
**COLLEGE OF BUSINESS AND ECONOMICS SCHOOL OF COMMERCE**

**DEPARTMENT OF MARKETING MANAGEMENT**

**POST GRADUATE PROGRAM**

# DETERMINATES OF SPECIALTY COFFEE COMPETITIVENESS: THE CASE OF ETHIOPIAN SPECIALTY COFFEE EXPORTER

**A Thesis Submitted To the Department of Marketing Management, In Partial Fulfillment for the Requirement of the Award of Degree of Masters of Arts (MA) In Marketing Management**

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DEPARTMENT OF MARKETING

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# Determinates of specialty coffee competitiveness: the case of Ethiopian specialty coffee exporter

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## LETTER OF CERTIFICATION

Certify that Rekik Haile has carried out her project work on the topic of "Determinates of specialty coffee competitiveness: the case of Ethiopian specialty coffee exporter" under my supervision. This work is original, and it is suitable for Submission in partial fulfillment of the requirement for the award of a Master's Degree in Marketing Management.

_____ _____

Dr. Hailemariyam Kebede (Advisor) Signature

_____

Date

## DECLARATION

I, Rekik Haile, declare that this project work entitled “Determinates of specialty coffee competitiveness: the case of Ethiopian specialty coffee exporter” is my original work. I have carried out it independently with the guidance and suggestions of the research advisor. Moreover, it has not been presented in Addis Ababa University or any other University.

_____ _____

Rekik Haile Signature (Researcher)

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## ***Abstract***

*The study's general objective is to examine the specialty coffee export competitiveness and determinants of Ethiopian specialty coffee competitiveness. In this study, the researcher examines the effect of quality, traceability, cost of production, and certifications on specialty coffee competitiveness. For data sources, the researcher used primary and secondary data in a quantitative approach, and the data design is explanatory. The data gathered using structured close-ended questionnaires and organized in tables and changed into frequency and percentage. Then it classified and tabulated. MS-Excel uses for performing charts to show results, and SPSS used to analyze data. The data were collected through a self-administered questionnaire, which distributed for 50 responses and out of these 44 respondents reply back. After that, the data was checked through testes like; Reliability by Cronbach's alpha coefficient. Data analysis was done using descriptive analysis, correlation, regression, and one-way ANOVA using SPSS 25 Version. The Pearson correlation coefficient used in the study signifies that all independent variables and the dependent variable have strong positive relationships with one another. The result from regression analysis concludes that all Quality, Traceability, cost of production, and Certifications that list have a significant influence on specialty coffee export and positive influence except the cost of production. The results are useful in identifying the influential components of specialty coffee export competitiveness, helping increase production and export volume capacity.*



***Key Words: Specialty coffee, Competitiveness, Quality, Traceability, Cost of Production, Certification***

## ACRONYMS

- EIPO- Ethiopia intellectual property office
- ECX- Ethiopian exchange commodity
- SCAA- Specialty coffee association of America
- SPSS- Statistical package for social science
- SMBC- Smithsonian Migratory Bird Center

# Contents

# LIST OF TABLES

## LIST OF FIGURES

# CHAPTER ONE
# INTRODUCTION

## 1.1. Background of the study

Globalization is a process of international integration, and its development is due to increased exchange of products and services. International trade is supported by globalization's process, with a market beyond the borders of the home country. International trade refers primarily to trade in goods and services across the border of a country. Multinational companies play an essential role in international trade development, among other factors, such as globalization and outsourcing (Surugiua & Surugiua, 2015).

International competitiveness is often used in analyzing countries' macroeconomic performance. It compares, for a country and its trading partners, several salient economic features that can help explain international trade trends. This concept encompasses, first of all, qualitative factors or factors that do not lend themselves readily to quantification. Thus, the capacity for technological innovation, degree of product specialization, the quality of the products involved, or the value of after-sales service are all factors that may influence a country's trade performance favorably. Likewise, high rates of productivity growth are often sought as a way of strengthening competitiveness (Durand & Giorno , 1987).

The competitiveness of domestic products at the regional or global market is one of the cornerstones of a country’s international competitiveness. In this regard, the assessment and analysis of the competitiveness of a country’s international trade become an important issue. Thus, the development and diversification of the export potential of the country are viewed as one of the most important directions of the international trade policy of the given country. Therefore, another critical task is the specialization of the country in the most efficient and competitive segments of the economy. The circumstances mentioned above embody the fact that the role of a quantitative assessment of potential competitive advantages is essential, as it allows determining the extent to which certain factors influence the formation of export capacity in the country (Sargsyan, 2018).

In many developing countries, there is often deficient domestic demand, so exports remain one of the few channels that, in the long run, significantly contribute to higher income per capita

growth rates of a country (Heiko hesse, 2008). Trade areas can provide benefits such as a higher rate of economic growth, improved living standards. However, also another situation may exist if not all countries benefit equally from globalization. Thus, for developing countries, the benefits may relate to aspects that emphasize improved access to global markets for the products of these countries, improvements in the access to technology (Surugiua & Surugiua, 2015).

Coffee is one of the primary commodities that are widely commercial in the world nowadays. It becomes an essential commodity in global trading because almost all countries in the world are involved in coffee trading in the international market. Most developed countries are involved as consumers while developing countries involved as producers (Ismail , et al., 2017). However, the marketing of coffees as sustainable is a relatively new idea for the coffee industry. For less than two decades, they have been typically available in minimal quantities from a handful of countries. In the past, these coffees were inconsistent in both their quality and availability. Sales growth occurred almost exclusively within a relatively small core market of specialty retailers, social organizations, and cause-conscious consumers. In the last few years, this has begun to change dramatically, and these coffees are now at a crossroads with many opportunities in new, high-volume distribution channels (Giovannucci & Koekoek, 2003).

The specialty coffee industry represents an opportunity for coffee producers. In this high-value niche market, coffee becomes a product differentiated by quality, flavor, origin, and even intangible attributes such as social and environmental sustainability. The final price is much higher and more stable; therefore producers can capture more value in a more reliable way (Borrella, et al., 2015).

Firms indicate that an increasing number of countries now supply specialty coffees. The vast majority come from Latin America, where two countries stand out as the dominant providers: Mexico and Peru. All of the Central American producers are increasing their participation as are the Latin American giants, Colombia, and especially Brazil. A late starter in this field, Brazil quietly began exporting organics in the 1990s and by 2004 will likely be one of the top producers rivaling Mexico's leadership in this category. Uganda, Ethiopia, and Tanzania lead the way in Africa while India, Indonesia, Papua New Guinea, and East Timor are the major Asian suppliers of sustainable coffees (Giovannucci & Koekoek, 2003).

Ethiopia stands in respect not only as of the origin of coffee Arabica (Arabica coffee), a significant producer, exporter and also the highest consumed product (variety) in Africa. Under the importance of the crop in diets and culture of the populace, contribution to poverty reduction, and importance in earning foreign exchange, several policy measures under different regimes have been devised and implemented on both Marxist and non-Marxist ideologies towards developing the subsector. Each of such measures has contributed in part to the dramatic changes undergone by the coffee subsector over the past five decades (David & Christian, 2013).

