

Case study

March 2020



Protecting Ethiopia's old growth forests by transforming the forest coffee value chain

Ethiopian forest coffee has the potential to significantly enhance the protection of Ethiopia's old growth forests by unlocking the value of these areas and incentivising communities to work together to reduce encroachment. This has been made possible through Partnerships for Forests' (P4F) concerted effort to raise the profile of Ethiopian forest coffee at various stages in the value chain. In doing so, the team has improved coordination between a wider group of stakeholders and created an environment (working with government institutions) that will enable businesses to more easily access Ethiopian forest coffee and, in turn, invest in a variety of coffee that brings environmental and social benefits.

To complement the efforts made in-country, the project has also supported market links to retailers and buyers that will be able to capitalise from this new variety of coffee. The expectation from this is that other interested partners will follow suit and generate greater demand and sales of this sustainable, forest-friendly brand. In the next phase of the project, the goal is to further strengthen the value chain by crowding-in buyers as well as continuing building the capacity of supply actors including farmers, cooperatives and participatory forest management (PFM) groups.



Preserving the genetic biodiversity of the coffee value chain

Arabica coffee is native to the forests of Ethiopia and today, much of Ethiopia's coffee is found in the last remaining old growth forests in the country. These forests are particularly important as they sequester large amounts of carbon and harbour a rich biodiversity, including the world's greatest single repository of genetically diverse coffee varieties. The forests in Kaffa alone contain over 5,000 varieties of coffee.

As the birthplace of coffee, coffee is key to Ethiopia's culture and economy. It contributes around 5% of national GDP and around a third of all export earnings. An estimated 45% of the country's total coffee production comes from forest coffee. The majority of this is currently sold as commercial-grade coffee (below the market price) due to the variable overall quality that is neither differentiated by origin nor variety. In reality, these heirloom coffee varieties have the potential to command high prices on the global specialty coffee market. Specialty coffee is defined as coffee grown in special and ideal climates, with distinctive taste and flavour, and score 80 or higher in the SCAA standards (also referred to as "cupping"¹). The quality of a cup is determined by several factors including the variety, production, and processing methods.

Prior to 2016, the potential of forest coffee branding had only been marginally explored by a small number of buyers that had realised the high quality of forest coffee varieties and were exporting small quantities of this abroad. At the same time, the forests in which this coffee grows are increasingly under threat – agricultural expansion and demand for fuelwood has led to the loss of one third of Ethiopia's natural forest. If this type of coffee was further differentiated by its place of origin, in light of the existing threats of deforestation, it could additionally be sold under conservation-friendly or deforestation-free branding. While much of Ethiopia's coffee is harvested from commercial plantations and smallholder plots, a large number of people have access to forested areas and would stand to benefit enormously if their earnings reflected the potential premium value of forest coffee².

