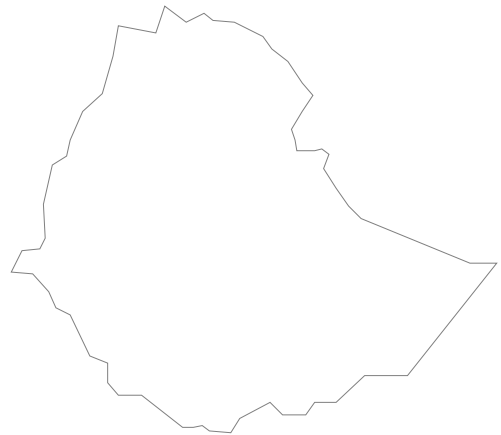


Impact of COVID-19 on the Coffee Sector in Ethiopia

Round 2
Report Brief



March 19, 2021

Introduction

COVID-19 has affected supply chains throughout the world. In early 2020, the start of COVID-19 lockdowns coincided with Ethiopia's sales and shipment period, resulting in canceled or postponed coffee contracts and storage complications. Since then, Ethiopia's farmers have reported that they have been unable to, or have had difficulty accessing labor and inputs, due to the COVID-19 pandemic.

Given the critical importance of coffee to Ethiopia, understanding the impact of COVID-19 and related restrictions on the sector is necessary for mitigating negative effects on livelihoods throughout the value chain and Ethiopia's economy. By capturing the social and economic effects of the pandemic in the coffee industry, policymakers and stakeholders will be able to craft informed policies and effective support programs that will cushion the economic toll of COVID-19, especially for the smallholders that depend upon coffee. This study aims to give a voice to coffee farmers and other value chain actors during this pandemic.

Methodology

Enveritas, with the generous contribution of [HereWeGrow](#) and support from the International Food and Research Policy Institute (IFPRI), is conducting a longitudinal phone surveys to identify the effects of COVID-19 on Ethiopia's coffee producers, processors, and exporters. So far, two rounds of surveys have been conducted, corresponding to key periods within Ethiopia's coffee production calendar. Round 1 occurred from November 23 – December 18, 2020 during the harvest and Round 2 from February 1 – 25, 2020, corresponding with the processing period. The sample includes smallholder coffee farmers, exporters, and managers of primary cooperatives, unions, and private mills.

Enveritas called farmers in its database across seven regions: Guji, Illubabor, Jimma, Sidama, and Yirgacheffe. The survey follows a stratified random sampling strategy and drew a balanced sample by coffee region and household's poverty level. Each round targeted 95 farmers per region for a total of 665 sample households, but in each round, we surveyed more than the minimum farmers, expecting that a certain number of farmers would not participate in Round 2. Therefore, Enveritas surveyed 784 households in Round 1 and 737 in Round 2. The attrition rate was 6%. We also grouped farmers in each region into quintiles (each having approximately 20% of the population) by poverty level to assess whether the pandemic affects farmers differently based on household income. We randomly selected 19 primary sample households from each wealth quintile in each of the coffee regions.

In addition to farmers, Enveritas purposely selected 10 union managers, 30 primary cooperative managers, and 30 private mill managers. The unions chosen are well-established and represent a mix of regions and sizes. Cooperative and private mills were chosen to overlap geographically with the location of sample farmers. Enveritas sampled 10 exporters per round, representing a mix of company sizes based on coffee export volumes.

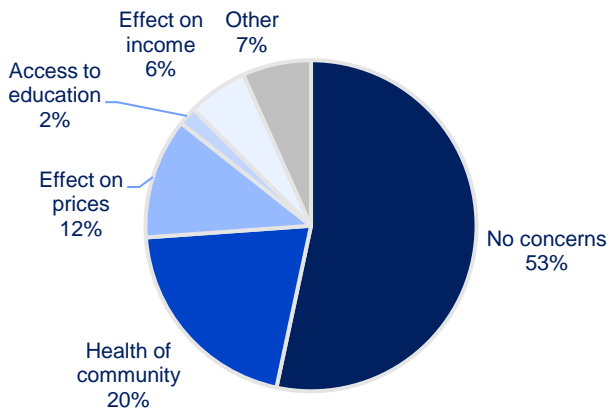
The following report provides a snapshot of the results of Rounds 1 and 2. In-depth analysis will be conducted at the end of all longitudinal surveys in April 2021.

