The Political Economy of Coffee in the Kaffa-Bench-Sheko-Sheka Belt, Southwest Ethiopia Region

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The Political Economy of Coffee in the Kaffa-Bench-Sheko-Sheka Belt, Southwest Ethiopia Region

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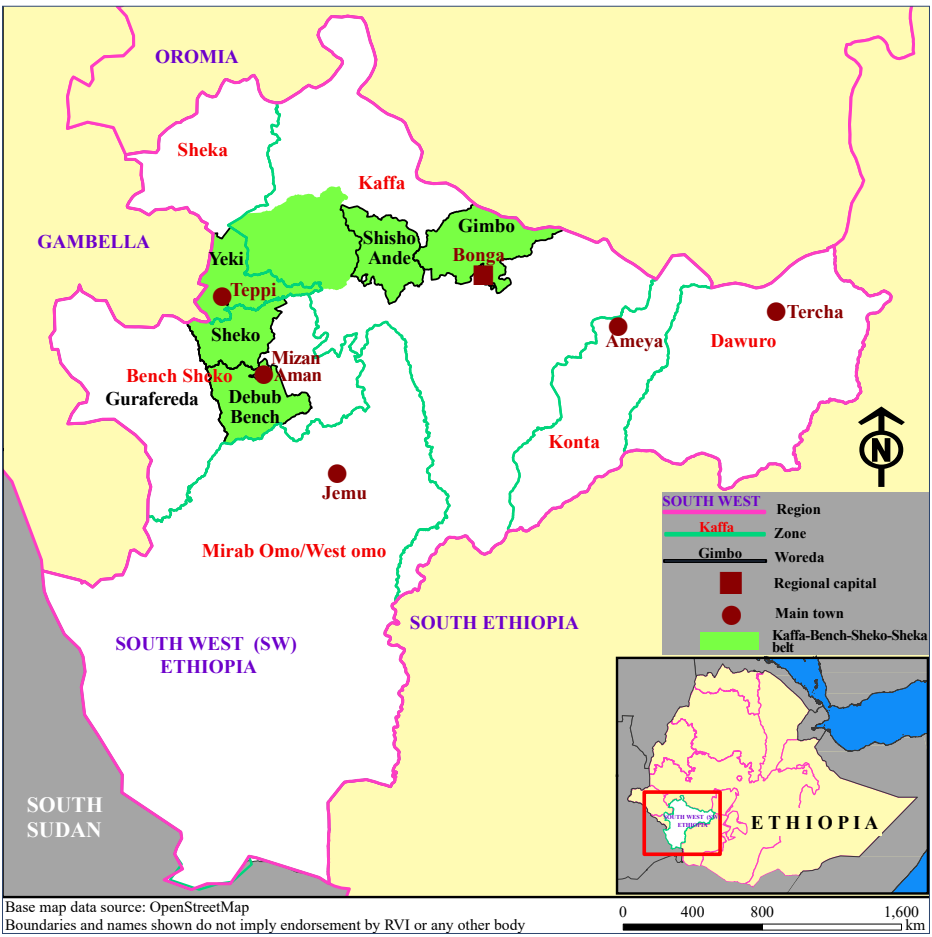
Summary

- This study provides a critical political economy analysis of the coffee sector in the Kaffa–Bench-Sheko–Sheka belt in Southwest Ethiopia Peoples' Regional State, the genetic and cultural heartland of Arabica coffee (*Coffea arabica*). Based on 47 key respondent interviews, the study reveals that persistent underdevelopment of the sector does not stem from technical market failures but from entrenched governance failures, institutional fragmentation and unequal power relations.
- Tracing coffee governance from Menelik II through the Derg, EPRDF and Prosperity Party, successive regimes have treated the resource-rich belt as a source of foreign exchange for national development while systematically marginalizing local communities.
- Fragmented federal, regional and local institutions create a governance vacuum filled by informal power networks. Politically connected elites, senior bureaucrats and large-scale investors capture land licences and export rents, with corruption functioning as a mode of governance.
- The majority of coffee producers cultivate less than 1 hectare of land in forest and semi-forest systems. Despite being commodity producers and environmental stewards, they occupy weak positions in the value chain with limited influence over pricing, credit, extension services and markets.
- Direct export channels exist for farmers who cultivate 2 or more hectares of land but these only remain accessible to a wealthy minority. Most smallholders engage indirectly through cooperatives, private traders and informal networks.
- Large-scale plantations operate with direct market access and certifications. Relations with authorities feature negotiated autonomy: federal tax compliance alongside persistent local demands, selective enforcement and political protection, which are countered by labour shortages, ethnic stigmatization and youth contestation.
- Private traders (locals and non-locals) serve as financers, logisticians and market coordinators. While structurally necessary, their informational and financial power enables them to influence farm-gate prices and capture value, particularly through pre-harvest loans that bind smallholders into debt and land dispossession.
- Operating under foreign exchange scarcity, many exporters prioritize access to foreign currency over direct coffee profits, realizing their gains through import activities. This incentivizes rent-seeking, quality downgrading, invoice manipulation and speculative purchasing.
- Zonal unions have grown materially, facilitating Fairtrade International and Organic certification for thousands of smallholders. Yet they face elite capture, governance gaps, capital shortages, side-selling and competition from private traders.

- The 2017 coffee sector reform shifted from the horizontal integration model under the Ethiopian Commodity Exchange (ECX) to the vertical integration model introduced managed by the Ethiopian Coffee and Tea Authority (ECTA).
- Vertical integration allows exporters to bypass auctions at the ECX. While framed as an efficiency reform, vertical integration has concentrated market power among connected exporters, enabled rent-seeking, weakened cooperatives and introduced opacity and regulatory capture, accelerated by administrative adjustments rather than legal prohibition.
- International certification agencies and conservation NGOs shape production practices and market access. Participatory forest management has reduced deforestation and strengthened local governance. Compliance costs, however, are unevenly distributed and financial benefits are diluted by administrative capture, leaving farmers to bear the costs while premium-conversion infrastructure remains weakest where coffee is grown.
- Protected smuggling networks operate extensive domestic and cross-border routes, draining foreign exchange and directly challenging state authority. Violent enforcement exemplified by a July 2025 incident in Chena town in Kaffa zone, where smugglers killed a police officer, demonstrates an alternative practical authority operating alongside formal authority.
- Land is the central axis of accumulation and conflict. Dispossession occurs through subtle mechanisms—pre-harvest loans, debt traps, unequal sharecropping and administrative manipulation—transforming smallholders into dependent labourers. Indigenous communities and women face structural exclusion from land rights, cooperative membership, credit and decision-making.
- The birthplace of coffee is a struggle for symbolic and economic capital, in a context where boundary shifts in the 1990s that created divisions between parts of an area with some shared history of environmental and administrative experience and identity have been compounded by further administrative restructuring in the post-2018 transition process. Contemporary Kaffa's narrative draws on scientific and historical evidence but in the post-2018 context, competing narratives (particularly centred on Jimma) seek to redistribute branding rights and geographical indication benefits, triggering local protest and reflecting broader struggles over recognition in Ethiopian ethno-federalism.
- The impending European Union Deforestation Regulation (EUDR) creates a paradox: Forest-based sustainable coffee systems are managed by the very smallholders least equipped to meet traceability and compliance demands. Without coordinated investment, the EUDR risks excluding smallholders from premium markets, reinforcing informality and deepening inequalities.
- The Southwest Ethiopia Peoples' Regional State coffee sector stands at a critical juncture. Its future depends on confronting fundamental issues of power, accountability and institutional integrity, moving beyond technical fixes to restructure governance, rebalance market power, address historical grievances, strategically navigate the EUDR and foster transparency across the coffee value chain.

Map: Kaffa-Bench-Sheko-Sheka coffee belt



Base map data source: OpenStreetMap
Boundaries and names shown do not imply endorsement by RVI or any other body

Introduction

The prized Arabica coffee bean (*Coffea arabica*) occupies a central position in the political economy of Ethiopia. It accounts for approximately 30 to 35 percent of national export earnings and supports the livelihoods of an estimated 15 to 20 million Ethiopians directly or indirectly.[1] As the fifth-lzd reform initiatives, global market forces and historically embedded local social relations intersect. Rather than producing coherence, these interactions give rise to institutional fragmentation where formal regulations coexist with informal governance systems, selective enforcement, and unequal access to land, capital and political authority.

The Kaffa–Bench-Sheko–Sheka belt in Southwest Ethiopia Peoples' Regional State (hereafter, Southwest Ethiopia Region) is one of the principal coffee-producing regions in the country. A unique feature of this coffee belt is the forest coffee system, which is a minimally invasive cultivation method based on the stewardship of naturally occurring wild coffee trees. Local communities selectively harvest wild coffee berries while maintaining the ecological integrity of the forest, thereby preserving its biodiversity and structural complexity. Although this system accounts for approximately 10 per cent of national production, it holds exceptional genetic and cultural significance, underscoring the importance of integrating ecological sustainability with equitable economic development.[2]

Despite the paramount importance of coffee to the Ethiopian economy at all levels (local, regional and national) and to the social fabric of the country, the political economy of the coffee sector remains one of the least studied aspects of Ethiopian agriculture, both nationally and in the Kaffa–Bench-Sheko–Sheka coffee belt. Existing literature mainly focuses on agronomic practices, value chain efficiencies and climate adaptation, while paying insufficient attention to the political economy of coffee—how power relations, institutional arrangements and historical legacies shape governance outcomes across the coffee value chain.[3] Although scant, available political economy analyses underscore that governance failures in the coffee sector cannot be understood through technical or agronomic lenses alone. Rather, they are deeply rooted

1 Central Statistical Agency, 'Agricultural Sample Survey 2015/16 (2008 EC): Report on Area and Production of Major Crops (Private Peasant Holdings, Meher Season), Volume I, Statistical Bulletin 584, Addis Ababa: Central Statistical Agency, 2016.

2 Kristoffer Hylander et al., 'Lessons from Ethiopian coffee landscapes for global conservation in a post-wild world', *Communications Biology* 7/714 (2024). DOI: 10.1038/s42003-024-06381

3 There are three notable exceptions that have benefitted this study: 1) Alban Mas Aparisi, 'Coffee makers: how politics, economics, and evidence shaped coffee policy in Ethiopia, 1950–2018', PhD thesis, SOAS, University of London, London, 2024; 2) Robert Steel Love, 'Political Economy of the Coffee Filiere in Ethiopia', PhD thesis, University of Leeds, Leeds, 2002.; and 3) Almaw Kifle, 'The Political Economy of Coffee Production, Processing and Marketing in Gedeo and Sidama: Local, National and Global Developments (1941 to 2010)', PhD dissertation, Addis Ababa University, Addis Ababa, December 2015.

in historical power dynamics and institutional choices that continue to inform contemporary outcomes.

That is, the Ethiopian coffee sector is driven by political-economic forces and state intervention rather than technical or evidence-based policymaking. This is demonstrated through successive regimes that prioritize short-term rent capture and maintain centralized market institutions across radically different political systems. Given this, a historical–institutional orientation is useful for tracing persistent patterns of unequal benefit distribution along the coffee value chain, with merchants, brokers and the state capturing disproportionate gains relative to smallholder producers.

Methodology

The study employs a qualitative research methodology to undertake a comprehensive multi-stakeholder analysis of the political economy of the Ethiopian coffee sector, focusing on the Kaffa–Bench-Sheko–Sheka coffee belt in Southwest Ethiopia Region.[4] The specific study areas in each of these three zones are purposively selected based on their historical importance, cultural significance and ecological relevance to coffee production. Combined, they constitute an ideal microcosm for examining the political economy of coffee in this belt. The methodological design integrates an extensive desk review of academic literature and policy documents to establish a contextual foundation.

This secondary data was substantiated through 47 key informant interviews conducted with a diverse group of value chain actors, including government officials, small and medium traders, cooperative leaders, exporters, smallholder farmers, marginalized groups, NGOs and brokers. Study participants range in age from 28 to 72 years old; all were male. One focus group discussion with six members from *Abren Enideg* (let's grow/progress together) brokers' association was held in Teppi town administration to draw out collective views of the coffee value chain and pertinent challenges therein. The key respondents were also purposely selected due to their knowledge and understanding of the changes and continuity in the coffee sector in the belt. They come from various districts (*woredas*) in the coffee belt, including: 1) Kaffa zone: Bonga town administration, Gimbo, Shisho Ende and Shishinda city administration; 2) Bench-Sheko zone: Mizan-Aman, Debub Bench, and Sheko district and Sheko town; and 3) Sheka zone: Yeki district and Teppi town administration. Direct observation of relevant data and focus group discussions with respondents in each zone were also used to support the interview data. Primary data were collected from the study areas during September and October 2025.

4 The remaining three zones in the region—namely, West Omo, Dawuro and Konta—are not included in this study due to geographic factors. Although coffee is also produced in these areas, the study instead adopts a continuum coffee belt that does not follow administrative boundaries.

Description of the study areas

The climatic conditions in the Kaffa–Bench-Sheko–Sheka coffee belt sustain one of the most critical and biodiverse ecosystems in the country: the Afromontane rainforests, making it one of the most humid regions in Ethiopia.[5] The belt contains vast forest blocks, most notably the Shekacho forest (approximately 2,300 km^2 in Sheka) and the forests of the Kaffa Biosphere Reserve, which collectively form part of the Eastern Afromontane Biodiversity Hotspot. Overall, forest cover is significant, reaching 55.6 per cent in Kaffa alone. These forests are not merely ecological treasures but are intrinsically managed through integrated human–nature systems. Governance models such as the UNESCO Biosphere Reserves in Sheka (designated in 2012)[6] and Kaffa (designated in 2010, with a total area of 7,600 km^2) implement a zoned approach, with core areas reserved for limited harvesting of wild coffee, traditional beekeeping (Kobo forestry) and medicinal plants, surrounded by buffer and transition zones that allow for more extensive cultivation and settlement.

The coffee belt is the genetic heartland of *Coffea arabica*, hosting an estimated 5,000 wild Arabica varieties in its forests, a genetic resource of global importance for climate resilience and breeding.[7] This underpins an economy deeply linked to the forest. Livelihoods across the belt are sustained by a mix of subsistence agriculture such as maize, taro (*godere*) and false banana (*enset*), and the commercial harvesting of forest products, most notably coffee (both wild and cultivated) as well as honey, spices and other non-timber forest products. Ecotourism is an emerging sector in the region, although it is currently in initial stages.

In addition to its ecological significance, this belt is characterized by considerable demographic diversity. It is home to a diverse array of ethnic groups, including 13 recognized indigenous nationalities alongside other communities, each with distinct geographical locations, languages, cultural practices and social identities. It is primarily inhabited by the Kaffecho, Shekacho, Bench and Sheko peoples, alongside several indigenous communities, including the Nao and Chara in Kaffa zone and the Majang in Sheka and Bench-Sheko zones.[8] The historically marginalized Manjja community is also widely dispersed across these three zones as well as in adjoining areas of Gambella Region and Oromia Region.[9]

5 Muluye Asnakew et al., 'Floristic composition, structure and regeneration status of Bengi forest in Gesha district of Kafa zone, Southwest Ethiopia', *BMC Plant Biology* 25/1243 (2025). DOI: 10.1186/s12870-025-07160-y Unless otherwise specified, the remaining data in this paragraph is derived from this source.

6 Yericho Berhanu et al., 'Carbon stock dynamics in Sheka forest biosphere reserve, Ethiopia: A 60-year trajectory (1990–2050) and its implications for ecosystem services and conservation', *Scientific African* 30 (December 2025). DOI: 10.1016/j.sciaf.2025.e03104

7 XLIII Coffee R&D and Editorial Board, 'Kaffa Coffee and the Journey from the Ethiopian Rainforest', XLIII COFFEE. Accessed 31 August 2026, https://xliiicoffee.com/en/journal/kaffa-coffee-ethiopian-forest-journey/.

8 The Majang population extends beyond this belt, residing predominantly in Majang zone of Gambella Region and reaching into neighbouring Oromia zones, in particular Ilu Aba Bora zone.

9 Nature and Biodiversity Conservation Union, ed., 'NABU's Biodiversity Assessment at the Kafa Biosphere', Berlin/Addis Ababa: Nature and Biodiversity Conservation Union, 2017.

Coffee governance: History, actors and institutions

The political economy of coffee in Ethiopia has undergone profound shifts across successive regimes, each marked by distinct approaches to land tenure, state authority, commercialization and centre–periphery relations. From Emperor Menelik II's late nineteenth-century expansion to the present, the south-western territories, especially the Kaffa–Bench-Sheko–Sheka coffee belt, have been integral to commodity extraction, fiscal consolidation and state-building while simultaneously experiencing persistent political marginalization and uneven development.[10] Understanding these dynamics requires tracing how regimes reconfigured land rights, administrative control and market institutions to organize resource extraction and manage policies in ethnically diverse and regionally autonomous contexts.[11] In this regard, the south-western region can serve as a strategic lens through which to view broader national patterns linking coffee commercialization, state formation and regional inequalities.[12]

By the end of the nineteenth century, Emperor Menelik II (1889–1913) challenged prevailing religious taboos by publicly drinking coffee and encouraging its consumption among Christian communities, helping shift the beverage from one associated mainly with Muslims to one embraced across faiths and regions as part of broader nation-building efforts. This symbolic endorsement played an important role in integrating coffee into the cultural life of the emerging Ethiopian state, fostering social cohesion at a time when the empire was consolidating diverse populations into a single polity.[13]

Emperor Menelik II's military conquest incorporated the south-western polities, including the Kaffa–Bench-Sheko–Sheka coffee belt, through coercive incorporation and administrative consolidation.[14] In part, this was driven by the ambition to command lucrative commodities (notably coffee) and fertile lands.[15] Incorporation entitled the establishment of imperial outposts and a centralized, hierarchical land and fiscal order. Unlike the northern *rist* (lineage-

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

11 Donald Crummey, *Land and Society in the Christian Kingdom of Ethiopia: From the Thirteenth to the Twentieth Century*, Urbana and Chicago: University of Illinois Press, 2000.

12 Richard Pankhurst, 'The History of Coffee in Ethiopia', in his *The Economic History of Ethiopia, 1800–1935*, Addis Ababa: Haile Sellassie I University Press, 1968.

13 Éloi Ficquet, 'Ethiopia, the Home of Coffee', The UNESCO Courier, 22 March 2023. Accessed 31 August 2026, https://courier.unesco.org/en/articles/ethiopia-home-coffee.

14 Abebaw Y Adamu, 'Diversity in Ethiopia: A Historical Overview of Political Challenges', *International Journal of Community Diversity* 12/3 (2013).

15 Teshale Tibebu, *The Making of Modern Ethiopia: 1896–1974*, Trenton NJ: Red Sea Press, 1995.

based inheritable land) system, where many peasants retained inheritable land-use rights, the emperor declared most south-western lands crown property, distributing *gult* (grants of land privileges conferred by the crown to elites) entitlements to military leaders and officials as rewards for service, which empowered absentee landlords from the north over local cultivators.[16] The institutional settlement embedded extractive relations (labour, produce shares and *corvée*[17]) between northern elites and indigenous communities, laying durable foundations for regional grievances over land dispossession and political exclusion.[18]

Coffee moved alongside other commodities such as gold, ivory, honey, wax, hides and skins, with grains largely accruing to imperial elites and merchant intermediaries rather than to small producers.[19] This pattern reinforced a centre–periphery structure in which south-western primary commodity exports financed state-building, while local communities remained subordinated under extractive land and trade institutions.[20]

Emperor Haile Selassie (1930–1974) deepened centralization and pursued state-led modernization, including the creation of the National Economic Council (1954) and the First Five-Year Plan (1957–1961), focusing particularly on developing transportation infrastructure, communication networks and the construction industry.[21] These development initiatives were designed to better integrate peripheral regions such as the south-west into the national economy, although in practice they often strengthened central government control rather than fostering balanced regional development. The imperial regime also continued the development of the Addis Ababa–Djibouti railway, initially authorized by Menelik, which was completed in 1917, and remained vital for coffee exports and state revenue.[22] While agriculture (and coffee with it) grew in national importance, imperial reforms did not alter the core land tenure asymmetries in the south-west, where tenants continued to face numerous obligations to absentee landlords.[23] Coffee export volumes rose during the early twentieth century but value capture remained concentrated among the state and landowning classes, with limited transformation of smallholder producer livelihoods.[24]

The political economy of coffee during this period thus reflected the emergence of a new imperial elite coalition comprised of aristocrats, senior military officers, bureaucrats and merchant

16 John Markakis, *Ethiopia: The Last Two Frontiers*, Oxford: James Currey, 2011.

17 Unpaid forced labor exacted for a limited number of days per year.

18 Gebru Tareke, *The Ethiopian Revolution: War in the Horn of Africa*, New Haven CT: Yale University Press, 2009.

19 Bahru, *History of Modern Ethiopia*.

20 Markakis, *Ethiopia*.

21 Bahru, *History of Modern Ethiopia*.

22 Pankhurst, 'History of Coffee'.

23 Crummey, *Land and Society*.

24 Almaw, 'Political Economy of Coffee'.

capitalists whose economic power was closely tied to control over land, trade licences, credit and export channels. In the Kaffa–Bench-Sheko–Sheka belt, this coalition exercised dominance through ownership of large estates that were previously held by local lords, privileged access to markets and alignment with provincial administrations.[25] Coffee revenues helped finance urban development, state bureaucracy and imperial patronage networks, while structural inequalities between the centre and periphery deepened.[26]

Institutionally, the 1955 revised constitution of Ethiopia introduced formal elements of modernization, including an elected lower chamber and provisions for bureaucratic accountability. Ultimate authority, however, remained concentrated in the emperor, who retained the power to issue decrees and control over ministerial appointments, thereby constraining meaningful regional autonomy and reinforcing centralized development planning.[27] This centralization was reflected not only in political institutions but in the imperial state approach to economic modernization, particularly in the expansion of large-scale commercial agriculture controlled by the imperial elite coalition. During the late 1960s and early 1970s, the Ethiopian government increasingly promoted plantation-based coffee production in south-western forest frontiers through state-supported estate development and land concessions. Prominent examples include the Bebeka and Teppi coffee plantations, which emerged as the largest plantation projects owned by the imperial aristocracy.[28] These estates later became core components of the state farm sector during the Derg regime, with government-owned plantations cultivating extensive coffee areas in these lowland production sites, supported by state-run processing facilities and mechanized technologies. Such estates illustrate how centralized imperial development strategies prioritized export-oriented commercial agriculture alongside modernization rhetoric.[29]

Following the 1974 revolution, which had been driven in part by tensions over land and food security, the Derg regime (1974–1991) introduced a socialist restructuring of the Ethiopian agrarian political economy. The 1975 land reform proclamation (Public Ownership of Rural Lands Proclamation No. 31/197) abolished landlordism by transferring ownership of rural land to the state and granting cultivators usufruct rights.[30] While this reform dismantled

25 Marina Ottaway, 'Land Reform in Ethiopia 1974–1977', *African Studies Review* 20/3 (December 1977). DOI: 10.2307/523755

26 Love, 'Political Economy of Coffee Filiere'.

27 Bahru, *History of Modern Ethiopia*.

28 Bebeka Coffee Estate is currently operating under Horizon Plantations PLC, located in Debub Bench district in Bench-Sheko zone. Teppi Green Coffee Plantation is located in a few kilometres away from Teppi town in Sheka zone. Bebeka and Teppi are currently believed to be the first and second largest contagious coffee plantations in the country, respectively.

