantation Crops, Plunder and Power*, Abingdon, Oxfordshire: Routledge, 2017; Mesfin Tadesse and Legesse Nigatu, 'An ecological and ethnobotanical study of wild or spontaneous coffee, *Coffea arabica* in Ethiopia', in *The Biodiversity of African Plants. The XIVth AETFAT Congress Proceedings'*, eds. L J G van der Maesen, X M van der Burgt and J M van Medenbach de Rooy, Dordrecht: Kluwer Academic Publishers, 1996. DOI: 10.1007/978-94-009-0285-5_36.

58 During the Derg regime (1974–1991), Ethiopia was divided into 14 administrative units, including Eritrea. At this time, these units were referred to as '*Kiflehager*', which is a sub-part of the country.

Kaffa and are tied to the nation-building strategy of Prosperity Party, which risks flattening historical specificities. Ultimately, the struggle over the origin of coffee is framed as a high-stakes political and economic contest over branding rights, geographical indication status and access to economic rents, where cultural heritage becomes a site of accumulation and exclusion.

The Jimma narrative

The Jimma study acknowledges the Kaffa narrative but gives equal weight to a competing claim from the Jimma zone in Oromia, which identifies Kata Muduga in Gomma district as the true origin of coffee. This claim is supported by oral chronicles, recent literary sources[59] and a local version of the Kaldi legend situated on a hill in Kata Muduga. The study also notes a third ecologically oriented perspective that locates the natural habitat of coffee across the broader south-western forest belt, including Kaffa, Jimma and Buno Bedele, rather than a single point of origin. As with the Kaffa study, the Jimma study identifies the 26 November 2018 public protest in Bonga as a critical flashpoint, highlighting tourism, international branding and development as key economic interests fuelling the competition.

The Jimma study frames the conflict explicitly as a form of heritage politics, emphasizing the competition for recognition, institutional acknowledgment (such as UNESCO status) and the power to define the past. Adopting a more pluralistic and descriptive approach, it presents the competing claims from Jimma and Kaffa as two sides of the same coin, each driven by a desire for dignity, recognition and economic empowerment, without judging one as more valid than the other. It attributes the intensified competition to administrative shifts under multi-ethnic federalism, specifically the incorporation of Jimma into Oromia, and the pursuit of institutional recognition. Rather than framing the Jimma claim as politically motivated revision, the study portrays it as a product of local scholarship and oral tradition gaining prominence, with both zones actively seeking coveted prizes such as UNESCO status and national museums.

Synthesizing the findings from the two studies uncovers a multi-layered conflict. At its most basic level, this is a dispute over a historical fact: where coffee originated. At the same time, however, this is not simply a clash of historical narratives. Both studies collectively demonstrate that the contest is fundamentally about the present and the future, as the concept of 'origin' functions as a form of symbolic and economic capital. Together, the studies paint a picture of an intractable conflict where scientific, historical and cultural evidence (as presented for Kaffa) coexists with powerful, identity-affirming local narratives (as presented for Jimma).

These contestations over coffee origin mythology must be examined through historical and socio-political lenses. Coffee trade intensified during the medieval period in south-western Ethiopia. The ascent of the Shewan province as the epicentre of the modern Ethiopian state occurred after the inclusion of this resource rich region under Menelik II. Since then, the region

59 For example, see: Saalim Amin, *Seenaa Bunaafi Siyaas-Diinagdee Shanan Gibee* (*History of Coffee and Political Economy of Shenen Gibe*), Finfinne: Nejashi Printing PLC, 2025.

was administered from the centre as Kaffa *Teklaygizat* (imperial administrative unit)[60] under Haile Selassie and as Kaffa *Kiflehager* under the Derg regime. Following the 1991 regime change and the introduction of multi-ethnic federalism by the Federal Democratic Republic of Ethiopia in 1995, Kaffa zone was administered by Southern Nations, Nationalities, and Peoples' Region (SNNPR) and currently falls under Southwest Region as of September 2021, whereas Jimma zone is now administered by Oromia Region.