Ethiopia was well-positioned to explore possibilities presented by the rise in demand for specialty coffees with its vast range of genetic variation. It is acclaimed high-grade Arabica coffee, and local knowledge of production, the country could seek to capture part of the retail price, which would raise export earnings and farmers' incomes. With such a strategy, vulnerabilities to the global market price and its volatility would keep at a minimum, and greater control exercised over distribution. One path leading to this end was to explore the potential of intellectual property rights for Ethiopia's fine coffees (Sereke-Brhan, 2010).

Ethiopia's intellectual property office began developing a partnership designed to lead to a more significant share for Ethiopia's coffee growers of the high retail prices fetched by their Harrar coffee, Sidamo coffee, and Yirgacheffe coffees. The newly formed Ethiopian fine coffee stakeholder committee, consisting of cooperatives, private exporters, and the Large scale farmer exporter, as well as other government entities, moved to achieve full recognition of the distinctive qualities of these coffees as brands. And so position them strategically in the expanding specialty coffee market; while at the same time protecting Ethiopia's ownership of the names (UNDP, 2012). Ethiopia is one of coffee producer and exporter country with different variety nature and quality because of that Ethiopia still holds much respect in the global coffee market in both commodity and Specialty market. As to whether the country can stand the test of time given anticipated increases in world price of coffee over the next decade and the accompanying intensification of competition on the supply-side with emergence of new producers and exporters country of specialty coffee is yet to be studied. To mitigate any adverse future influences from competition on the world specialty coffee market that could impede attainment of national development goals in the specialty coffee market, including income generation and poverty reduction to the farmer, ensure effective and efficient contribution of the

country to world green specialty coffee production and exports, there exists a strong case to assess its past and current performance in export of the specialty coffee.

## 1.2. Statement of the problem

Coffee becomes today is one of the leading marketable commodities next to oil; qualified professionals are seriously investigating the quality of coffees because they know that the district flavors and character of coffee to safeguard consumers demand and interest in today's market challenge. For example, the specialty markets of coffee are paying the premium price for the specialty preparation of coffee, keeping its original types (Belay, et al., 2016).

Based on the results of the specialty grade evaluation, the perception by the exporter Ethiopian Exchange of a commodity (ECX) Ethiopia and importer (Efico) Belgium showed distinction, Efico was able to separate 94% of the samples in specialty grades compared to the amount done by ECX for the same replicates of coffee samples, which amounted to 47%. The result showed that ECX has been underestimating the specialty coffee grades in the country, resulting in a lower payment to the primary producer (farmers) and the country as well as the inability to discover new specialty coffees in the country (Mintesnot, et al., 2015)

However, this is challenging to be competitive in specialty coffee, discourage the exporters not to involve more in specialty coffee. Also, it is a factor for Ethiopia not to get more specialty coffee origin. Adequate quality is undoubtedly an essential component of a farmer's ability to be competitive, and minimum quality standards are a baseline necessity. Commodity markets may require a minimum quality but similarly do not reward superior quality. Even when superior quality coffees are rewarded, this economic benefit is not necessarily translated into improved social or environmental benefits that are the other two pillars of sustainability. So while a quality output is essential, it is equally important to consider the process of production and trading relationships in order to improve sustainability (Giovannucci & Koekoek, 2003).

Small changes of quality attributes, driven by altitude, shading, and harvest periods, can cause substantial switches in grade one quality versus grade 2 quality classifications. This quality segmentation affects coffee bean price and farmers' competitiveness in international markets (Tolessa, et al., 2016).

Being certified by fair trade, organic certifier, and other certifications is good to be competitive for specialty coffee exporters. According to pierrot , et al., (2012), demand for specialty coffee in the quality of organic coffee is not necessarily better than that of conventional coffee; the market for organic coffee is increasingly demanding higher quality, which is why organic coffee positioned in the specialty segment.

According to pierrot , et al., (2012), it is impossible to give a precise indication of the cost of certification. It depends on the time needed for preparation, travel, inspection, reporting and certification, and the fees the certification organization charges. Local certifiers (i.e., those established in the same producing country or region) are usually, but not always, cheaper than the international agencies. However, local certifier cates are not necessarily or easily recognize by importing countries, so their validity has to check carefully. Several international certifiers have branch offices in producing countries, and locally employed staff carries out inspections at a lower expense than external personnel.

The major obstacles are the absence of a traceability system and that compliance with social and environmental standards cannot be guaranteed. While it is technically feasible to adjust ECX procedures, this will require considerable investments (Mheen-Sluijer, 2010). All the steps in the chain should, therefore, documented and administered in a way that makes it possible to trace back the origin of the product from one step to the next (track and trace), ensuring that no contamination with conventional coffee has occurred. This traceability minimizes the risk of fraud at all stages and is a significant part of the inspection process by certifying organizations. However, exporting a lack of traceable coffee will also be challenging to be competitive in specialty coffee export (Pierrot , et al., 2012).Therefore, this study tried to identify the significant determinants of specialty coffee competitiveness in terms of four variables quality, traceability, cost of production, and certification. Quality is a significant thing for the coffee industry, so Ethiopia is a significant quality Arabica coffee exporter working and produce with a full potential can specialty coffee be competitive. However, to produce grade one specialty coffee, the production cost is not similar to commercial coffee. Coffee certification is a support to be competitive in specialty coffee; it helps promotion and a higher price payment. However, certification by itself has a higher payment cost plus other country certifiers control it. There is a shortage of local coffee certifier organizations that understand the country well. Traceability is another significant thing in specialty coffee export competitiveness. Buyer countries are asking

the origin of the coffee also the farmer to but in Ethiopian traceability difficult. From the researcher's perspective, since Ethiopia has an excellent coffee, why can specialty coffee exports be competitive, those variables are the significant determinants.

The aim of this current study is assessing the reason Ethiopia do not export a better volume of specialty coffee with a better production capacity, the impact of the variables in specialty coffee export competitiveness and also showing what are exporters will expect while involving in the specialty coffee market. Moreover, the study try to show the role of market institutions such as the state of exporters' resources and competitiveness in international marketing, the effect of Ethiopia's coffee quality, Certification and Traceability system in the international market.

## 1.3. Research questions

The research questions that need to be addressed include the following:

- How does quality affect specialty coffee export competitiveness?
- How does coffee traceability affect specialty coffee export competitiveness?
- How does the cost of production affect specialty coffee export competitiveness?
- How does certification affect specialty coffee export competitiveness?

## 1.4. General objective of the study

The general objective of the study was to determine specialty coffee competitiveness: in the case of Ethiopian specialty coffee exporters.

### 1.4.1. The specific objective of the study

- To examine the effect of quality influence on specialty coffee export competitiveness.
- To analyze the influences of specialty coffee traceability on export competitiveness.
- To identify the cost of production, affecting specialty coffee export competitiveness.
- To identify the certification effecting on specialty coffee export competitiveness.

## 1.5. Significance of the study

The significance of the contribution the study was corresponding individuals, which includes helping in identifying the determinants that currently considered as a gap in the specialty coffee

competitiveness, helps the researcher to be equipped with necessary skills and techniques to assess procedures. The study has a theoretical contribution to the area of specialty coffee competitiveness. Furthermore, the study will give insight theoretical contribution in the area of specialty coffee export for those who will involve in the export activity other for future researchers who have a plan to research the subject of specialty export competitiveness.