29 Bahru, *History of Modern Ethiopia*.

30 Provisional Military Government of Socialist Ethiopia, 'Proclamation to Provide for the Public Ownership of Rural Lands, Proclamation No. 31/1975', *Negarit Gazeta*, 34th Year, no. 26, Addis Ababa, 4 March 1975. Accessed 2 September 2026, https://faolex.fao.org/docs/pdf/eth3096.pdf.

the imperial landowning class that had dominated the coffee-producing belts in this study area, it simultaneously replaced feudal extraction with state-centred mechanisms of surplus appropriation.[31] In the appropriation process, cooperatives served as the primary conduits for channelling coffee production from smallholders to state-controlled marketing and processing systems, enabling the regime both to capture export revenues and suppress producer prices. Through mandatory cooperative membership and centralized pricing, the state effectively extracted agricultural surplus from coffee-growing regions to finance industrial expansion and state-led development projects.

The Derg also expanded state-run coffee plantations as part of its development strategy. The Teppi Coffee Development Project, formally established in 1980 as a state-owned enterprise, consolidated plantation agriculture under direct government administration and became a central component of the Ethiopian state farm sector. Together with plantations inherited from the imperial modernization programmes, state farms such as Teppi and Bebeka relied heavily on centralized input provision, wage-labour mobilization and state-controlled processing and export-marketing networks. Although these enterprises were intended to stabilize foreign exchange earnings and demonstrate socialist agricultural modernization, bureaucratic inefficiencies, weak managerial incentives and fiscal constraints often limited their profitability and productivity.[32]

Beyond plantation expansion, the regime pursued two large-scale rural social engineering programmes that profoundly shaped the agrarian systems in the Kaffa–Bench-Sheko–Sheka belt. First, resettlement initiatives relocated populations from drought-affected northern highlands to south-western forest zones. Second, villagization programmes forcibly clustered dispersed rural households to facilitate administrative control and collective production schemes.[33] Implementation was frequently coercive and under-resourced, generating widespread social dislocation, livelihood insecurity and ecological degradation associated with forest clearing and settlement expansion.[34] A local historian emphasizes that these two interventions disrupted indigenous land tenure arrangements, forest-based coffee management systems and local labour institutions that historically sustained semi-forest coffee production.[35]

Broader structural crises during the Derg regime further undermined coffee sector performance. Civil conflict, escalating military expenditures and recurring drought strained state administrative

31 Christopher Clapham, *Transformation and Continuity in Revolutionary Ethiopia*, Cambridge: Cambridge University Press, 1988.

32 World Bank, 'Ethiopia: Agricultural Sector Review', Washington DC: World Bank, 1994.

33 John M Cohen and Nils-Ivar Isaksson, 'Villagization in Ethiopia: A case Study', *The Journal of Modern African Studies* 25/3 (September 1987). DOI: 10.1017/S0022278X00009927

34 Dessalegn Rahmato, *Agrarian Reform in Ethiopia*, Uppsala: Scandinavian Institute of African Studies, 1984.

35 Interview with local historian, Sheka zone, Teppi town, 6 October 2025.

capacity and diverted resources away from agricultural investment.[36] Despite the considerable agro-ecological potential of this coffee belt, state pricing and marketing monopolies restricted smallholder producer participation in export value chains and curtailed local capital accumulation.[37] Consequently, coffee-producing communities in the Kaffa–Bench-Sheko–Sheka belt continued to experience centralized regime capture of market proceeds and persistent rural poverty (food insecurity; limited access to health and education) despite the strategic importance of the belt to the Ethiopian export economy.[38]

The Ethiopian People's Revolutionary Democratic Front (EPRDF; 1991–2018) introduced ethno-federalism, codified in the 1995 constitution, which recognized nations, nationalities and peoples, and established a federal structure with regional states, including the Southern Nations, Nationalities and Peoples' Region (SNNPR), which encompassed the current Southwest Ethiopia Region.[39] While this framework expanded administrative decentralization and created new channels for cultural and political recognition, effective power remained mediated through ruling coalition party networks and developmental state institutions, producing a hybrid system that combined localized governance with centralized political and economic oversight.[40]

The EPRDF regime undertook a structural adjustment programme with macroeconomic liberalization measures such as currency devaluation, reduced government intervention in the economy and policies to facilitate foreign investment. Despite these changes, land remained under state ownership, continuing the Derg land policy. This preservation of state control over land sustained the primary role of central government in rural governance and agricultural commercialization. In the coffee sector, these reforms produced a dual effect: on the one hand, private traders and exporters reemerged; on the other, state and party-linked economic actors retained dominance.

Centralized EPRDF land administration to facilitate large-scale acquisitions under the guise of investment operated through informal and opaque mechanisms rather than through transparent statutory channels. While the 1995 constitution formally allocates land administration authority to regional states, this statutory decentralization functioned more as a

36 de Waal, *Famine Crimes*.

37 Markakis, *Ethiopia*.

38 Tom Lavers, 'Ethiopian State Formation and the Revolutionary Origins of EPRDF Dominance', in *Ethiopia's 'Developmental State': Political Order and Distributive Crisis*, ed. Tom Lavers. Cambridge: Cambridge University Press, 2023.

39 Federal Democratic Republic of Ethiopia, 'Constitution of the Federal Democratic Republic of Ethiopia', Addis Ababa: Federal Democratic Republic of Ethiopia, 1995. Accessed 31 August 2026, https://constitutionnet.org/sites/default/files/Ethiopia_Constitution.pdf.

40 Sarah Vaughan and Kjetil Tronvoll, 'The Culture of Power in Contemporary Ethiopia Political Life', *SIDA studies* 10, 2003. Accessed 31 August 2026, https://sida.se/en/about-sida/publications-archive/the-culture-of-power-in-contemporary-ethiopian-political-life. Also see: Jon Abbink, 'Ethnic-based federalism and ethnicity in Ethiopia: reassessing the experiment after 20 years', *Journal of Eastern African Studies* 5/4 (2011). DOI: 10.1080/17531055.2011.642516

legal formality than an operational reality.[41] The EPRDF developmental state model prioritized elite cohesion and strategic economic control over meaningful regional autonomy, relying instead on a tightly centralized party-led governance structure.[42] The effective suspension of regional land jurisdiction for state-designated strategic investments parallels earlier accounts of legal distortion and tenure rights violations, manifesting in the forced displacement of farming populations and the systematic allocation of land to party-affiliated investors, frequently undermining local livelihood security.[43] Moreover, the manifestations of this party-linked dominance included control over export licences, access to credit and foreign exchange, ownership of coffee processing facilities and preferential treatment in auction systems.[44] Ethiopia experienced sustained macroeconomic growth under this regime, particularly during the 2000s.[45] Nonetheless, structural transformation remained uneven and this coffee-producing belt continued to exhibit limited local value capture, reinforcing the paradox of being widely perceived as a high resource abundance yet low income.[46]

Across the coffee value chain, key actors underwent partial restructuring while underlying power asymmetries persisted. Smallholder farmers remained the primary producers, particularly in the forest and semi-forest coffee systems in this belt. Marketing and export segments, however, became increasingly concentrated among politically connected private exporters, cooperative unions and endowment-owned conglomerates affiliated with the ruling coalition. Companies linked to the Endowment Fund for the Rehabilitation of Tigray (EFFORT), such as Trans Ethiopia PLC (a trucking company for freight and logistics), expanded their presence in the Ethiopian export economy and indirectly influenced coffee trade logistics and transport infrastructure. Although direct plantation ownership of EFFORT trading networks in the south-western coffee zones was limited, these conglomerates exercised significant structural power through credit access, export licensing and supply chain integration, thereby reinforcing elite control over high-value segments of the coffee economy.[47] This dynamic was particularly pronounced in the Kaffa–Bench-Sheko–Sheka belt, where local cooperatives and small-scale

41 Federal Democratic Republic of Ethiopia, 'Constitution'; in particular, see: Article 52(2) (d).

42 Lavers, 'Ethiopian State Formation'.

43 Asabu S Alamineh, Getachew F Workie and Nurlign B Moges, 'The political-economy of land acquisition and privatization of *Birr* and *Ayehu* Farms in Amhara Region, North-West Ethiopia', *Humanities and Social Sciences Communications* 8/291 (2021). DOI: 10.1057/s41599-021-00956-x

44 Interview with coffee trader, Mizan-Aman, 9 October 2025.

45 World Bank Group, 'Ethiopia-Poverty Assessment 2014', Washington DC: World Bank Group, 2015. DOI: 10.1596/21323

46 Ashenafi Endle, 'Regional Growth Varies as Unfair Resources Distribution Persists', *Ethiopian Business Review*, No. 79, 16 October–15 November 2019. Accessed 1 September 2026, https://ethiopianbusinessreview.net/regional-growth-varies-as-unfair-resources-distribution-persists/.

47 Sarah Vaughan and Mesfin Gebremichael, 'Rethinking business and politics in Ethiopia', African Power and Politics Programme (APPP), Research Report 02, London: Overseas Development Institute, August 2011.

traders operated alongside these well-capitalized and politically embedded business firms, often at a competitive disadvantage.

Continuities with earlier political regimes were also evident under the EPRDF. Similar to the imperial and Derg periods, the state retained decisive influence over land governance, export licensing and agricultural extension services but important changes occurred in the configuration of economic actors. The EPRDF period witnessed the expansion of cooperative unions as intermediary institutions intended to enhance producer bargaining power and facilitate direct export participation. According to one study participant, cooperative unions are recognized for their contribution to improved access to international specialty markets and Fairtrade certification schemes.[48]

A regional government official offers a more nuanced perspective on coffee cooperatives and unions during the EPRDF era:

> During the EPRDF period, coffee cooperatives and their umbrella unions in this region [Kaffa–Bench-Sheko–Sheka belt] occupied an ambivalent position. On the one hand, they served as instruments of the developmental state, extending state reach into smallholder coffee production and tightening state control over export supply chains originating from Ethiopia's most biodiverse coffee forests. On the other hand, they provided local farmers with a platform to negotiate prices, access credit and bypass traditional private traders. Accordingly, unions such as the Kaffa Coffee Farmers Cooperatives Union and the Bench-Maji Forest Coffee Cooperatives Union enabled member cooperatives to obtain Fairtrade International and Organic certification, thereby securing premium prices in European and North American markets. This success, however, came with a constraint: Compliance with state-defined performance targets and export quotas. Consequently, rather than diminishing state influence over the sector, these requirements reinforced it. Therefore, coffee cooperatives and unions during the EPRDF era presented a hybrid formation, serving as vehicles for state-led coordination and producer empowerment, with the former consistently circumscribing the latter.[49]

Political tensions and grievances in the coffee sector became increasingly intertwined during the late EPRDF period. The perception that local coffee production generated substantial foreign exchange earnings while yielding only limited infrastructural investment reinforced long-standing narratives of marginalization. These grievances intensified from the late 2000s onward, and particularly after 2016, they fuelled growing demands for greater administrative autonomy.[50]

48 Interview with government employee, Mizan-Aman, 8 October 2025.

49 Interview with regional government official, Kaffa zone, Bonga, 13 October 2025.

50 Interview with coffee trader, Kaffa zone, Dinbira village, 5 October 2025.

Under Prime Minister Abiy Ahmed (2018–present), the federal government implemented a significant administrative reconfiguration of the former SNNPR, responding to long-standing demands for autonomy. In November 2021, following a September 2021 referendum that reportedly saw 93.9 per cent participation by registered voters, the Southwest Ethiopia Peoples' Regional State was formally established as the eleventh regional state in Ethiopia.[51] This new entity combines five zones—Kaffa, Bench-Sheko, Sheka, West Omo, Dawuro, and one special woreda (district) Konta, which later became Konta zone immediately after the official establishment of the region—creating a multi-ethnic regional structure with a newly implemented clustering approach.[52]

By reorganizing previously least-developed areas of the south-west under the SNNPR into geographically contiguous administrative units, the cluster was intended to enhance local governance and resource mobilization across contiguous coffee-producing zones. In practice, cluster-level planning has influenced resource allocation for coffee-related investments and shaped farmer access to market and quality improvement programmes, although early evidence indicates uneven implementation across the region.[53] Despite the positive expectations, the new Southwest Ethiopia regional administration has faced substantial fiscal and institutional constraints within Ethiopia's broader macroeconomic crisis, including dependence on federal subsidies, limited administrative capacity, high inflation, foreign-exchange shortages and reduced resources for public investment.[54] Such structural limitations illustrate a recurring pattern in the governance of this coffee belt, whereby political reorganization often precedes the establishment of viable economic institutions capable of delivering sustained development outcomes.[55] This highlights the persistent challenge of translating administrative changes into tangible improvements in living standards and sustained resource extraction, including the coffee economy, particularly in a region characterized by abundant natural resources but widespread poverty. In this resource-rich belt, this mismatch remains particularly visible, as abundant ecological and agricultural endowments, including some of the historically significant coffee-producing landscapes in Ethiopia, continue to coexist with widespread rural poverty and infrastructural deficits.

51 'Statement on the South West Ethiopia People's Referendum October 9, 2021', National Election Board of Ethiopia. Accessed 2 September 2026, https://nebe.org.et/en/node/657.

52 The clustering approach represents a political restructuring strategy that favours the dispersion of administrative functions across the zonal capitals of each zone constituting the region, rather than their concentration in a single political centre. For deeper analysis, see: Asebe Regassa Debelo and Yacob Cheka Hidoto, 'New Cluster Regions and Distributive Struggles in Southern Ethiopia: Boundary conflicts in the Zeyse–Gamo and Kabena–Gurage borderlands', Nairobi: Rift Valley Institute, 2024.

53 Interview with head of regional coffee, tea and spices authority, Bonga, 12 October 2025.

54 World Bank, 'Ethiopia Country Climate and Development Report', Washington, DC: World Bank, 2024. Accessed 31 August 2026, https://reliefweb.int/node/4042171.

55 World Bank, 'Ethiopia's Great Transition: The Next Mile—A Country Economic Memorandum', Washington DC: World Bank, 2022. DOI: 10.1596/37681

Representing a compromise between local demands for self-rule and federal preferences for administratively manageable units, the clustering approach has, moreover, introduced governance structures that both enable and constrain smallholder integration into high-value coffee markets.[56] Apart from this, persistent tensions between decentralization, recentralizing tendencies and party-led coalition management underscore the broader institutional contradictions shaping coffee sector outcomes in the Kaffa–Bench-Sheko–Sheka belt.[57] These institutional contradictions are particularly evident in the coffee sector, where long-standing structural constraints continue to shape value chain governance. Smallholder producers, who account for the overwhelming majority of coffee production in this coffee belt, continue to experience weak bargaining power. This stems from fragmented market participation, limited access to credit and extension services, and underdeveloped quality infrastructure such as washing stations, storage facilities and certification systems.[58] Compounding these material constraints, symbolic initiatives such as the National Coffee Museum in Bonga—which remains unopened—underscore the enduring gap between cultural recognition and material transformation when underlying institutional and market constraints remain unresolved.[59] Despite recent reforms that are said to have expanded opportunities for cooperative unions and vertically integrated exporters, market concentration and regulatory complexity continue to limit farmer abilities to capture high-value segments of the global specialty coffee market.[60]

A critical continuity shaping coffee production across political regimes is the Ethiopian land tenure system. Since its 1975 nationalization under the Derg, land has remained state-owned, with farmers granted usufruct rights rather than private ownership. Under the EPRDF, this system prevented land concentration but also reinforced state control, constrained farmer use of land as collateral and limited capital accumulation.[61] The introduction of land certification programmes under the EPRDF improved tenure security perceptions to some extent, even

56 Walter Mswaka, Matthew Snell and Adrian Wood, 'Internal governance challenges of young independent coffee cooperatives in south-west Ethiopia', *Journal of International Development* 36/7 (2024). DOI: 10.1002/jid.3932

57 International Crisis Group, 'Managing Ethiopia's Unsettled Transition', Africa Report N°269. Brussels: International Crisis Group, 21 February 2019. Accessed 31 August 2026, https://www.crisisgroup.org/rpt/africa/ethiopia/269-managing-ethiopias-unsettled-transition.

58 Interview with Southwest Ethiopia coordinator for environmental NGO, Kaffa zone, Bonga, 4 October 2025.

59 International Crisis Group, 'Managing Ethiopia's Unsettled Transition'.

60 International Coffee Organization, 'Beyond Coffee Towards a circular Coffee Economy. Coffee Development Report 2022–23', London: International Coffee Organization, 2024. Accessed 1 September 2026, https://ico.org/coffee-development-report-2/.

61 Wibke Crewett, Ayalneh Bogale and Benedikt Korf, 'Land Tenure in Ethiopia: Continuity and Change, Shifting Rulers, and the Quest for State Control', CAPRI Working Paper No. 91 (2008). DOI:10.2499/CAPRiWP91

though these programmes did not alter state ownership nor did they change the restricted land transfer rights of farmers.[62]

Under the current Prosperity Party regime, usufruct rights have continued unchanged. Policy debates, however, have shifted toward tenure security, land market liberalization and investment facilitation.[63] The government has signalled openness to expanding land leasing and commercial agriculture, although the implications remain contested. A respondent from the Sheka zone department of agriculture argues that these reforms risk intensifying rural differentiation and increasing pressures on smallholder producers.[64] Critically, this pattern reveals how land access and asset endowments fundamentally determine smallholder welfare and differentiation, while simultaneously highlighting that secure and stable land tenure remains indispensable for rural livelihood sustainability.[65]

The adoption of long-term agroforestry practices such as shade management and biodiversity conservation hinges on tenure security and anticipated returns, a relationship clearly observable in the Kaffa–Bench-Sheko–Sheka belt and other coffee producing areas at a broader level.[66] Traditional coffee systems in south-western Ethiopia, including the Kaffa–Bench-Sheko–Sheka belt, function as complex agroforestry regimes that provide both ecological services and economic benefits but their sustainability depends on farmer abilities to maintain long-term control over land and tree resources. Persistent uncertainties surrounding land transferability, inheritance rights and the risk of administrative expropriation, however, continue to shape farmer production decisions. The institutional ambiguities sustained thus far constrain incentives for long-term investment and limit smallholder capacities to fully capture the economic value generated from coffee production, reinforcing their subordinate position in the value chain. A key respondent working for a local NGO succinctly summarizes these patterns:

> Usufruct rights directly shape coffee governance in our area. Because farmers cannot mortgage or sell land, access to credit for long-term coffee investments such as agroforestry, shade management or washing stations remains limited. Uncertain inheritance rights and expropriation risks further discourage investment in biodiversity

62 Interview with coffee, tea and spices quality inspection expert, Bench-Sheko zone department of agriculture, Mizan-Aman, 8 October 2025.

63 Betelhem Tikue, 'Navigating the Leasehold: A Critical Analysis of Foreign Land Acquisition in Ethiopia's Public Ownership Framework', *Record of Law*, 27 October 2025. Accessed 1 September 2026, https://recordoflaw.in/navigating-the-leasehold-a-critical-analysis-of-foreign-land-acquisition-in-ethiopias-public-ownership-framework/.

64 Interview with official in Sheka zone department of agriculture, Teppi town, 7 October 2025.

65 Tadesse Kuma Worako, Mekdim Dereje and Bart Minten, 'Coffee Income, Food Security and Diet Diversity of Smallholder Coffee Growers in Ethiopia', EDRI Working Paper 15, Ethiopian Development Research Institute, November 2016.