Please note: Throughout the report we use COVID-19 and the pandemic interchangeably. These refer to both the disease and government restrictions related to the disease (e.g., gathering limits, business closures, transportation restrictions, etc.).

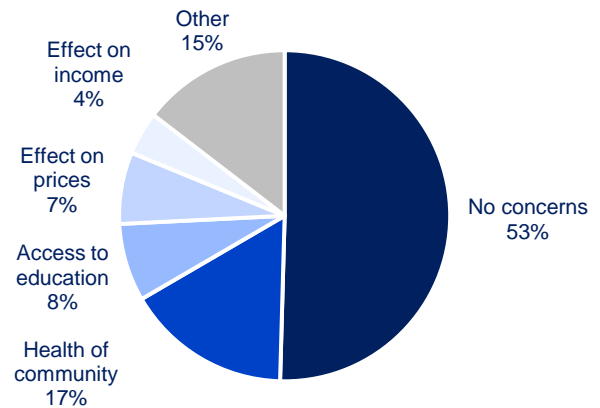
Farmers – Ethiopia

Farmers' greatest concerns

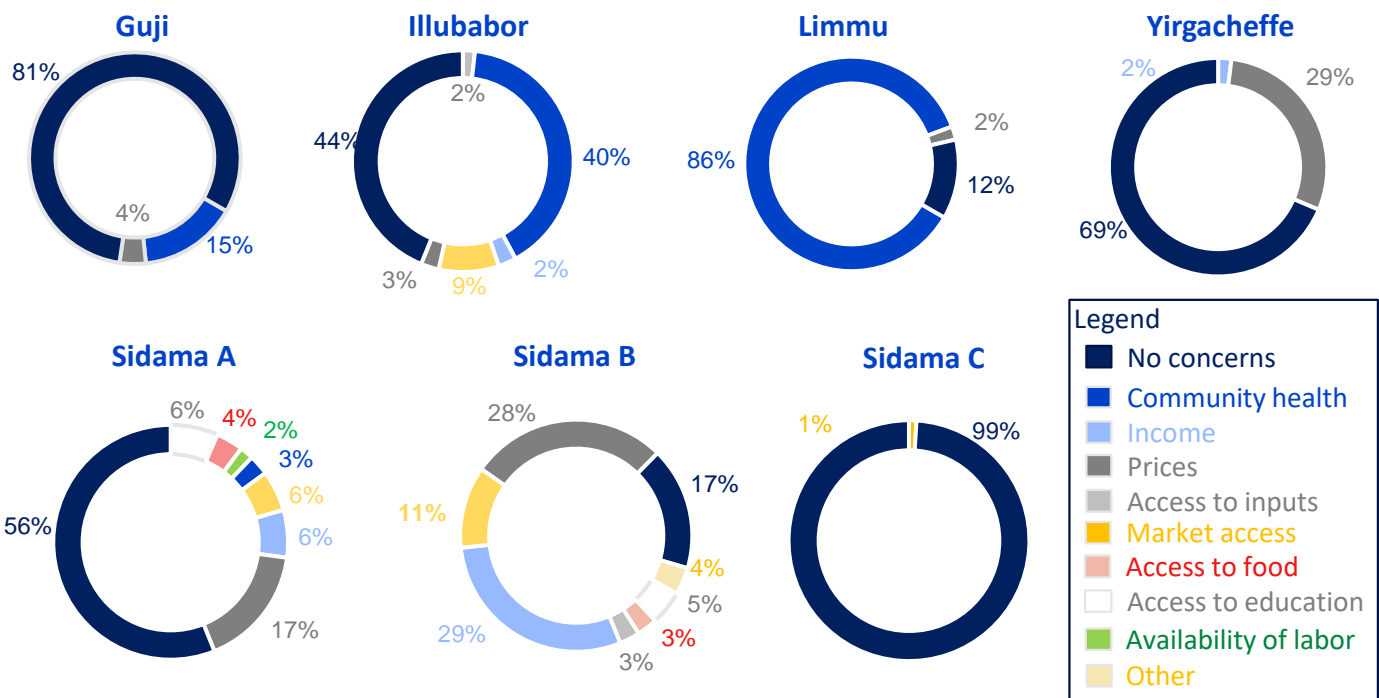
Round 2



Round 1



Farmers' concerns about the COVID-19 pandemic did not change significantly between rounds and shows that most farmers are not concerned about the pandemic. For those farmers that have concerns, community health is the most important one, followed by impacts on livelihoods (prices, income) and education. Regional differences are more varied. Generally, farmers in rural areas are more concerned about the COVID-19 pandemic compared to farmers closer to cities or towns. This is not only in relation to COVID-19 but also in general; the farther from cities and major towns, the more risk averse smallholder farmers become. The graphs below show variations by coffee origin/region. There is wide variation in responses among farmers between Sidama A, B, and C. Almost 100% of farmers in Sidama C are not concerned about the COVID-19 pandemic at all while that number decreases to 56% and 17% for Sidama A and B, respectively. Given that Sidama C is in a different administrative zone than A and B and has fewer farmers with marginal coffee production, it is not unreasonable that their concerns about COVID-19 are different than the rest of Sidama. Farmers in Guji, Illubabor, and Limmu are the only regions concerned about the health of the community as related to the virus.



Farmers – Ethiopia

Impact of COVID-19 in the past month

Farmers were asked a series of questions about the effect of the COVID-19 pandemic on coffee farming-related practices and inputs (i.e., access to inputs, finance, and labor). Availability of labor was the most impacted activity (35% of respondents reported that their labor use is affected by the pandemic, which was up 16% from Round 1). Access to inputs was also limited as farmers could not afford higher prices or could not find inputs. Finally, access to finance was minimally affected but farmers reported unavailability of financial service providers or closure of banks.