## 1.6. Scope of the study

This study is restricted only on showing' factors affecting the competitiveness of Ethiopian specialty coffee export. The study's conceptual scope is limited to quality, traceability, cost of production, and certification effects on specialty coffee export competitiveness. The study was conducted on specialty coffee exporters and on delegated administrative higher-level management staffs that have a relation with coffee export activities. The scope of the study is limited to Addis Ababa, the capital city of Ethiopia. This geographical limitation is not only chosen because of time, access, and cost restriction but also it is believed that a considerable number of head offices of the exporters are available in Addis Ababa. The researcher used the explanatory research design together with the quantitative research approaches. A primary and secondary source of data was used, and the researcher used a questionnaire method of data collection.

## 1.7. Definition of terms

The operational definitions adopted from different references the researcher used under this study.

- **Competitiveness: -** the ability of nations to create and maintain an environment in which enterprises can compete, the ability of an economy to manage the totality of its resources and competencies to increase the prosperity of its population (Schwab & Sala-i-Martín, 2013).

- **Specialty coffee:-**originated in the United States. It initially used to describe the range of coffee products sold in dedicated coffee shops in order to differentiate these coffees from coffee generally available through supermarkets and other retail outlets (Pierrot , et al., 2012).

- **Traceability;-** the ability to identify and trace the history, distribution, location, and application of products, parts, and materials to ensure the reliability of sustainability claims in the areas of human rights, labor(including health and safety), the environment and anti-corruption (UN, 2014).

- **Quality coffee: -** the quality of a parcel of coffee comes from a combination of the botanical variety, topographical conditions, weather conditions, and the care taken during growing, harvesting, storage, export preparation, and transport (Pierrot , et al., 2012).

- **Certification: -** guarantees (through a certificate) that specific rules and regulations of voluntary standards met in a particular environment like an individual producer, producer group, cooperative, or even region (Pierrot , et al., 2012).

- **Fairtrade** is a certification programmer that all smallholders' organizations and roasters who satisfy the criteria can join. However, in the end, success in the retail market depends on consumer support (Pierrot , et al., 2012).

- **Organic** agriculture means holistic production management systems that promote and enhance agro-ecosystem health, including biodiversity, biological cycles, and soil fertility organic production systems based on specific and precise production, processing, and handling standards (Pierrot , et al., 2012).

## 1.8. Organization of the study

The paper was organized into five broader sections. The first chapter presented the introduction part of the study where background, statement of the problem, both general and specific objectives of the study, research questions, significance of the study, the scope of the study, limitation of the study, definition of terms, and organization of the study. The second chapter was to be a review of related works of literature in empirical and theoretical review, conceptual framework, and hypothesis summary. The third chapter was the research methodology. The fourth chapter was the presentation, analysis, and interpretation. Moreover, finally, the last chapter consists of the summary, conclusion, and recommendation.

# CHAPTER TWO

# LITERATURE REVIEW

This chapter presents a review of related literature that has been critically studied and selectively adopted for this study. Relatively rich scholarly works, including journal articles, book chapters, management reports, and periodicals as well as professional complements, were considered relevant sources of the reviewed literature. This unit has two primary sub-units, theoretical, and empirical review. The first is to review the theories associated with the research questions in order to provide readers with an understanding of the theoretical domain. The second purpose is to relate the research questions in empirical evidence, conduct the analysis, and, finally, achieve solutions to the research questions.

## 2.1. Theoretical literature review

### 2.1.1. Competitiveness

The main rival to the productivity-based definition of competitiveness is the market share''-based definition. It defines competitiveness as the ability to sell on international markets and is fundamentally concerned with the sustainability of an economy's overall external balance. While the external balance is essential, especially for international financial institutions, it is critical to understand that exports not automatically indicative of underlying prosperity or productivity because an economy's real exchange rate drives them (Ketels, 2006).

Competitiveness derives from the creation of the locally differentiated capabilities needed to sustain growth in an internationally competitive selection environment such capabilities are created through innovation, and because capabilities are varied and differentiated. Since the creative learning processes for generating capabilities are open-ended and generally allow for multiple potential avenues to success, a range of different actors may improve their competitiveness (Fagerberg, et al., 2009).

According to Durand & Giorno, (1987), the concept of international competitiveness is often used in analyzing countries' macroeconomic performance. It compares several salient economic features for a country and its trading partners, that can help explain international trade trends. This concept encompasses, first of all, qualitative factors or factors that do not lend themselves readily to quantification. Thus, the capacity for technological innovation, degree of product

specialization, the quality of the products involved, or the value of after-sales service are all factors that may influence a country's trade performance favorably. To be competitive, the country's need to have better quality, technology, and specialized products in every sector in both good and service sector; meanwhile the countries can have a better economic condition.

According to kharlamova & vertelieva, (2013) the competitiveness of a country was characterized by mechanisms of conditions and resource formation existing in it that contribute to solving national security problems, economic development, and improving people's lives. The state has non-economic institutions that are as efficient as economic ones like political and cultural (in the view of its impact on economic processes inside a country). It may be regarded as competitive and has enormous potential not only for competitive advantage at the global market but as well as the benefits associated with the distinguishing functioning of the political, cultural, and social systems.

According to Ramadani & Gerguri, (2011) innovations represent an activity of creating a new product or service, new technologic process, new organization, or enhancement of existing product or service, existing technologic process and existing organization.

Innovation is a decisive sum game that consists of the efforts often of many to develop new fields of value creation. In which on average, the complementarities or spillovers between innovators tend to outweigh negative feedback or substitution effects, even if there are generally at least some actors that lose ground or fail. The necessary conclusion is that efforts to promote competitiveness through innovation can rarely be understood in isolation from what others are achieving at the same time. This applies whether we are speaking of countries, of national groups of firms in an industry, of sub-national regions, or individual companies. Indeed, it is worth emphasizing that the degree of interaction between innovators in search of competitiveness has tended to rise substantially historically, and has attained new heights in recent years (Fagerberg, et al., 2009).

Globalization is an objective process aimed primarily at implementing the requirements of international competition and making quantitative and qualitative changes in the competitive environment of the countries with both positive and negative effects. First, it reinforces the need for a new economic system based on the market economy and thus actualizes the role of competition in general; second, it contributes to the intensification of competition; and third, it

dictates a severe competition, and as a result, modifies the competitive relationship (Kharlamova & Vertelieva, 2013). According to balkyte & tvaronavičiene, (2011), globalization, economic dynamism, social progress, sustainability, and competitiveness go hand-in-hand. Competitiveness should be underpinned by a broad vision for the economy and society. Economic growth should benefit everyone, and nobody should be left behind.

At the global level, international economic organizations take increasing competitiveness of nations as a prerequisite for the stability and growth of the global economy and the deeper integration of the developing economies in the international economic flows. Companies and the general population pay particular attention to the international comparison of nations' competitiveness with the aim of both rapidly identifying business opportunities. They have a more precise understanding of their nation's relative welfare status, which, in turn, helps them shape their expectations from governments' policies (Voinescua & Moisoiu, 2015).