66 Dereje Denu et al., 'The role of traditional coffee management in forest conservation and carbon storage in the Jimma Highlands, Ethiopia', *Forests, Trees and Livelihoods* 25/4 (2016). DOI: 10.1080/14728028.2016.1192004

> conservation and quality improvements, core features of the region's globally valued forest coffee systems. Thus, land tenure fundamentally influences coffee quality, environmental sustainability and farmer value capture.[67]

In general, the political economy of coffee in the Kaffa–Bench-Sheko–Sheka belt reveals enduring structural patterns across successive regimes. Despite ideological transformations—from imperial extraction through socialist state control to ethno-federalism and the current reformist regime led by the Prosperity Party—successive governments have maintained extractive relationships with the resource-rich Kaffa–Bench-Sheko–Sheka coffee belt in the south-west of the country. Coffee has consistently functioned as a strategic foreign exchange earner with national development agendas, often subordinating regional development priorities to macroeconomic stabilization and export revenue generation. Simultaneously, state dominance over land has remained a central institutional continuity, shaping production incentives, entitlement relations and patterns of surplus extraction across political transitions, including the Prosperity Party. The contemporary focus on tenure security reflects an incremental reform rather than a fundamental restructuring, leaving unresolved tensions between state control, market liberalization and equitable regional development.

67 Interview with NGO coordinator, Bench-Sheko zone, Mizan-Aman town administration, Mizan, 9 October 2025.

Mapping the actors: Socio-demographic lens

The coffee sector in the Kaffa–Bench-Sheko–Sheka belt encompasses a diverse range of actors, including smallholder producers, large-scale plantation owners, traders, exporters and various institutional actors. Examining their roles, positions and interests of these various actors from a socio-demographic perspective reveals the evolving dynamics and continuities in their relationships, interests and positions in the broader political economy of the coffee sector in the Kaffa–Bench-Sheko–Sheka belt.

Smallholder farmers

Smallholder coffee farmers are the central productive actors in the coffee value chain in the Kaffa–Bench-Sheko–Sheka belt, not only in quantitative terms but also in ecological, social and institutional dimensions. Across forested areas of the belt, coffee production is overwhelmingly dominated by smallholders cultivating plots typically smaller than 1 hectare under forest and semi-forest systems.

Research participants consistently indicate that more than 90 per cent of the coffee output in the belt originates from smallholder producers.[68] Respondents emphasize that smallholder production practices sustain complex agroforestry landscapes characterized by high biodiversity, shade-grown cultivation and the genetic diversity of wild *Coffea arabica*. In this sense, smallholders are simultaneously commodity producers and environmental stewards: The ecological integrity that underpins the global reputation of Ethiopia for specialty and forest coffee depends fundamentally on their land-use decisions and labour investments. The coffee economy, therefore, rests on a dispersed yet highly coordinated network of small-scale producers in the Kaffa–Bench-Sheko–Sheka belt, whose cumulative production forms the backbone of export supply.

Spatially, coffee cultivation in the belt is concentrated in ecologically favourable chequered forest landscapes, where farming systems integrate coffee with subsistence and diversified livelihood activities. Accordingly, smallholders practice mixed agriculture, rarely specializing exclusively in coffee production; instead, they cultivate cereals and pulses, spices and honey, and maintain livestock alongside coffee. As one respondent explains, these diversified livelihood strategies reduce risk in volatile commodity markets but also reflect an important structural

68 Interview with head of finance, Kaffa Forest Coffee Farmers Cooperatives' Union, Bonga, 1 October 2025; interview with head, department of agriculture and natural resources in Sheka zone, Teppi, 5 October 2025.

reality: Coffee does not consistently constitute the dominant share of household income when compared to food crops.[69] As such, smallholder farmers prioritize food security and subsistence stability, treating coffee as a cash-generating complement rather than a singular commercial enterprise.

In the coffee value chain, smallholders engage with markets through multiple channels, including primary cooperatives, private traders, exporters and, increasingly, hybrid arrangements such as out-grower schemes linked to larger plantations. According to one respondent, out-grower arrangements are promoted as pathways for technology transfer and market integration.[70] On the ground, however, these arrangements risk reinforcing hierarchical relationships in which producers remain dependent suppliers rather than empowered market actors, due to asymmetrical power relationships and limited access to market information.

Notwithstanding their significant role in coffee production, smallholders occupy comparatively weak positions in the governance architecture of the coffee value chain. An NGO coordinator from the coffee belt argues that power asymmetries embedded in market institutions represent the principal constraints confronting smallholder producers.[71] He underscores that smallholders generate both ecological and commercial value yet exercise limited influence over grading standards, price formation and financial flows. Pricing is largely determined downstream, through national regulatory bodies, exporters and international benchmark markets, while producers remain price-takers. As he phrases it, 'They [smallholders] receive what the market decides.' Restricted access to rural finance, limiting their ability to invest in improved agricultural inputs and technologies, storage infrastructure, transportation networks and access timely market information, further reduces their bargaining capacity. Financial inaccessibility, coupled with affordability constraints, limited extension support and occasional resistance to adopting unfamiliar farming practices, contributes to persistently low adoption of production methods intended to improve productivity and ensure long-term ecological sustainability.

Most importantly, smallholder farmers are systematically excluded from meaningful decision-making processes and from access to protective economic institutions. Weak regulation of rural finance markets deprives farmers of affordable formal credit, compelling them to rely on informal lenders who extract surplus through high-interest pre-harvest loan arrangements. These debt relations operate as contemporary mechanisms of accumulation by dispossession, where value is transferred from producers to traders and financiers through coercive market dependence rather than productive investment. Accumulation by dispossession is sustained through the commodification of livelihoods, the manipulation of credit systems and the

69 Interview with university lecturer, Mizan-Aman University, Mizan-Aman, 9 October 2025.

70 Interview with researcher and project manager, Dikura Woshi kebele, Kaffa zone, 5 October 2025.

71 Interview with Southwest Ethiopia coordinator, NABU Ethiopia, Bonga, Kaffa zone, 4 October 2025. The remaining insights in this paragraph are derived from this source.

exploitation of structural vulnerabilities, all of which constrain producer capacities to reinvest in productivity or long-term sustainability.[72]

In the Kaffa–Bench-Sheko–Sheka belt, these pressures are exacerbated by usury networks that trap farmers in cycles of debt, sometimes culminating in land dispossession. Evidence from Sheko areas illustrates a pattern in which migrants from northern Ethiopia, particularly from the Amhara region, enter as labourers, accumulate savings and lend back to the farmers at high interest rates during scarce seasons.[73] When farmers are unable to repay, lenders foreclose, turning former landowners into labourers on their own land. Concentrated in Jangos and Woribu woredas of Sheko district in Bench-Sheko zone, this process contributed to violent conflicts between 2011 and 2015, resulting in loss of life and destruction of property.

Amid these challenges, the vulnerability of smallholder farmers is further intensified by the fragility of cooperatives and cooperative unions, which are the very institutions intended to strengthen market access and collective bargaining power. Cooperatives and cooperative unions are not fulfilling their expected roles to reduce smallholder vulnerability by providing dividends, credit schemes, certification premiums and social investments. Although formally member-owned, the effectiveness of these institutions depends heavily on trust, perceived benefits and participatory governance. Evidence from the field suggests that many farmers maintain only nominal membership and often question the reliability of cooperative services, citing delayed payments, limited price competitiveness and weak transparency.[74] In turn, this suggests farmers are less likely to sustain cooperative participation when individual incentives outweigh perceived collective gains. Consequently, many farmers prioritize immediate income security by selling coffee to private traders offering higher spot prices and flexible payment arrangements, even when such practices undermine cooperative viability. This dynamic reflects broader findings that trust and credible institutional performance are critical determinants of cooperative success in smallholder agricultural economies.[75]

Extending the analysis beyond cooperative fragility to the broader policy environment reveals a fundamental tension between the empirical predominance of smallholder production systems and policy narratives that privilege large-scale commercial agriculture. Although recent regulatory reforms have expanded market participation by allowing farmers holding 2 or more hectares to engage in direct export channels (through vertical integration),[76] official policy discourse continues to emphasize plantation-based and large-scale investment models as

72 David Harvey, *The New Imperialism*, Oxford: Oxford University Press, 2003.

73 Interview with head, Sheko Amora-Gedel Cooperatives' Union, Mizan-Aman, 10 October 2025.

74 Interview with smallholder farmer, Dinbira area, Kaffa zone, 4 October 2025.

75 Elisabeth Fischer and Matin Qaim, 'Linking Smallholders to Markets: Determinants and Impacts of Farmer Collective Action in Kenya', *World Development* 40/6 (2012). DOI: 10.1016/j.worlddev.2011.11.018

76 In the Kaffa–Bench-Sheko–Sheka coffee belt, this provision remained at the policy level only and was not operational during the data collection phase of the research.

engines of export-led growth.[77] This disjuncture underscores a broader structural contradiction in which smallholders, despite constituting the backbone of production, remain only partially integrated into and insufficiently supported by the evolving institutional and policy framework governing the coffee sector.

Notwithstanding policy rhetoric that portrays smallholder farmers as the principal beneficiaries of sectoral reforms, evidence from the study area suggests that they remain largely excluded from the material gains of commercialization and export liberalization. Authorities acknowledge that limited access to timely and affordable credit frequently pushes farmers toward informal traders and illicit market networks. Institutional mechanisms designed to integrate smallholders into formal value chains (including cooperatives, contract farming arrangements, out-grower schemes and export liberalization policies) are widely described by local stakeholders as either underperforming or still at embryonic stages of development. Agrarian transitions under neoliberal market reforms often produce uneven differentiation in rural classes, whereby only a minority of producers accumulate capital, while the majority become increasingly marginalized or semi-proletarianized.[78] A respondent from one of the regional offices concedes that coffee remains a historical fact rather than a factor changing the lives of people who own it.[79] Consequently, smallholder farmer participation in illicit flows is less a matter of choice than a rational response to exclusion from formal markets that fail to provide viable livelihood security.

This contradiction disproportionately affects indigenous smallholder farmers, who maintain long-standing socio-cultural attachments to forest-based coffee systems. At the same time, it preferentially benefits politically connected investors, many of whom originate from outside the region. The distinction between smallholder farmers, largely indigenous to coffee-growing landscapes, and large-scale commercial investors, often geographically and socially external to these communities, is analytically crucial because each group interacts with institutional arrangements from profoundly unequal positions of power. That is, access to resources is shaped not only by formal property rights but also by social identity, political connections, capital endowment and institutional authority.[80] Land alienation, therefore, operates both as an economic restructuring mechanism and as a political process through which state authority is translated into private capital accumulation and class differentiation.

Evidence from an interview with a conservationist, however, suggests that policy assumptions favouring large-scale agriculture overlook the comparative advantages of smallholder forest

77 Interview with head, regional coffee, tea and spices authority, Bonga, 12 October 2025.

78 Henry Bernstein, *Class Dynamics of Agrarian Change*, Agrarian Change & Peasant Studies, Boulder CO: Kumarian Press, 2010.

79 Interview with head, bureau of forestry, environmental protection and climate change, Southwest Ethiopia Peoples' Regional State, Sheka zone, Teppi, 7 October 2025.

80 Jesse Ribot and Nancy Lee Peluso, 'A Theory of Access', *Rural Sociology* 68/2 (2003). DOI: 10.1111/j.1549-0831.2003.tb00133.x

systems; namely, quality differentiation, ecological sustainability and resilience.[81] This respondent underscores that, rather than reflecting inefficiency, smallholder production embodies a distinct model of value creation simultaneously rooted in specialty markets and environmental stewardship.

In sum, evidence from the Kaffa–Bench-Sheko–Sheka belt positions smallholder farmers as paradoxical actors in the coffee economy: They are indispensable to production, environmental conservation and rural livelihoods, yet structurally marginalized in terms of decision-making and accessing equitable value shares. The sustainability of the regional coffee sector thus depends less on transforming smallholders into large-scale producers than on restructuring governance arrangements to recognize and strengthen their existing centrality.

Large-scale investments and private plantations

Large-scale private investments illuminate the coordination of market-led reform under conditions of unresolved land justice and unequal power distribution. Corporate narratives emphasizing sustainability, certification compliance and national development coexist uneasily with local histories of dispossession and contested resource rights. Investors frequently utilize Organic and Rainforest Alliance certification schemes to access premium global markets and enhance corporate legitimacy. Yet these forms of market-based environmental governance often privilege traceability and quality compliance while neglecting local distributive justice, a contradiction widely observed in global commodity certification regimes.[82]

Consider the three most active certification schemes operating in the Kaffa–Bench-Sheko–Sheka coffee belt: Organic, Fairtrade International and Rainforest Alliance. Each pursues distinct but overlapping objectives. Organic certification employs environmental standards by prohibiting synthetic inputs, Fairtrade International prioritizes social outcomes such as fair prices and labour rights, and Rainforest Alliance combines both environmental and social dimensions in a broader sustainability framework.[83] Despite these stated goals, evidence indicates that the livelihood impacts of these certifications for communities near large-scale coffee investments remain negligible. This observation aligns with earlier research, although it also documents positive outcomes; most notably, for Rainforest Alliance, which has been linked to significant income gains and poverty reduction, largely driven by price premiums

81 Interview with agricultural expert, Sheka zone, Teppi, 8 October 2025.

82 Christelle Genoud, 'Access to Land and the Round Table on Sustainable Palm Oil in Colombia', *Globalizations* 18/3 (2021). DOI: 10.1080/14747731.2020.1716480

83 Ethio Coffee, 'Ethiopian Coffee Certifications Guide', 31 January 2026. Accessed 3 September 2026, https://www.ethiocoffee.co/insights/ethiopian-coffee-certifications-organic-fairtrade-rainforest.

that offset yield loses.[84] Fairtrade, by contrast, yields only modest price effects with no clear livelihood impact, while Organic certification shows no measurable benefit. These patterns provide a useful comparative backdrop for this study, which examines contexts and stakeholder experiences shaping certification outcomes in practice.

The recent expansion of private coffee investment in the Kaffa–Bench-Sheko–Sheka belt has introduced capital-intensive plantation models that operate alongside cooperatives and smallholders. The belt is home to large-scale plantations such as Green Coffee Agro-Industry PLC, Horizon Plantations PLC and Teppi Coffee Plantation PLC, along with several other plantations.[85] Interviews with managers from Green Coffee Agro-Industry PLC and Horizon Plantations PLC reveals how these enterprises navigate labour relations, state interactions and accumulation strategies in the contested agricultural transformation in Ethiopia.

Green Coffee maintains two sites and operates as a leading farm in Kaffa zone.[86] Horizon maintains five sites in Bebeka woreda (Debub Bench district in Bench-Sheko zone), employing 2,100 permanent and more than 4,000 temporary labourers.[87] Both have achieved direct international market access. A respondent from Green Coffee attributes this to government policy reforms enabling export without intermediaries.[88] A respondent from Horizon notes that direct export insulates the plantation from floating currency disruptions by providing hard currency.[89] Certification schemes are equally available to private capital. Thus, both Green Coffee and Horizon have each obtained Organic and Rainforest Alliance certifications.

Labour relations constitute a central axis of accumulation and contestation. A respondent from Green Coffee identifies labour shortage as one of the major challenges in the sector, attributing this to urbanization and youth migration draining rural labour pools.[90] A detailed wage structure at Green Coffee exposes production conditions: Daily labourers receive a minimum of ETB 250 (USD 1.7), while piecework includes ETB 75–100 (USD 0.5–0.7) for clearing 0.06 hectares, ETB 10 (USD 0.06) per kg for cherry picking, ETB 15 (USD 0.10) for half-dried

84 Fikadu Mitiku, Yann de Mey and Miet Maertens, 'Do Private Sustainability Standards Contribute to Poverty Alleviations? A Comparison of Different Coffee Certification Schemes in Ethiopia', Bioeconomics Working Paper Series, Working Paper 2015/03, Division of Bioeconomics, Department of Earth and Environmental Sciences, University of Leuven. DOI: 10.22004/ag.econ.253589

85 Horizon Plantations PLC, formerly known as the Bebeka Coffee Plantation, is currently owned by Sheikh Mohammed Hussein Al Amoudi, a Saudi–Ethiopian business person.

86 This plantation is located in two sites in Kaffa zone: Dikura Woshi kebele in Shisho Inde woreda; and in Decha woreda.

87 Interview with farm manager, Horizon Plantations PLC, Debub Bench woreda, Bench-Sheko zone, 9 October 2025.

88 Interview with farm manager and project officer, Green Coffee PLC, Dikura Woshi kebele, Kaffa zone, 5 October 2025.

89 Interview with farm manager, Horizon Plantations PLC, Debub Bench woreda, Bench-Sheko zone, 9 October 2025.

90 Interview with farm manager, Shisho Inde district, Kaffa zone, 5 October 2025.

coffee and ETB 25 (USD 0.17) for fully dried product. These rates represent the social reproduction costs shifted onto workers. A respondent from Horizon corroborates labour challenges this interpretation, adding that cost escalations from agricultural inputs and what he terms 'unfair and unhealthy expenses'—including loading fees, checkpoint taxes, transportation costs and *kote gibir* (a type of tax)—erode margins despite direct export advantages.[91] Plantation–state relations in the belt exhibit negotiated autonomy, where functional local ties coexist with tension. For instance, Green Coffee Agro-Industry PLC, owned by a Tigrayan investor named Ato Tadele, encountered youth raiding its stores during the political reform in 2018, revealing a contested level of legitimacy. The seizure of the coffee harvest by an informally organized group of local youth, locally referred to as '*Gurmasho*',[92] in the Dikura Woshi kebele of Shisho Inde woreda (district), in Kaffa zone highlights the persistence of unresolved land grievances and intergenerational contestation over resource control. Horizon faced ethnic stigmatization linking it to the former Tigray People's Liberation Front-dominated regime, particularly the former first lady, Azeb Mesfin. The company required sustained effort to overcome risks based on perceived ownership origins, illustrating how unfounded political narratives penetrate the economic sphere.

Fiscal relations also expose structural ambiguities in decentralized governance. Plantations pay federal taxes on profits but also face persistent demands from local government, revealing competition between state factions over private surplus. Managerial insistence that regional and local governors claim shares from federal disbursements rather than directly from plantations represents an attempt to discipline the state and insulate capital accumulation from multiple extraction layers, triggering local conflicts. These actions can be interpreted through a concept of moral economy and everyday resistance, whereby rural populations mobilize culturally legitimate forms of protest to defend perceived historical rights to land and subsistence.[93] The unequal power dynamics underlying these conflicts are stark: Investors command substantial financial capital, political connections and institutional protection, whereas displaced smallholders and rural youth are largely excluded from formal decision-making structures. In some cases, the discursive empowerment of indigenous identities in Ethiopian ethno-federalism has provided symbolic legitimacy to such localized resistance, even when these actions occur outside formal legal channels.

Land governance in Ethiopia highlights persistent tensions between state ownership of land, decentralized administrative authority and investor-oriented policies that frequently marginalize

91 Interview with farm manager, Debub Bench, Bench-Sheko zone, 9 October 2025. Note: *Kote gibir* is an Amharic term used to refer to a tax paid per cargo load before the freight departs from a given location.

92 The term '*Gurmasho*' refers to an informally organized youth group during the early years of national reform of the current regime.

93 James C Scott, *The Moral Economy of the Peasant: Rebellion and Resistance in Southeast Asia*, New Haven CT: Yale University Press, 1976.

customary land users.[94] Consequently, investor-funded community projects and donations often function as discretionary and performative gestures rather than institutionalized mechanisms of redistribution, accountability or conflict resolution.

Large-scale investment and land accumulation have been found to displace forest-dependent communities, demonstrating how land governance intersects with social hierarchy and marginalization. This dynamic is further reinforced at the ideological level, where corporate social responsibility discourse serves to legitimize—and thereby normalize—such accumulation, often obscuring its diverse social and environmental consequences. Plantations document their community contributions, including ambulances, COVID-19 support, water development, road construction, health facilities and schools. At the same time, however, not all of these obligations are fulfilled. A kindergarten site that had fallen into disrepair before it was even fully constructed or became functional offers a good example (see Figure 1). According to a respondent from Green Coffee, the school project was abandoned following the political transition of 2018, an upheaval that triggered frustration and farm raids by local youths, but subsequently planned to resume the project.[95] Nearly six to seven years later, however, work has not yet been restarted, despite observable stability and security during this timeframe. Had the company been genuinely committed to the project, it would have had ample opportunity to complete construction well before the infrastructure fell into disrepair. This discrepancy exposes a gap between ideological rhetoric and material reality, suggesting that corporate social responsibility functions primarily as a legitimation strategy for land accumulation rather than a substantive commitment to community welfare.

Private plantations hold a competitive advantage through direct market access, certification flexibility and scale economies, exercising centralized control unavailable to or impossible for cooperatives or smallholders. At the same time, however, labour challenges (dependence on a rural workforce threatened by urbanization), combined with store raiding and political stigmatization, indicate precarious foundations requiring continuous legitimization through social investment.

Figure 1. Kindergarten site, dilapidated before construction completed. Photo by the author.

94 Dessalegn Rahmato, 'Land to Investors: Large-scale Land Transfers in Ethiopia', Forum for Social Studies, 2011. Accessed 1 September 2026, https://fss-ethiopia.org/download/land-to-investors-large-scale-land-transfers-in-ethiopia/.

95 Interview with farm manager and project officer, Green Coffee PLC, Dikura Woshi kebele, Kaffa zone, 5 October 2025.

These findings reveal that coffee plantations are powerful but vulnerable actors. Their accumulation of capital and influence is simultaneously enabled by policy reforms but constrained by labour shortages, fiscal ambiguities and community contestation. Their ties with the state alternate between partnership and predation. Labour is marked by both reliance and exploitation. Communities benefit inadequately and sometimes ambiguously from social projects, even as surplus is extracted from them. In the end, these arrangements do not resolve the contradictions of agrarian capitalism. Rather, they perpetuate them.