Thus, it can be argued that the disagreement over the origin of coffee is exacerbated by the administrative boundaries drawn under multi-ethnic federalism. These boundaries have transformed a shared regional heritage into a competitive asset between two distinct political units: Kaffa zone in Southwest Region and Jimma zone in Oromia Region. According to Kaffa study respondents, after 2018, this dynamic intensified Jimma claims as the origin of coffee, under what is portrayed as an Oromo-dominant regime led by the Prosperity Party. The 2018 Bonga protest stands as the ultimate symbol of this transformation. That a dispute over a promotional poster could mobilize thousands of people proves that the mythology of the origin of coffee has become a primary arena for negotiating power, identity and economic opportunity in contemporary Ethiopia.

Marginalized groups in the coffee sector

As with other economic sectors, there are marginalized groups in the coffee sector. The synthesis report compares the place of women and ethnic minorities in the coffee sector in the case studies.[61] As such, marginalization is considered along two dimensions: ethnicity and gender. In particular, this synthesis is organized around two specific themes: the identity-based exclusion of the Manjja and Majang communities, and the exclusion of women from the coffee sector.

The Kaffa report argues that these exclusions are the product of deeply embedded power asymmetries, reproduced through governance frameworks, long-standing histories of cultural hierarchy, identity-based discrimination and gender inequality. The study reports the experiences of the Manjja and Majang communities, alongside the persistent marginalization of women, to illustrate a system in which state institutions fail to protect vulnerable groups.

The exclusion of the Manjja, the Majang and women is a structural outcome of a political economy in which traditional hierarchies, discrimination and gender norms are reproduced through contemporary governance frameworks. State ineffectiveness at both federal and regional levels in protecting land rights, ensuring inclusive institutions and addressing historical injustices has created a coffee economy that functions as a sieve, extracting labour and produce from the margins while filtering out benefits. The Kaffa study concludes that for these marginalized

60 An imperial administrative unit, the term '*Teklaygizat*' is composed of two words: 'Teklay' (general) and 'Gizat' (rule).

61 The Jimma study does not address the issue of marginalization along gendered or ethnic lines. The Kaffa study discusses both and the Sidama study only discusses the gender dimension.

groups, the consequences are existential: dispossession, precarity and exclusion from the future promised by one of the most valuable commodities in Ethiopia.

Identity-based exclusion: The Manjja and Majang communities

The Kaffa study identifies marginalization along the lines of identity and livelihood styles, with the Manjja and Majang communities in Southwest Ethiopia being notably affected. This marginalization extends beyond social status to permeate the coffee sector (see Box 1 and Box 2 for narratives of the Manjja and Majang communities, respectively).

As documented in the Kaffa study, a recurring mechanism of dispossession across the Manjja and Majang communities begins with seemingly voluntary arrangements, sharecropping or pre-harvest loans offered by settlers. When harvests fail or debt accumulates, marginalized farmers are compelled to sell their land. Disparities in commercial knowledge, capital and social power make this a forced transfer, rather than one based on free market practices.

Gendered exclusion: The systematic sidelining of women

Studies show that women play a crucial role in coffee production in Ethiopia. The ECTA, for example, shows that women account for approximately 70 per cent of the workforce across all levels of the coffee value chain.[62] In Sidama and Gedeo, women perform 70 per cent of farm labour but control only 10 per cent of income.[63] Similarly, male-dominated cooperatives exclude women from decision-making.[64] Despite their significant role in coffee production, women are not reaping the rewards of income generated from coffee proportional to their involvement in the coffee value chain.

As the Kaffa study indicates, gendered exclusion is pervasive and systematically sidelines women from meaningful participation in the coffee value chain. Women's roles are largely confined to unpaid family labour or low wage tasks, while men dominate landownership, cooperative membership, marketing decisions and control over income. The Kaffa study also reveals that women are effectively excluded from key institutional nodes such as cooperatives, unions and credit systems.

This gender gap is rooted in customary norms but reinforced by formal institutional practices. Although land certification reforms in Ethiopia have introduced joint titling to strengthen women's land rights, implementation has been uneven. Certificates are often issued primarily in men's names, or formal inclusion does not translate into substantive authority over land use, crop marketing or income management. Entrenched patriarchal norms and administrative practices continue to recognize men as de facto household heads.

62 Ethiopian Coffee and Tea Authority, 'Gender Equality Strategy', Addis Ababa: Ethiopian Coffee and Tea Authority, 2024. Accessed 18 August 2026, https://ethiolatincoffee.com/wp-content/uploads/2025/01/8.-GES-Booklet.pdf.