In terms of overall income, 38% of farmers reported receiving less income during Round 2 compared to what they typically make this time of year. This is 2% less than Round 1. This was not specific to coffee only; however, 13% of farmers who reported a loss of income said it was due to coffee only. Overall, yields were low in Ethiopia this harvest season, but prices were higher than last year. Coffee farming costs have increased, due to labor and input shortages caused by COVID-19.

On production

Access to inputs	13%	▼ -1%
Higher prices	11%	
Not available in stores	2%	
Less transport available to access	1%	

Access to storage	4%	▲ +1%
Not enough space	3%	
Higher prices	1%	

On workforce

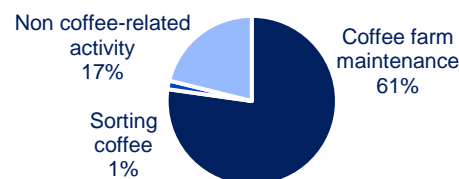
Access to workers	35%	▲ +16%
Higher wages	20%	
Fewer workers available	16%	
No workers available	4%	

On sales and finance

Access to credit	8%	▲ +1%
Traditional sources unavailable	6%	
Higher interest rates	2%	
Less transport available to access	1%	

Access to savings	11%	▲ +7%
Services unavailable	9%	
Banks closed	3%	
No access to savings group	3%	

Activity most affected by lack of workers



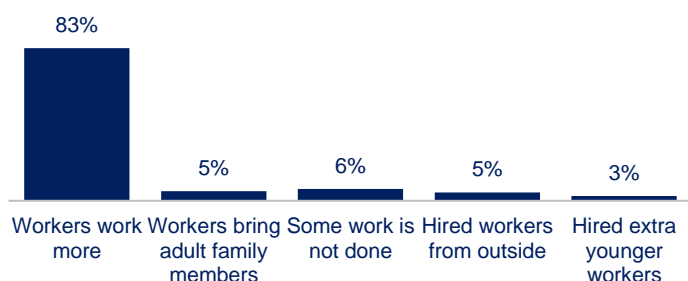
Risk of Child Labor during the pandemic

Labor shortages can result in farmers turning to risky hiring practices to meet their needs. Enveritas' Ethiopia Verification Results, 2020-21 (3,491 surveys) found that some farmers relied more on their own children to work during the coffee harvest, missing school as a result. Enveritas also found more children under the legal minimum working age of 15 hired at coffee mills and estates compared to last year. This was because of school closures due to COVID-19. In this survey, **3%** of farmers said they hired younger workers due to worker shortages, yet none were below 15 years old.

22

median age of youngest worker hired

How are you meeting your workforce needs?