According to porter (1990), the first implication concerns the need for competitiveness policy to be based on a new model of cooperation between the public and the private sector. In an ever more globalized economic environment, economies face various competitiveness related risks and opportunities. The intensity and directions of goods, services, labor, and capital flow between open economies have increased and become more unstable with positive outcomes for some and negative for other economies and nations. National policymakers have been paying increasing attention to various international competitiveness rankings and aim at improving their country's relevant policies in the quest for competitiveness gains (Voinescua & Moisoiu, 2015).

Firms in developing countries face many constraints that prevent them from unlocking their trade potential: in addition to policy considerations. Factors like gateway infrastructure, standards, and certification, and sector-level coordination in marketing and logistics all play a critical role in determining the competitiveness of individual exporting firms. Identifying and prioritizing these constraints can help policymakers choose appropriate policy levers to address those (Farole, et al., 2010),

Trade and exports can be a powerful instrument for economic growth and poverty reduction. Likewise, high rates of productivity growth are often sought as a way of strengthening competitiveness. However, it is not necessarily the case that favorable structural factors of this sort will increase sales on foreign markets. They may, instead, show up as improving terms of

trade brought about through exchange-rate appreciation, while leaving export performance broadly unchanged (Durand & Giorno , 1987).

The export competitiveness diagnostic provides a framework to help analyze the binding constraints in stages. First, the essential characteristics of the recent export performance of a country are identified. This trade outcome diagnostic focuses on several dimensions, including levels and growth of exports, diversification, quality, and the dynamics of exporting firms. The next step is to relate these outcomes to competitiveness variables. If the intensive margin is slack (i.e., little success in expanding existing products in existing markets), countries should immediately look at the cost structure and related variables that undergird firm-level productivity, and factors affecting export survival (Farole, et al., 2010).

In principle, to obtain a comprehensive picture of competition by exporters and producers on given markets, it would be necessary to carry out studies covering all categories of tradeable goods, with as detailed a breakdown as possible. In practice, such studies are customarily confined to aggregate measures of manufacturing output. Manufacturing covers only a part of overall trade, but there are difficulties in extending the analysis to other groups of products. In particular, many services are traded, but statistics on service prices are often unreliable, and in any case, they are not available for a sufficient number of countries (Durand & Giorno , 1987).

While discussions of productivity tend to focus on relative costs of production, it is crucial to recognize that competitiveness is not a static concept, nor is it one that should focus exclusively on the cost to the disregard of price and demand related issues. Industries and places face constant change. Some of this is evolutionary, while other forces of change act as exogenous shocks. These can take many forms, including social and environmental (e.g., climate change), political and economic (e.g., trade rules, tax, exchange rates, non-tariff barriers), innovation, and "disruptive" technologies (e.g., mobile telecommunications). All of these change the bases of competitiveness in the short or medium term. Therefore, what matters for competitiveness is the capability to be productive in a static or slowly evolving external environment and adjust and adapt to structural changes. Being able to remain competitive and to adapt to changes requires redeploying resources (capital, labor, institutions) to higher-value activities (Farole, et al., 2010).

As for transactions in raw material and energy products, these take place on world markets where price differentials are generally arbitrage away so that price-based measures of relative

competitiveness would, in principle, not yield useful information. The same holds for agricultural products whose prices are highly regulated in many markets - including the largest ones (Durand & Giorno , 1987).

Some of the biases resulting from failure to take non-price elements of competitiveness into account may be mitigated - to the extent that such non-price factors do not change rapidly or systematically when relative price-competitiveness changes. Ideally, measures of competitiveness should satisfy three essential criteria: first, they should cover all the sectors exposed to competition, i.e., represent all goods traded or tradeable that are subject to competition and only those goods. Second, they should encompass all the markets open to competition. Third, they should be constructed from data that are fully comparable internationally (Durand & Giorno , 1987).

The comparative advantage theory also has implications for the development of the competitiveness concept. Since all countries possess at least one comparative advantage, they all are internationally competitive concerning one product, at least. Additional critique is similar to that directed towards smith's theory of absolute advantage: the conceptual model is static and does not explain the existence of comparative advantages between modern, industrial countries. The theoretical model is not valid for countries that display the same opportunity costs and current and future increased factor mobility and technological, societal. Convergence can transform such a hypothesis to reality. The model in itself does not prove that international specialization is attainable without external (i.e., governmental) influence. However, international competitiveness does not exclusively depend on opportunity costs (Voinescua & Moisoiu, 2015).

### 2.1.2. Definition of specialty coffee

Specialty schemes are meant to provide benefits – financial and otherwise – to commodity producers. Among the different specialty schemes, fair trade is the furthest developed; it includes prices meant to cover the costs of production and living, as well as a premium for social development and organizational and managerial support, which is intended to help build up social capital in producing communities. Other schemes focus more closely on environmental dimensions or labor standards. Common to all is the aim of improving the subsistence of coffee

farmers who have suffered in recent decades from declining prices, lessened government support, and the developing dominance of downstream actors (Lud, et al., 2011).

It is important to note that the coffee industry has two discrete sectors: “industrial” or commercial coffee (which compose canned or instant blends), and specialty or gourmet coffees. The U.S. is the highest buyer of world coffee, followed by Germany and Japan. Up to moiety of all purchases are dominated by one German and four U.S. manufacturers: Tchibo, Kraft foods (Maxwell house), Procter & gamble (Folger’s), Sara lee (hills brothers), and Nestlé. Industrial coffees generally make more use of lower quality “Robusta” beans in their blends. Specialty coffees compose a much smaller volume accounting for about 10 percent of all coffee exports (Sereke-Brhan, 2010).

The term ‘specialty coffee’ introduced in the United States. In the united states, the specialty coffee association of America (SCAA) defines authentic specialty grade coffee as having a maximum of five defects in an approved sample with all cups free of all taints and showing distinctive positive features (Pierrot , et al., 2012). The specialty market in japan is not unique to the market in the United States, and it too has notable segments: almost mythical name coffee: blue mountain, Hawaiian Kona. Good quality, straight origin estate or area coffees; decent standard qualities; branded blends (Pierrot , et al., 2012). However, the above is from the buyer side from yielders of specialty coffee, according to (Mintesnot, et al., 2015).

Coffees that got grades 1 to 3 in the prior assessment experience a specialty evaluation for cup quality to ascertain the potential of the coffees. The term has become so widespread that there is no globally accepted definition of what composes ’specialty coffee,’ and it generally means different things to different people ( Pierrot, et al., 2010).

Specialty coffee association of Europe defines specialty coffee as an end product, rather than as a green bean product. By stating that ‘specialty coffee is defined as a crafted coffee-based drink, which the buyer (in a limited marketplace at a given time) to have a different quality, a discrete taste and oneself different from, and better too, the familiar coffee drinks offered. The beverage is based on beans that have been raised in an accurately defined area, and which engage the most distinguished standards for green coffee, and its roasting, warehouse, and brewing (Pierrot , et al., 2012).