63 Ethiopian Coffee and Tea Authority, 'Gender Equality'.

64 Mekuria Worku, 'Gender and Coffee Value Chains in Ethiopia: Unpaid Labor and Market Exclusion', *Feminist Economics* 25/4 (2019).

Consequently, even when women contribute most of the labour, they lack decision-making power and control over proceeds. The Kaffa study argues that from a political economy perspective, this exclusion represents not only a social injustice but also a structural inefficiency that under-utilizes women's potential while reproducing dependency and vulnerability.

Box 3. The Manjja: Denied recognition and dispossessed

The Manjja community exemplifies how identity-based exclusion operates in the coffee sector. Historically stigmatized foraging groups, they have faced long-term social segregation and have mobilized since at least 1977 to seek recognition as a distinct ethnic group. The repeated denial of these claims for recognition by government authorities, which culminated in violent confrontations in 2002, reflects the intensity of their marginalization and the closure of institutional channels to redress this persistent lack of recognition.

This history of denied recognition underpins their contemporary vulnerability. Although many Manjja households formally possess land rights and cultivate coffee, these rights are weakly protected and easily undermined. Their limited access to credit, agricultural extension services and cooperatives renders them highly susceptible to distress sales and predatory lending.

The post-2018 political transition further exacerbated their position by empowering new local elites and settlers, while simultaneously fragmenting the collective capacity of the Manjja to mobilize. Increased militarization and economic precarity have constrained resistance, allowing land appropriation to proceed. Exclusion also operates through everyday market mechanisms: credit, certification and licensing do not function as neutral tools but as filters that channel benefits upward. Coffee farming for the Manjja increasingly results in distress sales, debt traps and outright displacement, reducing many to daily labourers and subjecting them to overt social prejudice.

Box 4. The Majang: Territorial fragmentation and asset transfer

Majang communities, particularly in Sheka zone and adjacent areas, experience a pattern of structural exclusion. Despite their constitutionally recognized status as an indigenous group, their traditional forest-based livelihoods are often framed by state institutions as backward or environmentally degrading. The Kaffa study notes that this narrative justifies their systematic exclusion from formal agricultural support systems, technical assistance and cooperative membership.

Their weak integration into formal institutions creates extreme precarity. While some Majang households hold land and cultivate coffee, they are often compelled to sell ancestral farms to affluent traders from urban centres. This process represents a clear transfer of productive assets from a marginalized group to politically powerful actors, facilitated by a governance regime indifferent to communal land rights.

Key respondents identify two conflicts that followed between 2011 and 2015 related to the struggles over the means of coffee production. Majang youth have resorted to forceful harvesting or destruction of coffee plantations on land perceived as stolen, acts of informal reclamation that reflect the collapse of legitimate dispute resolution avenues. Their political marginalization is compounded by fragmented territorial incorporation across multiple regional states. Even where they hold formal zonal status, there is a persistent gap between recognition and substantive power, leaving them exposed to land grabs.

Recommendations

Taken together, the three case studies provide a thorough analysis of the political economy of coffee in Ethiopia. They examine the history, governance, and changes and continuities among the actors and institutions involved. Empirical analyses identify the major challenges confronting smallholder producers, cooperatives, traders, suppliers and exporters. The local, national and global contexts are analysed through a political economy lens. Based on the findings of all three case studies, this synthesis report identifies policy contexts and policy implications for the improved implementation of the 2017 coffee sector reform.

Policy contexts

The political economy surrounding the Ethiopian coffee sector is irregular and does not exhibit a homogeneous trend. In part, this is due to the status of coffee as the single most important export commodity under successive Ethiopian regimes to date. The diverse nature, positions and interests of the major actors add further complexity to the sector. Consequently, all efforts to address equity issues in the coffee sector must consider the following critical context-related points:

- The centre–periphery relationship persists in the coffee sector. All successive regimes have been criticized for resource extraction and the exploitation of smallholder farmers. Land has remained a central issue from the imperial era to the current Prosperity Party regime.
- There is no conclusive evidence to assert that smallholder coffee farmers have benefitted from the 2017 coffee sector reform. Otherwise, their livelihoods would have improved. This is not the case.
- Systematic entry barriers prevent local coffee traders from ascending to higher echelons of the coffee value chain, which are dominated by established non-local suppliers and exporters. This has resulted in conflicts that take on ethnic dimensions. Although tension appears latent at present, it may become active unless such unequal relationships are addressed promptly. The participation of local actors in coffee supply and export would benefit established traders by mitigating the emergence of conflict along ethnic lines.
- Institutionally, cooperatives are in a dire situation. In some coffee belts, most have ceased functioning, primarily due to limited financial resources, managerial weaknesses and corruption.