Farmers – Ethiopia

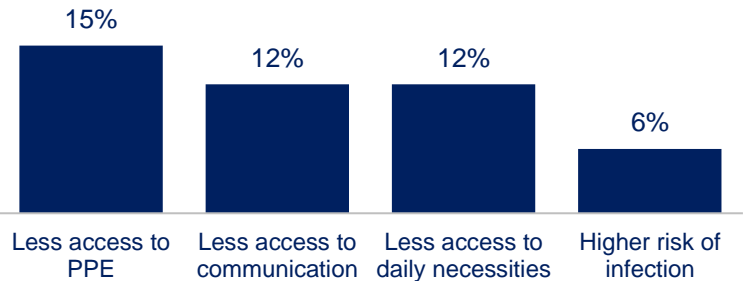
Impact on women

Female respondents (10% of the sample size) were asked whether women are affected differently than men and how so. In Round 1, 23% of female respondents reported they were affected differently than men, but reported the difference was only in increased household duties for women. This round, almost double the number of women said they were affected differently than men and reported more than one way in which they were affected.

45%

of female farmers interviewed said that COVID-19 affects women differently than men
+19%
compared to last round

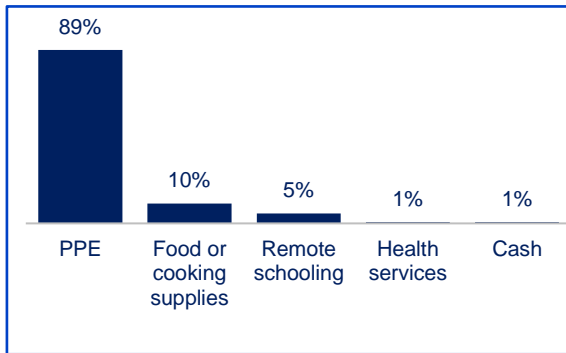
In what ways are women affected differently than men?



Household support services

21%

of farmers received household support for COVID-19
+12%
compared to last round

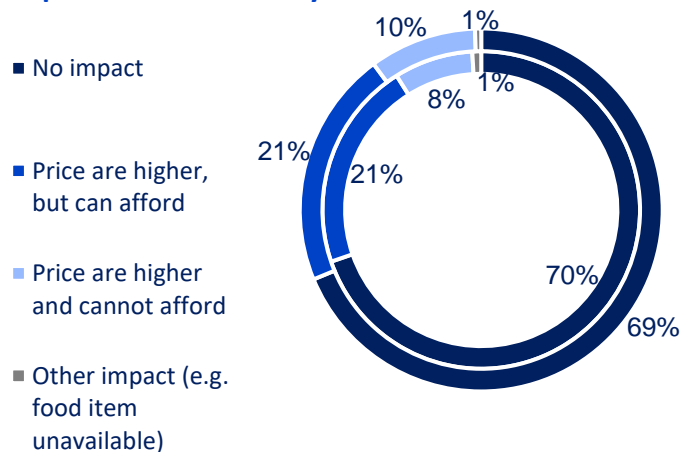


Of the 21% of farmers who reported receiving support, most (87%) received support from the government in the form of personal protective equipment for COVID-19, including face masks and soap. There was no major regional variations. NGOs and farmer organizations provided 7% and 6% of farmers, respectively, with PPE or food and cooking supplies.

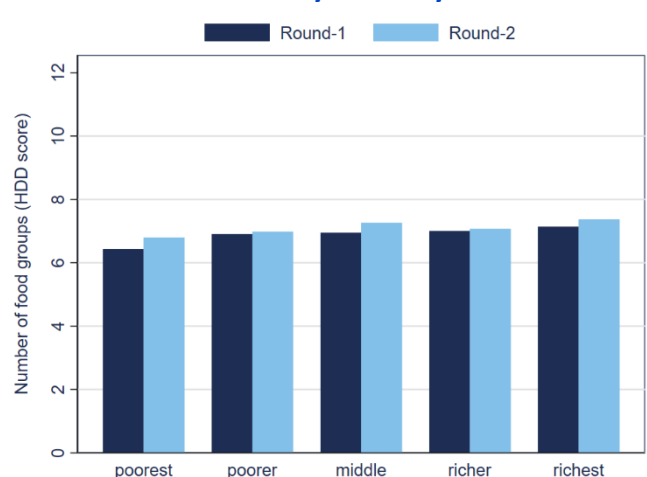
Impact on household food and nutrition security

Households were asked about the impact of the pandemic on food and nutrition security. Most households (~70%) reported that the pandemic had no impact on their food security. While about 30% indicated higher prices on food items due to the pandemic, 21% reported they can afford it. Sample households consumed about seven food groups, on average, with no significant variations by pre-pandemic poverty level and survey round.

