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COFFEE MARKETING CHAIN ANALYSIS TOWARDS EXPORT PERFORMANCE IN ETHIOPIA

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**A THESIS SUBMITTED TO ADDIS ABABA UNIVERSITY, SCHOOL OF
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COFFEE MARKETING CHAIN ANALYSIS TOWARDS EXPORT
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Statement of Declaration

I, Hiwot Worku, declare that this thesis entitled **COFFEE MARKETING CHAIN ANALYSIS TOWARDS EXPORT PERFORMANCE IN ETHIOPIA** is submitted for the partial fulfillment of a Master of International Business Management at the School of Business and Economics, Addis Ababa University. This project contains no material that has been submitted previously, in complete or in part, for the award of any other academic degree or diploma. Except where otherwise indicated, this project is my work.

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List of Abbreviations and Acronyms

ADBG	African Development Bank Group
AGP- made	Agricultural Growth Program, Agribusiness and Market Development
AMA	American Marketing Association
ECEA	Ethiopian Coffee Exporters' Association
ECEA	Ethiopian Commodity Exchange Authority
ECGPEA	Ethiopian Coffee Growers, Producers and Exporters Association
ECX	Ethiopian Commodity Exchange
CLU	Coffee Liquoring Unit
ECTA	Ethiopian Coffee and Tea Association
FDRE	Federal Democratic Republic of Ethiopia
GAIN	Global Agricultural Information Network
GOE	Government of Ethiopia
GTP	Growth and Transformation Plan
IMF	International Monetary Fund
MoARD	Ministry of Agriculture and Rural Development
MOT	Ministry of Trade
NGOs	Non-Governmental Organizations
PLCTC	Primary Level Coffee Transaction Centers
SNNPR	Southern Nations, Nationalities, and People Region
SSI	Standard Sustainability Initiative
UNDP	United Nations Development Program

ABSTRACT

Coffee exports significantly contribute to a country's economic development through income generation, foreign currency earnings, and employment opportunities. For sustainable national economic growth, a strong export performance is essential. This study aimed to assess the key factors and actors influencing coffee export performance in Ethiopia. To achieve this, primary data were collected from 71 respondents using questionnaires, supplemented by interviews with 24 selected exporters to enrich the findings. The questionnaires were pre-tested on 9 exporters who were excluded from the final analysis. Both descriptive and inferential statistics, including multiple linear regression estimated by ordinary least squares and correlation analysis, were applied. A mixed-methods approach combining quantitative and qualitative techniques was employed, with explanatory research design supported by STATA software for data analysis. Descriptive statistics revealed that the roles of financial institutions, the Ethiopian Commodity Exchange, marketing channels, agricultural practices, government regulations, and marketing structures were perceived as weak, with mean scores below 3.40. All independent variables showed moderate and positive correlations with export performance. The regression model was validated through diagnostic tests, identifying heteroscedasticity, which was addressed using robust regression techniques. The analysis highlighted marketing channels as the most significant factor influencing Ethiopia's coffee export performance. Key informants emphasized that enhancing domestic production, improving infrastructure, promoting quality and value addition, investing in agricultural technology, strengthening cooperatives, and expanding access to global markets are critical areas for government and institutional support. The study further recommends reforms in marketing structures and government policies to foster a transparent, competitive market environment and reduce entry barriers. These measures are vital to boosting coffee export performance and supporting Ethiopia's economic development.

Keywords: Coffee Export Performance, Marketing Chain, Systematic Random Sampling, Agricultural Practices

CHAPTER ONE

1 INTRODUCTION

1.1 Background of the Study

The Ethiopian economy is dominated by the agricultural sector, and it contributes about 40% of GDP and 90% of foreign exchange. From previous studies, export economic performance or export national economy contribution is considered by distributor or customer satisfaction, called subjective metrics or objective metrics like sales, earnings, or marketing metrics can be used (Shoham, 1996; and (Madsen, 1987). This result is also accepted by the recent national and international level reports, academic and non-academic research findings. The agricultural export sector leads the contribution to the national economy (NBE, 2023). According to World Bank (2023), Ethiopian Coffee and Tea Authority (2024), and other recent authorized institutional reports confirmed that Ethiopia is Africa's greatest producer of coffee, especially premium Arabica beans, and based on this fact, in 2022, in the world and African coffee production Ethiopia is the fifth largest and the largest coffee producer respectively. Ethiopian coffee contributes around 4-5% of global coffee production and is known for producing high-quality Arabica beans. Similarly, for the 2023–2024 crop years, the nation is expected to produce 8.35 million bags (501,000 metric tons) of coffee, but much of which can be consumed domestically.

Ethiopia's main coffee marketing transaction chain consists of the following steps: Primary cooperatives, which are typically regionally organized and have farmers as immediate members. Usually, their capacities are limited, and they lack direct access to export markets. However, to strengthen their capacity and market niches, several primary cooperatives combine to form larger cooperatives known as secondary cooperatives. In the secondary cooperatives, most of the well-known brands in Ethiopia have direct access to export markets. Primary-level coffee transaction centers serve as the business hub for coffee suppliers and producers. Indeed, currently, the country has about 979 important coffee marketing centers. Among many marketing centers, the Ethiopian Commodity Exchange helps to keep prices stable, reduce the number of middlemen in coffee sales and distribution, and let coffee growers make money off current market prices. At the international coffee market there are third-level transactions involving Ethiopian coffee take place. In this level of transaction, exporters can sell their coffee to foreign importers (UNDP,

2019). The growth and performance of each stage are not good since only people of Ethiopian origin and nationality are permitted to export green coffee from Ethiopia.

And also, the functioning of the Ethiopian coffee marketing chains remains unsatisfactory, particularly for small-scale coffee farmers and stages of coffee exporters. This is because, for several decades, there has been no significant change in the form of production and processing of seasonal leaves. This confirmed us Ethiopian coffee commodities are challenged by international competition and advancement in technology. In the same token, Ethiopian coffee product export performance to the world market has slowed down due to imperative factors that prevent them from providing the economic and other benefits in the desired amount. To list some actors and factors that challenge the coffee export performance in a fluctuating market in Ethiopia include declining productivity, climate change impacts, and post-harvest losses, with a poor marketing chain. Therefore, this study can be used to analyze the coffee value marketing chain towards export performance in Ethiopia.

1.2 Statement of the Problem

The Ethiopian economy relies heavily on primary commodity exports, particularly coffee, with minimal processing for a long period of time. And so, adopting a new approach that takes advantage of the complete value chain potential of coffee in the country, including input supply, production, processing, and marketing, can stimulate viable and equitable economic growth and development. In contrast, Ethiopia yields low coffee products due to many factors, such as a lack of advanced technology and a scarcity of cultivars that are appropriate for various regions. So that coffee production in Ethiopia needs a sound revolution and a coffee export marketing system.

Not only for international markets but also for domestic markets, an effective marketing strategy is necessary to move produced coffee from the site of production to the desired market at the lowest feasible cost is necessary for the transformation of coffee production. To do this, among other things, reducing the market chain is one way. The one-piece delivery of coffee to final consumers while maintaining the proper quality may be impacted by a longer marketing chain. Since Ethiopian coffee is the nation's primary source of income, the quantity supplied to the global market affects the nation's foreign revenue and, in turn, the economy.

In this regard, the coffee's quality is the first concern when it comes to producing and processing. Because coffee quality is crucial in the global coffee business, which has become more and more competitive. However, in Ethiopia, it is thought that inadequate and antiquated post-harvest processing methods, including fermentation and drying, are to blame for the reduction in the quality of vast quantities of coffee. Even though coffee production shows an increment, data from recent years shows that revenue from coffee exports is declining due to processing problems (Tadesse, 2019). In the meantime, the social and economic value of coffee to the Ethiopian economy is high, but the market operation in this sector has remained poor. This is because the production and processing methods of Ethiopian coffee have not changed meaningfully in several decades. Indeed, coffee exports are the main source for the country's foreign currency with accounts for nearly half of the value of total exports of Ethiopia. However, in value chain of the coffee export performance of Ethiopia faces significant challenges due to limited market outlets, input supply use, agricultural methods, trust among value chain participants, governance, marketing, their interdependency, limited efforts in market linkage activities and insufficient market information among actors (Dereje 2007, Birhanu *et al*, 2013 and Mintwn *et al.*, 2014). In the same token, despite certain government initiatives to assist and enhance the industry, Ethiopia's coffee value chain is not adequately handled. As a result, the chain has performed poorly, primarily about the export performance targets that the exporter has set.

As tried to mention earlier; Ethiopian coffee commodities has economic contributions for leading export often accounting for 30-40% of total exports, foreign exchange earnings as a lion share generation, livelihood support of an estimated 15-20 million Ethiopians, primarily smallholder farmers, and agricultural income for around 84 % of the country's population and playing a vital role in economic growth. In addition, coffee has a significant role in various aspects of the Ethiopian people and economy. According to Alem, (2023), in Ethiopia, coffee has cultural significance, like the traditional coffee ceremony, community gathering, cultural transmission, and tourism attraction. And also, coffee has environmental and social impacts such as biodiversity, sustainable practices, climate change, and rural livelihoods.

Different scholars research either on factors or the actors of export marketing chains and get different findings. To list some (Abiot in 2022), specifically mentioning the Ethiopian commodity exchange (ECX) can play an institutional role in exporting commodities. According to the study findings of (Mandefro in 2020), the acceptance of Ethiopian coffee in the foreign market is moderate, due to inadequate information about Ethiopian coffee in the foreign market and coffee

quality-related issues. A study was done by Gashaw. (2019) tried to analyze Dale Wereda's coffee value chain by using the value chain approach, focusing on constraints and opportunities of upgrading and governance structure along the chain. In our country, researches were done. (Feysa in 2020) conducted research entitled as coffee value chain analysis in Bedele district, Buno Bedele zone of Oromia regional state, Ethiopia. Research titled as Analyzing Harar coffee supply Chain was done by (Metasebiya in 2019). However, previous researchers have not analyzed the actors and factors of the Coffee Marketing chain towards export performance in Ethiopia. In addition, to the best of my knowledge there is no title on the coffee marketing chain analysis towards export performance of selected exporters in Ethiopia. Therefore, in this study coffee value marketing chain towards export performance in Ethiopia can be analyzed.

1.3. Research Questions

The following are questions that can be answered by the study.

- To what extent do coffee agricultural practices affect Ethiopian coffee export performance?
- Does the Ethiopian commodity exchange have a significant role in the coffee export performance in Ethiopia?
- How much is the effect of marketing channels on Ethiopian coffee export performance?
- How much is the effect of marketing structure on Ethiopian coffee export performance?
- Do commercial banks of Ethiopia affect coffee export performance?
- Does a government regulation affect Ethiopian coffee export performance?

1.4. Objectives of the Study

1.4.1. General Objective of the Study

The general objective of the study was to analyze the coffee marketing chain towards export performance in Ethiopia.

1.4.2 Specific Objectives of the Study

This study specifically covers some of the actors and factors in the coffee marketing chain on Ethiopian export performance.

- ✓ To investigate the effect of coffee agricultural practices on the export performance in Ethiopia.

- ✓ To examine the role of the Ethiopian commodity exchange in enhancing coffee export performance.
- ✓ To examine the export performance role of Ethiopian commercial banks
- ✓ To examine the export performance role of government regulation
- ✓ Examining the Ethiopian coffee marketing channels on coffee export performance
- ✓ Examining the coffee marketing structure in Ethiopia on coffee export performance

1.5 Significance of the Study

These study findings can contribute to and advance the body of knowledge for a better understanding of the coffee marketing chain analysis towards export performance in Ethiopia. The study also strongly helps exporters, international traders, the government, donors, investors, institutions like the Ethiopian commodity exchange, and marketing agents like employees to understand and have advanced knowledge and information on the constraints that they are likely to face and what they must do to grow using marketing. The results of the study and recommendations also help the researchers, policy makers, development agencies (actors), investors, international traders, and entrepreneurs who would like to venture into the export industry. And finally, the findings will provide current insights on coffee export marketing chain performance in the Ethiopian context.

1.6 Scope of the Study

The nation's coffee export performance can be driven and or constrained by many factors and actors. And so, this study is scoped on analyzing driven and or constrained actors and factors of the coffee marketing chain towards Ethiopian performance in 2024/2025.

1.7 Organization of the Study

This study is organized into five chapters. The first chapter presented the background of the study, statement of the problem, objective of the study, significance of the study, research questions, and scope of the study. Chapter two deals with literature reviews. Chapter three presents methodology, and Chapter four deals with data presentation, analysis/result finding, and interpretation of the study. And finally, chapter five discussed the summary, conclusion, and recommendations of the study.