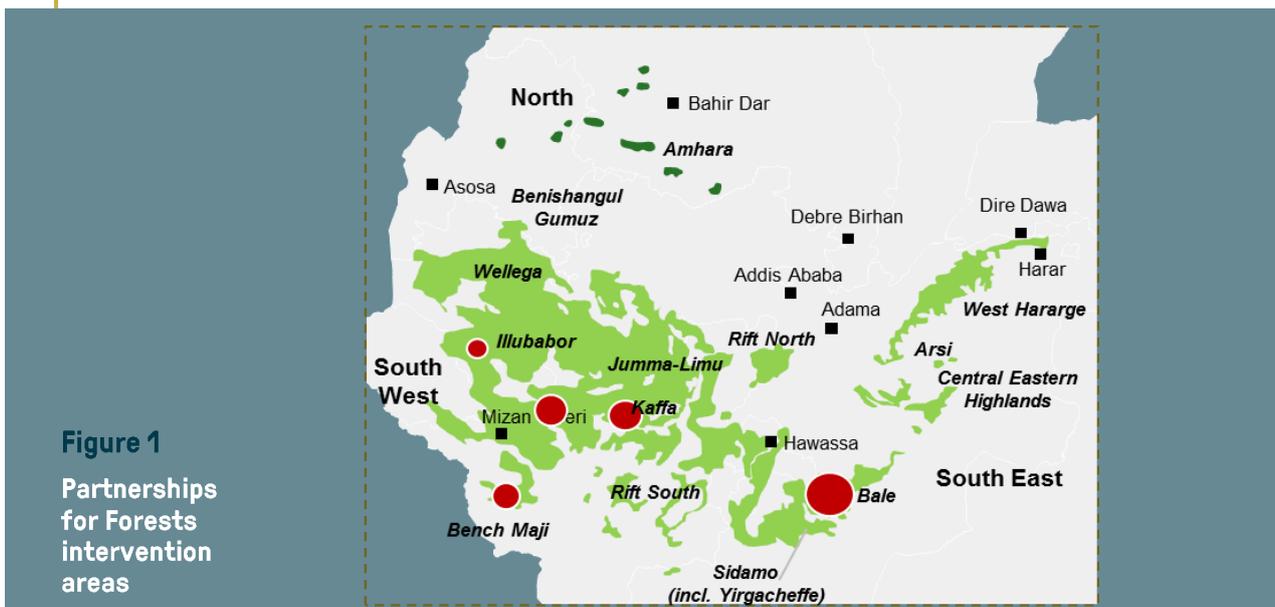


Figure 1
Partnerships for Forests intervention areas

¹ Coffee "cupping" is a standardised coffee evaluation system based on protocol usually set by the Specialty Coffee Association (SCA). The protocol is used to evaluate the quality of coffee beans and was originally introduced to allow green coffee buyers to assess the flavour profiles of coffees before buying

² Partnerships for Forests (2018) *Internal team analysis*

Untapping the potential of forest coffee value chains

If harvested sustainably, forest coffee could provide both an economic opportunity for over eight million Ethiopians³, as well as become a key strategy for protecting the country's remaining old growth forests. In order to do this however, P4F recognised that support was needed across the entire value chain to raise the profile of this new brand as well as change the behaviours of key actors. Specifically, the project prioritised activities to improve the processing (and reliable supply) of forest coffee, raise awareness and market demand, and support the formal recognition of the quality and geographic origin of forest coffee.

From the supply side, the project enlisted GIZ (German Corporation for International Cooperation), leveraging over 10 years of forest coffee value chain experience in Ethiopia, to improve the quality and traceability of forest coffee across the five producing areas. Since processing was identified as one of the key barriers to improving the quality of forest coffee, GIZ has worked closely with cooperative unions to improve their practices and create a more reliable, high quality supply of forest coffee. Additionally, to ensure the activities are having a positive impact on nearby forests, GIZ is introducing innovative traceability tools and working with Participatory Forest Management groups (PFMs) to strengthen communities' management of forests.

On the demand side, TechnoServe has led efforts to create internationally recognised Ethiopian coffee brands. As global coffee companies continue to create and manage their brands, TechnoServe is working to incorporate Ethiopian forest coffee brands as new product lines across multiple coffee buyers and retailers. They have done this by organising a number of events targeted at buyers and establishing a longstanding Forest Coffee Forum (see Box. 1) that will build on the momentum and continue to attract new potential interested partners.

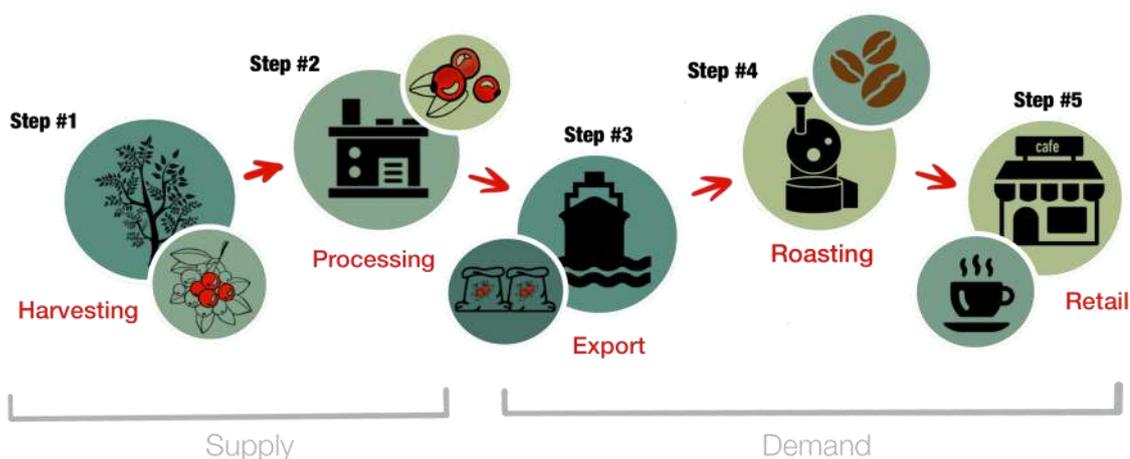


Figure 2 The forest coffee value chain

³ This was calculated based on the number of Ethiopians whose main livelihood is based on coffee production (15 million) and the fact that forest coffee comprises 45% of total production for the country.