The specialty market segmented into three exemplary coffees, regularly performed as a single origin, high-quality coffees may include blends and medium quality coffee that acted uniquely. This statement then places the emphasis more on the fact that specialty coffee expected to be intricate and more expensive and excellent with a particular component of exclusivity. It suggests that the representation of specialty coffee is a universal label reaching a range of different coffees, which either require a premium price over other coffees or are understood by buyers as unusual. In Europe, the term often points to be associated with coffee for the American market, and the name also adjures up pictures of flavored coffees. Therefore, until there is universal agreement on what composes specialty coffee, it is not feasible to accurately quantify how much produced, or how much consumed. The agreement appears that specialty coffee in all its varied forms may account for around 10% of world consumption. It certainly is gaining market share reasonably rapidly, but of course, world consumption as a whole is rising as well, which makes it likely that the 10% will probably remain the upper limit for some time to come ( Pierrot, et al., 2010).

## 2.2. Empirical literature review

### 2.2.1. Quality

According to belay, et al., (2016) backing that Ethiopian coffee quality enhances worsens from time to time, as many kinds of research showed. This deterioration is due to soil and climatic factors, genetic factors, pre-harvest practices, harvesting methods, and timing, post-harvest process, storage, and social factor. The environment has a powerful influence on coffee quality (altitude, common temperature variations, amount and frequency of rainfall, and the physical and chemical features of the soil) are crucial factors.

For specialty coffee, business quality is one variable that makes the coffee special. According to tolessa, et al., (2016) coffee at that grows with high altitude with the open shade and an early harvest period, enhancing the potential of producing beans with higher quality. Generally, small changes of quality attributes, driven by altitude, shading, and harvest periods, can cause substantial switches in grade one versus grade two classification. This quality segmentation influences coffee bean price and farmers' competitiveness in international markets. According to mintesnot, et al., (2015) in there study also argue that most of the original and specialty coffee quality attribute is scores among the locations.

Exemplary quality coffees have a high intrinsic value with a fine or unique cup usually of quite limited availability mostly retailed under straight estate or origin names. Usually very well presented washed coffees, including some superior washed robustas, but also includes some naturals (Ethiopian Harar, Yemeni Mochas, some Indonesian arabicas) and top organic coffees, which are usually, but not always, roasted by comparatively small firms and marketed through fairly exclusive outlets (Pierrot , et al., 2012).

Soil also has a role in the quality of the coffee. An overdose of nitrogen increases the caffeine content, occurring in a more bitter taste of the brew. A high concentration of calcium (>0.11%) and potassium (>1.75%) in the beans is associated with a bitter and "hard" taste. Nitrogen and phosphorous negatively correlated with coffee quality. Besides, calcium negatively correlated with the quality of the coffee. Soil ph noted to associate with the character and acidity of coffee discursively. In pre-harvest processes, the use of decomposed coffee husk, pruning practice, shade, control of common diseases, and weeds are essential in the coffee's quality. Nearly all Ethiopian coffee farmers do not use fertilizers except on commercial farms. However, decomposed coffee husk at a rate of 10 ton ha-1 (4 kg tree-1 on a dry weight basis) found to be superior in terms of yield performance of coffee trees (Belay, et al., 2016).

Coffee is either processed by the wet or dry methods. In the majority of the study area coffee is prepared using a dry processing (natural sundried) system. However, other researches indicated that wet processing method has high mean values for good cup quality (attributes like acidity, body and flavor) and bean physical quality (attributes like odor) as compared to the dry processing method. In addition, Storage facilities should be clean, cool, shaded, dry and well ventilated. On the other hand, genetic origin (species and genotype), farmers' perception and adaption of technology also greatly influence coffee quality (Belay, et al., 2016).

Premiums for specialty coffee can be considerable at the retail level, but the premiums available for producers are inevitably much lower, although they can still be significant. It is sobering to realize that mainstream qualities, including robusta, account for an estimated 85%–90% of world coffee consumption, while the share of exemplary and high quality coffee is no more than 10% or perhaps 15% of the world market. This suggests that for many producers it would be inadvisable to ignore the mainstream market altogether. Instead, they should concentrate on both:

specialty for their top quality and mainstream for the remainder of their production (Pierrot , et al., 2012).

Pruning practice has a role in the quality of the coffee. Shade also improved the appearance of green and roasted coffee beans, as well as the brew's acidity and body. In the other hand, the pests and diseases attacks and weed found to be a severe problem which reduces the productivity and quality of coffee in most area. Development also has a strong influence on coffee quality—overripe cherries and under rip, cherries not recommended for harvesting. Coffee is either processed by wet or dry methods. In most of the study areas, coffee provided using a dry processing (natural sundried) method (Belay, et al., 2016).

Furthermore, four more specialty coffees identified, namely, Kabo, Kossa, Gore, and Anfilo. The study outcomes published a significant dispute in the measurement rigor between Efico and ECX system. Efico and Ethiopian exchange commodity system recognized that the first recognized that about 75.7% of the coffee bean samples fit select grade one, only 18.6% fit specialty grade two. This means premium grade and 5.7% fit specialty grade three, those are commercial grade, and the second system distinguished the reality that only 7% of the samples fit specialty grade one, but as much as 40.1% fit specialty grade two. As much as 48.6% fitted specialty grade three commercial grades. This implies that the grading of Ethiopian coffee for premium prices and the potential of obtaining new specialty coffees could improve by using a stricter coffee cup quality system like Efico rather than the current possibly rudimentary and inadequate Ethiopian exchange commodity system (Mintesnot, et al., 2015).

Potential benefits specialty coffee for the producer the agreements are usually long term and as such can help create price stability. This expectation of premiums allows producers to focus on the coffee instead of the marketplace, and to be able to pay for the extra effort it takes to maintain the quality s (Pierrot , et al., 2012).

It is expected that the premium so obtained would encourage the farmers to get involved more in production of coffee of high quality. Farmers need to be encouraged to evaluate coffee before selling. This calls for clear linkage with the coffee liquoring unit for sampling and quality evaluation, and to encourage farmers to store coffee up to the point where they know the value before selling. Building group processing, quality control and marketing critical mass to produce warrantable lots is therefore a prerequisite (Musebe, et al., 2007).

**H1** Quality has positive and significant influence on specialty coffee export competitiveness.

### 2.2.2. Traceability

Traceability means the ability to identify the past, administration, place, and purpose of products, ingredients, and elements to assure the authenticity of sustainability claims. In the states of human rights, labor, the situation, and anti-corruption (UN, 2014) also, according to featherstone, (2015) traceability is the ability to trace data connected with a product during its supply chain.

Traceability is recordkeeping invented to trace the product attributes' flow throughout the production means (Elise et al., 2014). The number of acquired products in any assigned division restricted due to the complexity of traceability. Sufficiently concerning traceable materials or components are not possible in many cases, particularly for large companies. To discuss specific difficulties, companies require driving toward and promoting the stayed enlargement of traceability systems. This will continuously assure a larger quantity of the certified commodities a company's products need, as well as advance overall product group sustainability. The difficulty of adequate traceability is especially critical for companies manufacturing complex products with multiple tiers of suppliers or infinite sources at any given tier (UN, 2014).