Impact on food security



Household dietary diversity score



Farmers and Managers – Ethiopia

Primary Cooperative Support Services

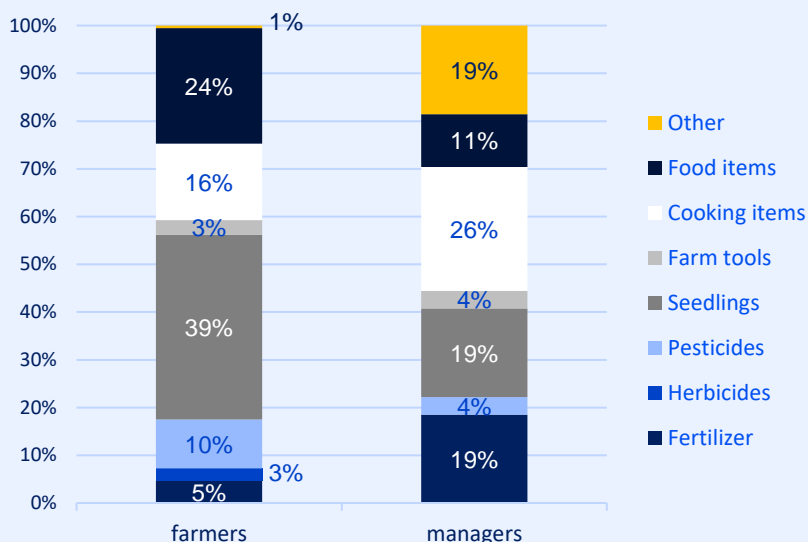
This section analyzes the effect of the COVID-19 pandemic on support services provided by unions, mills, and primary coffee cooperatives to farmers. Primary cooperatives often supply farmers with various goods and services, including those related to coffee farming, such as seedlings or training programs; and non-coffee related goods and services, such as cooking oil, or school materials for children.

We compare what primary cooperative member farmers reported receiving with what managers reported they provided to farmers. Of farmer respondents, 37% are members of coffee cooperatives. Though it can be difficult to parse whether changes to goods or services provided occurred due *only* to COVID-19; most farmers reported that they received less or no goods or services from their primary cooperative than they typically would at the same time of year. The difference of farmers reporting receiving fewer or no services (74%) was significant compared to managers (20%). The difference reported for services was also significant: 65% of farmers reported receiving fewer or no services, compared to just 7%* of managers.

Cooperative goods and service provision, reported by farmers and managers

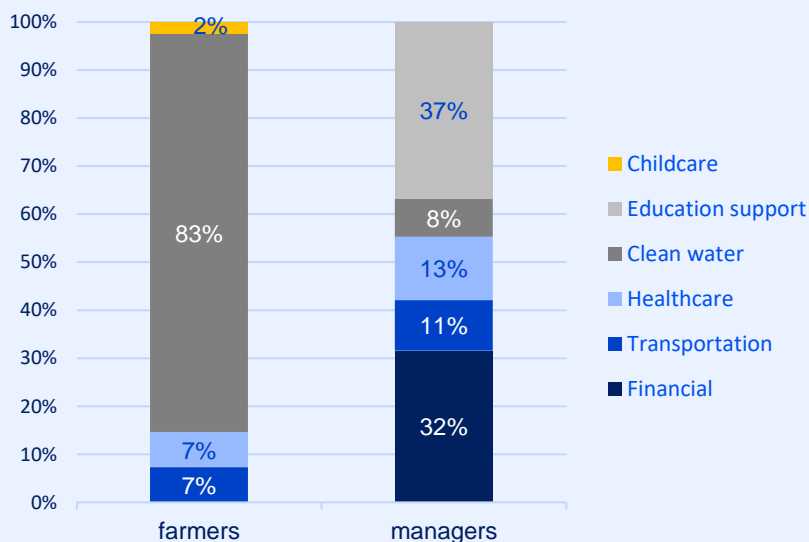
On goods and inputs

Of those farmers reporting that they *did* receive goods from their cooperatives, seedlings are the most popular item received, followed by food items, cooking items, pesticides, and fertilizer. Managers reported providing similar items but at different rates: cooking items, seedlings, fertilizer, other, and food items. Items mentioned in the other category by managers include loans, PPE, and woven baskets.