CHAPTER TWO

2 REVIEW LITERATURE

In this part of the study, theoretical, empirical, and conceptual frameworks were presented. In particular, a theoretical section of the literature attempts to define the term of the subject research and how the coffee marketing chain influences its export performance in a competitive setting. In the empirical section, some national and worldwide researchers' research works with key discoveries are presented, and the literature is summarized by its concluding elements of the theory, known as conceptual frameworks.

2.1 Theoretical Literature

2.1.1 Definitions and Concepts of Export Coffee Marketing Performance

Traditionally, marketing is the performance of activities that direct the flow of goods and services from producer to consumer or user, or the process in a society by which the demand structure for economic goods and services is enlarged and satisfied (AMA, 1946, and Marius, 2006). In this definition, the focus is physical flow of economic commodities and services. In contrast, modern marketing is about more than just developing a good product, selling it at an attractive price, and making it accessible (Koler, 2011). In other words, marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives (Tadesse, 2008). In similar speaking, marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders (AMA, 2012). Value of customer relationship and its management came into focus in the late 1990s and had a major impact on marketing thought and practice (Peltonen *et al.*, 2014). Over more than a century, the modern marketing notion has changed. The phases of a nation's economic development largely determine the function and importance of marketing. In a primitive society that relies heavily on handicrafts and agriculture, marketing is essentially nonexistent, and exchange is extremely restricted. In the same token, due to the surplus of demand over supply, marketing is not a significant issue in the early phases of industrialization either (Gashaw, 2014). The primary goal of marketing is to move commodities from the points of sale to the places of

consumption. And then, marketing begins to play a significant role in the business when mass manufacturing occurs, production surpasses demand, and mass production requires mass distribution. At this point, selling and distribution are the primary marketing priorities. Marketing orientation occurs in affluent economies where customers are highly sophisticated and have distinct needs (Agarwal, 2004; Kotler, 2006).

Value chain was defined and explained by different authors in a variety of ways. However, there are certain similarities among them all in terms of definitional substance. These ideas differ mostly in their emphasis, the activity they highlight, and how they have been used. Even so, they all seek to identify potential for and barriers to enhancing productivity by describing the interactions between businesses and processes required to provide goods to end users. They can give some fundamental definitions, but it is impossible to draw precise distinctions between these frequently overlapping ideas.

To gain a better understanding of its structure and operation, value chain analysis breaks a chain down into its component pieces. The analysis was also supported by finding the chain of governance, or leadership. To support the chain structure and strengthen, identifying value-adding activities in the chain and allocating costs and added value to each of those activities, identifying chain actors at each stage, and determining their roles and relationships. And enhance the performance of the chain as a whole, and the contribution of particular actors are goods, information, and financial flows through the chain's many phases are assessed to find issues or chances to (UNIDO, 2009). On the other hand, export is the choices and actions made by globally operating businesses about worldwide marketing (Cavugil and Neviv, 1981). Indeed, export performance is the relative success or failure of a company's or country's attempts to sell domestically produced goods and services abroad. While subjective metrics like distributor or customer satisfaction, or objective metrics like sales, earnings, or marketing metrics can be used to characterize export performance (Shoham, 1996; andMadsen, 1987).

2.1.2 Marketing Channels and Chains

2.1.2.1 Marketing Channels

As previously stated, a marketing channel is a set of exchange relationships that provide value for customers as they purchase, use, and discard goods and services. Marketing channels, exchange connections, and the generation of consumer value, even if the participants in marketing channels will probably shift over time, are analyzed by the CRM offers a framework (Pelton et al., 2014). The first instance of the term "marketing channel" is the establishment of a trade channel between producers and consumers. Since then, marketing channels have enabled numerous additional flows according to scholars (Pelton *et al.*, 2014).

According to Pelton et al. (2014) and Kotler (2016), a marketing channel is an assortment of exchange relationships that provide value for customers in the purchase, use, and disposal of goods and services. Agreeing to this definition, trading connections are a means of meeting market demands. Channel participants, including the intermediaries, need to be prepared to handle shifting consumer demands and preferences as they enter the market. To "CRAM," intermediaries have traditionally assisted channels create utility by increasing contractual efficiency, decreasing routinization, reformation assortment, and reducing uncertainty within marketing channels.

Contractual Efficiency: One of the key roles that intermediaries play is optimizing the number of exchange links required to execute transactions. And contactal efficiency is such a kind of movement toward a balance between the volume and caliber of exchange relationships amongst channel members. Every buyer and seller can have communication directly without the use of channel middlemen, which would be a very inefficient situation. In a dyadic (two-party) interaction, the exchange process is relatively straightforward, but as the number of channel participants rises, it becomes much more intricate. In the channel, the law of diminishing returns takes effect as the number of intermediaries becomes closer to the number of entities (Pelton et al., 2014).

Routinization: It describes the methods used to standardize transaction procedures to enhance the movement of products and services via marketing channels. Routinization itself benefits all channel participants in a number of ways. First, exchange parties' expectations are institutionalized

as transaction procedures grow more commonplace. Negotiating terms of sale or delivery on a transaction-by-transaction basis is then unnecessary. Routinization also enables channel partners to focus more on their own primary business issues. Additionally, according to Pelton et al. (2014), routinization offers a foundation for enhancing the bonds between channel participants.

Assortment: According to Pelton et al. (2014), guarantee every product they create for the market is eventually turned into commodities and services that members of their target market will use. Sorting is the mechanism via which this market development takes place, and it is frequently referred to as a smoothing function in the context of channels. This role involves transforming raw materials into progressively more refined forms until the finished products are suitable for the end user.

2.1.2.2 Marketing Chains

According to Kaplinsky & Morris (2000), agricultural value chain analysis is guided by efficient upgrading, value chain governance, production, and demand. Indeed, effective demand is what drives products and services through the vertical system. According to Mauritius (2010), the value chain analysis must look at the obstacles that prevent producers at different stages of the value chain from receiving information about shifting demand and incentives. In agricultural value chain analysis, any operational stage that can provide a marketable product used as a final product or as an input to the successive stage of the chain is considered a stage of production (Anandajayasekeram, 2009). The main purpose of the agricultural commodities value chain is to increase the amount of agricultural production. And in value chain governance ensures the repetitive interactions between performers along a value chain reflect the organization, rather than randomness (Kaplinsky & Morris, 2000).

According to Kaplinsky and Morris (2000), upgrading the value chain is the process of acquiring the technological know-how and market connections that allow businesses to become more competitive and engage in higher-value endeavors. Process, product, functional, and chain upgrades are some of the ways that businesses might upgrade via marketing efficiency, marketing channels, marketing costs, and marketing margins. According to an empirical study conducted in several nations and industries, upgrading in the agriculture sector is crucial (Humphrey, 2002; Humphrey, 2003; Humphrey & Memedovic, 2006).

2.1.2.2.1 Measuring, Development, and Benefits of the Coffee Market Chain

In order to accomplish growth and boost profitability, successful value chains respond to market conditions by deepening and adding value to their operations (UNIDO, 2011). Nowadays, export value chain analysis has great benefits regarding the very increasing importance, such as systemic competitiveness, efficiency in production for successfully penetrating global markets, and entry into global markets, which allows for sustained income growth (Kaplinsky and Morris, 2000). According to Martin (2008), it can be produced from market observations and participatory market assessments. Many procedures and tools are used to analyze and guide the analysis that is produced once the data is collected. Generally speaking, a thorough value chain analysis takes into account the following questions (SNV, 2004): What are the value chain's economic costs? In what part of the value chain is the most value added? Who are the value chain's most important actors? What is the value chain's institutional structure? Where in the value chain are the bottlenecks? Where does the market have room to grow? How big is the chain or sector? How much room is there for upgrading? Are there any potential synergies?

Even (2014) realizes that the stakeholder vision for the value chain is determining and ranking the most pertinent set of interconnected constraints and then creating integrated upgrading strategies and workable development plans that foster synergies and can be practical. In terms of development, value chain analysis extends beyond the firm or group of firms level. It also highlights the network of institutions that support economic actors, which is known as the national system of innovation. Their actions have an impact on how well businesses and groups of businesses compete, and they are also governed by government assistance and regulations, which must also be rooted in value chain analysis (Kaplinsky & Morris, 2000). The prosperity of rural economies and the incomes of rural residents depend heavily on the productivity and efficiency of agricultural value chains (Martin, 2008).

Value chains must be capable and compete on a global scale. By focusing on increased productivity and connecting farmers with more lucrative markets, it is possible to analyze and develop productive and efficient agricultural value chains to address issues of agricultural trade facilitation, export promotion, and competitiveness. This will turn African agriculture into a profitable

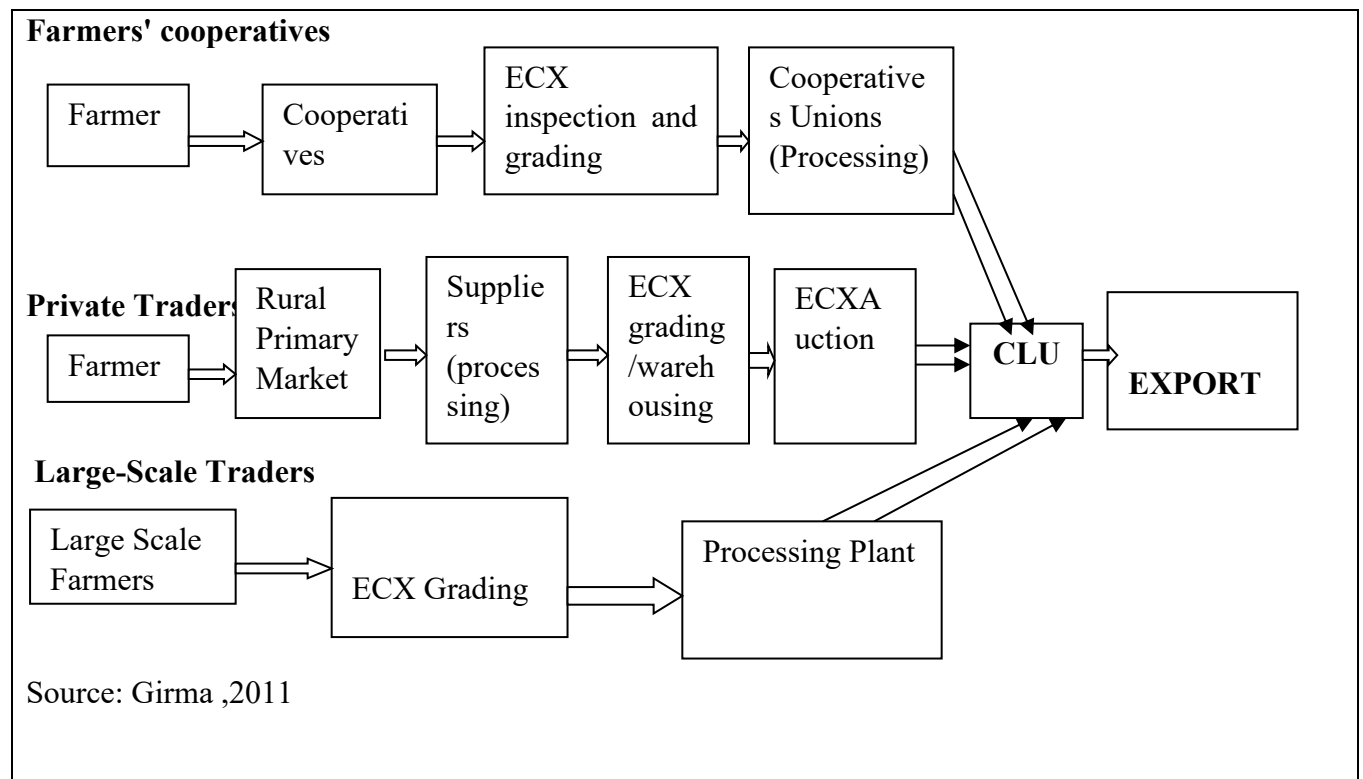
enterprise. Key market participants and support organizations can be identified and categorized with the use of a value chain description. The value chain shows the various routes a product travels through the market before getting to the end user. Consequently, a value chain is a useful tool for locating bottlenecks and potential possibilities that might not otherwise be obvious.

Value chain analysis demonstrates who adds value and where, throughout the chain, and is crucial for elucidating the relationships between all the participants in a given production and distribution chain. Finding pressure points and strengthening weaker relationships with low returns are beneficial (Schmitz, 2005). Finding the chain governance, or leadership, to support chain formation and strengthening; identifying value-adding activities in the chain and allocating costs and added value to each of those activities; and identifying chain actors at each stage and determining their roles and relationships make up the analysis. In order to identify issues or possibilities to enhance the performance of the chain as a whole and the contribution of particular actors, the flows of commodities, information, and financing through its many stages are assessed (UNIDO, 2009).