- Illicit coffee trade diverts foreign currency earnings and undermines government revenue. For instance, the magnitude of domestic illicit trade reaches up to 70 per cent of total coffee produced in Sidama.
- The ethnic marginalization of communities such as the Manjja and Majang, compounded by their eviction from ancestral lands for coffee investment purposes, has significantly exacerbated the deterioration of their livelihoods. In response, there have been reported incidences of youth attacks on coffee investment infrastructure (large plantations).

The 2017 coffee reform has introduced unprecedented effects in the coffee sector, including:

- Farmer exporters face challenges in accessing markets. Moreover, they are not welcomed by established exporters, who have delayed their licensing and market entry.
- The Ethiopia Commodity Exchange (ECX) and the Ethiopian Coffee and Tea Authority (ECTA) are functioning in parallel, which has given rise to competition between them.
- The vertical integration model is not uniformly implemented across regions. The regions of Oromia, Sidama and South Ethiopia have implemented it extensively, whereas Southwest Region lags behind. In Southwest Region, the coffee sector has not received focused attention, which could have translated the political gain of becoming a regional state into economic empowerment.
- Cooperatives and their unions, which held exclusive direct export rights prior to the 2017 reform, face fierce competition from private traders and exporters. The latter are now permitted to purchase directly from smallholders, offering better prices and immediate cash payments.
- The land issue, contentious since the imperial era, has resurfaced under the current administration. Exporters, who are also permitted to produce coffee, are extensively engaging in informal land purchases, which may eventually result in landlessness for smallholders.
- Suppliers perceive the engagement of established Addis Ababa-based exporters in direct coffee purchases as a threat to their previous intermediary role between smallholder farmers and exporters.
- The contractual agreement between suppliers and exporters in direct coffee marketing has once again raised issues of trust. The current mistrust, accusations and counteraccusations between these two actors need to be addressed for sustainable coffee marketing.
- The European Union, which championed the 2017 coffee reform, has issued the European Union Deforestation Regulation (EUDR), which seeks to curb deforestation and forest degradation associated with coffee production. The EUDR mandates traceability as a core requirement to ensure deforestation-free coffee production and marketing. This has introduced technical challenges for smallholder producers, in particular in terms of traceability and land measurement.

Policy implications

- The 2017 coffee reform, which aims to benefit smallholder producers, is variously perceived by key stakeholders. Understanding these differing perceptions and the uneven implementation of the 2017 reform across regions is vital to meeting its intended objectives.
- Improving the livelihoods of coffee farmers in Ethiopia requires a holistic approach that addresses the structural challenges identified in the three case studies, with awareness of these challenges being crucial to ensuring equity in benefit sharing.
- Land use rights should be translated into property ownership so that export farmers and smallholder producers can obtain loans from formal creditors.
- Farmer exporters should be allowed to form loose associations at the kebele or subworeda level to export collectively and gain access to credit. Such microunit associations would not compromise traceability since there would not be much variation in soil type, climate and altitude at such micro-levels.
- Understanding the precarious position of cooperatives is vital to strengthening them by addressing their competitive disadvantages and structural weaknesses.
- Awareness of the extent and scale of illicit coffee trade and its adverse effects on the macro-economy is a prerequisite to effectively combating illicit coffee trade both domestically and across borders. Otherwise, revenues and foreign earnings will eventually dwindle. Addressing structural pitfalls in law enforcement should take into account intricate smuggler networks and their use of corruption as an essential tool of this trade.
- Understanding the weaknesses in the vertical integration model is vital to restructuring it. In particular, the model should not transgress the current multi-ethnic federalism; rather, ECTA centralized control should be devolved to the regions. For instance, a more robust coffee sector managed by federations of coffee traders and producers would better support local business operations and reduce dependence on Addis Ababa-based brokers for finding buyers.
- The recent National Bank of Ethiopia directive allowing full retention of foreign exchange earned from coffee exports may discourage crossborder coffee smuggling. At the same time, however, this may encourage opportunistic exporters, who have been known to inflate coffee purchase prices above export values.
- The ECTA should formulate a coordinated effort for certification under the EUDR. Awareness of the technical complexities in implementing the EUDR is vital for joining forces with donors to prepare adequately for FY 2026–2027. The EU has extended the previous deadline to 30 December 2027 for smallholder producers, allowing them sufficient time for geolocation of their coffee farms and traceability.