On services

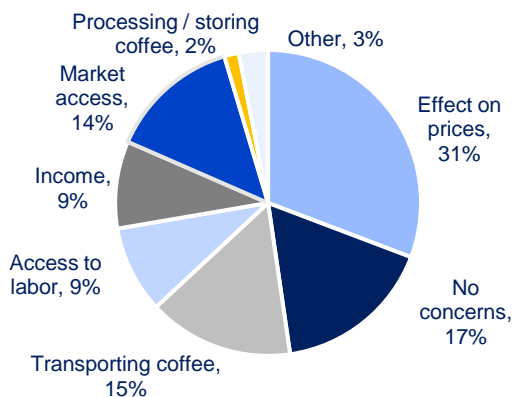
Of those farmers reporting that they *did* receive services, 83% reported clean water, followed by a much lesser extent by healthcare, transportation, and childcare. Managers also reported education support – typically fees for uniforms and textbooks – (37%) and financial support – usually support setting up bank accounts (32%). It's unknown why farmers did not report receiving either of these services since they are common services provided by cooperatives in Ethiopia. 2% of farmers reported receiving transportation services, which they had not received before.



Managers – Ethiopia

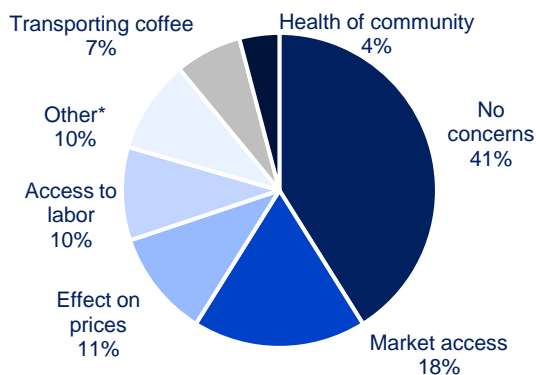
Managers' greatest coffee concerns

Round 2



*Other referred to fuel prices and training access

Round 1

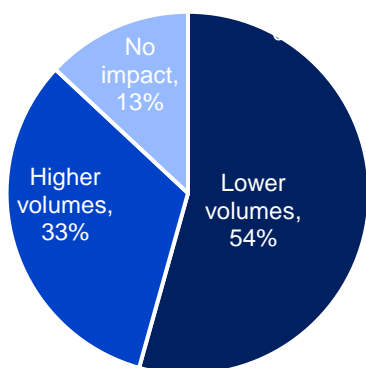


*Other includes access to inputs, storage, and PPE for workers

Managers' concerns increased from Round 1 to Round 2 by 24%. Market access and access to labor remained a concern during both rounds, but in Round 2, managers were also concerned about the COVID-19 pandemic's impact on processing and storing of coffee, as well as coffee income. More managers were also concerned this round about transporting coffee compared to last round. This fits with the coffee calendar; during last round, cooperatives and mills were receiving coffee from farmers and processing onsite while this round, cooperatives and mills were beginning to transport the coffee to Addis Ababa. While the health of the community was a concern last round, it was not mentioned as a concern by managers this round, which is the opposite of farmer respondents, who were more concerned about the health of their community during the second round.

Impact on Profitability and Volumes

Volume purchased this harvest season



Responding to the series of questions about profitability among upstream actors, **19%** of managers reported that they expect their profit from this year's harvest to be less than last year's due to the COVID-19 pandemic. This was a 15% improvement from the first round. Managers were also asked how the volumes of coffee they purchased from farmers compared to last harvest season. Just over half of managers reported lower volumes. Of these, almost two-thirds said this was due to high prices and lower yield while 44% said this was due to insufficient cash flow to pay farmers for their cherry. Lack of cash flow is due primarily to a restriction the government placed upon all banks in the country to limit the daily withdrawal limit to 75,000 ETB (~US\$2,000). This inhibited mills and cooperatives from having enough cash on hand every day to pay all farmers for their cherries on the spot. Prices for coffee in Ethiopia in general were higher this season and the yield was lower due to the biennial crop cycle.