2.1.2.2.2 Coffee Marketing Structure in Ethiopia

Commercial producers, who are legally permitted to avoid the ECX like cooperative unions, want to boost output and quality to break into niche markets since they are better equipped to apply intensive agroecological approaches. Recently, a number of ECGPEA members have begun putting out-grower programs into place, acting as a conduit for their profits and offering technical support to small-scale farmers around their plantations. However, it was impossible to confirm the circumstances surrounding these programs or the extent to which the rise of contract farming in the coffee industry, combined with a persistent policy to encourage the expansion of commercial plantations, could change the composition of the coffee chain in the years to come (Hashim, 2013). Ethiopian coffee can be exported through private traders, farmers' cooperatives, and large-scale producers. Coffee flows for each channel are shown in Figure 2.1.

Figure 2.1: Coffee Export channels flow



Since 2001, the cooperative sector has expanded significantly as well, mostly due to the involvement of multiple NGOs and international cooperation organizations, as well as the growing global awareness of fair-trade activities. It is estimated that their market share is between 4 and 5%, and in any event, less than 10%. This indicates that individual traders continue to handle the majority of coffee sales. Small-scale coffee producers sell their coffee to private dealers or their main cooperatives; they have poor incomes, weak organizations, little bargaining power, and crude, low-input-output agriculture and coffee harvesting methods (Cabi 2009). Both cooperatives and commercial growers use the ECX marketing system to sell coffee, so that they are unable to trade through their channels, even though it is essentially a private traders' marketing channel. The ECX platform suggests trading coffee at a central market in Addis Ababa, just like the previous auction system did, although there are a few significant distinctions (Girma, 2011).

2.1.2.2.3 Institutional Frameworks of Coffee Marketing in

Ethiopia

Broadly in the coffee market, institutions can be classified into domestic and international. But for this study, the literature review is more focused on domestic institutional frameworks. Coffee marketing in Ethiopia is a structured system involving multiple actors and regulatory bodies that coordinate the production, marketing, and export of coffee. It is designed to ensure quality control, market efficiency, and fair income distribution among stakeholders, especially smallholder farmers. Key components of the institutional framework include:

Primary Cooperatives: These are farmer-based organizations typically organized geographically. Primary cooperatives collect coffee directly from farmers but cannot usually export coffee themselves. They serve as the first level in the marketing chain, aggregating coffee at local transaction centers near farms. Ethiopia has about 979 such primary coffee marketing centers Abiy, M., (2016).

Secondary Cooperatives (Cooperative Unions): These larger cooperatives consist of several primary cooperatives and engage directly with export markets. They play a critical role in processing, quality control, and marketing of coffee, often handling major Ethiopian coffee brands Abiy, M. (2016).

Ethiopian Commodity Exchange (ECX): Established to improve transparency, reduce the number of intermediaries, stabilize prices, and ensure farmers benefit from prevailing market prices, the ECX acts as a central marketplace for coffee transactions. Coffee is delivered to ECX warehouses located in various parts of the country, with trading activities centralized in Addis Ababa Abiy, M. (2016). IIED (2021). ECX replaced the previous national auction system in 2008 following the Coffee Quality Control and Marketing Proclamation (FDRE Proclamation No. 602/2008), harmonizing coffee marketing under a formalized institutional structure Abiy, M. (2016).

Government Regulatory Bodies: The Ethiopian Coffee and Tea Development and Marketing Authority (ECTDMA), established under Council of Ministers Regulation No. 364/2015, oversees extension services, quality control, and the regulation of coffee processing industries Tsegaye, B. (2017). The Ministry of Agriculture and Natural Resources also plays a key role in policy formulation and sector oversight.

Private Exporters and Traders: Private firms operate alongside cooperatives and the ECX, participating in coffee collection, processing, and export. The institutional framework balances the roles of private exporters with cooperative unions and regulatory bodies to promote competition and efficiency Love, R. S. (2002).

Supporting Institutions: Other stakeholders include regional coffee authorities (e.g., Oromia Coffee and Tea Authority), research centers (e.g., Jimma Agricultural Research Center), financial institutions providing credit and services, and international development partners supporting sector reforms and capacity building. EU Coffee Action for Ethiopia (2017).

2.1.2.2.4 Agricultural Practice of Ethiopian Coffee Export

Agricultural practices associated with coffee production in Ethiopia are strongly linked to traditional systems, where the significant majority of coffee is grown by smallholder farmers in ways that have been passed down through generations (Tadesse, 2019; Metasebiya, 2019). The primary production systems can include forest coffee, semi-forest coffee, garden coffee, and, more occasionally, plantation coffee. These systems vary in terms of management intensity and input use (Feyesa, 2020; Mandefro, 2020). Most coffee grown in Ethiopia is rain-fed, and is largely, almost by default, organic, as (a) synthetic fertilizers and agrochemicals use is low and constrained by cultural practices, and/or (b) access is limited (Tadesse, 2019; Abiot, 2022). Ethiopia is known for very high-quality coffee with a wide range of varieties, yet productivity is limited by many factors, such as low adoption of improved varieties, limited access to extension services, pest and disease susceptibility, and climate variability (Mandefro, 2020; Feyesa, 2020; Abiot, 2022).

Post-harvest handling and processing systems have dramatic effects on export quality, and value addition, and some scholars have highlighted efforts to improve value-added coffee by expanding wet mills and certification schemes (e.g., organic, Fair Trade), which have met with relatively little success with infrastructure and financing constrained (Abiot, 2022; Feyesa, 2020). Similar to agroecological characteristics, cooperative organizations are significant for market access and improving quality, although effectiveness varies depending on governance capacity and resources (Metasebiya, 2019).

In sum, while Ethiopia's traditional coffee farming systems provide important quality and genetic diversity, challenges related to agronomic practices, processing, and institutional supports limit the export potential of the coffee sector beyond its current stature (Tadesse, 2019; Mandefro, 2020; Abiot, 2022). To advance the competitiveness of Ethiopian coffee in global markets, there needs

to be an improved understanding of investment in restrictions, targeted intervention on extension services, infrastructure constraints, and increased market access.

2.1.2.2.5 Ethiopian Export Policy and Regulations

Ethiopia's export policies and regulations, particularly in the coffee industry, have undergone many gradual changes to support export performance, ensure quality, and increase market competitiveness. In the past, the government maintained a stringent level of control over coffee exports through regulatory bodies, especially the Ethiopian Coffee and Tea Authority (ECTA), which helped regulate quality, issue licenses, and promote market coordination (Dereje, 2007; Birhanu et al., 2013). Eventually, reforms emerged, beginning with measures that aimed to open the sector while protecting domestic interests, including the Ethiopian Commodity Exchange (ECX) to help provide transparency and lower transaction costs (Metasebiya, 2019; Minten et al., 2014). Some of the issues that remain are related to price fluctuations, bureaucracy, and limited access to finance for exporters and producers (Feyesa, 2020; Gashaw, 2019). Most recently, there have been changes in policy that relax restrictions on exports including the ability to provide permits for direct exports for qualified farmers, and exports of lower-grade coffees, which were restricted to local markets only, ostensibly for easier increases in exports and farmers' income (Mandefro, 2020; Abiot, 2022). At the same time, the coffee sector continues to suffer from more generalized structural restrictions that affect long-term market competitiveness, including low productivity, climate vulnerability, and limited value addition (Tadesse, 2019; Feyesa, 2020). Some studies suggest that positively impacting coffee exports will take strengthening cooperatives and improved infrastructure to facilitate proper export (Birhanu et al., 2013; Metasebiya, 2019). In sum, literature suggests that while export policies in Ethiopia have evolved to be more amenable to global trade requirements, continued effort will be required to address institutional constraints, financing constraints, and infrastructure constraints identified in broad areas to fully optimize coffee exports to economically grow (Abiot, 2022; Dereje, 2007; Minten et al., 2014).

2.1.2.2.6 Commercial Banks and Ethiopian Coffee Export

Commercial banks are vital to Ethiopia's coffee export sector by providing financing and liquidity to promote production, processing, and marketing along the coffee value chain. With coffee being a major source of foreign exchange earnings and livelihoods for millions of Ethiopians, timely and adequate access to finance is necessary to maintain and improve export performance (ComBank Ethiopia, 2025; Abiot, 2022). The National Bank of Ethiopia (NBE) has also taken initiative to reducing the financial burden on coffee value chain actors by allowing commercial banks to

provide a loan which includes a facility of 12 billion birr to be given to coffee growers, cooperatives or exporters from their reserves (The Reporter Ethiopia, 2022; GoEthio, 2022). They recognized the challenge with timely cash flow for coffee during the harvest and processing season, with respect to participants having time to fulfil obligations to themselves, laborers, and inefficient collection of products (GoEthio, 2022; Press Ethiopia, 2022).

In addition, banks like Commercial Bank of Ethiopia (CBE) and Cooperative Bank of Oromia have created lending products and financing schemes focused on coffee enterprises and cooperatives. These solutions comprise pre-shipment loans, term construction loans, letters of credit, and cash-against-document solutions. These financial tools are critical in managing working capital and transferring risks that are normally incurred during international trade (Cooperative Bank of Oromia, 2021; 2Merkato, 2023). There are innovative financing approaches available, such as the concessional credit lines that the Italian government has developed with the Ministry of Agriculture and Ethiopian Coffee and Tea Authority (ECTA), with \$10 million euros available as a facility (ENA, 2025).

Internationally, development finance institutions have partnered with Ethiopian commercial banks to enable foreign currency liquidity for agricultural exports. An example involved Dashen Bank receiving \$40 million US from British International Investment (BII) and Dutch entrepreneurial development bank FMO to loan US dollars to coffee farmers to purchase equipment and inputs to increase production and improve export quality (Global Trade Review, 2023). Until recently, Ethiopian commercial banks could not borrow foreign currency from sources outside of Ethiopia, which created challenges in providing foreign currency for export-oriented agricultural production (Global Trade Review, 2023).

Commercial banks are still experiencing liquidity difficulties due in part to limitations imposed by the NBE regarding reserves available from loans they are allowed to provide to the coffee sector (GoEthio, 2022). Other actors in the coffee value chain, especially smallholder producers, are still challenged in accessing formal credit due to requirements such as collateral, low financial literacy, and limited knowledge of bank products (Abiot, 2022). To ensure that the financial services can help provide financial support to increase Ethiopia's coffee volumes and revenues, it will be important to address these issues in a proper manner. volumes and revenues for coffee approached 1.2 billion USD in 2021 (from UN Comtrade data in Global Trade Review, 2023). In summary, Ethiopian commercial banks are supporting the coffee export sector by providing finance through a variety of approaches, including government-mandated loans, special financing products for

exports, and their development finance partnership. Mitigating financial constraints, improving overall efficiency in the value chains, and ultimately helping Ethiopia enhance its continued role as a leading coffee exporter in the global marketplace.

2.1.3 Performance and Economic Significance of Export

2.1.3.1 Ethiopian Coffee Export Performance

Ethiopia's coffee export performance has shown remarkable growth and resilience, reinforcing its position as a leading global coffee exporter and a critical contributor to the national economy. Coffee remains Ethiopia's primary export commodity and a major source of foreign exchange, accounting for approximately 30-35% of the country's total export earnings (USDA Foreign Agricultural Service, 2025; Ethiopian Coffee and Tea Authority [ECTA], 2024). During the first ten months of the 2024/2025 fiscal year, Ethiopia exported 354,302 tons of coffee, marking a 70% increase compared to the same period in the previous year (208,986 tons). This volume also exceeded the total export volume of the entire 2023/2024 fiscal year by 19%, illustrating sustained export growth (Ecofin Agency, 2025). Correspondingly, export earnings rose by 30% to \$1.87 billion, with authorities targeting \$2 billion in revenue by the end of the fiscal year (Ecofin Agency, 2025; Trabocca, 2024).

The growth in exports is attributed to strong coordination among producers, cooperatives, exporters, and government institutions, alongside reforms aimed at improving production, quality control, and marketing efficiency (ECTA, 2024; Africa Briefing, 2025). Ethiopia's coffee sector benefits from its unique position as the birthplace of Arabica coffee, with heirloom varieties commanding premium prices in international markets (CRI Report, 2025). Key export destinations include Germany, Saudi Arabia, and the United States, which together constitute a significant share of Ethiopia's coffee exports. Emerging markets such as Belgium, South Korea, China, and the United Arab Emirates have also gained importance in recent years (AICS, 2024; CRI Report, 2025). Saudi Arabia remains the top importer by value, followed closely by Germany and Belgium (Ethiopian Monitor, 2025).

The sector's performance not only generates substantial foreign exchange but also supports the livelihoods of an estimated 15 to 25 million Ethiopians directly or indirectly involved in coffee production and marketing (USDA Foreign Agricultural Service, 2025; AICS, 2024). Despite challenges such as regulatory changes in export markets and infrastructure limitations, ongoing

reforms and quality improvements position Ethiopia to sustain and enhance its coffee export growth (Addis Standard, 2024).