Private coffee traders and exporters

Private coffee traders and exporters, the majority of whom are locals in Kaffa zone and non-locals in Bench-Sheko and Sheka zones, constitute one of the most influential yet analytically complex actor groups in the coffee value chain in this belt. While smallholders dominate production, traders and exporters occupy pivotal intermediary positions that connect localized production systems to national and global markets. Their role extends beyond simple commodity exchange: They function simultaneously as financiers, logisticians, information brokers and market coordinators, operating at the interface between rural economies and international trade regimes. In geographically dispersed forest-coffee regions, where production occurs across remote landscapes with limited infrastructure, these actors are indispensable for aggregating supply and enabling market circulation.

Local collectors, brokers and intermediary traders play a particularly critical role in reducing spatial fragmentation. Coffee production in the Kaffa–Bench-Sheko–Sheka belt is highly dispersed across smallholder plots embedded in forest environments, often distant from formal market centres and processing facilities. Under such conditions, traders provide essential logistical services, including transportation, aggregation and immediate cash payments. For many farmers facing liquidity constraints, traders represent the most accessible source of short-term finance through advance payments of informal credit arrangements. This intermediation reduces transaction costs and facilitates market participation for producers who would otherwise face prohibitive barriers to entry. In this respect, traders perform a structurally necessary function in the coffee value chain by bridging the gap between producers and exporters.

The same structural position that makes traders indispensable also grants them considerable economic and informational power. Market information, including price trends, export demand and quality requirements, tends to be concentrated among traders and exporters rather than producers. Information asymmetries allow intermediaries to influence farm-gate prices, particularly during harvest seasons when farmers experience urgent cash needs. A smallholder respondent underscores that brokers often benefit from the limited access farmers have to real-time market information, enabling price negotiations that favour intermediaries.[96] Thus,

96 Interview with smallholder farmer, Shishinda town, Kaffa zone, 4 October 2025.

traders simultaneously enable market integration and reproduce unequal bargaining relations in the supply chain.

A university lecturer notes that exporter behaviour cannot be understood solely through microeconomic incentives; rather, this must be situated in the broader Ethiopian macroeconomic environment, which is characterized by chronic foreign currency scarcity.[97] Exporters reportedly engage in practices that appear commercially irrational at the commodity level, such as purchasing coffee at financial losses, not to profit directly from coffee exports but to gain privileged access to foreign exchange allocations. Once foreign currency is secured through export transactions, profits are realized through the import and domestic resale of goods at exceptionally high markups. In this context, coffee functions less as an end commodity and more as a gateway asset enabling participation in foreign-exchange rent structures. Export activity therefore becomes embedded in rent-seeking dynamics shaped by macroeconomic distortions rather than sectoral productivity.

Such conditions reshape incentives across the entire value chain. When exporters prioritize access to foreign currency over coffee quality or long-term supplier relationships, investments in quality upgrading, traceability and sustainable sourcing become a secondary concern. One coffee trader also reveals other fraudulent practices such as invoice manipulation, quality downgrading during grading processes and speculative purchasing strategies designed to exploit regulatory loopholes or price fluctuations.[98] These practices allow intermediaries to extract value through institutional and informational asymmetries rather than through productive efficiency. Consequently, risk is shifted downstream to smallholder producers, while value capture is increasingly concentrated among actors positioned at financial nodes.

Traders and exporters thus function as key governance actors in the regional coffee system, shaping market coordination and rules in the absence of formal regulatory authority. They influence price transmission, market access, liquidity flows and even production incentives at the farm level. Their decisions shape whether farmers invest in quality improvement, whether cooperatives remain competitive and whether formal marketing systems retain legitimacy. At the same time, traders themselves operate within constraints imposed by regulatory uncertainty, foreign-exchange controls and shifting marketing policies, suggesting that rent-seeking behaviours are partly adaptive responses to systemic institutional conditions rather than purely individual opportunism.

Altogether, the findings position private traders and exporters in the Kaffa–Bench-Sheko–Sheka belt as ambivalent but central actors in the Southwest Ethiopia Region coffee value chain. They are indispensable facilitators of market integration and export circulation. At the same time, they are also key sites where value extraction, regulatory arbitrage and power asymmetries are reproduced. Understanding the regional political economy of coffee thus requires moving

97 Interview with university lecturer, Bonga University campus, Kaffa zone, 5 October 2025.

98 Interview with coffee trader, Teppi town, Sheka zone, 7 October 2025.

beyond producer-centric analysis to examine how intermediary actors mediate relationships between local production systems and global markets. Policy interventions aimed at improving equity and efficiency in the sector must consequently address both farmer productivity and the incentive structures governing traders and exporters, particularly the transparency of foreign-exchange regimes, in grading and licensing systems and enforcement mechanisms capable of reducing illicit trade while maintaining market functionality.

Institutional actors

There are two sets of key institutional actors with respect to the coffee sector: Cooperatives and cooperative unions on the production side, and the state agencies with authority over the coffee sector, the Ethiopian Commodity Exchange and Ethiopian Coffee and Tea Authority.

Cooperatives and unions

Coffee farmer cooperatives and unions primarily serve as intermediary institutions designed to counterbalance the market asymmetries faced by smallholders. For smallholder producers, they remain one of the few institutional channels offering potential access to credit, price stabilization and export markets, although their effectiveness remains uneven and often compromised by governance failures. Zonal unions such as Kaffa Forest Coffee Farmers' Cooperatives Union in the Kaffa zone, Bench-Maji Forest Coffee Cooperatives Union, Bench-Maji Andinet (Bench-Maji Unity) Farmers' Multipurpose Cooperatives Union, Yesheko Amora Gedel Farmers' Multipurpose Cooperatives Union in the Bench-Sheko zone and Teppi Coffee Farmers' Cooperatives Union in the Sheka zone were established to facilitate market access through Fairtrade International and Organic certification schemes, collectively representing tens of thousands of smallholder producers. The material foundations of these cooperatives demonstrate remarkable growth in the Ethiopian political-economic transformation since the early 2000s. The Kaffa Forest Coffee Farmers' Cooperatives Union, established in April 2012 with SUPAKS support,[99] has expanded from 17 cooperative associations with ETB 200,000 (USD 1,360) capital to 46 associations with ETB 22 million (USD 149,639) and operating 23 coffee processing industries.[100] The Bench-Maji Forest Coffee Cooperatives Union coordinates 85 cooperatives, with capital exceeding ETB 850 million (USD 5.8 million).[101] This accumulation reflects the strategic incorporation of smallholder production into the global value chain mediated by certification regimes generating Fairtrade International premiums of USD. 0.20 per pound and Organic certification premiums of USD 0.40. Some 70 per cent of profits return to members as dividends, while Fairtrade International premiums fund community infrastructure

99 SUPAKS (Sustainable Poverty Alleviation in Kaffa and Sheka zones) is a Dutch-based NGO that used to operate in the study area.

100 Interview with head of finance, Kaffa Forest Coffee Farmers Cooperatives' Union, Bonga, 1 October 2025.

101 Interview with union head, Mizan-Aman, 10 October 2025. The remaining information in this paragraph is derived from the source.

through NGO partnerships. This circuit conceals deeper contradictions, however, as reliance on certification bodies produces dependencies limiting autonomous accumulation.

Key respondents highlight a gap between the formal democratic design of cooperative governance structures and the substantive power relations that undermine member control.[102] Formally, any farmer cultivating more than 0.5 hectares of coffee is eligible to join a cooperative, with each member holding one equal voting right, supported by audit systems intended to ensure accountability. One union head admits, however, that genuine accountability is practically impossible due to information asymmetries between ordinary members and the educated leadership of cooperatives.[103] These asymmetries expose the material basis of elite capture by a few educated cooperative leaders, enabling wealthier members to secure preferential access while marginalized groups, such as the Manjja, must seek patronage or conceal their identity.

Originally, farmer cooperatives and cooperative unions were exclusively designed as vehicles for smallholder farmer empowerment and collective market participation. Over time, however, they have become deeply entangled in contested political-economic dynamics. Chronic supply shortages of coffee caused by illegal trading, coupled with political interference, capture by political elites and managerial inefficiencies, has driven many cooperatives toward institutional collapse. Cooperative unions, the secondary federations of primary cooperatives, often intensify these challenges by sourcing coffee from unregistered suppliers, delaying payments owed to farmers through cooperatives and, according to several study participants, manipulating grading processes to divert lucrative markets.[104]

These internal governance failures are compounded by deeper structural and political-economic constraints that reinforce trust deficits. Externally, cooperatives face capital shortages, declining supply volumes and aggressive competition from private traders. Internally, they remain vulnerable to elite capture, wherein politically connected elites or commercially oriented actors use cooperative licences for patronage, tax evasion or the circulation of illicit coffee. For instance, some commercially oriented traders and exporters utilize cooperative licences to channel their coffee sales, thereby concealing transactions and evading tax obligations to formal regulatory authorities. These patterns demonstrate how collective institutions in weak regulatory environments can become arenas for rent-seeking and political brokerage rather than smallholder farmer empowerment.[105]

102 Interview with Sheka zone department of agriculture, Teppi town, 7 October 2025.

103 Interview with union head, Bench-Sheko zone, Mizan town, 9 October 2025.

104 Interview with manager, ECX Teppi branch office, Teppi town, 7 October 2025.

105 Blessings Chinsinga, 'The Political Economy of Agricultural Policy Processes in Malawi: A Case Study of the Fertilizer Subsidy Programme', FAC Working Paper 39, Brighton: Future Agricultures Consortium, 2012. Accessed 1 September 2026, https://opendocs.ids.ac.uk/articles/report/The_Political_Economy_of_Agricultural_Policy_Processes_in_Malawi_A_Case_Study_of_the_Fertilizer_Subsidy_Programme/26449138?file=48234439.

In the Kaffa–Bench-Sheko–Sheka belt, interactions among cooperative leaders, traders and local authorities frequently blur regulatory boundaries. Farmer side-selling practices thus often represent rational responses to institutional ineffectiveness. Unions and cooperatives have taken countermeasures to reverse side-selling practices. According to one union head, when smallholder members of cooperatives face financial scarcity that puts them into debt traps, the primary coping mechanism employed by these institutions is the arrangement of internal loan schemes designed to provide immediate member-directed relief.[106] These schemes operate as informal credit mechanisms that bypass formal financial institutions, enabling smallholders to access small-scale liquidity without collateral requirements or bureaucratic delays. A notable example is the ETB 200 million (USD 1.4 million) distributed through the Bench-Maji Forest Coffee Producers' Union, which reflects a significant internal resource mobilization effort aimed at stabilizing vulnerable households.[107] Nevertheless, these measures constitute defensive adaptations that, while providing short-term respite, remain fundamentally inadequate without broader structural interventions. In particular, internal loan schemes do not address the root causes of financial precarity; namely, unequal market integration, limited bargaining power and chronic undercapitalization. They also do not alter the asymmetric power relations embedded in the coffee value chain. Consequently, such coping strategies risk perpetuating dependency cycles rather than fostering sustainable economic resilience among smallholder members.

Together, these dynamics reveal that cooperative fragility reflects both managerial shortcomings and embedded power struggles in the coffee value chain, exposing a persistent gap between cooperative reform rhetoric and the lived realities of smallholder inclusion. From a political economy perspective, smallholder farmers consequently function as primary producers enmeshed in unequal exchange relations, whereby value accrues disproportionately to actors controlling processing, certification, finance and export coordination rather than to those responsible for production itself. This unequal exchange relation is further complicated by ethnic fragmentation, which is also manifested among the cooperative unions in this belt. For instance, the Yesheko Amora Gedel Farmers' Multipurpose Cooperatives Union, located in Sheko woreda, split from the Bench-Maji Forest Coffee Cooperatives Union without settling accounts, leaving unresolved debt that ballooned from ETB 23 to 60 million (USD 156,441 to 408,108).[108] Key respondents underscore that a split such as this is not simply the dissolution of a business but is a politically motivated move, demonstrating how ethnic mobilization imposes material costs on members.[109]

106 Interview with head, Bench Maji Andinet Multipurpose Farmers' Cooperatives Union, Mizan-Aman, 11 October 2025.

107 Interview with union head, Mizan-Aman, 10 October 2025.

108 Respondents from Sheko indicate that demands for greater administrative autonomy, including the establishment of a separate administrative zone rather than remaining linked with Bench, have persisted for a long time. Accordingly, such identity-based claims are also reflected in the break-up of the cooperative union and the establishment of their own cooperative union.

109 Interview with head, Bench Maji Andinet Multipurpose Farmers' Cooperatives Union, Mizan-Aman, 11 October 2025.

Compounding these internal divisions, the study findings further reveal that how shifting regulatory coffee marketing structures and political transitions are reshaping cooperative opportunity structures. Under the EPRDF regime, for example, union leaders who participated in this study characterize the Ethiopian Commodity Exchange (ECX) as providing rule-oriented, transparent services with commissions below 2 per cent and reliable bookkeeping. According to all the union leaders who were interviewed, the replacement of the ECX with vertical integration by the current government under the 2017 reform has introduced opacity, enabled cheating and disrupted markets through what one union leader terms 'an awkward system driving cooperatives toward bankruptcy'.[110] The head of another cooperative union emphasizes that his union accumulated ETB 7.6 million (USD 51,693) in tax liabilities due to limited understanding of VAT (value added tax) under the new system.[111] Such remarks exemplify how regulatory complexities impose differential burdens on cooperatives versus private actors.[112]

Despite the pervasive irregularities in association operations, cooperatives and unions have reportedly improved producer price shares and strengthened community-level forest conservation initiatives. Nonetheless, the key respondents heading unions unanimously note several institutional challenges that constrain long-term competitiveness, including managerial capacity deficits, limited working capital and volatile global prices. Alongside these issues, they identify several intervention areas to address the structural determinants of these predicaments. First, liberating cooperatives from private traders and political elites requires both regulatory reform and fundamental shifts in the balance of power that enables these actors to subordinate cooperative interests. Second, restoring transparency to coffee marketing necessitates confronting the interests that benefit from vertical integration opacity, including state actors who extract rents through discretionary enforcement. Third, devolving financial institutions to the grassroots level to combat usury requires challenging the concentration of banking services in urban centres and the collateral requirements that exclude smallholders from formal credit. Finally, halting debt-driven land dispossession among smallholder farmers necessitates protecting indigenous farmers and also addressing the broader dynamics that drive migrants to seek south-west land in general and the Kaffa–Bench-Sheko–Sheka belt in particular.

The ECX and the ECTA

Before the establishment of the ECX in 2008, Ethiopian coffee export had been solely traded between producers reaching international buyers through exporters. The ECX was designed as a centralized regulated marketplace to enhance transparency, standardize quality and ensure fair price discovery in the Ethiopian coffee sector. By pooling coffee from multiple producers and trading it through a public auction system, the ECX sought to reduce information asymmetries, curb rent-seeking by intermediaries and protect producers from arbitrary price setting. Although initially conceived to serve both domestic and export markets, the ECX gradually

110 Interview with cooperative union head, PLACE, 4 October 2025.

111 Interview with cooperative union head, Mizan-Aman, 10 October 2025.

112 Interview with cooperative union head, Mizan-Aman, 10 October 2025.

became a central node for export-grade coffee through the institutionalization of grading, warehousing and traceability mechanisms. The ECX has been credited with improving price discovery and transaction transparency. Critics argue, however, that its centralized auction model weakened origin-based marketing, diluted specialty coffee identities and constrained the direct relationship between producers and international buyers.[113]

In response to these limitations, the Ethiopian Coffee and Tea Authority (ECTA) introduced the vertical integration marketing model in 2020, which allows exporters to source coffee directly from producers or producer organizations through privately coordinated supply chains that bypass the ECX trading floor.[114] Under this model, export firms may control multiple stages of the value chain—from procurement and processing to export. Policymakers and exporters promote vertical integration as a mechanism to improve efficiency, strengthen traceability and capture specialty coffee premiums. As a result, these two state-sanctioned but fundamentally different marketing models—one a regulated horizontal exchange and the other a vertically linked privately negotiated supply chain—now operate in parallel, reshaping coffee governance, pricing structures and market access across Ethiopia.[115]

One union leader in Mizan-Aman emphasizes that ECX had functioned as a relatively stable and effective marketing institution before the ECTA introduction of vertical integration in early 2020, despite acknowledged shortcomings.[116] ECX officials, cooperative representatives and quality inspectors emphasize that the ECX provides a neutral platform where prices are discovered, quality standards are codified and transactions remain auditable. Respondents argue that this structure constrained opportunistic behaviour and reduced large-scale market manipulation, even though quality disputes persisted, as is common in agricultural commodity markets.

The introduction of vertical Integration by the ECTA is officially framed as a reform intended to diversify market channels and incentivize efficiency. Many respondents from the ECX side contend, however, that in practice the reform displaced the ECX rather than complemented it.[117] They report that ECX operational leverage began declining after formal policy announcements, particularly during the transition following the 2018 political reforms. This marginalization occurred not through explicit legal prohibition but through administrative adjustments, including licensing preferences, differential access to export logistics and policy incentives

113 Nicolas Petit, 'Ethiopia's Coffee Sector: A Bitter or Better Future?', *Journal of Agrarian Change* 7/2 (2007). DOI: 10.1111/j.1471-0366.2007.00145.x

114 Ethiopian Coffee and Tea Authority, 'Vertical Integration Coffee Supply Marketing Contract Administration and Price Regulation Directive (Directive No. 05/2013)'. Accessed 31 August 2026, https://www.scribd.com/document/731468032/Vertical-contract-directives.

115 The ECX operates under the ministry of trade and regional integration and the vertical integration model operates under the ECTA, which is housed at the ministry of agriculture.

116 Interview with union manager, Mizan-Aman, 11 October 2025.

117 Interview with head, ECX Mizan-Aman office, Mizan town, 10 October 2025.

favouring vertically integrated exporters. They further argue that these measures altered the market from a relatively neutral exchange mechanism into a politically mediated arena in which access to coffee and export rents increasingly depend on administrative discretion and political alignment. As ECX respondents argue, these developments have increased investment uncertainty and narrowed participation for smallholder traders, cooperatives and independent exporters.

Nonetheless, coffee value chain actor perceptions of the ECX and the ECTA vertical integration model vary significantly. There was no clear consensus among smallholder farmer respondents in the Kaffa–Bench-Sheko–Sheka belt in support of either system. The ECX historically offered greater price transparency and reduced exposure to contract risks, which many smallholders valued. Conversely, the vertical integration model often provides higher farm-gate prices, access to credit and a direct relationship with exporters, benefits that attract farmers seeking immediate income and input support. Vertical Integration contracts, however, may also expose farmers to price volatility, asymmetric bargaining power and long-term dependency on single buyers. Consequently, farmer participation in either system often reflects pragmatic livelihood risk calculations rather than clear institutional loyalty, particularly as the relevance of the ECX declines under policy and market restructuring that increasingly privileges vertical integration marketing systems.

The distribution of benefits under vertical integration appears more consistently favourable to large exporters and capital-intensive firms capable of managing vertically coordinated supply chains. Exporter perspectives on the ECX per se remain underexplored, however. The only explicit views are that of an agricultural economist and a senior government official, who note that exporters are often driven by both coffee export profits and the access to foreign exchange earnings, which enable lucrative import activities.[118] Beyond exporter interests, other study respondents express critical perceptions of the broader market environment. A union head from Kaffa zone argues that successfully operating in the dual market structure in Ethiopia, where export-grade coffee competes with strong domestic demand, often requires political protection and administrative facilitation, particularly in regions where regulatory enforcement is fragmented.[119] This observation is underscored by the additional pressure of domestic demand, which creates incentives for quality downgrading and diversion of export-grade coffee into local markets, where profit margins may be higher. Together, these perspectives suggest that while vertical integration offers institutional advantages for large business firms, its actual functioning is shaped by a complex interplay of foreign exchange incentives, domestic market dynamics and uneven regulatory oversight.[120]

118 Interview with agricultural economist, Mizan Teppi University, university campus, 8 October 2025; interview with a senior government official in Kaffa zone, Bonga, 12 October 2025.

119 Interview with union head, Kaffa zone, Bonga, 1 October 2025.

120 Interview with union head, Kaffa zone, Bonga, 1 October 2025.

In the Kaffa–Bench-Sheko–Sheka belt, opposition to the ECX appears to stem from multiple factors rather than a single political motive. Some actors associate the ECX with previous political networks, while others criticize its perceived limitations in traceability and access inequalities that emerged during earlier periods of its operation. For instance, an ECX zonal head emphasizes the emergence of political narratives that portray the ECX as structurally compromised, partly due to its institutional origins under the EPRDF government.[121] These divergent interpretations have transformed debates about market design into broader struggles over institutional legitimacy. Although quality-related challenges under the ECX are widely acknowledged, respondents from the ECX side argue that such operational concerns have often been politicized rather than addressed through institutional reform.

From a political economy perspective, the expansion of vertical integration has altered regulatory power structures. Another ECX head highlights that vertically integrated firms benefit from selective licensing, preferential access to finance and control over processing infrastructure, thereby creating a high barrier to entry for small actors.[122] In the belt, where coffee production remains heavily dependent on smallholder agroforestry systems, these shifts have reportedly concentrated market power upward in the value chain. These dynamics resemble patterns of regulatory capture, in which formally neutral policy frameworks may disproportionately benefit well-connected firms.