Finally, the project has been working with the government of Ethiopia, through relevant government bodies, to create an environment conducive to helping Ethiopian forest coffee reach its full market potential. Working with the Ethiopian Coffee and Tea Authority (ECTA), the project has created a list of new, formal geographic origins (coffee sourcing areas) in Ethiopia that will help unlock the market for forest coffee to be sold to the international market.

The ultimate vision of the project is to:

- Create a range of new Ethiopian forest coffee brands available on the international market;
- Export 6,030 metric tons of Ethiopian forest coffee per annum by 2020; and,
- Secure improved prices that incentivise farmers to protect standing forest.



Figure 3 Theory of change for transforming the Ethiopian Forest Coffee value chain

Supply side interventions to boost quality of forest coffee

The P4F team developed a hypothesis that if forest coffee can be sold on the premium international market and producers are able to capture higher values from export, then the communities around forests will be incentivised to protect the area. While this rationale was widely accepted, the team had to break down the assumptions and substantiate it with concrete evidence. For example, in order to first confirm forest coffee varieties were of high quality, a comprehensive diagnostic was needed of the forest coffee value chain. As a result, forest and semi-forest coffee samples were collected from more than 100 PFMs and roasted and graded according to their quality. The cupping scores confirmed the huge potential for high quality coffee varieties in these forests. Still, there remained the issue of poor processing methods and origin specification that also determine the quality of the cup.

In order to tackle these key barriers, GIZ has been working on the ground in Kaffa, Sheka, Bench Majji, Illubabor, and Bale to improve quality and traceability. The area covers approximately 105,000 hectares and the team has worked with existing PFMs to ensure coffee collection is sustainable and does not degrade forested areas, —a key requirement underwritten in the bylaws of these community groups. The role of GIZ has been to ensure the forest coffee at farmer and cooperative levels meet high quality and can be traced. They have done this by building centralised coffee drying stations at cooperative unions, constructing raised drying beds (which improves the quality of the cup), training farmers on better harvesting practises, and ensuring only the red cherries are brought to the cooperatives and drying stations before the drying process takes place.



Wosenech Koyse is a coffee farmer and member of the Fanika cooperative in Bench Majji, Ethiopia. She harvests and sells semi-forest coffee, and she values the forest as a resource: **“Preserving it is a question of life and death.”** She is using the income to send her five children to school, and she expressed **“I want them to get master’s degrees!”**

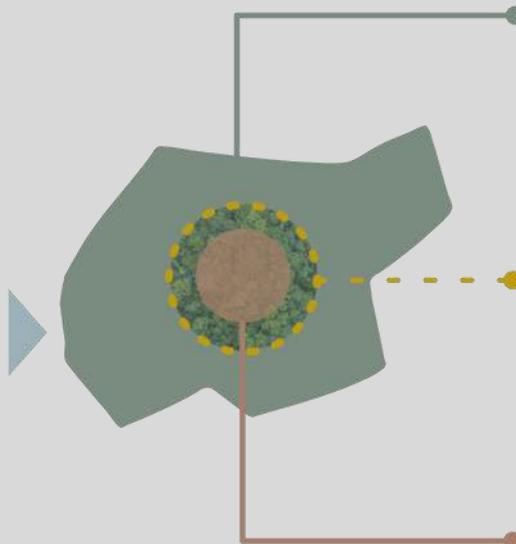
Box 2. How PFMs operate at community level to develop legally-binding forest management plans

Participatory forest management group system

PFMs are community groups that develop legally-binding forest management plans with the local government to manage forests and other landscapes

These systems are established by a 4-phased approach involving the community and the local government Environment and Forestry agency:

1. Clearly defining who the forest users are and how they use the forest: conducting participatory forest resource assessments to understand management needs, and exploring forest-based livelihood opportunities.
2. Negotiating what actions can improve forest conditions and rights and responsibilities held by communities
3. Preparing a forest management plan and signing a co-management agreement between community and government
4. Translating forest management into practice including the sustainable harvest and marketing of forest products.



Transition zone

Communities are allowed to practice certain agreed-upon agricultural practices using sustainable management techniques.

Buffer zone

Communities are allowed to receive value from non-timber forest products. No clearing of trees is allowed. These zones would include semi- and forest coffees.

Core zone

Forests are left entirely untouched. Communities can afford to leave these areas untouched because they make enough of a living from the transition and buffer zone.