Ethiopia's coffee and sesame sectors have the potential to attend higher-end markets, as the quality produced are usually high in Ethiopia. Ethiopia also has numerous specialty coffee and sesame varieties. If Ethiopia prefers to misuse these, the ECX is probably not the usually preferred marketing means. Although the Ethiopian government has excused producers who want to sell to international buyers from the responsibility of selling through the ECX, further measures require to be taken to benefit from the high-value markets. A system for tracking and tracing would be one of those measures because such measures are high-priced, an analysis of the costs and benefits of the investments made (Mheen-Sluijer, 2010).

The complexity of the agricultural area is the particularity of agricultural production, which drove to quality notice. These particularities in agricultural production, processing, circulation, consumption, and another mean consistently grown into obstructions to the competitive advantage of agricultural products entirely formed the offender. Companies need to change product traceability. Those are features of high-quality products and unique interests of consumers, and who turned to get product differentiation of the competitive advantage (Wen, et al., 2017).

The improvement in the public consciousness of future agriculture administration has commenced numerous commodity production methods, including coffee farming, toward sustainable and responsible production. Production movements are classified as sustainable if the three sustainability pillars can answer, particularly, environmentally friendly, socially responsible, and economically traceable, safe, and valuable. (Wahyudi & Jati , 2012).

The significant impediments are the lack of a traceability system, and compliance with social and environmental standards cannot be ensured. While it is technically attainable to improve ECX systems, this will require considerable investments. The Ethiopian government may have made the knowing option of concentrating on low-value markets because these require comparatively few investments. In this case, having all products traded through the ECX is a reasonable choice (Mheen-Sluijer, 2010).

The importance of preserving the environment and the need to implement sustainable agriculture systems along with the effort to appreciate human and social rights in all coffee supply chain of production, processing, and distribution product traceability and demand for health and safety product drive the coffee production to produced sustainably and responsibly. This situation has also led to the creation of a particular market for the coffee produced following sustainability standards, which by certification activities (Wahyudi & Jati , 2012). Specialty coffee buyers' wants to know the origin of the coffee where it comes from for this purpose specialty coffee export countries has to show the traceability of the coffee.

**H2** Traceability has positive and significant influence specialty coffee export competitiveness.

### 2.2.3. Cost of production

Coffee production is a vital business and wealth creation opportunity that contributes to poverty reduction in the main coffee producing areas. There is high level dependence on coffee production and lack of opportunities for marketing other food crops from these areas (Musebe, et al., 2007).

The production of coffee is capital and labor-intensive. Mainly control weeding and digging, and also harvesting are expensive and require relatively large capital. These procedures often are undertaken annually, and the least wage in coffee areas is very high as contrasted to the other cereal crop-producing farming practices. This high labor and capital demanding characteristic of

coffee are discouraging as coffee productivity is lower in Ethiopia relativistic to other countries' uniquely South American countries (Diro, et al., 2019).

Farmers need to be encouraged to evaluate coffee before selling. This calls for clear linkage with the coffee liquoring unit for sampling and quality evaluation, and to encourage farmers to store coffee up to the point where they know the value before selling. Building group processing, quality control and marketing critical mass to produce warrantable lots is therefore a prerequisite (Musebe, et al., 2007).

There is no uncertainty that technological improvements can play a fundamental role in lowering production costs as well as adding to other areas such as quality improvement and coffee tree management. Nevertheless, technological improvements require investment, both in sustaining adequate research and extension infrastructure and in terms of capital expense and appropriate use of updated inputs. Thus, cost-reducing mechanisms such as innovative machines related to labor-intensive operations should give due weight (Diro, et al., 2019).

At the national level, investments and policy changes that reduce production costs should give further support. This can include, for example, provision of better extension services, credits, and access to certification bodies, support in forming farmers' organizations to make use of economies of scale, improvement of the regulatory system, and provision of necessary social and economic infrastructure. The dependence of coffee producers on the whims of consumers, primarily in developed countries, is one problem that cannot solve by increasing sustainable coffee production and the share of income that coffee producers receive. With stagnating populations and low economic growth rates, further demand for high-quality coffee can expect to reach its limits. In recent years, global demand has remained almost constant, reducing options for smallholder producers to enter potentially rewarding value chains. Increased overall demand can only be expected from emerging economies and the growing urban middle class within producing countries (Lud, et al., 2011).

**H3** Cost of production has Negative and significant influence on specialty coffee export competitiveness.

### 2.2.4. Certifications

In recent years, the markets for differentiated coffees have pointed steady growth and higher than average prices. These coffees involve gourmet and specialty, geographic implications of origin (appellations), organic, fair trade, and eco-friendly, or shade-grown. Farmers are finding that their earlier fringe niches are swiftly progressing toward mainstream reliability and making actual revenues onward ( Lewin, et al., 2004). According to gole, (2015), the quality of exported coffee has enhanced due to advanced processing, both wet and dry, and advancing trends of certification/specialty coffee.

Organic agriculture means holistic production administration ways that encourage and improve agro-ecosystem health, including biodiversity, biological cycles, and soil fertility. Organic production methods are based on particular and definite production, processing, and handling standards. They point to reach optimal agro-ecosystems that are socially, ecologically, and economically sustainable. Terms such as 'biological' and 'ecological' are used to define the organic production method further plainly (Pierrot , et al., 2012).

In coffee, the fair trade campaign has undoubtedly pointed out that producers can be paid double today's disastrously low prices without harming the consumer's readiness to buy the right quality product.' – pablo dubois, head of operations, international coffee organization. In the current climate, fair trade has matched a line for many producers. Fair trade has given appearance to various commercial businesses that perform at a profit but hold the specific development goals of enhancing the lives of the farmers from whom they buy. At the heart of fair trade is a fundamental principle: a dedication to paying farmers a fair price – one that comprises costs and is stable (Gresser & Tickell, 2002).

Organic products have become long spun as small groups of buyers began buying organic food immediately from farms or from small health food stores, where quality was subsidiary as long as the products were organic. However, then in the early 1990s, supermarket chains began giving well-organized inspection to organic food. Time after time, they have attained over market share from the specialized shops to the spot where they make the greatest of the growth in the market share of organic food today (Pierrot , et al., 2012). Moreover, Fairtrade also is a niche or specialty market meant to assure farmers in developing countries a fair price for their coffee while facing the conditions of the fair-trade code of conduct. The scheme designed to advance

farmers' better prices, with a minimum price that initially paid and the fair-trade premium paid later on in numerous applications (Amsalu, A. & Ludi, E., 2010).

Reaching sustainable production is essential to make quick use of many organic agriculture methods, including the composting of organic material, mulching of the soil under the trees with an organic substance, the value of biological pest handle, and spending in shade adjustment. The source of sustainable agriculture is that a value communicating with that harvested should turn to the soil. All intelligent systems have to be used to enhance the fertility of the soil. This is why latent coffee production, even when no chemicals used, is non-sustainable and not as organic. Not only coffee cultivation, however, but all succeeding steps in the production chain also demand to be certified. On-farm processing, storage, transport, export processing, shipping, export, import, roasting, packaging, distribution, and retailing are all certified organic ( Pierrot, et al., 2010).