In addition, Enveritas surveyed nine exporters for qualitative context and asked similar questions on profitability and volumes. All exporters said they were worried about the COVID-19 pandemic's effect on their profitability with two-thirds very worried. For both commodity and specialty coffee, volumes purchased by exporters were not affected by COVID-19, but for both types of coffee, most exporters reported paying higher prices. However, qualitatively most exporters did not report major, negative impacts of the COVID-19 pandemic on their business.

Managers – Ethiopia

Impact of COVID-19 in the past month

Like farmers, managers were asked the same series of questions on the impact of COVID-19 on coffee farming practices (access to inputs and labor) and access to finance. Managers were also asked additional questions about the transport and export of coffee. Compared to farmers, managers were much more affected by the pandemic in both rounds, and more so, in the second round compared to the first. Transport, inputs, and workers were the categories in which the majority of farmers were impacted while managers were least affected in terms of accessing credit. The increase in transportation costs drove the higher prices for inputs, which was the category most changed from Round 1. Fertilizer was particularly affected by the increase in transportation prices, as well as the devaluation of the Ethiopian birr (which was not caused by COVID-19). Storage was mostly affected by an increase in price of jute bags, which on average rose by 60%.

Effects on workers were also linked to the increase in transportation costs. Almost half (42%) of managers reported higher prices for transportation. In some areas, this caused workers to travel shorter distances, resulting in a shortage of workers. Some mills, who typically provide transportation for their workers, reported working with local health authorities to provide face masks, soap, and hand sanitizer in order to safely transport their workers, especially for those mills that had to resort to finding workers farther outside of their communities. Of those managers that reported relying on younger workers, the average age of the youngest worker reported was 30. Half of respondents reported workers below 18 but above the minimum legal working age of 15. However, based on Enveritas' Ethiopia Verification Results, 2020-21 (3,491 surveys), it is likely that managers of cooperatives, mills, and unions are aware of this law and report ages above the legal minimum even though they may be hiring workers below this age.

On workforce

Workers

Higher wages	48%	▲ +11
Few workers available	6%	
No workers available	6%	

On operations

Inputs

Higher prices	51%	▲ +34
Not available in stores	17%	
No transport	6%	

Storage

No storage equipment	18%	▲ +12
Not enough space	12%	
Higher prices	9%	

Transport

Higher prices	42%	▲ +21
Higher government fees	8%	
Lower prices	6%	

On sales and finance

Credit

Traditional sources unavailable	11%	▼ -10
Higher interest rates	2%	

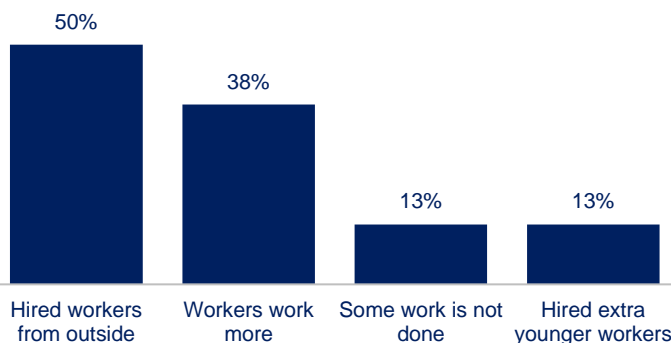
Savings

Services unavailable	44%	▲ +1
Banks closed	8%	
No access to savings group	3%	

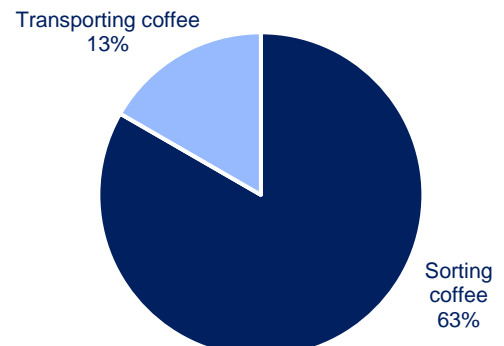
Exports

Delays at shipping	16%	▲ +9
Delays in paperwork	9%	
Higher government transport fees	6%	

How are you meeting your workforce needs?