The most severe allegation raised by respondents surrounds illicit market practices linked to both export and domestic coffee flows. A majority of respondents assert that access to foreign exchange earnings from coffee exports incentivizes export firms to remain engaged in export markets even when the domestic coffee trade yields higher direct profit margins. Some respondents allege that quality downgrading, document manipulation, blending, underreporting and cross-border smuggling occur in networks that operate with varying degrees of political protection. They argue that the decentralization of marketing channels following the ECX decline has created regulatory loopholes that facilitate illicit trade. Evidence cited by a respondent from one ECX office in the Kaffa–Bench-Sheko–Sheka belt includes fraudulent documentation and unauthorized use of ECX regulatory instruments (See Annex). This suggests that state mechanisms intended to regulate the coffee trade may occasionally be repurposed to legitimize illegal transactions. These claims remain contested but illustrate widespread perceptions of institutional vulnerability.

Taken together, the ECX–ECTA vertical integration transition reflects more than a technical shift in market coordination. It represents a broader reconfiguration of power, incentives and governance in the Ethiopian coffee sector. While the ECX did not eliminate corruption or quality disputes, it imposed standardized oversight that many actors perceive as constraining large-scale manipulation. The vertical integration model of the ECTA has introduced new

121 Interview with ECX head, Sheka zone, Teppi town, 6 October 2025.

122 Interview with ECX head, Mizan-Aman, Mizan town, 9 October 2025.

efficiency opportunities but, according to respondents, it has yet to establish equally robust accountability safeguards.

The ECX historically provided predictable pricing and collective marketing security, whereas vertical integration offers potential price premiums and direct contractual relationships but with increased exposure to market and contractual risks. Comparative evidence suggests that outcomes depend heavily on contract terms, price volatility and enforcement mechanisms rather than institutional design alone. Thus, neither the ECX nor the vertical integration model is inherently better. Their performance depends on local markets, farmer bargaining power and credible regulation—all of which have been highly unstable during the Ethiopian political transition that began in 2018.

The central challenge facing the coffee sector in Southwest Ethiopia Region lies in misaligned power, incentives and accountability structures. Producers who steward globally significant ecological and genetic coffee resources remain weakly positioned in the value chain, and there is limited evidence that efficiency gains from vertical integration systematically translate into improved producer welfare. While vertical integration was designed to bypass the ECX trading floor and enhance traceability and premium capture, its benefits appear concentrated among large exporters, raising questions about whether this institutional shift addresses or deepens existing inequalities. For meaningful transformation of the sector to occur, reforms must move beyond technical market fixes and confront the governance failures that enable market capture: opaque policy design, weak institutional accountability, politicized regulation and unequal access to state power. Without addressing these structural issues, changes to the ECX and vertical integration risk perpetuating a cycle in which institutional reform merely redistributes opportunities for rent extraction rather than fosters equitable, transparent and sustainable development. Ultimately, ensuring that the value of Ethiopian coffee flows back to the landscapes and communities that sustain it requires restoring transparency, rebuilding trust and realigning incentives across the entire value chain.

International certification agencies and conservation-oriented NGOs

Global certification institutions such as Fairtrade International, the Rainforest Alliance and Organic certification bodies play increasingly influential roles in structuring coffee production practices and market access in the Kaffa–Bench-Sheko–Sheka belt. These entities promote environmental conservation, traceability and labour standards while facilitating access to premium specialty markets. Nevertheless, certification compliance introduces additional costs and bureaucratic complexities that are not evenly distributed across coffee producers. A respondent from an NGO indicates that while certification often generates modest price premiums, the financial benefits are frequently diluted by compliance costs, union and cooperative administrative expenses, and fluctuating international market prices.[123] The limited ability of Southwest Ethiopia Region to capture value from certification reveals a broader

123 Interview NGO programme coordinator, Mizan-Aman, 10 October 2025.

political economy paradox: Global sustainability regimes impose compliance burdens on producers but the institutional infrastructure required to capture associated value remains unevenly developed, concentrating financial gains elsewhere in the value chain. In other words, local farmers bear the costs of meeting international standards but the banks, cooperatives and market linkages needed to convert those efforts into premium prices are weakest precisely where the production occurs.

Alongside market-driven certification actors, conservation-oriented NGOs such as Nature and Biodiversity Conservation Union (NABU), the Ethio-Wetland Natural Resource Association (EWNRA) and REDD+ (Reducing Emissions from Deforestation and Forest Degradation)[124] have emerged as influential actors reshaping forest governance in the south-west Ethiopia coffee landscape through participatory forest management (PFM) initiatives. These initiatives aim to reconcile conservation objectives with livelihood security by granting communities collective forest-use rights, promoting traceable forest coffee production and facilitating access to Fairtrade International premiums and other certification schemes. Implementation evidence suggests that PFM arrangements have contributed to reducing deforestation pressures, strengthening community-based governance institutions and promoting gender-inclusive participation.[125]

Interviews with representatives from the EWNRA and NABU demonstrate how conservation interventions intersect with broader political-economic dynamics shaping coffee production. They go on to explain that the principal constraints facing forest-coffee systems are less technical or ecological than institutional and distributional, rooted in asymmetric power relations, fragmented regulatory authority and competing accumulation strategies among state agencies, market actors and local communities. It is precisely in response to these institutional and distributional constraints—and state inability or unwillingness to resolve them—that NGOs operate both as environmental implementers and as hybrid governance actors mediating relationships among communities, coffee markets and the state.

Through PFM arrangements, for example, the EWNRA coordinates community-based governance across extensive forest landscapes, covering approximately 64,000 hectares in the Guraferda district of Bench-Sheko zone alone, while promoting livelihood diversification through agroforestry, improved beekeeping technologies and ecologically compatible crop systems.[126] These interventions align conservation incentives with income generation, representing a partial shift from centralized conservation toward community-based resource governance. NGOs remain structurally constrained, however, by dependence on donor funding,

124 REDD+ is a UN-negotiated framework that provides performance-based financial incentives for forest conservation, sustainable management and carbon-stock enhancement. For more information, see: 'What is REDD+?', UN-REDD Programme. Accessed 1 September 2026, https://www.un-redd.org/about/about-redd.

125 Interview with EWNRA office manager, Mizan-Aman, 9 October 2025.

126 Interview with EWNRA office manager, Mizan-Aman, 9 October 2025.

certification markets and state regulatory approval. This positions them as intermediaries attempting to stabilize local livelihoods in a political-economic system over which they exercise limited authority. Similarly, environmental outcomes are shaped by political-economic pressures. While economic recommendations frequently promote canopy optimization (that is, adjusting the density and composition of shade trees to balance sunlight exposure) to increase yields, interviewees from NABU and the EWNRA highlight ecological trade-offs whereby productivity gains may incentivize forest clearing. NGOs attempt to mitigate these tensions through agroforestry systems and traceability mechanisms that reward conservation. At the same time, however, deforestation is not generally practiced by subsistence farmers. Rather, it is often attributed to investor expansion and debt-induced displacement, including forms of proxy deforestation conducted through local intermediaries. Forest degradation thus emerges as an outcome of land governance and capital accumulation processes rather than demographic or technical factors alone.

These actors thus constitute an interconnected yet asymmetrical governance field in which authority, market access and value distribution are unevenly structured across multiple scales. Interactions among producers, intermediaries, state institutions, global certification regimes and informal trading networks shape both the organization of coffee production and trade, and the distribution of benefits along the commodity chain. These relationships reveal that outcomes in the coffee economy are determined both by market forces and by the institutional arrangements and power relations that govern participation, regulation and exchange.

Smugglers

The political economy of the coffee sector in the Kaffa–Bench-Sheko–Sheka belt is starkly illustrated by the illicit trade that has emerged alongside (and is increasingly in competition with) the formal coffee sector. Export-grade coffee is routinely diverted to informal domestic and cross-border markets, where immediate cash payments and higher nominal prices—unburdened by taxes, quality controls or foreign exchange surrender requirement—offer strong incentives for producers and traders alike. Illicit trade in the coffee sector is not an aberration, nor does it constitute residual criminality. It is a rational and calculated response to distorted producer prices, delayed payments in formal channels, uneven regional price differentials and highly selective law enforcement. The illicit trade thus operates as an alternative form of authority, directly contesting state authority over coffee, one of its most strategic export commodities. While some smallholder producers may gain short-term liquidity from this illicit marketing channel, the long-term effects are regressive: export revenue declines, the national currency weakens and state capacity to finance public goods deteriorates.

The illicit economy in the Kaffa–Bench-Sheko–Sheka coffee belt involves several actors: armed youth, demobilized or returning members of security forces, brokers embedded in cooperatives and unions, transport operators, cross-border financers and actors shielded by what locals describe as 'influential hands' (actors with money and political support) in political and security institutions. The youth serve as physical enforcers and frontline labour, guarding smuggling

routes, loading contraband coffee under cover of darkness and intimidating officials or rival smugglers. The returnees from the security forces provide tactical knowledge, including evasion techniques, patrol schedules and access to former colleagues still in service, thereby lowering the risk of interception.[127]

In addition to functioning as farmer collective marketing institutions, some cooperatives and unions collaborate with formal traders, including licensed exporters, to evade and conceal taxes, manipulate coffee grades and origin documentation, and weaken formal marketing routes. This collaboration diverts coffee intended for formal market channels into unofficial cross-border flows. Above these operational networks, political elites and senior officials provide clandestine protection and impunity, ensuring that raids are tipped off, investigations are stalled and captured smugglers are released without prosecution.[128]

The absence of credible and impartial formal regulatory institutions has enabled this illicit parallel political economy to acquire remarkable organizational sophistication and coercive capacity. Government taskforces, grading centres and regulatory agencies are persistently undermined by what enforcement officers describe as 'illicit negotiations' in which enforcement actions are neutralized through political pressure, bribery or direct intimidation.[129]

As a result of this institutional vacuum, the smuggling routes identified by key respondents flow from specific zonal origins. A respondent from Sheka zone maps routes from Teppi to Gambella and from Mettu toward Bahir Dar and onward to Sudan.[130] Routes extending from Teppi and Mettu toward Gambella, South Sudan and Kenya constitute a parallel infrastructure of accumulation, not peripheral leakages. Similarly, a respondent from Kaffa zone maps routes from Shishinda, Chena, Mizan-Aman and Teppi, onward to South Sudan and Kenya.[131]

The physical manifestation of this institutional failure is evident in the dense web of smuggling routes that crisscross both domestic and international landscapes. Domestically, these routes channel coffee through networks linking Bonga to Gojeb, Jimma, Dedo and Dawuro to Wolayita; Bonga to Gojeb, Jimma and Addis Ababa; and Bonga to Tello, Ameya (Konta zone), Dawuro and Wolayita, or through corridors connecting Teppi, Masha, Mettu, Bedele, Wallega and Gojjam.

In parallel, a more economically damaging set of cross-border corridors facilitates the haemorrhaging of national resources into regional black markets. These include southern

127 Interview with senior police officer in Teppi town, Sheka zone, Teppi, 8 October 2025.

128 Interview with senior police officer, Southwest Regional State Police Commission, Bonga, 14 October 2025.

129 Interview with senior police officer, Bench-Sheko zone police department, Mizan-Aman, Mizan town, 10 October 2025.

130 Interview with returnee security member, 7 October 2025.

131 Interview with coffee, tea and spices quality inspection expert from Kaffa zone department of agriculture, Bonga, 13 October 2025.

routes running from Teppi through Mizan-Aman and Biftu to Dima, then proceeding through Tinshu Gessena and Shama into the contested Ilemi Triangle, ultimately supplying markets in South Sudan and Kenya. Gambella routes originate in Teppi and pass through Met'ii in the Godere district, Majang zone in Gambella Regional State, into Mengeshi district (Agnuwa zone) and onward to Fungido in Abobo district, finally crossing into South Sudan. The direct Gambella route is a path from Teppi to Gambella through the Nuer zone and Metehar on the Ethiopian side, crossing directly into South Sudan. The Omo–Turkana corridor starts from Teppi and Mizan-Aman to Dima to Kibish, into South Omo (Salamago), through Dasanech and across the border into the Turkana area of Kenya. The Jeba (West Omo) corridor links another southern route from Mizan-Aman through West Omo zone, Bero (Jeba) district, providing another alternative conduit into South Sudan and Kenya. The north-western corridor stretches to a long-haul route from Teppi through Masha, Mettu, Bedele and Wollega, then north into Gojjam, finally reaching the Sudan border via Metema. These routes are sustained by actors whose influence spans local administrations, border security units and cooperative unions, deeply embedding the informal market in formal institutional structures.

According to study respondents in Kaffa zone, Shisho Ende and Chena districts emerge as strategic nodes in the illicit trade network. Respondents also underscore that the concentration of smuggling operations in these districts has intensified local tensions, contributing to their characterization as areas with recurring disputes. They indicate that coffee sourced from these districts feeds two primary circuits: Illegal supply chains directed toward central domestic markets and cross-border smuggling routes linking to South Sudan and Kenya.

These smuggling routes are not merely logistical pathways but arteries of power that sustain an alternative system of accumulation. They respond rationally to what many traders perceive as irrational state intervention, particularly price controls and foreign exchange surrender requirements that render legal exports less competitive relative to domestic or cross-border informal markets. As one respondent confirms, the networks operating along these corridors are protected by actors with power, money and covert security structures, which has emboldened them to engage in open violence.[132]

Most respondents have a serious concern about the brazen and increasingly violent character of the illicit coffee trade in the coffee economy in the Kaffa–Bench-Sheko–Sheka belt. Far from consisting of isolated acts of smuggling, the trade operates as a coordinated enterprise orchestrated by influential actors embedded in state apparatuses and affluent trading circles. Their access to covert security networks in government institutions enables practices such as the raiding of official coffee warehouses, the disappearance of sealed shipments ostensibly destined for legal export, and the intimidation of inspectors and cooperative union staff. In particular, the disappearance of sealed shipments is widely understood by local actors as post-sealing diversions into illegal channels rather than logistical mishaps. Violent incidents, including armed confrontations along transport corridors and targeted attacks on enforcement

132 Interview with conservationist, Kaffa zone, Bonga, 2 October 2025.

personnel, are integral to maintaining control over smuggling routes and deterring interference. Such acts directly undermine the formal value chain, replacing rule-based exchange with fear, impunity and the systematic displacement of lawful commerce.

A revealing incident occurred in July 2025 in Chena town, Kaffa zone, when enforcement officers attempted to intercept a suspected shipment of export-grade coffee diverted from the formal coffee sector. According to a government official in Kaffa zone:

> The confrontation escalated rapidly. Armed individuals accompanying the shipment fired upon police officers, killing one police member, forcing a temporary retreat and allowing the perpetrators to escape. In the aftermath, arrests were selective and short-lived and no figures were formally implicated and held accountable.[133]

This episode confirms what has long been suspected: As evidenced by events in Chena town, smuggling networks are sufficiently confident in their protection to deploy armed force in daylight, in a district town, against state agents. Such incidents provide critical entry points into the broader political economy at work. They do not simply illustrate lawlessness but reveal the negotiated and uneven character of authority in coffee-producing regions, where formal authority coexists with—and is sometimes subordinated to—informal regimes of protection and profit.

A respondent from Kaffa zone who works at the department of agriculture estimates that approximately 50 per cent of all illicit coffee seized across the broader Southwest Region is confiscated in Kaffa zone alone, highlighting the structural centrality of this zone to the regional illicit economy.[134] According to this study respondent, authorities collected ETB 6,605,997 (USD 44,932) from confiscated illicit coffee during the first seven months of fiscal year (FY) 2025–2026 (July to January), a figure that excludes the value of unsold stocks currently held in warehouses. In FY 2024–2025, confiscations in Kaffa zone alone generated ETB 12,371,809 (USD 84,150).

Although these figures indicate active enforcement efforts, they simultaneously point to the substantial scale of parallel market activity operating beyond formal regulatory oversight, given that interdictions typically capture only a fraction of the overall volume of coffee circulating through informal and unregulated channels. Consequently, the reported enforcement outcomes should be interpreted both as evidence of state capacity and as an indirect indicator of the magnitude and persistence of illicit trade networks in this zone in particular and the entire region at large.

In this sector, coffee functions both as a commodity and as a political currency through which capital and coercion are mobilized against formal state authority. Control over coffee flows

133 Interview with government official, Kaffa zone, 3 October 2025.

134 Interview with an agricultural expert from Kaffa zone department of agriculture, Bonga, 13 October 2025. The information in the remainder of this paragraph is also derived from this source.

translates into access to liquidity, foreign exchange arbitrage opportunities and patronage resources that can be redistributed through factional networks. The geography of smuggling is, therefore, simultaneously a cartography of political alignment. As such, licensed exporters, who must comply with grading standards, taxation and foreign exchange regulations, are systematically undercut. Meanwhile, the downgrading of export-quality coffee for informal domestic sale collapses quality-based price differentiation, ultimately suppressing aggregate producer earnings. In this sense, the geography of illicit trade is also a cartography of deliberately redirected power and profit, in which the official fight against smuggling often masks deeper complicity in the state itself.

Coffee rents intersect directly with factional politics among regional elites and are best understood through political settlement and rent-seeking frameworks.[135] Control over smuggling corridors and protection arrangements thus becomes a strategic asset in elite bargaining, financial patronage and consolidating loyalist coalitions. Most respondents report that anti-smuggling campaigns often intensify during periods of political realignment, particularly when leadership positions shift or factional balances in administrations are negotiated.[136]

These patterns suggest that enforcement is not applied uniformly but rather is strategically activated or relaxed depending on prevailing political interests. Such dynamics show that formal regulatory and coercive institutions are frequently used selectively to discipline rivals and reward allies rather than to uphold neutral rule enforcement.[137] In this context, coffee rents do more than distort market incentives. They become instruments of coalition management, influencing bargaining power among elite factions and shaping struggles over authority in the general political order.

Consequently, control over these rents can strengthen some groups while weakening others, thereby affecting the stability and configuration of governing coalitions. Institutional weakness is not merely exploited opportunistically but actively instrumentalized by networks linking political elites, senior bureaucrats, cooperatives union officials and illicit traders. Beyond coffee diversion, most respondents report that these illicit networks engage in systematic land appropriation that displaces indigenous communities and smallholder farmers from ancestral territories.[138] This process is a deliberate strategy: Controlling land enables the expansion of coffee cultivation for illicit markets, secures smuggling infrastructure and generates patronage resources through land allocation to loyalists. Displaced communities lose both their livelihoods

135 Mushtaq Khan, 'Political settlements and the Governance of Growth-enhancing Institutions', Working Paper (draft), Research Paper Series on Growth-Enhancing Governance, 20 January 2011. Accessed 1 September 2026, https://soas-repository.worktribe.com/output/389203.

136 Interview with senior police officer, Kaffa zone, Bonga, 14 October 2025.

137 Steven Levitisky and Lucan A Way, *Competitive Authoritarianism: Hybrid Regimes after the Cold War*, Cambridge: Cambridge University Press, 2012. DOI: 10.1017/CBO9780511781353

138 Interview with senior police officer in Bench-Sheko zone, Mizan-Aman, Mizan town, 11 October 2025.

and their ability to participate in formal or informal coffee economies, further concentrating value in the hands of protected elites

The macroeconomic implications of this entrenched system are profound and cumulative, structured to privilege narrow interests. The diversion of coffee, the leading Ethiopian export commodity, significantly reduces foreign exchange inflows, exacerbates balance-of-payments pressures and weakens the national currency. The associated loss of tax revenue constrains public investment in infrastructure and social services, while pervasive corruption corrodes institutional legitimacy. Price distortions generated by the coexistence of formal and informal markets reward speculative and illicit behaviour and penalize compliance, further entrenching informality. Ultimately, the persistence of these smuggling networks and routes is much more than evidence of criminal activity. It is a precise mapping of state inefficiency and incapacity, revealing the limits of border control, regulatory capacity and political will in safeguarding one of the most vital economic sectors in the country. Moreover, coffee extracted through these processes is siphoned out of the formal market and, in some instances, exchanged clandestinely for illegal firearms across porous borders, directly contributing to regional insecurity.[139] The result is a sustained transfer of value from the national economy to informal power structures that operate beyond accountability, reinforcing a self-perpetuating cycle in which illegality becomes the dominant mode of accumulation.

139 Interview with senior police officer, Southwest Regional State Police Commission, Bonga, 14 October 2025.

Beyond the beans: The political economy of coffee in Kaffa–Bench–Sheko–Sheka belt

National coffee reform: Land and asymmetrical power

In 2017, a new reform governing coffee marketing modalities came into effect. At the level of official discourse, the coffee reform agenda advances a confident narrative of modernization and rationalization. Enshrined in the national Coffee Marketing and Quality Control Proclamation, the reform is presented as a legal, transparent and equitable alternative to previous coffee transaction systems with the stated aim of enhancing benefits for producers, market actors and the national economy.[140] According to one research respondent, the policy objectives are clear: to improve productivity, support smallholder farmers and secure foreign exchange through structured marketing centres and strengthened quality control mechanisms.[141] This top–down vision seeks to impose order on the coffee sector while increasing state value capture. The lived reality on the ground, however, reveals this order to be largely illusory. Policy implementation of the 2017 coffee sector reform package—encompassing liberalization, market restructuring, vertical integration, direct export, decentralized quality control and certification—has unleashed a cascade of unintended consequences.