Glossary of acronyms, words and phrases

akrabies	(*Amharic*) coffee supplier
ECTA	Ethiopian Coffee and Tea Authority
ECMC	Ethiopian Coffee Marketing Corporation
ECX	Ethiopia Commodity Exchange
EDRI	Ethiopian Development Research Institute
EIAR	Ethiopian Institute of Agricultural Research
EPRDF	Ethiopian People’s Revolutionary Democratic Front
EUDR	European Union Deforestation Regulation
FY	fiscal year
kebele	(*Amharic*) ward; administrative unit below a woreda
khat	A mildly narcotic plant (*Catha edulis*) native to the Horn of Africa.
Kiflehager	(*Amharic*) province; highest subnational administrative division (Derg regime)
NBE	National Bank of Ethiopia
OCFCU	Oromia Coffee Farmers’ Cooperative Union
SCFCU	Sidama Coffee Farmers’ Cooperative Union
sebsabies	(*Amharic*) coffee collector
SNNPR	Southern Nations, Nationalities, and Peoples’ Region
Teklaygizat	(*Amharic*) administrative unit (imperial era)
TPLF	Tigray People’s Liberation Front
UNESCO	United Nations Educational, Scientific and Cultural Organization
woreda	(*Amharic*) district; the primary local administrative unit
Zemene Mesafint	(*Amharic*) Era of Princes

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Annex

Table 1. The three case study areas with key informants by type and number.

Study Belt: Sidama-Gedeo-Guji			
Study Zones	***Woredas***	**Informants by type & number**	**Major themes covered**
Sidama Region	Hawassa city Dale woreda Aleta Wondo woreda Bensa Daye woreda	• Farmers (21) • Small traders or sebsabies (3) • Brokers (3) • Suppliers or akrabies (11) • Exporters (8) • Cooperative leaders/members (19) • Union leaders (2) • Regional officials (2) • ECTA expert (2) • ECTA leader (5) • Customary elders (3) • Coffee experts (2) • Supplier association (1) • ECX expert/leader (1) ***Total (N=83)***	• History & governance • Actors • Smugglers • Institutions • Marketing systems • Corruption • Power dynamics • Multi-scalar politics
Gedeo zone	Dilla town Dilla Zuria woreda Yirgacheffee woreda Gedeb woreda		
West Guji zone	Bule Hora town Bule Hora Zuria woreda Abaya woreda		
East Guji zone	Shakiso woreda		

Study Belt: Kaffa-Bench-Sheko-Sheka			
Study Zones	***Woredas***	**Informants by type & number**	**Major themes covered**
Kaffa zone	Bonga town Gimbo woreda Shisho Ende woreda	• Farmers (10) • Individual exporters (3) • Cooperative leaders/members (6) • Union leaders (4) • Regional officials (6) • ECTA regional leader (1) • ECX expert/leader (2) • Large plantations/exporters (2) • Marginalized groups (Manjja & Majang) (3) • NGOs (2) • Scholars and opinion leaders (5) • Brokers association (1) • Illicit traders (smugglers) (2) ***Total (N=47)***	• History & governance • Actors • Smugglers • Institutions • Marketing systems • Corruption • Power dynamics • Multi-scalar politics • Coffee heritage politics
Bench-Sheko zone	Mizan Aman town Sheko town Sheko woreda Debub Bench woreda		
Sheka zone	Teppi town Yeki woreda		

Study Belt: Jimma-Buno Bedele-Ilu Aba Bora			
Study Zones	***Woredas***	**Informants by type & number**	**Major themes covered**
Jimma zone	Jimma city Manna woreda Gomma woreda Seka Chekersa woreda Limmu Kossa woreda	• Farmers (12) • Small traders or sebsabies (1) • Brokers (2) • Suppliers or akrabies (4) • Investors (1) • Exporters (1) • Cooperative leaders/members (7) • Union leaders (1) • Cooperative Bank of Oromia (1) • ECTA leader (3) • ECTA expert (2) • ECX expert (1) • Illicit coffee traders (6) • Investor (1) • Education expert (1) • Student parent (1) • Child right lawyers (2) • Total (N=47) ***Total (N=47)***	• History & governance • Actors • Smugglers • Institutions • Marketing systems • Corruption • Power dynamics • Multi-scalar politics • Coffee heritage politics
Bench-Sheko zone	Bedele town Bedele Zuriya woreda		
Ilu Aba Bora	Mettu town Gore Gommor woreda		
Overall Total ***N=177***			

Table 2. Summary of the changes in coffee governance and history across three themes and four regimes.