Auld, (2010) argues that certification has more had more large outgrowths for the coffee quarter. Four considerations stand out first strengthened public consciousness, changing habits among mainstream companies, constant innovation within fair trade and organic social campaigns, and developing connections to intergovernmental manners. Demanded to be acknowledged concerning the strengthened political and economic power of roasters, the manners of liberalization and privatization have taken the position in the past two decades. What remains of the international coffee regulatory structures considering this viewpoint, certification is part of a dynamic set of communications that may have more potential than certification assessed on its private.

According to pierrot, et al., (2010), an additional cost and a real obstacle for the farmer is the regeneration period from conventional to full organic production. Throughout this period, the coffee cannot exchange as organic, so it does not recognize any premium. Meantime, premiums for organic coffee are tough to symbolize because they depend on the quality of the coffee and the market position at a provided time. In current years premium quotations have reached from 10 cents/lb. to as high as 75 cents/lb., depending on quality and availability.

Ethiopia, Uganda, India, and Rwanda are among those already launching strategies to enter higher-value businesses. The east African countries and Indonesia are among the strongest competitors to the Latin American leadership in this field. In the likewise time, efforts in parts of

Africa and south Asia are still relatively underdeveloped. Kenya and the united republic of Tanzania have struggled with quality and output in recent years, though both are now making concerted efforts to address these problems. This locational advantage even more pronounced for the supply of sustainable coffees. Organic, fair trade and eco-friendly production and certification are developing much more rapidly in Latin America than elsewhere. Mexico, Central America, Columbia, and Peru are the market leaders for organic and fair trade. Even Brazil, the world's leading producer of conventional coffee, is growing its participation in these markets, producing about 2,000 tons of certified organic coffee in 2002. Certified eco-friendly coffee has its roots in Central America, and its certified production is already spreading to Mexico, Uganda, Ecuador, Peru, Brazil, and Colombia ( Lewin, et al., 2004).

The export of certified coffee known in Ethiopia before 2002 it started following the global coffee crisis since export-certified coffee (Fairtrade, organic, rainforest Alliance, and UTZ) has increased from nearly zero to the current estimate of tons. The conventional coffee export, however, is dominant since the big buyers are not interested in certified coffees. The demand for popular Ethiopian coffee types like Harar, Limu, Lekempti, Sidama, and Yirgacheffe is high. Besides, more and more specialty coffee types are being developed at different coffee-producing localities (Gole, 2015).

The specialty business acknowledgment of this warning was to experiment with various forms of coordination, so as "relationship coffees" that examine to build a relationship between producers/locations and buyers. Because single-origin coffees are a significant element of the specialty coffee business, the trend increased to sell "stories in a cup" by sharing faithful consciousness of the developing process and maintaining natural qualities. As a marketing philosophy, this generated both a niche and demand by knowledgeable and "professional" buyers. They would ultimately seek to use high-quality single-origin coffees alternatively of blends that "mixed" beans from unexplored locations (Sereke-Brhan, 2010).

The growing quantity exported may have partially reached the cost of local consumption, with coffee in local markets enhancing developing rationed over time, as noted in nearly significant domestic price rises. We also remark a small increment in the quality of the coffee exported, displayed in the share of certified coffee, as well as in the more select quality of sundried coffee. However, the percentage of premium washed coffee in inclusive exports has not improved over time (Minten, et al., 2014).

According to pierrot , et al., (2012) taking into account are improved production costs and sometimes a fall in the yield per hectare. So, the producers have to bear the investigation and certification costs, but production might come for at least two years. Some references submit yields may fall by some 20%. Inspection costs tend to be more expensive in the first phase as the certifiers need time to get to know the producer and to file fields and facilities. To succeed in the start-up difficulties during the conversion period, coffee growers in several countries can have access to funds to finance the certification costs. Nevertheless, if the average annual inspection and certification cost goes to us$ 5,000 or more, there is a little financial point in converting to certify organic if the annual exportable production amounts to only two or three containers. These costs are complicated to assess because they depend entirely on the nature and intensity of the conventional cultivation practices before the conversion to organic agriculture.

The coffee certification did not appear in any quality enhancement. This is apparently because certification primarily focuses on improving socioeconomic welfare and environmental sustainability rather than coffee quality (Tolessa, et al., 2018). For specialty coffee certified benefits to make more promotion for importers in addition to the quality, the certification gives a conformation to open and do a sustainable market.

According to lud, et al., (2011) support that despite these mixed findings regarding the benefits of producing for specialty markets in the three case study areas in Ethiopia, Kenya, and Tanzania, efforts to improve sustainability certification systems should nevertheless further promoted, to enhance these systems' appeal to consumers and bring about improvements in producers' livelihoods. Moreover, this process should be enhanced through the more inclusive debate on sustainability criteria and on institutional settings and their related costs – financial and otherwise – as well as on cost-sharing mechanisms; by giving producers more power in negotiations relating to standards; and by improving technical assistance in the coffee production sector but also in alternative enterprises, as a means of supporting diversification. This should not lead to consumers paying more for their coffee, but to fairer final price distribution within the overall value chain.

Though fair trade is designed to give farmers better prices for their coffee, the experience in the study area was different how the fair-trade scheme was arranged exposed producer farmers to exploitation by the individual coffee trader who had been managing the fair-trade scheme and led to the eventual collapse of the network. Therefore, it should be noted that there is no guarantee

for fair-trade schemes working; their success depends on how they are managed at the local level, particularly concerning sharing benefits with producer farmers. Cooperatives might be suitable entry points for fair-trade arrangements. It has been found that the support producer farmers get from the government is generally limited. Overall, government intervention is biased towards coffee marketing rather than production support. There is excessive government involvement in the coffee trade through licensing, tax, and auction. Production support is minimal and handicapped by a weak extension system. Improvements have not matched the liberalization measures introduced in the country in production infrastructures such as credit, knowledge transfer, insurance, and communication (Amsalu, A. & Ludi, E., 2010).

Organic certification regulates aspects related with production such as the use of certain chemicals, it does not regulate the terms of trade. Organic production is an attractive way to add value particularly to smallholder farmers as credit is largely unavailable, which curtails their capacity to access sufficient agrochemicals to fertility every year. However organic production general indicates a less intensive productive model due to diversification, shading and reduced agrochemicals use. The fair trade movement long ago recognized the added value and sustainability of organic production, as well as its reduction in productivity. Fair trade is the only certification to guarantee an economic incentive for organic production. The organic premium for fair trade Arabica coffee is $0.30/lb. Fob (Fair Trade USA & cornell university, 2016) Certifications like fair trade helps to improve the life of poor farmers and also the farmers may improve their pre-harvesting and post-harvesting this will lead them to produce a better quality coffee.

**H4** Certification has positive and significant influence specialty coffee export competitiveness.

## 2.3. Conceptual framework

It is a researcher's own constructed model that s/he uses to explain the relationship that exists between the main variables in his/her study. It can also be an adaptation of a model in an existing theory which a researcher adapts to suit his/her research purpose (Adom, et al., 2018).