Regional state officials promote these instruments as key to emancipating the coffee value chain from illicit trade, raising productivity and securing foreign exchange earnings, while ostensibly improving outcomes for smallholder farmers. Smallholder farmers, trapped between usurious pre-harvest loans and the inability to pay pickers in cash, resort to exploitative produce-sharing arrangements, caught in a cycle of debt and dispossession.[142] Study respondents consistently relate that this formal architecture operates atop a fragile and compromised state apparatus. Regional authorities themselves concede that governance structures are new, under-capacitated and deeply penetrated by illicit capital. Far from eliminating informal power, the 2017 coffee reform has often displaced and reconfigured it.[143] In this context, core agendas of the reform—

140 Federal Democratic Republic of Ethiopia, 'Coffee Marketing and Quality Control Proclamation No. 1051/2017', *Federal Negarit Gazeta*, 23rd Year, Addis Ababa, 5 June 2017. Accessed 1 September 2026, https://justice.gov.et/wp-content/uploads/2025/02/%E1%8A%A0%E1%8B%8B%E1%8C%85-%E1%89%81%E1%8C%A5%E1%88%AD-1051-2009.pdf.

141 Interview with marketing and cooperatives organizing office, Sheka zone, Teppi, 8 October 2025.

142 Interview with marketing and cooperatives organizing office, Sheka zone, Teppi, 8 October 2025.

143 Interview with an official from regional bureau of agriculture, Bonga, 14 October 2025.

such as export liberalization and market restructuring—are filtered through local political-economic realities, which are significant determinants in relation to policy implementation. Policies designed to enhance farmer participation or reduce intermediaries are widely perceived as impractical under conditions of weak regional governance and entrenched elite power. The dismantling of centralized market mechanisms, for instance, has not displaced asymmetrical power relations. Instead, this has intensified uncertainty, enabling better-positioned actors to exploit institutional gaps.

In this intricate institutional landscape, the Ethiopian Coffee and Tea Authority (ECTA) has emerged as a key regulatory intermediary linking coffee marketing channels through mandates over licensing, quality control and export regulation. The ECTA is currently opening two new branch offices at Mizan-Aman and Teppi, alongside the existing office in Bonga. Although the ECTA is formally tasked with harmonizing liberalizing market reforms with regulatory enforcement, its expanding influence has produced uneven regional outcomes. In commercially integrated regions such as Oromia, the ECTA often facilitates vertical integration-led export coordination. In contrast, in the zones in the Kaffa–Bench-Sheko–Sheka belt, where production remains dominated by smallholder agroforestry and cooperative marketing, one respondent explains that its interventions can be perceived as reinforcing centralized oversight that favours large exporters.[144]

These variations in enforcement illustrate how regulatory authority is mediated through political dynamics. In Oromia, for example, regional authorities express disagreement with the federal regulatory framework treating coffee as a natural resource over which the state (federal government) has a constitutional mandate to enact legislation. On the contrary, Oromia Region considers coffee as a commercial product planted and harvested by local farmers and is therefore subject to regional state law, marking variations in enforcement between the federal and the region.[145]

Although comparable enforcement patterns are less formally documented in the Kaffa–Bench-Sheko–Sheka belt, local governance structures—including district trade offices, cooperative agencies and security actors—nonetheless play significant roles in shaping market access and regulating cross-border trade. The resulting fragmented regulatory landscapes create conditions conducive to regulatory arbitrage and the expansion of informal (illicit) market practices.

This uneven governance structure produces a splintered market in which different actors inhabit radically different realities. Large plantations and politically connected exporters navigate the 2017 reform as a bureaucratic inconvenience, benefitting from exemptions, direct

144 Interview with head, ECTA Bonga branch office, Bonga, 14 October 2025.

145 Tadesse Simie Metekia, 'Fighting the Illicit Trade in Ethiopian Coffee', ENACT Observer, 30 May 2022. Accessed 1 September 2026, https://issafrica.org/enactafrica/enact-observer/fighting-the-illicit-trade-in-ethiopian-coffee.

export privileges and discretionary access to state institutions.[146] For brokers, cooperatives and smallholder suppliers, however, the same reform generates disorder, unpaid deliveries, opaque pricing and heightened vulnerability.[147]

In practice, the political economy of coffee in the Kaffa–Bench-Sheko–Sheka belt reveals a far more complex and contradictory socio-ecological system. At this level, the global demand for a high-value commodity intersects with localized realities of power asymmetries, persistent poverty and ecological vulnerability. At the heart of this political economy lies land, which consistently emerges in interviews as the principal axis of accumulation, conflict and resistance. Land is covertly dispossessed through informal encroachment, predatory lending and administrative manipulation, a process enabled by a permissive policy deficit that lacks enforceable safeguards on collateralized usufruct rights and fails to regulate opaque land transactions. One respondent explains that dispossession rarely occurs through overt expropriation; instead, it unfolds through more gradual and legally ambiguous mechanisms such as debt entrapment, unequal sharecropping arrangements and administrative manipulation.[148] Moreover, as another respondent underlines, pre-harvest loans from coffee traders bind smallholders into cycles of dependency, whereby default results in the gradual transfer of land to wealthier traders, settlers, investors or proxies acting on behalf of absentee owners, eventually turning indigenous farmers into labourers on their own ancestral plots.[149]

This process unfolds incrementally: Missed repayments incur compound interest, deepening debt and prompting traders to demand informal collateral, often based on verbal usufruct agreements. Overall, in several seasons, parcels are absorbed as permanent transfers through corrupt local or customary arbitrators. Displaced families often remain as wage labourers, eroding traditional agro-ecological knowledge. Younger generations internalize landlessness, accelerating outward migration or intensifying competition for remaining plots. Ultimately, this spiral simultaneously redistributes land and dismantles indigenous governance, disrupts ritual and seed practices, and reconfigures rural life around sharecropping or day labour for the same creditors. This predatory dynamic is sustained by a conspicuous absence of protective policy frameworks; specifically, the lack of legally recognized customary land rights, weak enforcement of anti-usury provisions and administrative loopholes that allow informal collateral agreements to override statutory land laws.[150]

A commonly reported pathway to dispossession can be illustrated through a composite case reconstructed from multiple respondent narratives in the study zone. The story of a

146 Focus group discussion with members of *Abren Enideg* brokers' association PLC, Sheka zone, Teppi town, 8 October 2025.

147 Focus group discussion with members of *Abren Enideg* brokers' association PLC, Sheka zone, Teppi town, 8 October 2025.

148 Interview with head, zonal agricultural department, Bench-Sheko, 12 October 2025.

149 Interview with coordinator, zonal cooperatives desk, Teppi, 5 October 2025.

150 Interview with senior political official, Sheka zone, Teppi town, 7 October 2025.

respondent who cultivated approximately 2 hectares of inherited land with forest coffee is worth mentioning.[151] Facing declining yields and rising household expenses, he secured a pre-harvest loan from a local trader in exchange for a forward contract to supply coffee at a pre-agreed price significantly below the anticipated market value. When erratic rainfall reduced production, he was unable to meet the contracted volume. The trader subsequently extended additional credit to cover the shortfall but under more restrictive repayment conditions that included informal collateralization of land-use rights. Over successive seasons, accumulated debt obligations forced him into a sharecropping arrangement in which the trader financed inputs while claiming a disproportionate share of output. Eventually, administrative facilitation by local officials enabled the trader, through a proxy investor, to obtain formal cultivation rights over the plot. The respondent remained on the land but as a wage labourer cultivating coffee trees he originally inherited from his family.

Many similar cases illustrate how dispossession in the coffee economy of the Kaffa–Bench-Sheko–Sheka belt is frequently incremental and obscured by contractual, financial and bureaucratic processes rather than executed through overt land seizure. This pattern directly links to the policy deficit noted earlier: Where land governance relies on weak or unimplemented legalization of customary rights, creditors and local officials can reinterpret oral usufruct agreements as de facto transfer instruments without legislative oversight. From a political economy perspective, these dynamics demonstrate how market liberalization and credit expansion can simultaneously deepen commodity production while reinforcing structural inequalities, gradually transforming customary landholders into dependent labourers in the vertically stratified coffee value chain.

This process is enabled by profound asymmetries in capital, market knowledge and political protection. The ability of wealthier, more powerful actors such as traders, investors, absentee owners and local officials to operate with impunity or active support from state and local governance structures—while leaving smallholders vulnerable and unprotected—demonstrates the channels through which political protection operates. These land dynamics are inseparable from recurrent conflicts in the region, particularly in the Bench-Sheko and Sheka zones.[152] Youth-led raids of coffee plantations, illegal harvesting and plantation sabotage are best understood as forms of retributive political economy—informal mechanisms for reclaiming value in a context where legal redress is absent or captured. The struggles around administrative autonomy, particularly in Sheko, are rooted less in abstract identity politics than in concrete demands to regain ancestral land. Coffee thus becomes both the object and the medium of conflict, linking territorial authority, ethnic identity and economic survival.

In general, rather than unfolding as a linear process of market modernization, the coffee value chain operates as a contested arena shaped by a diverse constellation of actors whose interests

151 Interview with smallholder coffee farmer, Bench-Sheko zone, Sheko town, 9 October 2025.

152 Interview with head, Sheko Amora-Gedel Cooperatives' Union, Mizan-Aman, 10 October 2025. Remaining insights in the paragraph derive from the same interview.

frequently diverge. The resulting governance landscape is characterized by fragmentation, uneven authority and pronounced power asymmetries.

Institutional fragmentation and coffee policy incoherence

As the institutional structure of the coffee value chain clearly demonstrates, the sector is incoherently governed by a dense, poorly coordinated and fragmented constellation of institutions operating at the federal, regional, zonal and district levels. For instance, coffee quality inspection branch offices, coordinated by the ECTA, have recently expanded throughout the Kaffa–Bench-Sheko–Sheka belt. One such office in Bonga (Kaffa zone and regional capital) has already become operational, while two additional branches in Mizan-Aman (Bench-Sheko zone) and Teppi (Sheka zone) were approaching inauguration in the early weeks of October 2025. These branches were intended to operate in parallel alongside existing regional, zonal and district-level offices mandated to inspect coffee quality. Rather than streamlining governance, however, this institutional layering exemplifies the growing fragmentation of regulatory authority in the coffee sector.

Accordingly, the federal bodies responsible for coffee policy formulation and export regulation operate alongside regional authorities tasked with inspection and quality control, while trade, revenue and security institutions exert parallel influence over taxation, transportation and compliance. Rather than forming a coherent hierarchy, these entities often function as semi-autonomous centres of authority with overlapping mandates and competing priorities. The absence of a single, authoritative coordinating institution produces structural ambiguity, with successive governments maximizing surplus extraction through trade regulation rather than institutional streamlining.[153] Consequently, lines of responsibility are blurred, decision-making is slowed and accountability mechanisms are weakened. For producers, cooperatives and exporters, this fragmentation translates into high transaction costs, regulatory uncertainty and exposure to discretionary enforcement. In contrast, for politically connected actors (regardless of their ethnic affiliation), the same ambiguity creates opportunities to arbitrage institutional gaps and negotiate favourable outcomes across multiple nodes of authority.

One of the most consequential manifestations of institutional fragmentation is the emergence of parallel enforcement structures; most notably, the regional illicit trade task force chaired by senior political executives. Officially justified as a mechanism to curb smuggling and protect export earnings, this task force operates with expensive discretion and limited transparency. Its authority cuts across administrative boundaries, combining political, security and revenue functions in ways that bypass standard bureaucratic checks. Rather than resolving governance failures, respondents describe this task force as intensifying illicit channels.[154] Selective enforcement, uneven sanctions and informal negotiation are reported to be common, effectively

153 Aparisi, 'Coffee makers'.

154 Interview with senior police officer, Kaffa zone, Bonga 14 October 2025.

transforming enforcement into a political resource—one that is convertible into financial gain through rent-seeking, bribery and preferential access to trade routes, thereby binding a political authority directly to material accumulation. This institutional arrangement directly reinforces the dynamics of market capture: Access to protection, rather than compliance with formal rules, becomes the primary determinant of market participation. In this context, illicit trade does not exist outside the state. Rather, it is mediated through fragmented and politicized state institutions.

Institutional fragmentation is further compounded by persistent policy volatility. Frequent regulatory adjustments, often introduced without clear implementation guidelines or coordination across agencies, generate an environment of chronic uncertainty.[155] Rather than correcting governance failures, policy changes tend to be reactive, responding to immediate crises or political pressures. This produces a self-reinforcing cycle whereby fragmentation leads to incoherence; incoherence prompts ad hoc policy interventions; and these interventions further entrench fragmentation. This volatility enables the selective activation or deactivation of market mechanisms without formal prohibition. More broadly, it undermines institutional credibility and incentivizes informal negotiation over formal compliance. Importantly, these outcomes are not the result of technical deficiencies alone. Development actors and NGOs provide training, certification and sustainability interventions but these efforts are systematically undermined by a governance environment in which rules are inconsistently applied and institutions are vulnerable to co-optation. As a result, value generated along the coffee chain is increasingly captured upstream by actors with administrative, financial and political power, while risks (price volatility, debt and enforcement pressure) are externalized downstream. In such an environment, policy ceases to function as a predictable framework for collective action and instead becomes an instrument through which power is exercised and contested.

Evidence from Kaffa–Bench-Sheko–Sheka belt reveals that the coffee sector operates under conditions of contested authority or lack of undisputed control. Formal state authority, expressed through policy and regulation, is routinely challenged by informal networks of trade, finance and protection. These networks—comprising illicit traders, loan sharks, politically connected intermediaries and elements of the state apparatus—exercise a form of practical authority that often supersedes formal rules. For smallholders and cooperative members, this fragmentation translates into a lived political economy defined by uncertainty and vulnerability. Market participation is shaped less by formal eligibility than by access to credit, protection and informal alliance. As a result, the benefits of the 2017 reform remain abstract, while its costs are immediate and tangible. In other words, the advantages of reform are merely theoretical, whereas the negative effects are experienced directly and materially.

Taken together, the dynamics analysed in connection to the Ethiopian Commodity Exchange (ECX) and vertical integration—market displacement, selective policy implementation and

155 Interview with university lecturer, Bonga University, university campus, 3 October 2025.

institutional sabotage—are enabled and sustained by this fragmented governance architecture. The marginalization of some marketing channels and the empowerment of others cannot be understood in isolation. Rather, they are symptoms of a fragmented state apparatus in which authority is dispersed, accountability diluted and enforcement is selectively applied. Institutional incoherence is not a peripheral problem but the central enabling condition through which power is exercised, markets are captured and inequality is reproduced in the coffee sector in the Kaffa–Bench-Sheko–Sheka belt.

The political economy consequences of this governance structure are profound. Fragmented authority weakens oversight and creates conditions under which elite capture by a few powerful actors flourishes. Regulatory discretion allows politically connected actors to extract rents through preferential access, selective enforcement and manipulation of quality and trade controls. Meanwhile, smallholders, cooperatives and labourers lack both political leverage and institutional protection. Addressing these challenges requires more than adjusting market mechanisms or introducing new regulations. It demands a reconfiguration of authority, clearer institutional mandates and credible accountability structures capable of constraining discretionary power. It is the institutional configuration that ultimately shapes the political economy of coffee in the Kaffa–Bench-Sheko–Sheka belt. Without such reforms, any market model—regardless of its technical merits—will remain vulnerable to elite capture by political or economic elites and the political economy of coffee will continue to privilege power over production.

Corruption, political patronage and power dynamics

Corruption in the context of the Kaffa–Bench-Sheko–Sheka belt is on another dimension. That is, it functions as a mode of governance, not an aberration. For instance, rather than operating as neutral arbiters, regional and lower-level state actors frequently occupy dual roles as regulators and beneficiaries. Respondent accounts of senior officials authorizing forest clearance for private coffee investments in which they hold financial stakes exemplify this fusion of political authority and private capital. The absence of effective accountability mechanisms allows such practices to persist, signalling that regulatory institutions are embedded within, rather than external to, prevailing accumulation strategies.[156]

Beyond land appropriation, politically connected actors allegedly manipulate judicial and security institutions to recover confiscated illegal coffee shipments and shield illicit traders from sanction, as reported by sources who requested anonymity. These practices illustrate how formal state power is selectively mobilized to protect elite economic interests, while enforcement is suspended or diluted for favoured actors. The result is a stratified regulatory environment in which legality is contingent on political proximity or political connectedness, reinforcing asymmetrical access to markets and rents. This configuration produces stark

156 Interview with government official coordinating coffee, tea and spices quality inspection, Sheka zone, Teppi town, 8 October 2025.

distributive consequences for smallholder farmers, who occupy the weakest position in the political economy of coffee.

Corruption in the belt occurs among institutions. For instance, the redistributive promise of ethical trade mechanisms is undermined by power asymmetries in cooperatives and union structures. Certification premiums intended for community development and social justice are frequently captured by cooperative leadership or intermediary actors, reflecting internal hierarchies that mirror broader political-economic inequalities. Rather than counterbalancing market power, these institutions often reproduce it, converting developmental instruments into new sites of rent extraction. Land and environmental governance further reveal the political economy of exclusion underpinning the coffee sector. As a regional government official contends, forested landscapes, essential for shade-grown coffee, are increasingly commoditized through speculative investment, which is facilitated by fragmented authority between regional, zonal and district administrations.[157] Local governments frequently allocate land without coordination or consent from higher-level institutions, exposing a fractured state in which overlapping jurisdictions enable opportunistic accumulation. Notably, as emphasized by the same respondent, communities that preserve forest ecosystems often receive little fiscal recognition or direct compensation from the federal government, with budgetary incentives tending to favour agricultural expansion in other regions of the country.

Another respondent indicates that this asymmetry reflects a structural bias toward short-term accumulation over ecological stewardship, thereby embedding environmental degradation in the political economy of coffee production in the Kaffa–Bench-Sheko–Sheka belt function as a credible regulatory actor.[158] He goes on to say that as a newly established regional administration, Southwest Ethiopia Region exhibits limited institutional capacity, gaps in technical expertise and underdeveloped professional norms. More critically, other respondents describe a state apparatus that has become deeply enmeshed in illicit trading networks and powerful commercial interests to the point that formal authority is increasingly subordinate to informal economic power. In this context, corruption operates not as a series of discrete violations but as a self-reinforcing mechanism through which power and economic surplus are redistributed upward. Enforcement gaps and corrupt practices are mutually constitutive: Weak enforcement enables corruption, while corruption systematically dilutes enforcement, particularly where politically connected actors are involved.

Consequently, the coffee value chain in this belt is shaped less by global market signals and formal policy frameworks than by localized configurations of power, patronage and dispossession. Political elites, senior bureaucrats and well-connected investors exercise disproportionate influence over critical stages of production and commercialization, including land allocation, licensing and export facilitation. As a strategic export commodity, coffee becomes a site of

157 Interview with government official coordinating security and peace office, Sheka zone, Teppi town, 7 October 2025.

158 Interview with union head, Mizan-Aman, 10 October 2025.

contestation where alternative authorities (rooted in capital, coercion and patronage) challenge the state regulatory mandate. These dynamics reveal a political economy of fragmented authority. Formal state authority is unevenly exercised and routinely instrumentalized for extraction through corruption. Specifically, state apparatuses are controlled and mobilized by politically connected traders, investors and security actors who operate across the boundaries of legality and illegality. As one respondent concisely summarizes: 'The informal system does not exist outside the state. It is embedded within it, feeding on regulatory weakness and selectively mobilizing state power to secure accumulation.'[159] From an agrarian political economy perspective, then, land control in frontier coffee zones represents a critical mechanism through which state actors, investors and local elites restructure rural production systems and reconfigure class relations.[160]

Respondents who are civil society actors, local administrators and farmers indicate that the allocation of agricultural investment licences has repeatedly facilitated land dispossession, often occurring without meaningful consultation, due process or adequate compensation. Several communities report repeated displacement from ancestral lands to make way for large-scale coffee investments, transforming parts of Southwest Ethiopia Region into localized hotspots of conflict driven by competing claims of development, accumulation and historical grievance.[161] Market expansion is thus enabled through the conversion of communal or customary land systems into commoditized private property regimes.[162] This reflects similar patterns of land governance across Africa, which frequently operates through political patronage systems that allocate land rights strategically to consolidate state authority and reward political allies rather than maximize productive efficiency.[163]

Illicit flows in the coffee economy also take the form of capital distortion, enabled by weak, fragmented and selectively enforced regulatory frameworks. Respondents consistently describe practices in which coffee is diverted from formal channels into informal trading networks that evade taxation, quality regulation and traceability requirements, often operating under tacit political protection.[164] Although such practices do not characterize all exporters, they reflect a broader pattern in which patronage relations allow opportunistic accumulation with limited redistributive benefit for producers or public institutions. These illicit circuits undermine the integrity of the coffee value chain and weaken institutions such as the ECTA and its fragmented offices at regional, zonal and woreda levels, which are intended to stabilize prices, ensure transparency and protect quality standards.

159 Interview with union leader, Bonga, 4 October 2025.

160 Bernstein, *Class Dynamics*.

161 Interview with, Southwest Ethiopia coordinator, NABU Ethiopia, Kaffa zone, Bonga, 4 October 2025.

162 Harvey, *New Imperialism*.

163 Catherine Boone, *Property and Political Order in Africa: Land Rights and the Structure of Politics*, Cambridge: Cambridge University Press, 2013.