Table 2.1 Ethiopian Coffee Export Destinations

Export Destination	Export Volume (tons)	% Share of Total Export Volume	Export Revenue (USD million)	% Share of total Export Revenue
Germany	61,239	17%	295.03	17%
Saudi Arabia	60,182	16%	290.74	16%
United States	28,299	8%	192.00	10.3%
Belgium	20,000 (approx.)	6%	96.00 (approx.)	5.5%
South Korea	Not specified	-	111.00 (2022 data)	6.4%
United Arab Emirates	Not specified	-	49.00 (2022 data)	2.8%
China	Not specified	-	Growing rapidly	-
Japan	Not specified	-	130.00 (2022 data)	7.5%
Others	Remaining volume	~53%	Remaining revenue	~40%

Source: Ethiopian Coffee and Tea Authority (ECTA) report (2025)

2.2 Empirical Literature Review

In Ethiopia, coffee producers have typically received a modest portion of the green coffee export price. The reasons are frequently cited as extensive government intrusion and marketing, and processing. Before 1992, Ethiopia's coffee production and marketing were centralized under the Ministry of Coffee and Tea Development. Producers had to sell at specified prices and times throughout the year. The Ethiopian Coffee Marketing Corporation (ECMC) managed the vast bulk of the crop. By imposing an implicit tax on producers, the firm created a significant gap between the producer price and the global price of coffee (Tadesse and Feyera, 2008).

The study in Oromia coffee farmers' cooperative union by kumsa, (2015); competition, long duration of export document process, coffee quality, export barrier from country destinations, delay in transportation, communication barrier, lack more of international market knowledge, export administrative procedures, incapable to supply coffee in time, limitation of destination country, and delay of shipping are the influencing factors of coffee export performances. The study revealed that it has a significant impact on the export marketing activity of the union, which is the volume of coffee supplied by members to the union. This condition also makes the export marketing of the union fluctuate. The volume of Coffee supplied by members to the union has a significant impact on the export marketing activity of the union. As the volume of coffee supply increases, the volume of export sales also increases. This coffee supply depends on several factors in the study area, in which weather conditions are the determining one. This condition also makes the export marketing of the union fluctuate.

In 2011, Dema on a study of coffee market performance by analyzing marketing costs and price margins among the different coffee marketing activities in order to measure the degree of coffee marketing efficiency. He depicted that, fall of the coffee bean tree before growing, weight loss by affecting the bean size, and huge loss of productivity by coffee diseases and low price, erratic rainfall, and shortage of land are the major constraints for coffee production. Moreover, he identified constraints regarding coffee marketing are delay in unloading coffee at ECX (which creates additional cost), poor management and handling of coffee by farmers (which reduces its quality), and short supply of coffee (low economies of scale for traders).

The study by Shumeteet *al.*, (2012) entitled Analysis of marketing chain of forest coffee by using descriptive statistics employed the structure-conduct-performance model to analyze the market

structure, conduct, and performance in the two-study area of Gera and Shebe. The result indicated that producers, assemblers, wholesalers, and retailers are the major actors involved in the market chain of coffee. The local coffee wholesalers' concentration index (40.85% for Gera and 29.64% in shebe) revealed that there is a threat of oligopoly in the market structure of coffee, especially in the Gera area. And also the result revealed that price setting mechanism in the producers market is largely determined by the kindness of buyers whereas the existing market demand and supply are the major determinants of price setting mechanism in the other actors' market and in evaluating the market performance, the margin analysis indicated that exporters (50.98%) take the largest profit margin in the coffee market chain. From the ordinary least squares regression analysis, price, educational level of households, transportation cost, and level of production were found to have a significant impact on the supply of coffee in the study area. High cost of transportation, absence of price premium for quality products, low bargaining power of producers, absence of organized action of producers, absence of documented market research and the undulating nature of the international market were the major problems encountered by actors in the market chain of coffee.

Wendemagegn (2014) in his study has tried to analyze the Dale district of the Southern Ethiopian coffee market chain. His finding market structure indicates that the volume of coffee traded in the area was concentrated in the hands of a few traders who controlled the bigger share of the market. The four firms' concentration ratio for coffee traders remained 65.3% in Yirgalem and 69% in Hawassa. This implies that the coffee market in the area is non-competitive. He also depicted the major entry barriers into the coffee market, such that a shortage of capital, licensing only for specific business activities, and the presence of informal traders are obstacles for most traders. The other findings of his study were that the coffee marketing channel is relatively short, and the existence of informal traders in both rural and urban areas discouraged the licensed traders. They also have poor access to timely and reliable market price information.

2.2.1 Gaps of the Empirics

As mentioned above, various studies were conducted on the effect of marketing chains on Ethiopian coffee export performance. Most of the studies were focused either on factors or actors, and some of the researchers concluded that each of them was a significant factor in Ethiopian coffee export performance. In addition, the research works focused on only factors or factor. This study tried to fill such gaps through identifying the major effects of some actors and factors on Ethiopian coffee marketing and export performance. Moreover, in the literature review, nothing

was indicated about the coffee marketing chains towards export performance. Thus, this research will focus on the coffee marketing chain analysis of Ethiopian coffee export performance.

2.3 Conceptual Framework of the Study

Based on the above empirical and theoretical review, this study tried to illustrate the relationships among key study variables influencing coffee export performance in Ethiopia. It identifies the independent variables on the dependent variable, showing how they interact to affect export outcomes. The framework guides the empirical investigation by questioning the effects of agricultural practices, marketing channels, marketing structure, financial access, and government regulation on Ethiopian coffee export performance.

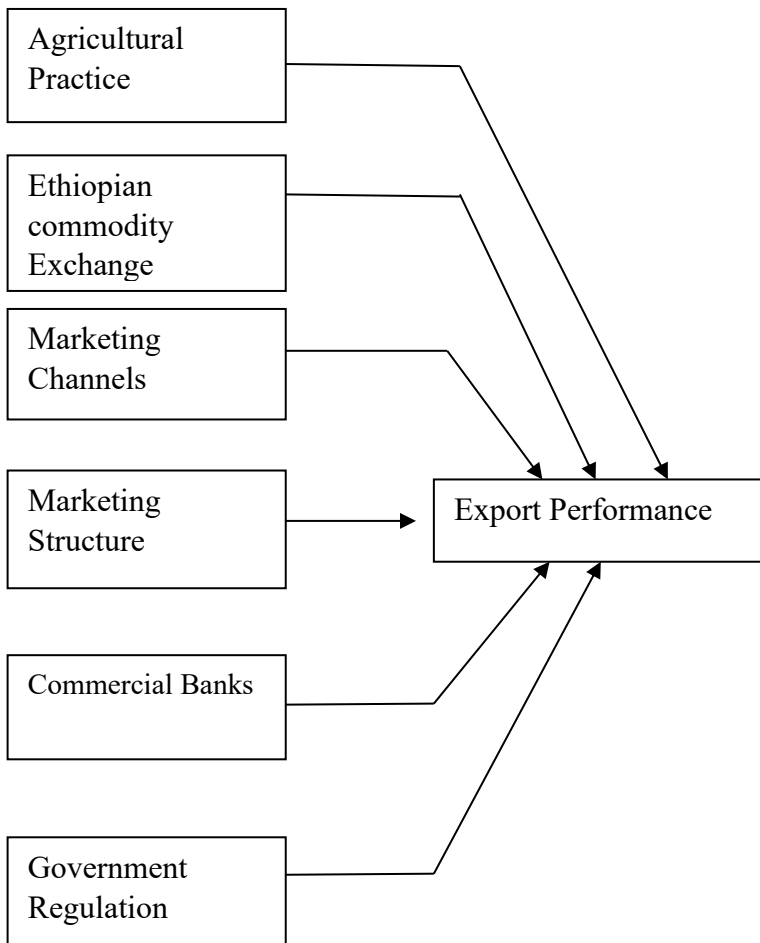


Figure 2.1: Conceptual Framework of the study

Source: Theoretical and empirical literature review in 2025

CHAPTER THREE

3 RESEARCH METHODOLOGY

In this chapter research methodology and related factors are presented.

3.1 Description of the Study Area

This research is conducted in Ethiopia with participants including all coffee producers, suppliers, and exporters. In Africa contents Ethiopia is one of the most renowned coffee producers. The data collection primarily takes place in Addis Ababa, the capital city of Ethiopia, and the center of coffee trade and export activities. Addis Ababa hosts key stakeholders, including exporters, farmers, government agencies, and financial institutions critical to the coffee marketing chain.

3.2 Research Design

Research design is a detailed plan used to collect and analyze data in order to conduct a study towards its objectives (Sekaran, 2003). Saunders *et al.* (2009) explained that research design is the understanding of the conditions for collecting and analyzing data in a manner that aims to combine the importance of the research objectives with the economy of the process. Kumar (2005) mentioned that the best research design is one that collects valid, accurate, objective, and economic data. Choosing the most appropriate research design is beneficial as it helps to eliminate errors and avoid wasting the researcher's time.

In addition, a good research design must provide sufficient information within the limits set by the researcher, such as time and budget constraints (Ghauri and Gronhaug, 2005 P.56). To meet the research objectives and test the causal relationship between variables, explanatory research models attempt to explain why and how a relationship exists between two or more aspects of a situation; they help to identify the nature of the relationship between the causal variables and the predicted effect. The researcher will also use cross-sectional data types. Therefore, in this study, the researcher used both descriptive and explanatory research designs to analyze coffee value marketing chains on Ethiopian export performance.

3.3 Research Approach

According to Bryman (2012), there are three reasons for conducting mixed research methods these include triangulation, offset, and completeness. Triangulation implies that the results of an investigation employing a method associated with one research strategy are cross-checked against

the results of using a method associated with another strategy. While offset implies that the weaknesses of a quantitative or a qualitative method can be offset by including a qualitative or a quantitative method that has its strengths. And finally, completeness indicates that a more complete answer to a research question or set of research questions can be achieved by including both quantitative and qualitative methods. Accordingly, this study employed a mixed research approach (both qualitative and quantitative) to answer the research questions, as it is found to be appropriate.

3.4 Type and Source of Data

The study has been conducted using qualitative and quantitative datasets obtained from primary data sources. In particular, the primary data of the study has been collected from major coffee exporters through a five-point Likert Scale questionnaire, which aimed to assess the essential data from respondents. The questionnaire consisted of closed-ended questions, to measure the variables of the study being 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, and 5=Strongly Agree. Thus, the respondents were requested to select their own choice among the given five dimensions in order to specify their level of agreement or disagreement with each question item. In addition, basic information has been collected from exporters with the help of interview questions. The questionnaire has been prepared directly related to the explanatory variables of the Ethiopian coffee export marketing performance.

3.5 Target Population

Limiting the study to a portion of the population is necessary since it is sometimes not possible to include the entire population in a study (Creswell and John, 2003). This may be because it is physically impossible to include all members of a population in a study if the number is greater than 1000 (Kumar, 2005). And thus, the target of this study is, according to Volza's Ethiopia Export data, Ethiopia exported 865 shipments of Bean Coffee from Oct 2024 to April 2024 (TTM). These exports were made by 306 Ethiopian exporters to 344 Buyers, marking a growth rate of -2% compared to the preceding twelve months. Based on the target population of this study includes key stakeholders involved in Ethiopia's coffee export sector, licensed coffee exporters primarily based in Addis Ababa, and government officials from regulatory bodies such as the Ethiopian Coffee and Tea Authority (ECTA). These groups collectively represent the core actors influencing coffee production, marketing, and export performance in Ethiopia.

3.6 Sample Size and Sampling Technique

The portion of the population from which information is collected is called the sample. A sample is defined as a subset of the elements of a population (Kumar, 2005). It can also be defined as “any

subset of the population elements obtained for study” (Creswell and John, 2009). Thus, sampling is the process of selecting elements for study. In social science research, there are two types of sampling methods: probability sampling and non-probability sampling. The sample is drawn from Exporters of Ethiopia by a systematic random sampling technique. The researcher used the sample size determination of the single population proportion formula derived by Yamane (1967) looks as below.

$$n = \frac{N}{1 + N(e)^2} + 10\% \text{ of margin of making error}$$

Where the sample size

N = population size,

E = acceptable sampling error or margin of error

In our case, N=306 and $n = 306 / (1 + N(0.1)^2) + 10\%$ of error making

$$n = 75.36 + 7.56$$

$$n = 83$$

Thus, we have n (a sample of this study) is 86 coffee exporters

3.7 Data Collection Instrument and Variable

This study employed a mixed-methods approach to collect both quantitative and qualitative data, ensuring a comprehensive understanding of the factors influencing Ethiopia’s coffee export performance. Structured questionnaires will be administered to a sample of coffee exporters based in Addis Ababa. It involves several key variables that are essential for understanding the factors influencing coffee export performance in Ethiopia. The independent variables include agricultural practices, Ethiopian commodity exchange, marketing channels, marketing structure, access to commercial banks, and government regulation, all of which are expected to have a direct impact on coffee export outcomes. The dependent variable is coffee export performance, which is measured in terms of export volume, export revenue, and market growth. By examining these variables, the study aims to identify how various factors and conditions collectively affect the success of Ethiopia’s coffee exports. Data collection will be conducted through face-to-face surveys and, where necessary, via electronic means (email or online survey platforms) to maximize response rates. List and definition of study variables:

Agricultural Practices: Farming methods affecting coffee quality and yield.