Theme	Imperial	Derg	EPRDF	Post-2018 (Prosperity Party)
Extractive governance	Landlordism, tribute obligations	State marketing boards (ECMC), state-determined prices, compulsory deliveries	Political capture of export channels, ECX manipulation, party-affiliated enterprise preference	Vertical integration (bypass ECX); better prices but transparency issues; mixed evidence of benefit
Land tenure	Crown property; usufruct to northern landlords; dispossession	Nationalized; state ownership	State ownership retained; informal land sales persisted	State ownership unchanged; increased illegal land sales
Autonomy vs. economic power	No autonomy; full extraction	No autonomy; centralized control	Formal political autonomy but no economic power, which fuelled grievances and led to autonomy movements (e.g. Sidama)	Continued disjunction; Southwest 'resource rich but poor'; ongoing autonomy demands

Table 3. Evolution of patronage in the coffee sector during the EPRDF period and post 2018 period.

Feature	EPRDF period (centralized patronage)	Post-2018 period (diffuse clientelism)
Nature	Systematic, centralized and predictable	Fragmented, informal and institutionally mediated
Mechanism	Party affiliation mediated access to licences, credit and markets. State-linked enterprises (e.g., Guna Trading House, Tumsa Endowment) enjoyed privileged positions. The ECX functioned as a gatekeeping instrument.	Overt party affiliation is less decisive. Gatekeeping operates through informal networks, bureaucratic discretion and, most importantly, access to capital.
Role of ethnicity	Embedded in the multi-ethnic federal structure but mediated through party structures.	Remains influential indirectly, shaping how authority, trust and access are negotiated within an ethnically structured state. Perceptions of ethnic favouritism persist, though the sector is more diverse.
Key example	Guna Trading House preferential access as an EFFORT sister company.	Sinqee Bank lending practices, which favoured politically connected but insolvent borrowers, weakening formal governance for patron-client relations.

Table 4. Top ten coffee exporters in Ethiopia 2017–2025

Rank	FY 2024/25			FY 2018/19	FY 2017/18
	Total	Washed	Unwashed		
1	Abdulhakim Mohammed Gelato	Tracon Trading PLC	Abdulhakim Mohammed Gelato	Kerchanshe Trading	Kerchanshe Trading
2	Tracon Trading PLC	Adulina Coffee Exporter PLC	Tracon Trading PLC	Tracon Trading PLC	Adem Kedir Haji Hassen
3	Hadeed Trading PLC	Abdulhakim Mohammed Gelato	Hadeed Trading PLC	Adem Kedir Haji Hassen	Tracon Trading PLC
4	Mullege PLC	Daye Bensa Business PLC	Mullege PLC	OCFCU	OCFCU
5	Nefas Silk Paints Factory PLC	Testi Trading PLC	Kebir Coffee Trading PLC	Mullege PLC	SCFCU
6	Kebir Coffee PLC	Kerchanshe Trading PLC	Nefas Silk Paints Factory PLC	SCFCU	Mullege PLC
7	ENT industry & Trading PLC	Nefas Silk Paints Factory PLC	ENT industry & Trading PLC	Abbahawa Trading PLC	Abbahawa Trading PLC
8	Testi Trading PLC	Mullege PLC	Testi Trading PLC	ENT industry & Trading PLC	S.A. Bagersh PLC
9	Adulina Coffee Export PLC	ENT industry & Trading PLC	Kerchanshe Trading PLC	S.A. Bagersh PLC	Arfasa General Trading PLC
10	Kerchanshe Trading PLC	Hadeed Trading PLC	Daye Bensa Business PLC	Arfasa General	ENT industry & Trading PLC
11	Daye Bensa Business PLC	Kebir Coffee PLC	Adulina Coffee Export PLC		

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