164 Interview with conservationist, Bench-Sheko zone, Mizan-Aman, Mizan town, 9 October 2025.

Combined, these dynamics reveal a coffee economy governed less by formal policy frameworks than by informal systems of power that operate through patronage, selective enforcement and illicit flows. Political authority is mobilized to facilitate land alienation, protect formal trade and capture institutions intended to empower farmers. Illegality is not marginal. Rather, it functions as a central mechanism of value redistribution. In this context, market-oriented reforms focused on efficiency and integration fail to address the deeper political-economic structures that reproduce inequality, dispossession and conflict in the coffee sector in this belt.

Marginalized minorities and the coffee value chain

The political economy of coffee in the Kaffa–Bench-Sheko–Sheka belt is marked not only by governance failures and elite capture but also by systemic patterns of social exclusion that impose profound human costs. These costs are disproportionately borne by historically marginalized communities and by women, whose labour sustains the sector but whose claims to land, income and decision-making remain structurally constrained. This exclusion is not an incidental outcome of market dynamics. Rather, it is the product of deeply embedded power asymmetries, reproduced through governance frameworks that extend long-standing histories of cultural hierarchy, identity-based discrimination and gender inequality. The experience of the Manjja and Majang communities, alongside the persistent marginalization of women, reveals a political economy in which state institutions fail to protect vulnerable groups, thereby enabling dispossession and inequitable development.

Experiences of Manjja and Majang communities

The Manjja community exemplifies how identity-based exclusion intersects with land and market relations in the coffee sector. Historically, the Manjja are foraging groups dispersed throughout this coffee belt and beyond, long stigmatized and socially segregated. Since at least 1977, they have mobilized to seek recognition as a distinct ethnic group separate from the Kaffa, submitting formal petitions to regional and federal authorities. The repeated denial of these recognition claims culminated in violent confrontations with the Kaffa in 2002, reflecting both the intensity of Manjja marginalization and the closure of institutional channels for correcting the past grievances and redressing the structural anomaly.[165] This history of denied recognition continues to reinforce the contemporary vulnerability of the Manjja in the coffee sector.

Respondents emphasize that while many Manjja households formally possess land rights and have historically engaged in coffee cultivation, these rights are weakly protected and easily undermined. Their limited access to credit, agricultural extension services and cooperative memberships renders them highly exposed to distress sales and predatory lending. Although

165 Sayuri Yoshida, 'Claiming Ethnic Identity: Petitions by the Manjo in the Kafa and Sheka zones of Southwest Ethiopia' in *Movements in Ethiopia, Ethiopia in Movement*, Volume 2, Proceedings of the 18th International Conference of Ethiopian Studies, eds. Éloi Ficquet, Ahmed Hassen Omer and Thomas Osmond, Addis-Abeba and Los Angeles: Centre français des études éthiopiennes, 2016. DOI: 10.4000/books.cfee.1829

the Manjja have nominal rights to cooperative membership, in practice, they encounter significant structural barriers and discouraging mechanisms, including verbal abuse and demeaning treatment from the upper hierarchies. As one Manjja respondent explains, the recent displacement of an estimated 200 to 300 members of the Manjja community, some forced as far as Met'ii in Godere district of Majang zone in Gambella Regional State, approximately 18 km away from Teppi town, must be understood in light of severe manifestations of vulnerability and shifting forms of local power relationships.[166]

Several respondents note that the post-2018 political transition has altered political opportunity structures, empowering new local elites and settlers, while fragmenting the collective capacity of the Manjja to mobilize as they had in earlier periods. Increased militarization, economic precarity and the erosion of customary protections have further constrained resistance, allowing land appropriation to proceed with limited contestation. The testimonies from the Manjja bring the human consequences of this political economy into sharp relief. As another Manjja respondent explains, exclusion operates through everyday market mechanisms—credit, certification, export licensing—that function not as neutral tools of development but as filters that channel benefits upward while expelling the most vulnerable from the system.[167] For the Manjja, coffee farming increasingly takes the form of distress sales, in which entire farms and future harvests are sold for immediate cash. Coffee farming is also a debt trap imposed by outside traders that culminates in land loss. Displacement is neither abstract nor gradual. For instance, this respondent explains that hundreds of Manjja were evicted from Masha and the surrounding areas of Sheka zone, reduced to daily labourers and *corvée* workers and subjected to overt social prejudice, including threats premised on beliefs that 'a person from an inferior class cannot govern'.[168]

A similar pattern of structural exclusion characterizes the experience of the Majang communities, particularly in Sheka zone and adjacent areas of Gambella Region and Oromia Region. Despite their constitutionally recognized status as an indigenous group in Southwest Ethiopia Region, the Majang (predominantly located in Majang zone of neighbouring Gambella Region) have historically maintained subsistence-oriented livelihoods rooted in forest-based economies.[169] Traditionally, the Majang have relied on hunting and gathering, shifting cultivation of sorghum through slash-and-burn practices and forest-based beekeeping systems. While these practices reflect adaptive strategies suited to humid forest ecologies, they are often framed by state institutions and the broader community as rudimentary or environmentally degrading, thereby

166 Interview with Manjja man holding government office, Teppi, 8 October 2025.

167 Interview with smallholder Manjja farmer, Teppi, 6 October 2025.

168 Interview with Manjja man holding government office, Teppi, 8 October 2025.

169 Apart from Majang (where they are predominant) and Agnuwa zones in Gambella Regional State, the Majang people are also dispersed in several other locations, including: Yeki woreda in Sheka zone; Sheko, Bench and Guraferda woredas in Bench-Sheko zone; Bit'a woreda in Kaffa zone; and Ilu Aba Bora and Dembidolo areas in Oromia Region.

reinforcing narratives of backwardness and justifying limited institutional engagement.[170] As a result, these communities are systematically excluded from formal agricultural support systems and receive negligible technical assistance or inputs.[171] Their near-total absence from cooperative association membership further marginalizes them from price information, collective bargaining and certification schemes.[172]

While some Majang households hold land and cultivate coffee, their weak integration into formal institutions creates extreme precarity, often compelling them to sell ancestral farms to affluent traders from urban centres such as Teppi. This process represents a clear transfer of productive assets from marginalized groups to economically and politically powerful actors, facilitated by a governance regime that is indifferent to communal land rights.

The Majang people harbour deep-seated grievances over land dispossession and their eviction from ancestral territories, which is perpetrated both by immigrant populations and by their historical neighbours. A respondent underscores that Majang youth have increasingly resorted to forceful harvesting or destruction of coffee plantations on land perceived as stolen, bypassing both the local level state authorities and market mechanisms.[173] These acts of informal reclamation reflect the collapse of legitimate avenues for dispute resolution. For the Majang, political marginalization is compounded by fragmented territorial incorporation across the regions of Gambella, Southwest Ethiopia and Oromia. Even in Gambella, where the Majang have zonal status, respondents highlight a persistent gap between formal recognition and substantive administrative or economic power, leaving them exposed to land grabs and resource dispossession by more dominant neighbouring groups.[174]

Consequently, land emerges as the central axis of exclusion for the Majang people. Respondents highlight that a recurring mechanism of dispossession begins with seemingly voluntary economic arrangements—sharecropping or pre-harvest loans offered by investors and settlers from northern Ethiopia and neighbouring zones. When harvests fail or debt accumulates, marginalized farmers are compelled to sell plots or relinquish land entirely. A Majang respondent explains that disparities in commercial knowledge and farm management inevitably lead to loss: 'Our share of land does not prosper. … Eventually we sold the remaining half and were driven from our ancestral land.'[175] This is not a free market in land but a forced transfer

170 Interview with Majang man with university degree, Sheka zone, Teppi town, Majang village, 9 October 2025.

171 Interview with Majang man with university degree, Sheka zone, Teppi town, Majang village, 9 October 2025.

172 Interview with Majang smallholder farmer, Sheka zone, Majang village near Teppi town, 7 October 2025.

173 Interview with Majang smallholder farmer, Sheka zone, Majang village near Teppi town, 7 October 2025.

174 Interview with Majang man with university degree, Sheka zone, Teppi town, Majang village, 7 October 2025.

175 Interview with Majang smallholder farmer, Sheka zone, Majang village near Teppi town, 7 October 2025.

enabled by asymmetries in capital, knowledge and social power, with profound consequences at the political, community and family levels.

Persistent marginalization of women

Parallel to ethnic and communal marginalization is a pervasive gendered exclusion that systematically sidelines women from meaningful participation in the coffee value chain. Across all the study areas in the Kaffa–Bench-Sheko–Sheka coffee belt, respondents confirm that women's roles are largely confined to unpaid family labour or low-prestige, low-wage tasks such as picking or stripping coffee seeds, processing and sorting. In contrast, men dominate landownership, cooperative memberships, marketing decisions and access to income. Women are effectively excluded from the institutional nodes (cooperatives, unions and credit systems) through which value is captured and redistributed.

This gender gap is not only rooted in customary norms governing land inheritance and household authority but it is also reinforced by formal institutional practices that recognize land titles and cooperative membership primarily in men's names. Although land certification reforms in Ethiopia introduced joint land titling to legally strengthen women's land rights and enhance their decision-making power, implementation has remained uneven in practice.[176] In many cases, certificates are issued primarily in men's names. When women are formally included on joint certificates, this does not translate into substantive authority over land use decisions, crop marketing or income management. As a result, the transformative potential of joint titling is constrained by entrenched patriarchal norms and administrative practices that continue to recognize men as de facto household heads.

Consequently, even when women contribute the majority of labour, they lack decision-making power and control over proceeds. A woman respondent from a smallholder group notes that they have no say in how coffee income is spent, nor access to credit in their own right.[177] From a political economy perspective, gender exclusion represents both a profound social injustice and a structural inefficiency: The sector systematically underutilizes women's knowledge, labour and entrepreneurial potential, while reproducing dependency and vulnerability.

Altogether, the exclusion of the Manjja, the Majang and women in the Kaffa–Bench-Sheko–Sheka belt is not accidental or temporary. It is a structural outcome of a political economy in which traditional hierarchies, identity-based discrimination and gender norms are reproduced through contemporary governance frameworks. The lack of state political commitment in relation to protecting land rights, ensuring inclusive institutions and addressing historical injustices has

176 Klaus Deininger, Daniel Ayalew Ali and Tekie Alemu, 'Impacts of Land Certification on Tenure Security, Investment, and Land Markets: Evidence from Ethiopia', Policy Research Working Paper 4764, Development Research Group, Sustainable Rural and Urban Development Team, World Bank, October 2008. Accessed 1 September 2026, https://openknowledge.worldbank.org/server/api/core/bitstreams/577e67f3-758a-54b4-9b76-7bd099ed22d5/content.

177 Interview with wife of smallholder farmer, Kaffa zone, Dikura Woshi kebele, 4 October 2025.

created a coffee economy that functions as a sieve—extracting labour and produce from the margins, while filtering out premiums, certifications and institutional benefits. For marginalized communities and women alike, the consequences are existential: dispossession, precarity and exclusion from the future promised by one of the most valuable Ethiopian commodities.

Contested narratives about the birthplace of coffee

Underlying the political economy of coffee in the Kaffa–Bench-Sheko–Sheka belt is a less visible but equally consequential struggle over knowledge, narrative authority and symbolic ownership of the origin of coffee in Ethiopia. This contest is most pronounced between Kaffa zone in Southwest Ethiopia Region and neighbouring Jimma zone in Oromia Region. Beyond the material processes of production and exchange, coffee is embedded in competing claims about history, identity and legitimacy. The dispute over the birthplace of coffee thus illustrates how cultural heritage itself becomes a site of accumulation and exclusion, wherein control over meaning translates into tangible economic advantage and political recognition.

In this sense, the politics of coffee extends beyond markets and livelihoods to encompass a more fundamental question: Who possesses the authority to define the past and mobilize it for present and future gain? Viewed more broadly, conflict over the geographic and historical origins of coffee emerges as a high-stakes political and economic contest, in which identity, revenue and regional power converge and collide. Consequently, struggles over narrative authority cannot be reduced to academic or botanical disagreements. They are, rather, integral to the governance of value, territory and belonging in the Ethiopian coffee sector.

The Kaffa narrative rests on a convergence of historical, cultural and scientific evidence. According to a popular legend, coffee was discovered in the ninth century by an Ethiopian goat herder named *Kaldi* (or *Kaliado*, as the Kaffa call him), who observed the unusual vitality of his goats after consuming the red berries from a particular plant.[178] This story is complemented by historical and cultural continuity. Since its discovery in the ninth century, the long-standing relationship between Kaffa and coffee is affirmed by the consumption of coffee in elaborate traditional ceremonies reflecting a cultural heritage preserved over

Figure 2: National Coffee Museum, in Bonga town, Kaffa zone. Photo by the author.

178 'Coffee may have prehistoric Ethiopian roots – but will we ever really know where it came from?', *Perfect Daily Grind*, 25 April 2024. Accessed 1 September 2026, https://perfectdailygrind.com/2024/04/coffee-prehistoric-roots-ethiopia-genetic-origins/.

centuries. The popular etymological link between words for 'coffee' (particularly *khawa* in Arabic) and 'Kaffa' reinforces the Kaffa perspective. Botanically, the Kaffa zone harbours the greatest genetic diversity of the species, and potentially its evolutionary epicentre. This genetic bounty is sustained by unique forest ecosystems, with nearly 5,000 varieties of the plant in the area.[179] This legacy is formally recognized through the designation of Kaffa as a UNESCO Biosphere Reserve (Figure 2)—a designation inseparable from coffee itself, as conservation, livelihoods and cultural heritage are deeply intertwined in Kaffa.

Particularly during the past decade, a narrative that identifies Jimma zone (in Oromia Region) as the birthplace of coffee has gained prominence outside of south-western Ethiopia. This narrative is grounded in Jimma's historical role as a hub for the wider regional coffee trade, as well parallel popular mythology around the discovery of coffee, whereby a goat-herder named *Kalid* discovered the beans around Kata Muduga, near Jimma—with the botanical origin of the species suggested to be in the Gibe area.[180] Recent manifestations around this cultural narrative included a 2018 Ethiopian Airlines tourism promotional poster for Jimma which identified it as the 'birthplace of coffee', as well as more recently the erection of a public monument in Jimma commemorating it as the birthplace of coffee.

In reaction to the Ethiopia Airlines poster, from 7–11 November 2018 in Bonga, the administrative capital of Kaffa, thousands of residents staged protests. The demonstration was mobilized by *Gurmasho* (an informal Kaffa-based youth group), alongside Kaffa-based elites and opposition political parties from the area, explicitly asserting Kaffa as the rightful birthplace of coffee. Protesters blocked roads with stones and coffee branches, chanting, 'Coffee is from Kaffa!', while demanding that the Prosperity Party government immediately and formally recognize and affirm Kaffa as the place of origin of coffee.[181]

In Kaffa, the assertion of Jimma as the birthplace of coffee is not understood as a neutral scholarly intervention but rather as a phenomenon embedded in the evolving Ethiopian political economy of coffee. Key respondents link this newly revised narrative to the post-2018 political transition, characterized by heightened regional assertiveness and intensified identity-based claims under the framework of Ethiopian ethno-federalism.[182] According to several academic and civil society respondents, coffee has become a symbolic terrain upon

179 Ficquet, 'Home of Coffee'.

180 See Girma Defere Tegegn, 'The Political Economy of Coffee in the Jimma–Ilu Aba Bora–Buno Bedele Belt, Oromia Region'. Nairobi: Rift Valley Institute, 2026.

181 Emily McIntyre, 'Thousands Protest in Kaffa, Ethiopia, as Coffee's Origin is Politicized', *Daily Coffee News*, 26 November 2018. Accessed 1 September 2026, https://dailycoffeenews.com/2018/11/26/thousands-protest-in-kaffa-as-coffees-origin-is-politicized/; Brook Abdu, 'Coffee promotion sparks controversy, protest', *The Reporter*, 10 November 2018. Accessed 1 September 2026, https://www.thereporterethiopia.com/6786/.

182 Interview with historian, Bonga Teacher's Education College, Bonga, 14 October 2025.

which broader struggles over recognition, belonging and entitlement are negotiated.[183] While a few acknowledge that coffee cultivation historically extended beyond Kaffa (thus recognizing a central claim in the Jimma narrative), they nonetheless emphasize that contemporary efforts to decentre Kaffa are closely tied to the pursuit of branding rights, geographical indication status and access to economic rents associated with global specialty coffee markets.

The 2018 public demonstration in Bonga vividly illustrates these intersecting dynamics, encapsulating how origin narratives are mobilized both as historical claims and as strategic instruments in wider contests over identity, revenue and regional influence. Beyond functioning as a defensive response to the growing circulation of revisionist origin narratives, the protest also peripherally accelerated a formal constitutional petition for regional statehood, which was attained in 2021. Accordingly, the Bonga demonstration reflects both cultural claims and economic grievances linked to perceived inequalities in resource governance and value distribution in the Ethiopian coffee economy.[184] Framed as an act of cultural protection and historical affirmation, the November 2018 demonstration was also explicitly connected to the broader *teregnninet* (It is our turn to rule) discourse, reflecting a localized assertion of identity grounded in claims to heritage, territory and historical continuity.[185]

From a political economy perspective, the dispute over the origin of coffee is also an attempt to shift symbolic capital, along with the associated economic benefits, agricultural prestige and narrative authority it confers, away from the long-established primacy of Kaffa. Key respondents trace this effort to the broader Prosperity Party nation-building strategy, which aims to construct an inclusive national narrative (while simultaneously reordering cultural hierarchies).[186] As one respondent cautions, however, in practice this approach risks oversimplifying historical specificity and reproducing new forms of exclusion, as regional heritage becomes instrumentalized for political consolidation rather than being addressed through equitable recognition.[187] This underlying tension—between building a unified national story and strategically deploying heritage for political ends—reveals the high political stakes embedded in what may appear to be, on the surface, a purely cultural or biological debate over origins.

Key respondents consistently emphasize that disregarding Kaffa in the national coffee discourse reflects a deeper process of cultural and epistemic dispossession.[188] They further underline that although coffee production remains central to local livelihoods, institutional efforts to preserve,

183 Interview with academic and researcher on coffee, Bonga, 15 October 2025.

184 Ashenafi, 'Regional Growth Varies'.

185 The term '*teregnninet*' is part of a polarized political discourse articulated by non-Oromo actors that portrays Oromo political elites as having captured state power, while eliding the historically institutionalized dominance of northern highland groups in the Ethiopian state.

186 Interview with political activist, Bonga, 14 October 2025.

187 Interview with opposition political leader, Bonga, 13 October 2025.

188 Interview with historian, Bonga Teacher's Education College, college campus, Bonga, 14 October 2025.

document and narrate the historical relationship between Kaffa and coffee have received limited and inconsistent support.[189] Initiatives such as the long-stalled Kaffa coffee museum and the near absence of political economy perspectives on coffee in university curricula illustrate how the historical and intellectual contributions from the region have been overlooked.

Despite these shortfalls, the historical significance of Kaffa eventually received at least partial formal recognition through the establishment of the National Coffee Museum in Bonga, which affirms the foundational role of the region in the global coffee sector (See Figure 3). Construction of the museum began in 2008 and it was officially inaugurated in April 2015, supported in part by a philanthropic contribution from Saudi–Ethiopian business person, Sheikh Mohammed Hussein Al Amoudi.[190] The museum is designed to document and showcase the deep-rooted history, cultural significance and diverse wild genetic origins of *Coffea arabica*.[191] It is also envisioned as a major educational and tourism hub to highlight south-western Ethiopia, offering historical insights into early coffee cultivation practices and indigenous knowledge systems.

Despite such symbolic recognition, one respondent notes: 'Coffee remains framed predominantly as a technical crop or export commodity rather than as a historical, political and cultural asset rooted in Kaffa society.'[192] This institutional silencing, the same respondent contends, 'alienates producers not only from land and income but also from the symbolic and historical value of the commodity they cultivate'. As a result, an epistemic gap persists in which technocratic and market-oriented interventions proliferate but critical questions concerning power, equity, historical ownership and cultural justice remain largely unaddressed.

Figure 3: The Kaffa Biosphere Reserve, Kaffa zone, Southwest Ethiopia Region. Photo by Bruno D'Amicis (https://www.nabu.de/news/2021/03/29658.html).

The convergence of genetic, ecological, historical and cultural evidence indicates a compelling linkage between Kaffa—considered both as a contemporary administrative zone and in the broader historical framework of *Kaffa Kiflehager* (administrative province)—and the early history of coffee. Key respondents from the Kaffa–Bench-Sheko–Sheka belt

189 Interview with academic and researcher on coffee, Bonga, 15 October 2025.

190 '01-01-2009: Coffee museum in Kafa to be built', News, Kafa Coffee Biosphere Reserve. Accessed 1 September 2026, https://www.kafa-biosphere.com/. Also see: 'Backing for Ethiopian Coffee Museum & Research Centre', Mohammed Hussein Al Amoudi Official Website, 28 February 2011. Accessed 1 September 2026, https://www.sheikhmohammedalamoudi.info/home/news/ethiopian-coffee-museum.

191 Interview with university lecturer, Bonga University, university campus, 3 October 2025.

192 Interview with university lecturer, Bonga University, university campus, 3 October 2025. Unless otherwise specified, the following information in this paragraph is derived from this source.

overwhelmingly support this, asserting that the forests of Kaffa are the cradle of *Coffea arabica*. Some frame this origin more expansively in the historical entity of *Kaffa Kiflehager*, which encompassed much of the south-west before the administrative restructuring of the 1990s under the Ethiopian People's Revolutionary Democratic Front (EPRDF) regime. In particular, elders and local historians emphasize that this framing reflects pre-modern political geographies rather than an attempt to dilute the historical centrality of present-day Kaffa. The intensity of contemporary contestation makes clear, however, that the story of coffee is not only about the past. It is also fundamentally about power, identity and economic opportunity in the present and future, revealing how heritage functions as a critical arena in the ongoing political and economic transformation of Ethiopia. At the same time, the available evidence on the origins of coffee should be viewed as part of an evolving scholarly conversation that invites further interdisciplinary research and critical assessment.