Ethiopian commodity exchange (ECX): It is a marketing institution that affects market efficiency.

Marketing Channels: It is the pathways and intermediaries in coffee marketing.

Marketing Structure: It is an organization of actors in the marketing system.

Access to Commercial Banks: Availability of financial services for stakeholders.

Government Regulation: Policies and rules governing coffee marketing.

Coffee Export Performance: Export volume, revenue, and market success.

3.8 Methods of Data Analysis

Data analysis is the process of editing and reducing accumulated data to a manageable size, developing summaries, looking for patterns, and applying statistical methods (Cooper and Schindler, 2006). With the help of STATA, descriptive analysis, including mean, frequency, and standard deviation, was used for trader characteristics and to show the relationship between the impacts of coffee marketing chains on export performance. inferential statistical analysis, such as correlation and regression, was made.

3.9 Estimation Methods

The collected data in each of the strong variables from the respondents through were ranged from strongly disagree to strongly agree (1 to 5). In the same way, each explanatory variable is explained by the other variables. And so, to determine the specific values of each strong variable, the researcher used the mean score of the sub-explanatory variables of the explanatory variables. Thus, we can get the continuous data and employ the multiple linear regression analysis estimated by ordinary least squares estimation methods. In the same token, the dependent variable Y is also explained by other sub-explanatory variables. And thus, according to Dereje 2007, Birhanu *et al* (2013), Mintwnet *al.* (2014), Tadesse (2019), and Yilkal (2022), we obtain the value of Y as:

$$Y_i = 1/4(Y_{i1} + Y_{i2} + Y_{i3} + Y_{i4}) \dots\dots(3.2)$$

Where $i=1, 2, \dots, 71$

And thus, to estimate the relation between a dependent variable and a set of its explanatory variables, a multiple linear regression model estimated by OLS plays a great role. Indeed, the

ordinary Least squares (OLS) technique is used to run the model and assess Ethiopian coffee export marketing performance. The resulting estimator can be expressed by a simple mathematical formula, especially in the case of a single repressor on the right-hand side. This study model is strongly supported by the study models of Daviron, B. and Ponte, S. (2005), Alemseged A. and Getaneh A. (2012), Boansi, D. and Crentsil, C. (2013), Abiy, M. (2016), Tsegaye, B. (2017), and Tadesse (2019). The multiple linear regression models:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \varepsilon \dots \dots \dots (3.3)$$

Where Y is the dependent variable, Xi's are the explanatory variables parameters to be estimated, and ε is the error term of the model. That is, Y: dependent variable, Ethiopian coffee export performance, **X1**: Ethiopian coffee marketing structure, **X2**: Ethiopian Commodity exchange, **X3**: government regulation, **X4**: agricultural practice, **X5**: market channels, **X6**: financial institutions, and ε : error terms.

3.10 Validity and Reliability

3.10.1 Validity

Validity and reliability are essential factors to consider when conducting research. According to Sherry (2008), validity is the extent to which a test measures what it claims to measure. The study attempted to ensure two types of validity, namely external validity, which is the ability to generalize data across people, contexts, and time; and internal validity, which is the ability of the questionnaire to measure what it purports to measure (Cooper and Schindler, 2006). This guarantees that all relevant aspects of the coffee marketing chain and export performance are adequately covered. Construct validity is addressed by clearly defining and operationalizing key variables such as quality performance, market access, and export volume, ensuring alignment with established concepts in export marketing research. In this study, the following steps would be taken to ensure the validity of the study by pilot test, and the questionnaire was carried out in three branches in Addis Ababa that were not selected for the final study. It helps to ensure its accuracy and flexibility of the questionnaire and is then modified accordingly. Nine exporters were included in the pilot test. Based on this, questions were well defined and clearly understood. And finally, professionals and respondent comments are solicited to guarantee validity, particularly content validity.

3.10.2 Reliability

Consistency, where internal consistency involves correlating the responses to each question in the questionnaire with those of other questions in the questionnaire, is known as the reliability of the study variables (Khotari, 2004). In fact, Cronbach's alpha coefficient is one of the most commonly used indicators of internal consistency. The Cronbach's alpha coefficient of scales should be at least 0.70 (70%), and the higher the better (Pallant, 2005). Indeed, the reliability of the study variables was presented in the table below, and Cronbach's alpha coefficients were 0.8825(88.25%). Therefore, it can be considered a reliable and valid construct.

Table 3.1. The Cronbach's Alpha Reliability Test of each study Variable

No.	Description	Items	Cronbach's alpha
1	Ethiopian Coffee Export Market Performance	5	0.7897
2	Ethiopian coffee market structure	5	0.8264
3	Ethiopian Commodity Exchange	5	0.8105
4	government policy and regulations	5	0.8382
5	Agricultural Practices of Coffee Production	5	0.7717
6	Export market channels	5	0.7937
7	Financial institutions	5	0.8096
Total number of items		35	0.8825

Source: Own estimation by using STATA

CHAPTER FOUR

4 RESULT DISCUSSION AND ANALYSIS

This chapter mainly tries to present results, discussions, and analyses of the study.

4.1 Traders' Characteristic Variables

Even though, as mentioned in the previous part of the study, 83 questionnaires were distributed to the major coffee exporters in Ethiopia, only 71 questionnaires of the respondents were collected; that is, the overall average collection rate was nearly 86%. In some details, the overall trader characteristics of the respondents are tried to summarized in the table below.

Table 4.1: Traders Characteristics

List of Items	Characteristics	Number and Percentage of Respondents	
		Number out of 71 sampled data	Percentage (%) out of 100
Years of Establishment	1-3 Years	19	27
	3-6 Years	14	20
	6-9 years	23	32
	10 years and above	15	21
Source of the initial capital	Bank loan	19	26
	Own	13	18
	Own and loan	39	54
Do you start coffee export?	Yes	71	100
	no	0	0
What type of business are you?	Producer and exporter	22	30
	Exporter	49	69

For how many years have you been involved in coffee export?	1-4 years	12	17
	5-7 years	24	34
	8-10 years	15	21
	11-13 years	7	10
	14 years and above	13	18

Source: own survey data, 2025

In the table 4.1 above the trader characteristics of the sample of the exporter; 32 % of the exporters were established over 6-9 years while 27 % were had 1-3 years of establishment, 20% of them were 3-6 years of establishment and the remaining 21 % had 10 and above years of established. The longer they work on the market the more they perform. The traders were asked where the source of their initial capital is and replied; 54 % Own and loan, 26 %bank loan, 18% own. Since the main concern of this study is on coffee export all respondents were started coffee export. Regarding to type of business, 69 % were exporters, 30 % were producer and exporters. When it comes to the year they have been in coffee export; 34% were involved in export business for 5-7 years, 17% were 1-4 years, 21% were 8-10 years, 10% were 11-13 years and the remaining 18% were 14 and above years.

4.2 Results of Descriptive Statistics

One of the research questions, the dependent variable was developed to measure the general reaction of the respondents regarding Ethiopian coffee export marketing performance. Therefore, to assess what the trend looks like, respondents were asked about Ethiopian coffee export market performance by using a Likert scale. Questionnaire which has five dimensions for each question; i.e., (1) Strongly Disagree (2) Disagree (3) Neutral (4) Agree and (5) Strongly Agree. The mean score measurement can be used while interpreting the data. If the mean score is greater than 3.79, it will be considered as high; if it is between 3.40 and 3.79, it will be considered as moderate; and if the mean score is below 3.40, it will be considered as low(Akmaliah, 2009). The following table presents the result.

Table 4.2: Responses regarding Ethiopian Coffee Export Market Performance

Ser. No	1. Ethiopian Coffee Export Market Performance		Frequency					Mean	St.D
			SD (1)	D (2)	N (3)	A (4)	SA (5)		
1	Our firm's exports achieved rapid sales growth.	No.	29	20	9	9	4	2.14	1.05
		%	41	28	13	13	6		
2	Our exporting has improved the firm's international competitiveness.	No.	18	27	13	12	1	2.31	0.99
		%	25	38	18	17	1		
3	Our exporting has significantly increased the firm's international market share.	No.	14	29	4	14	10	2.68	1.55
		%	20	41	6	20	14		
4	Overall, our exporting performance resulted in our firm's growth.	No.	24	21	10	7	9	2.38	1.34
		%	34	30	14	10	13		
5	Overall, the firm's export venture has been successful.	No.	27	30	0	9	5	2.08	1.08
		%	38	42	-	13	7		
Aggregate mean								2.32	

Source: own survey data, 2025

As can be seen from the above table, respondents' responses about the appropriate action in the firm's exports achieved rapid sales growth. 69% disagreed while 19% agreed, and the rest 13% were not sure. The mean score for the above statement is low (M=2.14) with a standard deviation of 1.05. This confirmed that there is a firm's growth problem. Respondents also asked whether their export has improved the firm's international competitiveness and replied; 63% disagreed, while 18% agreed, and the remaining 18% were not sure. The mean of this statement is falling too low (M=2.31) with a standard deviation of 0.99. Respondents also asked whether the exporting has significantly increased the firm's international market share and replied; 61% disagreed while 34% agreed, and the remaining 6% were not sure. This indicates that the mean score for this statement is 2.68, which is in the group of low acceptance with a standard deviation of 1.55. Also, respondents our exporting performance resulted in our firm's growth, and replied; 64% disagreed, while 23% agreed, and the remaining 14% were not sure. And finally, respondents asked whether the firm's export venture and replied; 80% disagreed, while 20% agreed, and the rest 0% were not sure. The mean score for the statement is 2.08, which is in the low group with a standard deviation of 1.08. This implies that the Ethiopian coffee export market is poorly performing.

Table 4.3: Responses regarding Ethiopian coffee market structure

Ser. No	2. Effect of Marketing Structure on the Ethiopian Export Coffee Market	Frequency					Mean	St.D	
		SD (1)	D (2)	N (3)	A (4)	SA (5)			
1	We understand the structure of the foreign market and how the market operates.	No.	6	8	17	25	15	3.49	1.23
		%	8	11	24	35	21		
2	Our firm keeps track of our competitors found in foreign countries and their marketing activities	No.	1	2	20	30	18	3.87	1.22
		%	1	3	29	42	25		
3	We actively promote our products by participating in local and international fairs, sending e-mails	No.	0	23	28	20	0	2.96	1.18
		%	-	32	39	28	-		
4	Language and cultural differences with our buyers have been managed successfully.	No.	7	18	14	11	21	3.30	1.06
		%	10	25	20	15	30		
5	Overall, we are satisfied with our marketing structure efforts	No.	5	24	13	20	0	2.42	1.26
		%	7	34	18	28	-		
Aggregate mean							3.21		

Source: own survey data, 2025

As can be seen from the above table regarding to marketing structure of Ethiopian coffee export, respondents' response about their understanding of market structure and foreign marketing operations and 19% disagreed, while 56% agreed, and the rest 24% were not sure. The mean score for the above statement is moderate (M=3.49) with a standard deviation of 1.23. A respondent also asked about firm keeps track of our competitors found in foreign countries and their marketing activities, and replied; 4% disagreed, while 67% agreed, and the remaining 29% were not sure. The mean of this statement is falling too high (M=3.87) with a standard deviation of 1.22. Respondents also asked regarding export product promotion through different communication channels and replied; 32% disagreed, while 28% agreed, and the remaining 39% were not sure. This indicates that the mean score for this statement is 2.96, which is in the group of low acceptance with a standard deviation of 1.18. Also, respondents stated that their language and cultural difference has an effect on buyers' decisions and replied; 35% disagreed, while 45% agreed, and

the remaining 20% were not sure, with a mean of 3.30 at 1.06 standard deviations. And finally, respondents asked whether they are satisfied or not with the marketing structure and replied; 41% disagreed, while 28% agreed, and the rest 18% were not sure. The mean score for the statement is 2.42, which is in the low group with a standard deviation of 1.26. This implies that the Ethiopian coffee market structure for export is not as good.