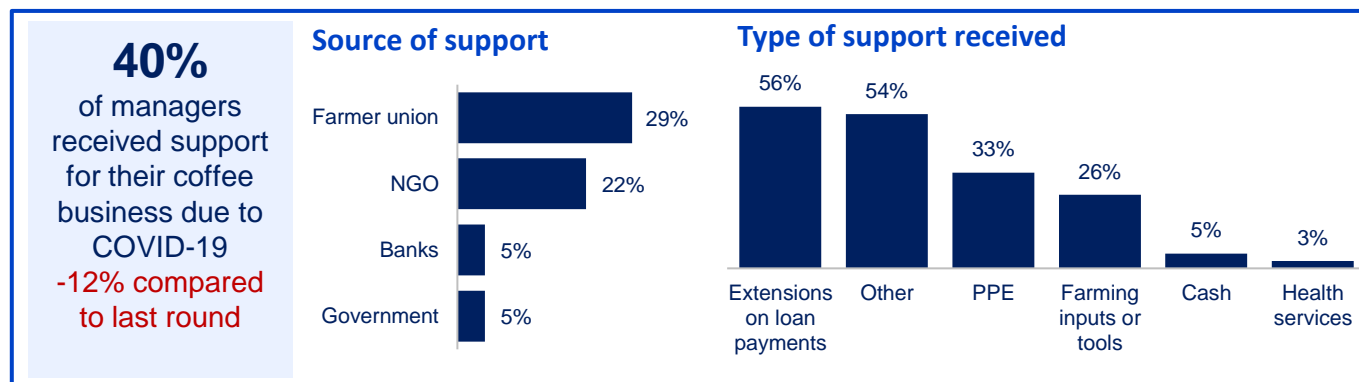
Activity most affected by lack of workers



Managers – Ethiopia

Support received

Managers reported receiving less support than Round 1 for their coffee business. This contrasts with farmers who reported receiving more support than Round 1 (+12%). Twenty-nine percent of the support to managers came from unions to their cooperatives, mostly in the form of extensions on loan payments, COVID-19 personal protective equipment (PPE), or farming inputs and tools. NGOs were the next highest, also contributing to PPE and farming inputs, as well as health services. However, the distinction between whether the support provided was given specifically because of COVID-19 or for other reasons is difficult to say definitively.



Conclusion

Round 2 of the phone survey showed that, overall, the effect of the COVID-19 pandemic on farmers and managers was greater than Round 1. While rightfully causing some worry among farmers and upstream actors, the pandemic is yet another challenge rather than a primary concern. Farmers spoke more about the secondary effects of COVID-19 (inflation, regulations, unemployment) rather than the direct effect (i.e., contracting the virus). There was some variation between regions. In Guji, Sidama C, and Yirgacheffe, farmers had little concern about the pandemic, while concerns were high in Limmu and Sidama C. Similarly, managers of coffee unions, primary cooperatives, and mills reported being more affected by banking regulations and typical market forces than COVID-19. Both groups experienced higher transportation prices, movement restrictions, and worker shortages partially due to COVID-19. They responded by working with local health authorities to provide public transportation, hiring laborers from farther away, or relying more on family members. For managers and exporters, volumes bought and sold were, on average, lower than last year's harvest and while COVID-19 was one factor, other unrelated factors play a role, which includes higher local coffee prices, cash withdrawal limits, and low yields due to weather patterns and the biennial crop cycle.

While this is not to diminish the negative effects of the COVID-19 pandemic on the coffee value chain in Ethiopia, it does show the resilience of Ethiopia's coffee smallholder farmers and other upstream actors in the face of great challenges. Furthermore, it demonstrates a few key lessons.

- Government restrictions, such as cash withdrawal limits and price floors, prevent coffee value chain actors from operating at maximum capacity. The Government of Ethiopia should ease restrictions on doing business in the coffee sector, especially given how important it is to foreign exchange, the overall economy, and smallholder livelihoods.
- Smallholder coffee farmers' livelihoods, though affected by the pandemic, are more dependent upon farmgate prices, which fluctuate widely due to a variety of market forces. Non-government stakeholders should focus on supporting coffee farmers and upstream actors to consistently obtain higher prices for their coffee and increase their yields.
- Empowering primary cooperatives and private coffee mills to provide support services for their farmers and local communities may be the most effective way to target coffee farmers during shocks, such as during the COVID-19 pandemic. Co-ops and mills know the community and can quickly identify effective ways to support farmers while continuing to hire employees and pay wages.