

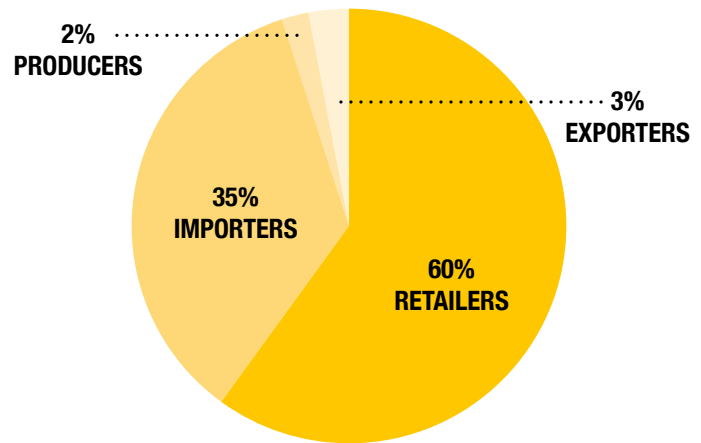
# 2004-2011

## OVERVIEW

There are about 15 million Ethiopians involved in producing and transporting coffee for the domestic and export markets. With 6000 varieties and 1500 years of coffee production, Ethiopia is the source of many fine coffees treasured by gourmet drinkers worldwide. Harar, Yirgacheffe and Sidamo are the most famous brands.

Until 2007-2008, the Harar producers received farm gate prices based on an export price that treats Harar as a commodity, less the cost of transport to Djibouti.

Research by Light Years IP showed that the highly prized Harar coffee secured retail prices in the range \$15.00-\$25.00 per pound, while the export price to Ethiopia was in the range of \$1.00-\$1.20 (about 5% of retail) and the farmers often earned as little \$0.40 per pound. Harar producers live 200 miles from the export port of Djibouti and in the Sidama region producers were trying to survive while meeting the cost of 900 miles transport to Djibouti.



The strategies recognized that while Ethiopia was receiving export income of \$100m in 2006/7 from the export of three highly respected fine coffees, this coffee was generating around \$2,000m in retail markets worldwide. The negotiating position of the fine coffee export sector was strengthened sufficiently and was the main factor in enabling Ethiopia to capture an extra \$101m for Ethiopia out of this retail value in 2007/8 (reported by the Ethiopian Ministry).

## CHANGING THE POWER BALANCE



Changing the negotiating position of Ethiopian coffee farmers has held long-term benefits. Rather than all of the value being captured by 5-6 German companies, the Ethiopian coffee farmers changed the power balance.

Income improved for Ethiopian fine coffee farmers by \$US 200M since June, 2007. When we add to this, a rural multiplier effect found by the World Bank to be approximately 2.0-2.5, the income return looks like this between 2008-2011.

The extra income has improved livelihoods and prospects for around 1 million Ethiopian fine coffee farmers and small traders. Also, since export prices are now based on retail values for distinctive fine coffees, not the world export/import market for commodity coffee, much greater stability in prices will be achieved in the medium term, providing farming families with the ability to plan their future.

ETHIOPIAN FINE COFFEE

# 2011-2016

## MAJOR PROMOTION OF EFC IN FINAL MARKETS

There are now 110 licensed distributors of Ethiopian Fine Coffee, all of whom will be engaged in a joint promotional push in early 2012. Organized by Light Years IP, Ethiopia now has a world-class team to design a great promotion every year. Distributors will be presented with superb promotional concepts in 2011 and fully completed materials in early 2012.

Ethiopia will also mount a PR programme for significant publicity to accompany the 2012 in-store promotion and Light Years will activate the large population of supporters in developed countries for farmer-owned brands, including NGOs and churches that supported Ethiopian farmers in 2006-7.

## BUILDING SUPPLY FOR THE NETWORK OF DISTRIBUTORS

The new Ethiopian coffee exchange, run by ECX, has introduced greater transparency and reliability for export contracts, enabling individual cooperatives to sell directly to importers. Translating price premiums for fine coffees to farmer incomes is more direct,

meaning that supply responses from farmers are gradually increasing. Each promotion in markets will be designed to match supply forecasts, to the benefit of farmers, cooperatives and the licensed importers and distributors in market countries.

## EXCLUSIVITY OF THE NETWORK

The network of licensed distributors is intended to be exclusive, a special club of distributors knowledgeable about the well-known brands and new, wonderful fine coffees being presented to the world by Ethiopia, through their licensee partners. New licensees will be

added over 2011-2016, criteria for inclusive will be published and a joint program to secure exclusive gradually introduced with full consultation with distributors.

## UMBRELLA BRAND

Ethiopia will link new fine coffees with the initial three famous brands, through an umbrella brand structure shown below. Trademark registration of the

umbrella is underway, backing up the "top shelf" concept of only the best fine coffees available in volume being suitable for the umbrella label.

## A CORPORATION TO WORK WITH DISTRIBUTORS

Ethiopia has decided to create a modern corporation to manage the brands, promotions and the network of distributors for the long term benefit of farmers, exporter and distributors. The corporation will be built on the lines of the famous and highly successful Ethiopian Airlines, starting in 2011 with top Ethiopian

business people on the formation board. International support to this corporation will be through contracts with world class brand managers, IP specialists, experts in network management and the two entities who have supported Ethiopia since 2004 – Light Years IP and Arnold and Porter.

ETHIOPIAN FINE COFFEE