Table 4.4: Responses regarding Ethiopian commodity Exchange

Ser. No	3. Role of Ethiopian Commodity (ECX) in Ethiopian Export Coffee		Frequency					Mean	S.D
			SD (1)	D (2)	N (3)	A (4)	SA (5)		
1	The quality standard implemented at ECX reflects the actual quality of Coffee	No.	0	15	36	20	0	3.07	1.23
		%	-	21	51	28	-		
2	Ethiopia's Coffee captures the best price on the domestic market	No.	-	14	36	21	-	3.10	1.06
		%	-	19	51	30	-		
3	Price information of Coffee disseminated by ECX is accessible and reliable	No.	14	16	30	11	-	2.54	1.18
		%	20	23	42	15	-		
4	ECX encourages the production of high-quality Coffee	No.	0	0	14	37	20	4.08	1.16
		%	-	-	20	52	28		
5	Ethiopia's Coffee captures a premium price on the world market	No.	1	14	36	20	0	3.06	1.26
		%	1	20	51	28	-		
Aggregate Mean								3.25	

Source: own survey data, 2025

Respondents asked whether the quality standard implemented at ECX reflects the actual quality of coffee and replied; 21% disagreed, while 28% agreed, and the remaining 51% were not sure. The mean score of 30.7 confirmed that the result is falling too low with an SD of 1.23. Respondents also asked whether Ethiopia's Coffee captures a premium price on the world market and replied; 19% disagreed, while 30% agreed, and the remaining 51% were not sure. The mean score is in low agreement (M=3.10) with SD of 1.06. On the other hand, respondents also asked about the price reliability of ECX and replied; 43% disagreed, while 15 % agreed, and the rest 42% were not sure. The mean score for this statement is low (M=2.96) with a SD of 1.18. Respondents also asked whether ECX encourages the production of high-quality coffee and replied; 0% disagreed, while 80% agreed, and the rest 20% were not sure. The mean score 4.08 is 4.08 with an SD of 1.16. The other question forwarded to the respondents, Ethiopia's Coffee captures a premium price on the

world market, and replied; 21% disagreed while 28% agreed, and the remaining 51% were not sure. The mean score for this statement is 3.06, which is low with a SD of 1.36. The mean score shows us that the role of ECX on the export coffee market is somewhat low.

Table 4.5: Responses regarding government policy and regulations

Ser. No	4. Ethiopian Government Regulation	Frequency					Mean	S.D	
		SD (1)	D (2)	N (3)	A (4)	SA (5)			
1	There is proper government regulation in place that contributes to an adequate supply of inputs	No.	0	15	36	20	0	3.07	1.23
		%	-	21	51	28	-		
2	There is favorable regulation in place that improves market efficiency at the output side	No.	10	32	16	10	3	2.49	1.48
		%	14	45	23	14	4		
3	Coffee growing areas have full attention and support from the concerned Government body	No.	22	24	12	13	0	2.23	1.18
		%	31	34	17	18	-		
4	The current proclamation of Coffee value addition fully accommodates its potential	No.	0	13	38	20	0	3.10	1.06
		%	-	18	54	28	-		
5	There is a supportive policy in place to improve the volume and quality of Coffee in Ethiopia	No.	0	14	35	22	0	3.11	1.26
		%	-	20	49	31	-		
Aggregate mean							2.80		

Source: own survey data, 2025

Respondents were asked whether there is proper government regulation in place that contributes to an adequate supply of inputs, and replied that 21% disagreed while 28% of them agreed. However, the majority of the respondents were neutral, with coverage of 51 %. The mean of 3.07 indicates that the agreement level is low, with a standard deviation of 1.23. This confirmed that the Ethiopian government regulation and functions are not clear for coffee exporters. On the other hand, respondents also asked whether there is favourable regulation in place that improves market efficiency at the output side and replied that 59% disagreed, while 14% of them agreed, and the rest 23% were not sure. The mean is in the low range (M=2.49) and SD=1.48. Respondents also asked whether coffee-growing areas have full attention and support from the concerned

Government body and replied that 65% disagreed, while 18% of them agreed, and the rest 17% were not sure. The mean score is relatively low (M=2.23) and SD=1.18. Respondents also asked whether the current proclamation of Coffee value addition fully accommodates its potential and replied that 18% disagreed, while 28% of them agreed, and the rest 54% were not sure. The mean score is relatively low (M= 3.10) and SD=1.06. Finally, respondents also asked if there is a supportive policy in place to improve the volume and quality of coffee in Ethiopia, and replied that 20% disagreed, whereas 31% of respondents replied agree, and the remaining 49% were not sure. The mean score for the statement is low (M=3.11) and SD=1.26. This confirmed that government regulation and policy are not much supportive of to export coffee market in Ethiopia.

Table 4.6: Responses regarding Agricultural Practices of Coffee Production in on Ethiopian Export Coffee Market

Ser. No	5. Agricultural Practices of Coffee Production on the Ethiopian Export Coffee Market		Frequency					Mean	S.D
			SD (1)	D(2)	N(3)	A (4)	SA(5)		
1	Coffee production inputs (seedlings, fertilizer, pesticides, labor, etc.) are sufficiently available	No.	0	13	37	21	0	3.11	1.23
		%	-	18	52	30	-		
2	Currently, Coffee Picking practices are mechanized (supported by tools and machines, etc.)	No.	9	30	10	9	13	2.82	0.88
		%	13	42	14	13	18		
3	Farmers produce Coffee efficiently (low cost of producing and high turnover of selling Coffee)	No.	29	27	15	0	0	1.80	0.74
		%	41	38	21	-	-		
4	Coffee types/varieties that meet customer demand are available in Ethiopian coffee types/varieties that meet customer demand are available in Ethiopia	No.	17	35	0	8	11	2.45	1.06
		%	24	49	-	11	15		
5	There is enough production of Coffee every year	No.	0	15	36	20		3.07	1.26
		%	-	21	51	28	-		
Aggregate mean								2.65	

Source: own survey data, 2025

Respondents asked about Coffee production inputs (seedlings, fertilizer, pesticides, labour, etc)

are sufficiently available and replied that 18% disagreed, while 30% agreed, and the remaining 52% were not sure. The mean score of 3.11 is in the low range, and SD=1.23. This indicates that the selected seedlings, fertilizer, pesticides, and labour are not satisfactory in the eyes of the exporters. Respondents also asked about currently coffee picking practices are currently mechanized (supported by tools and machines, etc) and replied that 55% disagreed, while 31% agreed, and the rest 14% were not sure. The mean score is low (M=2.82) and SD=0.88. On the other hand, respondents also asked that Farmers produce Coffee efficiently (low cost of producing and high turnover of selling coffee) and replied, 79% disagreed, whereas none of the respondents agreed, and 21% were not sure. The mean score is falling to 1.80, and the SD is 0.74. This shows that there is a problem of efficiency. Furthermore, respondents were asked whether Coffee types/varieties that meet customer demand are available in Ethiopia. Coffee types/varieties that meet customer demand are available in Ethiopia, and 73% disagreed, whereas none of them were sure, and 26% replied agreed. The mean score for this statement is the lowest of all (M=2.45) and SD=1.06. Finally, respondents also asked whether there is enough production of Coffee every year, and only 28% of the respondents agreed, while 21% of them disagreed, and the remaining 51% were not sure. The mean score is low, 3.07, and SD = 1.26. This indicates that the Ethiopian coffee export product agricultural practice is poor.

Table 4.7: Responses regarding the effect of market channels

Ser. No	6. Effect of Marketing Channels on the Ethiopian Export Coffee Market		Frequency					Mean	S.D
			SD (1)	D (2)	N (3)	A (4)	SA (5)		
1	Coffee trading market channels enhance their productivity	No.	0	2	21	28	20	3.93	1.23
		%	-	3	30	39	28		
2	Farmers, traders, and exporters can fully reach out the Coffee market target Farmers, traders, and exporters can fully reach out the Coffee market target Farmers, traders, and exporters can fully reach out the Coffee market target	No.	0	1	22	28	20	3.94	0.69
		%	-	1	31	40	28		
3	Coffee marketing channels are fully integrated, and information is always available	No.	0	22	29	20	0	2.97	1.34
		%	-	31	41	28	-		

4	In our country, Ethiopia, there is a clear market channels for coffee export	No.	9	30	10	9	13	2.82	0.93
		%	13	42	14	13	18		
5	We have a strong connection via marketing channels with foreign buyers and agents.	No.	29	27	15	0	0	1.80	0.43
		%	41	38	21	-	-		
Aggregate mean								3.09	

Source: own survey data, 2025

When customer respondents were asked about Coffee trading market channels enhance their productivity; only 3% disagreed, while 77% agreed and the remaining 30% were not sure. This indicates that the number of respondents who disagreed on coffee trading market channels enhance their productivity is less than those who agreed. The mean score for this statement is falling to high (M= 3.93) and SD=1.23. When we see the answer of respondents in relation to farmers, traders, and exporters can fully reach out the Coffee market target farmers, traders, and exporters can fully reach out the coffee market; 1% of the respondents disagreed while 68%agreed and the remaining 31% were not sure. The mean indicates that Farmers, traders, and exporters can fully reach out the Coffee market target farmers, traders, and exporters can fully reach out the Coffee market is high (M= 3.94) and SD=0.69.Regarding Coffee marketing channels are fully integrated, and information is always available, 31% of the respondents disagreed while 28% agreed and the rest 41% were not sure. The mean score 2.97 is low with a SD of 1.34. This confirmed that marketing channels are not fully integrated and have not an access of full information. Respondents were also asked about in our country, Ethiopia, there is a clear market channels for coffee export and replied that 55% of them disagreed while 31% agreed and the rest 14% were not sure. The mean score of this statement is low (M=2.82) and SD=0.93. Regarding the strong connection via marketing channels with foreign buyers and agents, 79% of the respondents disagreed while 21% of them agreed and none of the respondents neutral. The mean score is in low range (M=1.80) and SD= 0.43.

Table 4.8: Responses regarding the effect of financial institutions

Ser. No	7. Effect of Financial Institutions on the Ethiopian Export Coffee Market		Frequency					Mean	S.D
			SD (1)	D (2)	N (3)	A (4)	SA (5)		
1	Financial institutions in Ethiopia (Banks, both private and Government; Credit & Saving Institutions) encourage modern farming of Coffee by providing the necessary loans and subsidies	No.	7	18	14	11	21	3.30	0.72
		%	10	25	20	15	30		
2	Coffee trade actors: farmers, suppliers, exporters, and processors can get access to finance to run coffee-related tasks like production, transportation, and marketing	No.	5	24	13	20	9	3.06	0.97
		%	7	34	18	28	13		
3	Financial institutions like Banks and Credit and savings institutions provide enough credit to run the business	No.	9	30	10	9	13	2.82	0.58
		%	13	42	14	13	18		
4	Financial institutions like Banks and Credit & savings institutions are available and accessible in proximity to Coffee farmers, suppliers, exporters, and other market actors	No.	0	23	28	20	0	2.96	0.77
		%	-	33	39	28	-		
5	Investments in Coffee mechanization, production, processing, and marketing are encouraging in Ethiopia	No.	0	21	28	20	0	2.90	1.02
		%	-	31	40	29	-		
Aggregate mean								3.01	

Source: own survey data, 2025

Regarding Financial institutions in Ethiopia (Banks, both private and Government; Credit & Saving Institutions) encourage modern farming of Coffee by providing the necessary loans and subsidies respondents were asked whether they benefited from a loan or not; 35% disagreed, while 45% agreed, and the remaining 20% were not sure. The mean score for this statement is low ($M=3.30$) and $SD=0.72$. This indicates that the majority of exporters who export coffee do not have a loan. Respondents also asked whether they agreed that coffee trade actors, including farmers, suppliers, exporters, and processors, can access finance to run coffee-related tasks. 41% disagreed, while 41% agreed, and 18% were unsure. Its mean score is low ($M=3.06$) and $SD=0.97$. This implies that there is a communication gap between financial institutions and coffee exporters. On the other hand, respondents also asked whether financial institutions like banks and credit and savings institutions provide enough credit to run the business: 55% disagreed, while 31% agreed, and the remaining 14% were not sure. Based on the above finding majority of the respondents borrow from financial institutions like banks, and credit and savings institutions provide enough credit to run the business, but still the mean score is falling low ($M=2.82$) and $SD=0.58$. Respondents also asked whether they agreed with financial institutions like Banks and Credit & savings institutions being available and accessible in proximity to Coffee farmers, suppliers, exporters, and other market actors; 33% of the respondents agreed, while 28% disagreed, and the remaining 39% were not sure. This indicates that there is moderate agreement among the respondents, but the mean score is low ($M=2.96$) and $SD=0.77$. And finally, respondents also asked whether investments in coffee mechanization, production, processing, and marketing are encouraging in Ethiopia; 31% disagreed, while 29% agreed, and 40% were unsure. The mean score is low ($M=2.90$) and $SD=0.79$. This indicates that there is a lack of investment in the area.