PFMs are community organisations that develop legally-binding forest management plans with the local government to manage forests and other landscapes. These institutions manage forest resources by demarcating zones within their land area and varying degrees of interventions allowed (for example setting core, buffer, and transition zones). This is spelled out in more detail in Box 2. PFMs are critical stakeholders in the forest coffee value chain since coffee grows on 40% of the land under their management and the groups rely on the production of coffee to help keep operations going. PFMs can become cooperatives or can link with established coffee cooperatives to supply their coffees to. The system works through both incentives as well as penalties. PFMs have the authority to penalise farmers for not following proper protocols but in return, they reap the economic benefits that come from protecting the forests. The objective of working through PFMs (some of which are also cooperatives) is to cut out the middlemen that farmers usually sell their beans to and who capture a high percentage of the margin. This way farmers stand to significantly improve the price they receive for their coffee by selling directly to farmer-owned institutions.

Buyers as key agents in the transformation of the value chain

A total of 20 cupping sessions have been held to date including with VolCafe, World of Coffee, and Falcon Coffees amongst other brands. More than 200 participants sampled 50 varieties of Ethiopian forest coffees from all five producing regions. To enhance the promotion of Ethiopian forest coffees at these events, maps, and flyers describing the origins of forest coffee were distributed. In addition, in-country cupping sessions and field trips with interested buyers were organised through project partners (GiZ and TechnoServe). This also helped create a catalogue of Ethiopian coffees to be used in tradeshows and sharing samples with buyers. Efforts are also under way to create direct linkages between international buyers and our PFM's producing forest coffee varieties.

Additionally, a survey was conducted with 300 international coffee buyers and revealed that 95% of participants were interested in buying Ethiopian forest coffee and praised the coffee for its "superior flavour profiles"⁴. This not only validated the high cupping scores, the survey generated interest and identified multiple retailers and buyers now interested in the Ethiopian forest coffee brand. It also however identified poor quality due to subpar processing methods and insufficient volume as key barriers for international buyers who would otherwise be interested in sourcing this coffee.

Feedback from buyers

“ We would be happy to support this unique initiative. With the right resources and focus this should be a very successful and differentiated coffee.”

“ I have been impressed by the diversity of flavours I found while tasting the forest coffee samples collected by P4F. As a potential stakeholder of wild forest coffee I am very interested to personally engage in a project where our involvement can impact the communities, both directly as well as indirectly.”

“ Specifically, the coffees from Kaffa impressed me and the coffees from Bonga Forest that displayed intense cacao flavors... in our espresso blends (98% of our business) these coffees could add unique value. Traceability of these coffees however is key.”

Working with the Government of Ethiopia to enable forest coffee to flourish

With its variable quality and lack of traceability, Ethiopian forest coffee has generally been sold at low prices; only 20% of coffee in Ethiopia is presently sold as speciality coffee⁵. At the same time, the Ethiopian government has focused on improving the coffee industry given its significant contribution to the economy. Unfortunately, this government backing has encouraged producers to expand their smallholder plots and plantations for producing more coffee – but this has often come at the expense of nearby forests. According to the Director General of the ECTA,

⁴ Daniel Humphries and Boot Coffee Consulting (2017) Demand side analysis study.

⁵ ECX (2010) ECX Direct Specialty Trade (DST). Addis Ababa: Ethiopian Commodity Exchange, January 4.

Sani Redi, the project “came at an opportune time as we were looking for partners with a vision for growing the Ethiopian [forest] coffee industry.”

The project has been working with two government institutions in Ethiopia to create an enabling environment conducive to supporting the old growth of the forest coffee brand: the Ethiopian Commodity Exchange (ECX) and the ECTA.

As the principal commodity exchange institution in the country, ECX plays an integral role in boosting the marketability of forest coffee. It has worked closely with forest coffee partners to identify ways to ensure full traceability of the forest coffee variety that passes through the ECX. Once such initiative is the introduction of the Direct Specialty Trade (DST) platform: a “mechanism to provide the benefits of the organised ECX marketplace—where the integrity of the product, the integrity of the transaction, and the integrity of the actors are maintained—while enabling traceability to market-desired attributes.”⁶ The ECX has also co-hosted cupping sessions with Ethiopia forest coffee partners at international tradeshows to attract new, interested partners and raise the international profile of these varieties.

Similarly, the ECTA is the authority mandated to promote coffee and tea within the country and internationally, control and regulate the market, and carry out quality inspections across both sectors. Since all coffee must pass through ECTA quality inspection before being exported, their support is vital to ensure forest coffee brands do not face any barriers to reach market. Given the evidence and potential that forest coffee could unlock for communities and wider economic targets, the ECTA has been a positive support to the project.