The European Union Deforestation Regulation (EUDR)

The EUDR entered into force in June 2023.[193] It represents a profound shift in the global governance of agricultural commodities, with direct and far-reaching implications for coffee-producing countries such as Ethiopia.[194] After a defined cut-off date, the regulation prohibits the placement of key commodities, including coffee, on the EU market unless they are demonstrably deforestation-free and legally produced. Compliance requires stringent due diligence, including plot-level geolocation, full traceability across the value chain and verifiable proof that production has not contributed to deforestation or forest degradation. For producing countries, the EUDR functions as a powerful form of externalized environmental governance that transfers regulatory responsibility and compliance costs to upstream actors with uneven institutional and technical capacity. In the Kaffa–Bench-Sheko–Sheka belt, this new regulatory regime intersects with an already fragile and contested political economy of coffee. The belt sustains *Coffea arabica* in its forest and semi-forest-based agroforestry systems, which are maintained through generations of indigenous ecological knowledge and represent globally significant environmental and cultural heritage. The EUDR will thus be applied in a context where sustainability is simultaneously a lived production system, a global branding asset and a site of intensifying political and economic contestation.

Despite the apparent alignment between regulation objectives and traditional Ethiopian coffee systems, the Kaffa–Bench-Sheko–Sheka belt remains poorly prepared for compliance as of October 2025. According to one study respondent, Ethiopia has initiated a national EUDR

193 European Union, 'Regulation (EU) 2023/1115 of the European Parliament and of the Council of 31 May 2023', *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.

194 Commonwealth Secretariat, 'The European Deforestation Regulation: Trade and Investment Implications for Sub-Saharan African Countries', London: Commonwealth Secretariat, 2025. Accessed 1 September 2026, https://comsec-web-static.s3.eu-west-1.amazonaws.com/s3fs-public/2025-04/the-eu-deforestation-regulation_updf.pdf.

preparedness strategy through the ECTA, including efforts to introduce digital traceability platforms and farm-level geo-location and mapping.[195] Implementation is, however, uneven and incomplete.[196] Critical gaps persist in traceability infrastructure, data reliability and institutional coordination. Technical capacity remains limited among cooperative staff and members, local administrations and exporters. Most significantly, the burden of compliance is being displaced downward onto smallholder farmers, who dominate coffee production but lack the financial resources, digital access and technical training required to meet the demanding standards of the EUDR.

This imbalance generates a paradox. In a market chain where a significant share of Ethiopian coffee exports is destined for European markets, EUDR compliance is a matter of strategic national importance. Yet the very producers whose forest-based practices underpin Ethiopian sustainability credentials are the least equipped to demonstrate compliance in standardized verifiable forms. As a result, coffee sectors with global reputations built on ecological integrity and historical authenticity risk exclusion from premium markets due to institutional and governance deficits, not environmental failure.

The convergence of already existing governance deficits in the sector and the impending enforcement of the EUDR thus poses both an existential threat and a potential catalyst for transformation. In the absence of urgent and coordinated investment in traceability infrastructure, capacity building and equitable cost-sharing mechanisms between producers and consumers, the regulation risks reinforcing informality, accelerating smallholder exclusion and deepening existing inequalities in the coffee value chain. Conversely, if strategically leveraged, EUDR compliance could drive long-overdue modernization, strengthening forest protection, formalizing land rights, improving data governance and repositioning Ethiopian coffee as a high-integrity sustainable certified product in global markets. Yet the political and economic implications of this transition—especially who bears the costs, who captures the benefits and how power will be redistributed along the value chain—needs timely understanding among the stakeholders.

195 Interview with head, regional coffee, tea and spices authority, Bonga, 12 October 2025.

196 Based on observations during fieldwork undertaken from 10 September–17 October 2025.

Conclusion

A critical political economy analysis of the coffee sector in the Kaffa–Bench-Sheko–Sheka belt in Southwest Ethiopia Region, a region that constitutes the genetic, ecological and cultural heartland of *Coffea arabica*, demonstrates that persistent underdevelopment in this sector is a direct and predictable outcome of deeply entrenched governance failures, institutional fragmentation, asymmetric power relations and systematic patterns of elite capture that have been reproduced across successive political regimes—rather than technical inefficiencies, agronomic constraints or market volatility.

The central finding of this research is that the coffee sector in Southwest Ethiopia Region operates in a political economy defined by a profound and self-reinforcing paradox: a globally significant commodity of exceptional ecological, genetic and cultural value is produced under conditions of chronic institutional fragility, regulatory incoherence and social exclusion. This paradox is not accidental but structurally produced. The historical trajectory—from Emperor Menelik II's extractive incorporation of the south-western territories, through the Derg's socialist restructuring, to the EPRDF's developmental state and the contemporary reforms of the Prosperity Party—reveals a recurring pattern whereby successive regimes have treated the resource-rich south-west primarily as a source of foreign exchange for national development agendas, while systematically marginalizing local communities, dispossessing smallholder producers and underinvesting in regional economic transformation.

The analysis identifies a number of interconnected mechanisms through which this political economy operates. First, institutional fragmentation and policy incoherence have created a governance vacuum in which formal state authority is dispersed across federal, regional, zonal and district bodies with overlapping mandates, competing priorities and weak coordination. This fragmentation enables selective enforcement, regulatory arbitrage and the emergence of parallel power structures that routinely supersede formal rules. Second, political patronage and asymmetric power relations structure access to land, capital, markets and regulatory protection. Corruption functions not as an aberration but as a mode of governance, with politically connected elites, senior bureaucrats and large-scale investors capturing land licences, export rents and preferential enforcement outcomes. Third, the parallel market architecture of the Ethiopian Commodity Exchange (ECX) and the vertical integration model implemented by the Ethiopian Coffee and Tea Authority (ECTA) illustrates how formal institutional change can reconfigure rather than resolve power asymmetries. Although the shift toward vertical integration is officially framed as an efficiency-enhancing reform, in practice it has concentrated market power among well-connected exporters, weakened cooperative viability and introduced new forms of opacity and rent-seeking.

Fourth, the study documents the extraordinary scale and sophistication of illicit coffee trading and smuggling networks that operate with impunity across the Kaffa–Bench-Sheko–Sheka belt. These networks are protected by influential actors in political and security institutions, and maintain extensive domestic and cross-border routes. These networks directly challenge state authority, drain foreign exchange and undermine formal value chains. The violent confrontation in Chena town (Kaffa zone) in July 2025, in which smugglers killed a police officer, exemplifies the coercive capacity and impunity that characterize these parallel economies. Fifth, land emerges as the central axis of accumulation, conflict and dispossession. Importantly, dispossession rarely occurs through overt expropriation but through more subtle mechanisms such as pre-harvest loans, debt traps, unequal sharecropping arrangements and administrative manipulation. These mechanisms result in the gradual transfer of land from smallholders to traders, settlers, investors and politically connected actors, transforming customary landholders into dependent labourers.

Sixth, the study reveals systematic patterns of social exclusion that disproportionately affect indigenous communities, particularly the Manjja and Majang, and women. These groups face structural barriers to land rights, cooperative membership, credit access and decision-making, despite constituting the foundational labour force of coffee production. For the Manjja, historical stigmatization and denied ethnic recognition have compounded contemporary vulnerability, leading to documented displacement and dispossession. For women, customary norms and institutional practices that recognize land titles and cooperative membership primarily in men's names have excluded them from value capture nodes, confining their roles to unpaid family labour or low-wage tasks. Seventh, while appearing as a debate over historical and cultural heritage, the contestation over the birthplace of coffee is a struggle for symbolic and economic capital, in a context where boundary shifts in the 1990s that created divisions between parts of an area with some shared history of environmental and administrative experience and identity have been compounded by further administrative restructuring in the post-2018 transition process. Contemporary Kaffa's narrative draws on scientific and historical evidence but in the post-2018 context, competing narratives (particularly centred on Jimma) seek to redistribute branding rights and geographical indication benefits, triggering local protest and reflecting broader struggles over recognition in Ethiopian ethno-federalism.

Finally, the impending European Union Deforestation Regulation (EUDR) represents a critical external challenge that intensifies existing domestic governance weaknesses. The regulation creates a paradox: the forest-based coffee systems that embody ecological sustainability and underpin the global reputation of Ethiopian coffee are managed by the very people least equipped to meet the complex traceability, geolocation and compliance demands. Without significant coordinated investment in traceability infrastructure, capacity building and equitable cost-sharing mechanisms, the EUDR risks excluding smallholders from premium markets, reinforcing informality and deepening existing inequalities.

Policy considerations

The following set of recommendations could help stakeholders begin to transform the political economy of coffee in the Kaffa–Bench-Sheko–Sheka belt from one of fragmentation and extraction to one of integrity, equity and resilience. Each recommendation is, however, contingent on political will and institutional capacity. Implementation should be sequenced, piloted where appropriate and subject to continuous independent evaluation to ensure that the value of this globally celebrated bean flows back to the communities and landscapes that sustain it.

Overhaul governance and institutional architecture

The first critical reform is to overhaul the governance and institutional architecture of the coffee sector. The primary recommendation is to establish a high-level cross-sectoral coffee governance council as a permanent statutory body for this coffee belt, with mandated representation from all relevant regional stakeholders across the value chain, to harmonize policies, resolve jurisdictional conflicts and ensure a coherent implementation strategy. This structural reform must be complemented by the legal insulation of key regulatory bodies from political interference and implementing clear and transparent operating procedures, alongside accelerating the digitalization of landholding certificates for smallholders with joint spousal registration and affirmative measures for marginalized communities. The policy implications of these actions are a substantial reduction in regulatory arbitrage, predictable market conditions for investors and cooperatives, and clear lines of accountability. Restoring institutional credibility simultaneously reduces the opportunity for bribery and informal negotiation. Crucially, failure to implement these measures will perpetuate fragmentation, elite capture, land grabs and conflict.

Rebalance market power and ensure equitable value distribution

Building directly on a more accountable governance framework, the next priority is to rebalance market power and ensure equitable value distribution. The recommendations involve launching a targeted time-bound programme to audit, recapitalize and professionally manage cooperatives and unions, coupled with facilitated access to finance and technical training to enable them as genuine countervailing forces against elite capture. Simultaneously, an integrated transparent hybrid digital platform should be developed that combines price discovery and traceability benefits with the contractual flexibility of vertical integration to provide real-time price data to farmers via mobile technology and mandating auditable transaction records. The policy implication of stronger cooperatives is improved farm-gate prices, collective certification and institutional protection against predatory lending. The digital platform reduces information asymmetries, enables informed farmer marketing decisions and creates an auditable trail—critical for tax compliance.

Establish a government-backed smallholder coffee credit facility

The credit facility should be administered through licensed microfinance institutions or cooperative banks that link loans explicitly to sustainable agroforestry practices. The policy implication is that this requires a government guarantee fund to reduce lender risk, a regional agroforestry certification standard for loan eligibility, land tenure protections and borrower safeguards to prevent predatory debt cycles. It also implies the need for monitoring the links between loan renewal and verified sustainable practices. These measures would reduce distress sales, enable productivity investments and disrupt land dispossession from indigenous farmers by land predators and investors.

Redress social exclusion and grievances

With more balanced market structures in place, reforms must proactively address social exclusion and historical grievances to ensure benefits reach all producers. The key recommendation is to implement legally mandated and adequately funded inclusion programmes that ensure women and marginalized communities have direct verifiable access to land titles, cooperative leadership quotas, certification premium disbursements and specialized extension services. This should be paired with a legal mandate requiring a defined and auditable percentage of all certification premiums to be managed transparently by democratically elected community-led committees with independent financial oversight. The policy implication of this requires amending cooperative and land laws to enforce leadership quotas and joint land titling, establishing independent audit mechanisms for premium funds and allocating public resources for targeted extension services. These reforms would unlock the productive potential of excluded groups, reduce intra-community conflict over resources, align the coffee sector with constitutional commitments to equity, restore the redistributive intent of certification schemes, build trust in collective institutions and demonstrate tangible sustainability benefits for producer households.

Museum and heritage investment

The Kaffa National Coffee Museum should be developed as a living institution for research and branding. It should also be formally integrated into national and regional tourism and marketing strategies. Its development should include transparent and legally structured benefit-sharing mechanisms that recognize local communities as key stakeholders and primary beneficiaries. This would require dedicated public and donor funding for museum infrastructure, curatorial capacity and community-led heritage programming, together with appropriate legislation to allocate a defined proportion of museum-generated tourism revenue and origin-based branding premiums to coffee-producing communities in the study area and the wider south-western region. Such measures would transform contested heritage into a collaborative income-generating asset, strengthen Ethiopia's origin-based coffee branding, support premium value capture, generate sustainable tourism revenue and align cultural preservation with tangible economic returns for smallholder coffee producers.

Navigate the EUDR strategically as a catalyst for reform

To secure long-term market access and lock in previous gains, a regional EUDR preparedness consortium should be established involving the regional government, cooperative unions, NGOs and technology partners. The consortium should develop a cost-effective and scalable traceability system tailored to forest-coffee ecosystems, funded as public infrastructure rather than left to market mechanisms. This technical system should be complemented by legally empowering local communities, including women and youth groups, as recognized stewards for EUDR compliance through participatory mapping and monitoring of forest coffee areas, with their data formally linked to the central traceability platform. The policy implication of a public traceability infrastructure is that it enables the collective compliance of smallholders, reduces per-unit costs and prevents the concentration of EUDR benefits among large exporters. Community stewardship reduces compliance costs, builds local ownership of conservation outcomes and aligns with existing participatory forest management (PFM) frameworks. To support these efforts, the ECTA should proactively engage the European Union to negotiate phased implementation timelines, technical assistance packages and direct financial support for smallholders, framing traditional Ethiopian forest coffee systems as global conservation assets to be supported. This diplomatic engagement can secure external resources for compliance infrastructure, reduce immediate market access risks and establish a precedent for differentiated equity-sensitive implementation of global sustainability regulations, thereby transforming a potential trade barrier into a vehicle for inclusive, transparent and sustainable development across the entire coffee value chain.

Foster accountability

To strengthen governance and transparency in the coffee sector, a dual approach of institutionalized oversight and public disclosure is essential. A key recommendation is to establish a dedicated funding mechanism, protected from political interference, to support independent sector monitoring and public disclosure of governance and enforcement outcomes. Complementing this, mandatory periodic disclosure of disaggregated data on export licence holders, independent audit results of cooperatives and unions, and foreign exchange earnings from coffee, broken down by region, export type and firm, must be published on an accessible public platform. The policy implications are twofold. First, such transparency would deter opportunistic behaviour, inform evidence-based policy advocacy and create public accountability for regulatory performance. Second, this would empower civil society, researchers and international buyers to monitor market concentration, detect irregular patterns and hold both private and public actors accountable. Ultimately, this would lead to a more equitable and efficiently governed coffee value chain.

Glossary of acronyms, words and phrases

Abren Enideg	(*Amharic*) let's grow/progress together
corvée	(*French*) unpaid forced labor exacted for a limited number of days per year
ECTA	Ethiopian Coffee and Tea Authority
ECX	Ethiopian Commodity Exchange
EFFORT	Endowment Fund for the Rehabilitation of Tigray
EPRDF	Ethiopian People's Revolutionary Democratic Front
EUDR	European Union Deforestation Regulation
EWNRA	Ethio-Wetland Natural Resource Association
Gurmasho	(*Kaffii Noono*) an informal Kaffa-based youth group
kebele	(*Amharic*) ward; administrative unit below a woreda
Kiflehager	(*Amharic*) province (highest-tier subnational administrative division, Derg-era)
NABU	Nature and Biodiversity Conservation Union
PFM	participatory forest management
REDD+	Reducing Emissions from Deforestation and Forest Degradation
SNNPR	Southern Nations, Nationalities, and Peoples' Region
SUPAKS	Sustainable Poverty Alleviation in Kaffa and Sheka
teregnninet	(*Amharic*) It is our turn to rule
woreda	(*Amharic*) district; administrative unit below a zone

Unless otherwise specified, exchange rates are calculated using Exchange-rates.org. In October 2025, the average exchange rate for USD 1 was ETB 147. All exchange rates are approximate.

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Annex

በአዲስ አበባ ከተማ አስተዳደር ፖሊስ ኮሚሽን የን/ስ/ለ/ክ/ከተማ ፖሊስ መምሪያ
ወንጀልና ትራፊክ አደጋ ምርመራ
Nifas Silk Lafto Sub-City Police DEp.Crime and Traffic Accident Investgation

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ቀን፦ 10-4-16

ለኢትዮጵያ ምርት ገበያ
አ/አበባ

ጉዳዩ፡መረጃ እንዲሰጠን ስለመጠየቅ ይሆናል።

ይኸውም ከላይ በርዕሱ ለመግለፅ እንደተሞከረው አሁን ተጠርጣሪ የሆኑት 1ኛ፡ተጠርጣሪ ሙሰፍ ነስር 2ኛ፡ተጠርጣሪ መሀመድ አሚን የተባሉት ህገ ወጥ ቡና ዝውውር ወንጀል ተጠርጥረው በፖሊስ መምሪያ ምርመራ እያጣራን የምንገኝ መሆኑ ይታወቃል።

በመሆኑም ለጀመርነው ምርመራስራችን ያመቸን ዘንድ፦ተጠርጣሪዎች ከተያዙ በኋላ ቡናውን በህጋዊ መንገድ ነው የጫነው ለዚህም እንደማስረጃ ካቀረቧቸው ሰነዶች ውስጥ ቡናው የተገዛበትበሚል Goods Issue Note የሚል date generated:14-dec-2023: client:- seid mohammed kamal: agent name:asmamaw mamo :cup value:0:00: raw value 86:00:sellerName:lelti farmers cooperative societyPLC:scale ticket no 2022060100569 የሆነሰነድ ያቀረቡ ስለሆነ ተጠርጣሪዎች ያቀረቡት ሰነድ ሀሰተኛ መሆን አለመሆኑን አረጋግጣችሁ መልሱን በደብዳቤ እንድትገልፁልን እየጠየቅን ሰነዱ ትክክል ከሆነ ደግሞ ተጠርጣሪዎች በመኪና ጭነው ሲንቀሳቀሱ የተያዘው ቡና ከላይ በተጠቀሰው ሰነድ ከናንተ የተገዛው ቡና መሆን አለመሆኑን ባለሙያ ልካችሁ እንድታረጋግጡልን በአክብሮት እንጠይቃለን።

ከሰላምታ ጋር

ኑር ሀቢብ
Nur Habib
ም/ኮማንደር
D/ Commander

20 DEC. 2023

Tsehaye Jimma

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ቀን፡ ታህሳስ 10/ 2016 ዓ.ም

በአዲስ አበባ ከተማ አስተዳደር ፖሊስ ኮሚሽን
የን/ስ/ላ/ክ/ከተማ ፖሊስ መምሪያ
ለወንጀልና ትራፊክ አደጋ ምርመራ ቢሮ
አዲስ አበባ

ጉዳዩ፡ <u>መረጃን መስጠትን ይመለከታል</u>

የወንጀልና ትራፊክ አደጋ ምርመራ ቢሮው በቀን 10/04/16 እንዲሁም በቁጥር ንፖ/08/5764/16 በተጻፈ ደብዳቤ በምርት ማስረከቢያ ሰነድ (Goods Issue Note) ቁጥር TP1913 በቀን እ.አ.አ 14/Dec/2023 ዓ.ም ከኢትዮጵ ምርት ገበያ ቴፒ ቅርንጫፍ በተጠቀሰው ቀንና ሰነድ ቁጥር ምርቱ ስለመጫኑና ስለመውጣቱ መረጃ እንዲሰጣችሁ መጠየቃችሁ ይታወሳል፡፡

በመሆኑም ምርት ገበያው አስፈላጊውን ምርመራና ማጣራት በማድረግ በምርት መረከቢያ ደረሰኝ ቁጥር TP1913 በተጠቀሰው ቀን፣ ሰሌዳ ቁጥር፣ የሹፌር ስም፣ የኬሻ መጠንና የምርት ባለቤት ስም ከኢትዮጵያ ምርት ገበያ ቴፒ ቅርንጫፍም ይሁን ከየትኛውም የምርት ገበያው ቅርንጫፍ ያልተሰጠና ህገወጥ ሰነድ መሆኑን እናሳውቃለን፡፡

ከሰላምታ ጋር

ታባበር አልታዩ
የቡና ዲቪዥን ኦፕሬሽን ኃላፊ

The first document a letter sent by the Nifas Silk Lafto Sub-city Police Department, under the Addis Ababa Police Commission, to the head office of ECX in Addis Ababa. The letter requests verification of whether a seized coffee shipment belongs to, or had been traded through, the ECX or any of its authorized channels.

The second document is the ECX head office response to the police letter. The response confirms that the seized coffee shipment—which had been accompanied by a document bearing the forged logo and seal of the ECX Teppi office—had neither originated from nor been officially issued by the ECX Teppi office or any other ECX branch. It further confirms that the shipment was unauthorized and that the accompanying document was fraudulent.

These documents illustrate how illicit actors manipulate ECX documents, logos and official seals to facilitate unauthorized coffee trade. Such practices, as contended by study respondents, undermine the ECX's institutional credibility, damage its reputation and weaken its positive role in the coffee value chain.

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