4.3 Inferential Statistics

4.3.1 Correlation Analysis

According to different scholars such as Geoffrey, David, and David (2005), correlations of 0.01 to 0.30 are considered small; correlations of 0.30 to 0.70 are considered moderate, correlations of 0.70 to 0.90 are considered high, and correlations of 0.90 to 1.00 are considered very high. And thus, by using STATA hereunder the table presents correlation analysis between variables of the study on 71 observations.

Table 4.9: Correlation result between the study variables

Correlations on 71 observations	CEP	EMS	GOR	ECX	APC	EMC	EFI
CEP	1.0000						
EMS	0.2374	1.0000					
GOR	0.2013	0.5243	1.0000				
ECX	0.5344	0.7823	0.0683	1.0000			
APC	0.7523	0.6084	0.1323	0.6859	1.0000		
EMC	0.9020	0.7680	0.1265	0.4636	0.8664	1.0000	
EFI	0.5604	0.0270	0.1303	0.5746	0.5651	0.5442	1.0000

Source: Source: own survey data, 2025

From the table above, the correlation between marketing structures with coffee export marketing performance was 0.2374, which confirmed that the variables were only weakly correlated. In the same token, government rules and policy regulation was correlated with coffee export marketing performance by 0.2013; Ethiopian commodity exchange was 0.5344; agricultural practice was 0.7523; marketing channels were 0.9020, and financial institutions were correlated with coffee export market performance by 0.5604. Indeed, all independent variables addressed in this study were not only moderately but also positively correlated with coffee export market performance.

4.3.2 Diagnostic Tests

4.3.2.1 Test for Normality Assumption

To check the disturbance of the data, the paper tests one of the basic CLRM assumptions is the normality assumption. Indeed, the normally distributed data is not skewed and is defined to have a coefficient of kurtosis. We can identify the normality test via graphical probability (P-P) plot, and quantile-quantile (Q-Q) plot, or numerical methods through computing the Shapiro-Wilk, Shapiro-Francia, and Skewness/Kurtosis tests with the help of STATA automatically. The extent to which a distribution is not symmetric about its mean value is measured by Skewness and while kurtosis measures how far the tails of the distribution are. The data in this paper includes almost all the study variables, except export performance are normally distributed (see Annex-III).

4.3.2.2 Test for Multicollinearity Problems

Identifying the correlation between explanatory variables and avoiding the double effect of the independent variable from the model is detected by the multicollinearity test. The problem of multicollinearity usually arises when certain explanatory variables are highly correlated with each other, as described correlation among explanatory variables. As shown on the correlation matrix of the table, almost all correlations that have occurred among explanatory variables are remarkably weak correlations; this indicates there is no the existence of multicollinearity problem in this study. On the other hand, the problem is also identified by the variance inflation factor (VIF) (see Annex IV) of the appendix.

4.3.2.3 Test for Heteroskedasticity Assumptions

The heteroskedasticity test is one of the diagnostic tests that are conducted in this study. This is theoretically expressed as by Brooks (2008) $\text{var}() = < \infty$; it has been assumed that the variance of the errors is constant, which is known as the assumption of homoscedasticity. If the errors do not have a constant variance, they are said to be heteroskedastic. White (1980), as cited by Brooks (2008), is the most popular test of homoscedasticity. Indeed, Heteroskedasticity test results (see Annex-V) we can see that there is a heteroskedasticity problem. But, to remove such existing heteroskedasticity problems, we use (robust) standard error instead of the default STATA standard error for the model.

4.3.2.4 Test for Autocorrelation Problems

In this section of the diagnostic test that the presence of an autocorrelation problem in the OLS model is recognized. If the mean of the error terms is different from zero can raise the autocorrelation problem. The autocorrelation problem affects the validation of econometric analysis, such as the variance if the OLS estimator is affected, and then the standard errors of the transformed OLS regression become unreliable. This, in turn, causes the values of the t-ratios to be bigger than what they should be. On the other hand, the basic situation for the autocorrelation problem is that the errors do not have the expected zero mean. The presence of the autocorrelation problem affects the confidence intervals of the coefficient parameters. And therefore, wrong conclusions are made on the significance of the variables being in the study. However, the autocorrelation problem does not exist in the study model.

4.3.3 The Robust Multiple Linear Regression Results

The collected data in each of the strong including the dependent variables from the respondents, range from strongly disagree to strongly agree (i.e. 1to5). In the same way, each explanatory variables are explained by the other variables. And so, to determine the specific values of each study variable, the researcher employs the mean score of the sub-explanatory variables of the explanatory variables. Without loss of generality, we can get the continuous data. Thus, we can employ the multiple linear regression analysis estimated by ordinary least squares estimation methods. This section presents multiple linear regression results of the study. In the previous parts of the study, pre-estimation, like reliability and validity, was checked, and it is at a state of good reliability and validity for the next steps. Here, after validating it by different diagnostic tests, such as multicollinearity assumptions, and others. The regression model was free from the problem of heteroscedasticity and multicollinearity assumptions with normally distributed data. As I tried to mention in the statistical description parts of this study, the study model was regressed based on 71 observations. Indeed, the overall significance of the variables being in the study is determined by the F (6, 64) value of 149.40. In the same token, the Prob> F was 0.0000, which is less than 0.05. And the amount of variance of the role of independent variables on the dependent variable explained by the variable predictor variables of the study is 93.34 percent, which is indicated by the Pseudo R-square of the model, and the model is good to fit the study dataset (see Annex II).

Table 4.10 Multiple Linear Regression Results

Varia	Robust					
CEP	Coef.	Std. Err	t	P > t	95% conf. interval	
EMS	-.2122936	.0609175	-3.48	0.001	-.3339903	-.0905968
GOR	.084179	.0358887	2.35	0.022	0.124831	.155875
ECX	0011912	.0879673	0.01	0.989	-.1745438	.1769261
APC	-.0677144	.0768255	-0.88	0.381	-.2211909	.0857622
EMC	1.582914	.1202358	13.17	0.000	1.342716	1.823113
EFI	-.380446	.04376	8.69	-0.000	-.4678666	-.2930254
const.	-.0067551	.1692548	-0.04	0.968	.03448804	.3313702

Source: Researcher's own estimation by using STATA

The above table indicates that not all variables were statistically significant at the 95% level of confidence level. Mathematically, we have the significant variable equations as:

$$cep = -.0067551 - 0.2122936ems + .084179gor + 1.582914emc - .380446efi \dots \dots \dots (4.1)$$

4.4 Multiple Linear Regression Result Analysis

In this section, the economic relationship of the entire study variable with the dependent variable of the study is discussed based on the robust multiple linear regression model results and equation (4.1) above. Indeed, the role of the Ethiopian commodity exchange and agricultural practice was an insignificant role in Ethiopian coffee export performance during the study period. In contrast, government regulation and policy, coffee export marketing structure, and Ethiopian financial institutions have negatively and significantly affected Ethiopian coffee export performance. In the same token, marketing channels of Ethiopian coffee export have a significant and positive effect at a 95% level of confidence intervals. Ethiopian coffee export marketing performance was strongly determined by significant variables such as coffee export marketing structure, financial institutions, and marketing channels of Ethiopian coffee export. To determine the powers, the study therefore employed a percentile approach to the regression result interpretations as follows.

Effect of Marketing Structure on the Ethiopian Export Coffee Market (EMS): in fact, according to different scholar's like Abiy, 2016, Taddese, 2019 and Mohammed, 2024 the significant portion of Ethiopian coffee market is characterized as controlled by a few large exporters, high barriers to entry like capital shortages and licensing requirements, limits competition. This gives us confidence that the marketing structure hurts coffee export marketing performance. For instance, by keeping all other explanatory variables constant, a one percent of weak marketing structure reduces the ability to perform Ethiopian coffee export marketing by 21.22 percent.

On the other hand, the effect of marketing channels on the Ethiopian export coffee market (EMC): Smallholder farmers, who are the backbone of Ethiopia's coffee production, need loans from financial institutions to access inputs, technology, and other resources which in turn improve their yields and the quality of the coffee. Similarly, the other role of financial institutions to the exporters and the smallholder farmers is to create a connection with buyers and streamline the supply chain with ensuring efficient trade. But financial institutions from our country's experience, getting many of such kinds of production is impossible. Thus, in this study, financial institutions have

significantly negatively affected Ethiopian coffee export marketing performance. For instance, by keeping all other explanatory variables constant, one percent of unavailable financial services, like loans and creating connections with buyers for smallholder farmers and exporters, can reduce Ethiopian coffee export marketing performance by 3.80 percent. These study results are also supported by different researchers, such as Boansi, D., and Crentsil, C. (2013), Dahlberg, G. (2011), and Cabi (2009).

4.5 Analysis of Interview

As mentioned in the previous sections, interviews were conducted with 24 major coffee exporters guided by the research questions. From those interview questions, the key informants' suggestions and findings are summarized as follows.

- Based on the findings of respondents regarding agricultural practice, Ethiopian agricultural practice, particularly export coffee production ability to meet international buyer demands is affected by harvesting times, certifications, post-harvesting handling, improved seed and planting materials, infrastructure and logistics, market access, and trade policies. These factors impact the coffee export market performance via the quality, quantity, and marketability of products. Indeed, many of the smallholder farmers in Ethiopia still rely on traditional harvesting practices, which can lead to lower yields and inconsistent quality compared to modern methods. Thus, inadequate harvesting techniques for spices can lead to lower quality and impact Ethiopia's competitiveness in the global market. The actors of coffee exporters can easily be certified as internationally accepted.
- Respondents also asked about the marketing chain challenges and replied, in the Ethiopian coffee marketing chain, there is no marketing chain stage that is free from challenges. Among many challenging factors; to list some challenges that affect Ethiopian coffee export market chains are quality of coffee product, climate change, traditional agriculture, deforestation, limited access to credit, strong international competition, lack of value addition, informal traders, coffee product global price fluctuations, infrastructure, and market access of coffee productions.
- Respondents also asked questions regarding to Ethiopian coffee export market channels; and replied that the channel is failing on channel selection, market access, brand perception, value addition, price and market dynamics, cost-effectiveness, digital marketing, logistics, and distribution.
- A good marketing structure plays a crucial role in coffee export performance. In Ethiopia, for centralized exchange, direct trade opportunities, and a focus on quality are the good

strengths of ECX, but it has weaknesses, like price volatility, traceability, quality control challenges, inadequate infrastructure, and others.

- Based on the respondents' findings, to increase the export performance production, improve infrastructure, and promoting quality and value additions like specialty coffee production, investing in agricultural technology, using advanced technological equipment's to control the coffee process to promote transparency to buyers, strengthening cooperatives, and facilitating access to global markets should be the main support of government and other related institutions. Other institutions can also support the exporter via capacity building, policy reforms, and research and development.
- From many of the respondents and also the recent data confirmed that coffee remains a crucial export for Ethiopia, but its dominance is declining due to other growing export sectors, global significance, government regulation, bureaucracy, and volatile global markets.
- Respondent also suggested that the government should further refine and implement policies by reducing bureaucracy and simplifying export procedures.

CHAPTER FIVE

5 CONCLUSIONS AND RECOMMENDATIONS

In this chapter, the main elements of the study, including key findings, are briefly summarized in the conclusion. Based on the major findings, appropriate recommendations are logically provided.

5.1 CONCLUSIONS

In Ethiopia, coffee plays a vital economic role as the leading export, contributing the largest portion of foreign exchange earnings and supporting the livelihoods of millions of Ethiopians, primarily smallholder farmers, and agricultural income for around 84 % of the country's population. However, varieties of relevant factors downstream from input supply and use, agricultural methods, trust among value chain participants, governance, marketing, and their interdependency, among others, impact the functioning of the coffee value chain.

And therefore, in this study, the main objective was to analyse the major factors and actors affecting coffee export marketing performance. Parallel to this, the paper also specifically tried to answer the following research questions: To what extent do coffee agricultural practices affect Ethiopian coffee export performance? What is the role of the Ethiopian commodity exchange on the coffee export performance in Ethiopia? How much is the effect of marketing channels on Ethiopian coffee export performance? How much is the effect of marketing structure on Ethiopian coffee export performance? Do commercial banks affect coffee export performance? Does a government regulation affect Ethiopian coffee export performance? The target population of the study has been selected from major coffee exporters found in Addis Ababa.

To achieve this general as well as specific objective within the specified scope of the study, enough data was collected from 71 respondents through questionnaires. The questionnaires were prepared directly related to explanatory variables of the coffee export marketing performance in Ethiopia, and a structured purposive sampling technique was employed to select the sample of the population. Each of the explanatory variables in this study was also explained by other sub-explanatory variables via ordinal numbers from 1 (strongly disagree) to 5 (strongly agree). However, to determine the specific value of the explanatory variable, the study used the mean

score of its sub-explanatory variable. And thus, getting a continuous numerical value on each of the explanatory variables is not a difficult task.