The P4F team has taken a number of steps to engage with the ECTA to ensure smooth coordination and implementation. This began with the introduction of the project to ECTA leadership to align overall objectives and goals, a dedicated focal person was then assigned within the Authority, both at the federal and regional levels, to support the project’s activities. The culmination of this engagement was the signing of a Memorandum of Understanding (MoU) between ECTA and the implementation partners (GIZ and TechnoServe)—a testament to the strong backing coffee has garnered and the enhanced enabling environment P4F has been able to create at a national level. Finally, a new legislation has recently come into effect which allows for international buyers to source directly from cooperatives, a privilege that was only availed to private farms and large unions. This change has come at an opportune time given the key objective of this initiative is to improve traceability in the value chain which, in turn, has the possibility to open up significant market opportunities for smallholders.

Additionally, the ECTA has:

- Actively participated in organised learning and progress sharing forums organised by the project.
- Provided project implementers with authorisation to collect coffee samples from the forest growing regions of Ethiopia.
- Assigned responsible experts from ECTA’s office in Addis Ababa to jointly work with project partners to cup coffee samples and create cupping profiles.
- Provided support in identifying and creating a list of new, formal geographic origins (coffee sourcing areas) in Ethiopia.



Box 4 Key results in the forest coffee value chain



5 forest coffee areas in Ethiopia

Kaffa, Sheka, Bench Maji, Bale and Illubabor

17,705 farmers
(**2,900** women)

reached by supply side training

105K hectares brought under sustainable land use

70% of total expected

3,058 MT exported

50% of total expected

5 international & local buyers of Ethiopian forest coffee

Union Coffee Roasters, Solino, Happy Goat Roasters, Moyee Coffee and Slow Coffee

Perspectives for the future

Progress to date on the Ethiopian forest coffee project has been successful in validating the original hypothesis of the P4F team and has helped lead to the scale-up of the forest coffee brand from idea to market. The model has also indicated how smallholder business models are able to achieve positive impacts on forests particularly in the absence of large commodity chains and the scarcity of land for large scale plantation/restoration projects.

The learnings from the past three years will be used to inform the further strengthening of the forest coffee value chain in Ethiopia. To that end, the vision for the future is to expand into additional forest areas while deepening efforts in existing forest by crowdsourcing additional buyers. Furthermore, efforts around traceability and monitoring forest change need additional work and will be given priority as the project advances to the next phase.

Lessons from P4F to date

The forest coffee value chain, while endowed with enormous potential, had been relegated to a subpar category and sold on the domestic market at low prices. It has taken several years to influence and improve the understanding and behaviours of different actors and below are some of the major lessons of P4F after 3 years of comprehensive work on the forest coffee value chain:

1. **The importance of having strong engagement with buyers:** the theory of change developed for the transformation of the forest coffee value chain identified buyers as the lead change agents. Buyers are critical stakeholders not only in guaranteeing demand but also directly investing in supply chain gaps, for example, by providing drying beds to cooperatives.
2. **Complementing work on the demand side with supply side measures:** After gaining insights into the key challenges buyers faced in sourcing quality forest coffee from Ethiopia, such as variable quality in supply, an intensive engagement with buyers was carried out to demonstrate that the quality of the coffee could be vastly improved through supply side interventions. This further justified the work taking place by GIZ with PFMs.
3. **Clear and regular communications for buyers:** P4F has organised multiple coffee tasting events both in-country and abroad. In addition, easy to digest and informative marketing materials were produced and disseminated at the premium coffee events and conferences worldwide. These efforts have led to a boost in confidence in the value chain as well as securing new buyers and retailers.
4. **Holistic engagement of stakeholders across the value chain:** Another key lesson that arose from the work so far has been the need for holistic engagement with key actors. From the PFM groups to government and buyers, the forest coffee value chain is made up of a range of actors, some unique to the Ethiopian context, which required a customised approach to stakeholder engagement. For example, in a highly regulated market such as Ethiopia, gaining the buy-in from key government institutions was critical to ensure sustained impact of the initiative.



P4F Case Study (Multi-result):

RFI-015 Value # and description of cases where P4F has contributed to value or commodity chain change with regards to enhanced forests and sustainable land use, through supporting market linkages within or for FPs.

RFI-019 FP # and description of cases of FPs that have benefitted from an enabled business environment as a result of P4F support.

RFI-028 # and description of DSMs, ECs or FPs with new or enhanced stakeholder engagement planning (including gender and social inclusion) as a result of P4F support.