The reliability of the collected data was checked by Cronbach's Alpha and indicates a high level of internal consistency of research instruments. Similarly, another Pre-test of the questionnaire, called a pilot test, was carried out in nine exporters that were not selected for the final study. And thus, questions were well defined and clearly understood. After describing the data statistically for creating the overall look's the paper employed multiple linear regression estimated by the ordinary least squares (OLS) estimation methods for scientific conclusions.

Therefore, after describing the data statistically for creating an overall look, the paper employed the ordinary least squares (OLS) estimation methods for scientific conclusions. From statistical descriptions, more than half of the respondents performed poorly in their coffee export because of marketing structure, marketing channels, and financial institution-related factors. From the correlation analysis, all variables were positively correlated with Ethiopian coffee export performance. On the other hand, in the econometrics model, estimator validation involves a range of post-estimation steps. The OLS estimation model, even if it was free from multicollinearity and autocorrelation with normally distributed data, but it was suffered from heteroskedasticity problems. Indeed, the problem was accurate alternatively by robust regression methods. Not all other explanatory variables of the study such as coffee market structure, Ethiopian commodity exchange, government policy and regulations, agricultural practices of coffee production, export market channels and financial institutions were statistically significant and have the power to explain coffee export performance in Ethiopia's which is the dependent variable of the study at 95% level of confidence intervals. However, Ethiopia's coffee export performance was strongly affected by the export market channel, financial institutions, and market structure.

From the key information, the researcher gets basic findings such as that a good marketing structure plays a crucial role in coffee export performance. In Ethiopia, for centralized exchange, direct trade opportunities, and a focus on quality are the good strengths of ECX, but it has weaknesses, like price volatility, quality control challenges, inadequate infrastructure, and others.

5.2 RECOMMENDATIONS

Based on the major findings and conclusions of the study, the following recommendations are forwarded to the management and other stakeholders.

- To create effective marketing channels, stockholders must optimize reach, enhance brand perception, improve market access, and ultimately drive sales and revenue.
- If the stockholders and the Ethiopian government want to improve coffee export performance, and share should improve coffee quality by focusing on the specialty coffee sector, exploring new markets, and investing in value-added processing, which can help Ethiopia capitalize on its coffee export potential. Addressing challenges related to climate change and export financing is also vital for the long-term sustainability of Ethiopia's coffee export sector.
- In order to reduce marketing chain challenges, the stakeholders should invest in infrastructure, promote sustainable farming practices, strengthen market linkages, support innovation and research, enhance branding and promotion, provide credit and financial support to smallholders, invest in education and extension services, and develop a comprehensive coffee strategy.
- If the stakeholders, particularly the smallholder farmers, want to produce valuable export coffee products should change their agricultural practice by harvesting at the optimal time of maturity and reducing inconsistent harvesting practices, which can result in products that are not mature enough or have been over-ripened, impacting flavor and shelf life. And also, they should promote transparency and traceability to increase buyers' willingness to buy their coffee and to get the premium price. In the same way, concerned bodies must meet international buyers' requirements, including specific certifications, such as organic, fair trade, or GAP (Good Agricultural Practices), to ensure quality and ethical sourcing.
- If the stakeholders want to enhance the export performance of Ethiopian coffee, marketing structural and government policy reforms are needed to encourage a more aggressive, transparent market structure and entry barriers. This could involve policies that support smallholder farmers, improve infrastructure, and encourage greater participation of private sector actors in the coffee trade.

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APPENDENCE

Appendix I: Questionnaires

ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MANAGEMENT

Questionnaires to be filled by Exporters, corporate unions, and government officials

Dear Respondents:

This questionnaire is prepared for the partial fulfillment of collecting information on **‘Coffee Marketing Chain Analysis towards export performance in Ethiopia**. Your honest response is a very important input to my thesis. I want to assure you that your privacy in responding to this questionnaire is completely kept secret. I know that your time is valuable, and I hope that you will take the time (an estimated 10-15 minutes) to complete the questionnaire. Please read each statement carefully and decide the answer that you will give. Please tick (✓) on one appropriate box or number that best suits your perspective for each statement. Thank you very much in advance.

Sincerely Yours

Hiwot Worku

Gmail: naninewor@gmail.com

General Instruction

- ✓ There is no need to write your organization's name
- ✓ Your participation is completely based on your volunteer
- ✓ In all cases where answer options are available
- ✓ And please make a note in the appropriate box or number

Part I: Traders' Characteristics

1. Name of organization (Optional) _____
2. Year of your business establishment _____
3. Source of Initial Capital of Establishment _____
 - 3.1 Bank loan
 - 3.2 Own
 - 3.3 Own and loan
 - 3.4 Borrow
4. Did you start coffee export?
 - 4.1 Yes
 - 4.2 No
5. Which business type are you?
 - 5.1 Producer & Exporter
 - 5.2 Collector & Exporter (Cooperative, Union)
 - 5.3 Exporter
6. For how many years have you been involved in coffee export?
 - 6.1 1 – 4 years
 - 6.2 5 – 7 years
 - 6.3 8 – 10 years
 - 6.4 11 – 13 years
 - 6.5 14 years and above

Part II: Questions Related to Study Variables and Directions

Directions: Please check (√) and rate honestly based on what you have been given the statements using the following scales. Note that; 5 = Strongly Agree; 4 = Agree; 3 = Neutral; 2 = Disagree; and 1 = Strongly Disagree

1. Agricultural Practices of Coffee Production on the Ethiopian Export Coffee Market		Rating				
		1	2	3	4	5
1	Coffee production inputs (seedlings, fertilizer, pesticides, labor, etc) are sufficiently available					
2	Currently, Coffee Picking practices are mechanized (supported by tools and machines, etc)					
3	Farmers produce Coffee efficiently (low cost of producing and high turnover of selling Coffee)					
4	Coffee types/varieties that meet customer demand are available in Ethiopia					
5	There is enough production of Coffee every year					
2. Role of Ethiopian Commodity (ECX) in Ethiopian Export Coffee Market		Rating				
		1	2	3	4	5
1	The quality standard implemented at ECX reflects the actual quality of Coffee					
2	Ethiopia's Coffee captures a premium price on the world market					
3	Price information of Coffee disseminated by ECX is accessible and Reliable					
4	ECX encourages the production of high-quality Coffee					
5	Ethiopia's Coffee captures a premium price on the world market					
3. Effect of Marketing Channels on the Ethiopian Export Coffee Market		Rating				
		1	2	3	4	5
1	Coffee trading market channels enhance their productivity					
2	Farmers, traders, and exporters can fully reach the Coffee market Target					

3	Coffee marketing channels are fully integrated, and information is always available					
4	In our country, Ethiopia, there a clear market channels for coffee export					
5	We have a strong connection via marketing channels with foreign buyers and agents.					
4. Effect of Marketing Structure on the Ethiopian Export Coffee Market		Rating				
		1	2	3	4	5
1	We understand the structure of the foreign market and how the market operates.					
2	Our firm keeps track of our competitors found in foreign countries and their marketing activities					
3	We actively promote our products by participating in local and international fairs, sending e-mails to possible buyers, etc.					
4	Language and cultural differences with our buyers have been managed successfully.					
5	Overall, we are satisfied with our marketing structure efforts					
5. Effect of Financial Institutions on the Ethiopian Export Coffee Market		Rating				
		1	2	3	4	5
1	Financial institutions in Ethiopia (Banks, both private and Government; Credit & Saving Institutions) encourage modern farming of Coffee by providing the necessary loans and subsidies					
2	Coffee trade actors: farmers, suppliers, exporters, and processors can get access to finance to run coffee-related tasks like production, transportation, and marketing					
3	Financial institutions like Banks and Credit and savings institutions provide enough credit to run the business					
4	Financial institutions like Banks and Credit & savings institutions are available and accessible in proximity to Coffee farmers, suppliers, exporters, and other market actors					
5	Investments in Coffee mechanization, production, processing, and marketing are encouraging in Ethiopia					
		Rating				

6. Government Regulation on Ethiopian Coffee Export		1	2	3	4	5
1	There is proper government regulation in place that contributes to adequate supply of inputs					
2	There is favorable regulation in place that improves market efficiency at The output side					
3	Coffee growing areas have full attention and support from the concerned Government body					
4	The current proclamation of Coffee value addition fully accommodates its Potential					
5	There is a supportive policy in place to improve the volume and quality of Coffee in Ethiopia					
7. Ethiopian Coffee Export Market Performance		Rating				
		1	2	3	4	5
1	Our firm's exports achieved rapid sales growth.					
2	Our exporting has improved the firm's international competitiveness.					
3	Our exporting has significantly increased the firm's international market share.					
4	Overall, our exporting performance resulted in our firm's growth.					
5	Overall, the firm's export venture has been successful.					

Appendix II: Key Informant Guidelines

The following questions are guidelines for the key informants.

1. Which agricultural practices influence your ability to grow export performance?
2. What are the main challenges you face at each stage of the coffee marketing chain, from production to export?
3. How do you think the coordination and communication among different actors in the coffee marketing chain could be improved?
4. From your company's experience, how significant is the role of marketing channels in influencing Ethiopia's coffee export performance?
5. What key strengths or weaknesses in Ethiopia's coffee marketing structure most impact your export success based on ECX regulations, direct trade options, and other areas?
6. In your opinion, what role should the government and other institutions play to enhance the efficiency and competitiveness of Ethiopia's coffee export sector?
7. How does the overall export performance, in particular the coffee export performance of Ethiopia?

Appendix III: Multicollinearity Test (VIF)

. vif

Variable	VIF	1/VIF
emc	6.46	0.154791
apc	4.47	0.223711
ems	3.84	0.260381
ecx	2.77	0.361201
efi	1.60	0.626779
gor	1.05	0.951035
Mean VIF	3.36	

Appendix IV: Heteroskedasticity Assumptions

. hetttest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
 Ho: Constant variance
 Variables: fitted values of cep

chi2(1) = 2.57
 Prob > chi2 = 0.1086

Appendix V: Normality Assumptions

. swilk cep ems gor ecx apc emc efi

Shapiro-Wilk W test for normal data

Variable	Obs	W	V	z	Prob>z
cep	71	0.97112	1.798	1.277	0.10085
ems	71	0.99702	0.185	-3.667	0.99988
gor	71	0.99131	0.541	-1.336	0.90925
ecx	71	0.98948	0.655	-0.920	0.82116
apc	71	0.98137	1.160	0.323	0.37348
emc	71	0.97449	1.588	1.007	0.15702
efi	71	0.97638	1.471	0.840	0.20049

Appendix VI: Multiple Linear Regression Result

. reg cep ems gor ecx apc emc efi

Source	SS	df	MS	Number of obs	=	71
Model	26.0425647	6	4.34042745	F(6, 64)	=	149.40
Residual	1.85940602	64	.029053219	Prob > F	=	0.0000
				R-squared	=	0.9334
				Adj R-squared	=	0.9271
Total	27.9019707	70	.398599581	Root MSE	=	.17045

cep	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
ems	-.2122936	.0566831	-3.75	0.000	-.325531 - .0990561
gor	.084179	.0382079	2.20	0.031	.0078499 .1605082
ecx	.0011912	.0741229	0.02	0.987	-.1468863 .1492686
apc	-.0677144	.0782848	-0.86	0.390	-.2241062 .0886775
emc	1.582914	.1000502	15.82	0.000	1.383041 1.782788
efi	-.380446	.0489599	-7.77	0.000	-.4782546 -.2826374
_cons	-.0067551	.1595424	-0.04	0.966	-.3254776 .3119674

Appendix VII: Multiple Linear Regression Robust Result

```
. reg cep ems gor ecx apc emc efi, robust
```

```
Linear regression      Number of obs   =      71
                      F(6, 64)           =     206.32
                      Prob > F          =      0.0000
                      R-squared         =      0.9334
                      Root MSE       =      .17045
```

cep	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
ems	-.2122936	.0609175	-3.48	0.001	-.3339903	-.0905968
gor	.084179	.0358887	2.35	0.022	.0124831	.155875
ecx	.0011912	.0879673	0.01	0.989	-.1745438	.1769261
apc	-.0677144	.0768255	-0.88	0.381	-.2211909	.0857622
emc	1.582914	.1202358	13.17	0.000	1.342716	1.823113
efi	-.380446	.04376	-8.69	0.000	-.4678666	-.2930254
_cons	-.0067551	.1692548	-0.04	0.968	-.3448804	.3313702

Appendix: Correlation Analysis

```
. corr
(obs=71)
```

	cep	ems	gor	ecx	apc	emc	efi
cep	1.0000						
ems	0.5604	1.0000					
gor	0.2013	0.0270	1.0000				
ecx	0.5344	0.7823	0.1303	1.0000			
apc	0.7523	0.6084	0.1323	0.5746	1.0000		
emc	0.9020	0.7680	0.1265	0.6859	0.8664	1.0000	
efi	0.2374	0.5243	0.0683	0.4636	0.5651	0.5442	1.0000