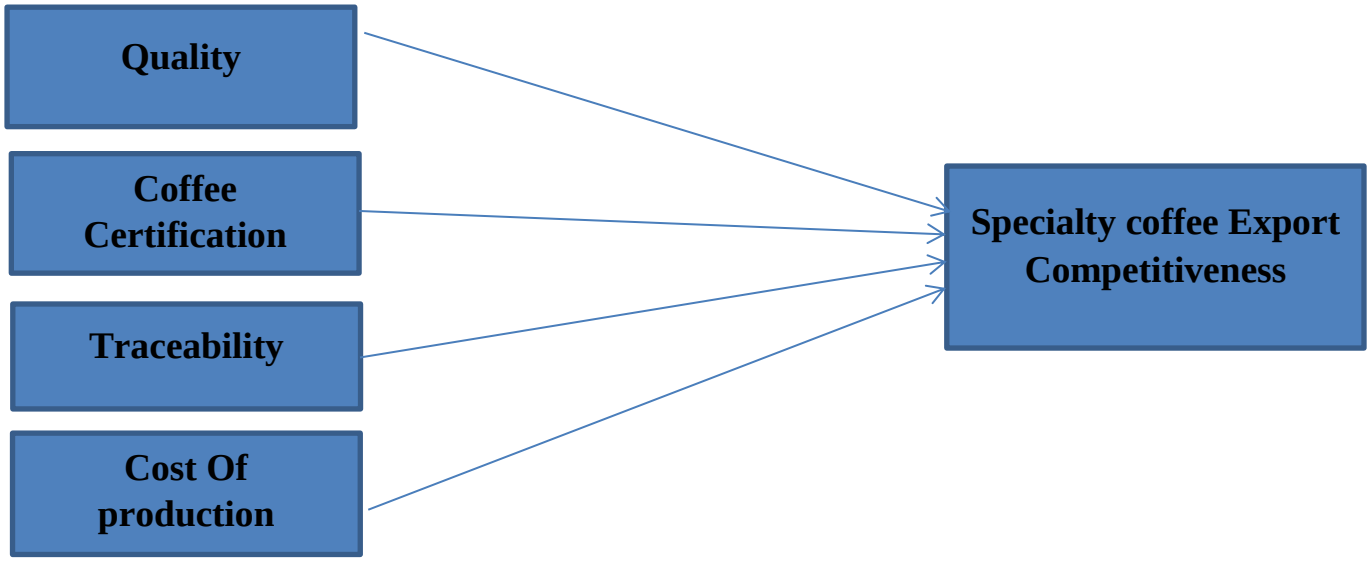


Figure 1 conceptual framework (developed by the researcher own framework and literature review.)

### Hypothesis summary

*H*1 Quality has positive relationship and significant influence on specialty coffee export competitiveness.

*H* 2 Coffee tractability has positive relationship and significant influence on specialty coffee export competitiveness.

*H* 3 Cost of production has Negative relationship and significant influence on specialty coffee export competitiveness.

*H* 4 Certification has positive relationship and significant influence on specialty coffee export competitiveness.

# CHAPTER THREE

# RESEARCH METHODOLOGY

Under this chapter, the researcher briefly discusses the methodology. It covers explanations of the research approach and design, Data Sources and types, Population and sampling techniques, Data collection instruments Method, and Data presentation and analysis.

## 3.1. Description of the study area

Ethiopia remains the largest producer of coffee in Africa. It is the fifth-largest coffee producer in the world next to Brazil, Vietnam, Colombia, and Indonesia, contributing about 4.2 percent of total world coffee production. Ethiopia is the birthplace of coffee Arabica and mostly produces this variety. Coffee has economic, environmental as well as social significance to the country. Ethiopia has suitable environmental conditions for coffee production. Coffee Arabica grows naturally in tropical forest areas of the country. Coffee is grown at various altitudes ranging from 1200-2750 meters above sea level, where there is sufficient rainfall with an amount between 1500-2500 mm and where there are optimum temperatures between 15-25ºc. Coffee production is vital to the Ethiopian economy, with about 15 million people directly or indirectly deriving their livelihoods from it. Coffees are the primary agricultural product for Ethiopian to get foreign currencies. It mainly produced in the southwestern and southeastern parts of the country. Smallholder farmers predominantly produce it on average farms of less than 2 hectares. Around 95% of the country's total production comes from these smallholder farmers (Tefera , Abu ; Tefera, Teddy ;, 2014).

The study area of this research was hold in Addis, Ababa, and the capital city of Ethiopia. The researcher chooses this area reasonably because the exporting companies are head office held in Addis Ababa.

## 3.2. Research approach

The study used a quantitative research approach to an inquiry involving collecting quantitative data, integrating the t of data. Quantitative research involves studies that make use of statistical analyses to obtain their findings. Key features include formal and systematic measurement and the use of statistics. It is a means of testing objective theories by examining the relationship

among variables. These variables, in turn, can be measured typically on instruments so that numbered data can be analyzed using static procedures; the final written report has a set structure consists of introduction literature and theory methods results and discussion (Creswell, 2008).

## 3.3. Research design

Explanatory design is one in which the researcher first conducts quantitative research, analyzes 0the results, and then builds on the results to explain them in more detail with qualitative research. It considered explanatory because the initial quantitative data results are explained further with the qualitative data. It considered sequential because the qualitative phase follows the initial quantitative phase. This type of design is popular in fields with a strong quantitative orientation (hence the project begins with quantitative research) (Creswell, 2018)

The researcher was use explanatory research design in order to determine the relationship between the dependent and the independent variables and to establish any association between these variables. Moreover, the topic focus is on the assessment, so the researcher chooses the explanatory research design to describe more why questions.

## 3.4. Population

However, to develop strong evidence towards the findings, this study also has primary sources of data obtained through questionnaires. Regarding the sample size, the number of active exporters of the sector differs from year to year, and those who are licensed do not necessarily mean they are actively exporting to the rest of the world. In Ethiopian coffee exporters, there are three different ways of exporting cooperative unions, private and large scale exporters. The private-scale exporters they buy directly from Ethiopian exchange commodity are commercial market and export; the second is large-scale exporters who have their farm, and the third is cooperatives unions collect coffee from cooperative farmers and exporters. For this study, private exporters are not included because the researcher wants exporters who have their coffee farm and exporters that collect from other farmers (out growers) so, the researcher select exporters who have largescale farmers and cooperative union.

This study, therefore, considers those firms that have actively exported specialty coffee. According to the data from Ethiopia coffee and tea authority, the number of specialty coffee exporters are 50. Therefore, a target population of the study is 50 active specialty coffee-

exporting firms licensed by Ethiopian coffee and tea authority as exporters of large-scale farmers and exporters and cooperative union exporters' coffee in Ethiopia. The 50 exporters are included in the study because the researcher chooses census inquiry.

## 3.5. Data sources and types

Primary data collected for addressing the problem at hand. Secondary data collected for purposes other than the problem at hand. Primary data collection is a very involved process. Primary data sources include surveys, observations, experiments, questionnaires, and personal interviews. On the other contrary, secondary data collection sources are government publications, websites, books, journal articles, internal records (Ajayi, 2017).

The study was employing both primary and secondary data. For the primary data, the researcher was using both close-ended questionnaires also for secondary data books, websites, reports, and journals.

## 3.6. Data collection procedure

The study was to employ primary and secondary data collection techniques to make it reliable. For primary data, the researcher was use questionnaires. The questionnaires have two parts. The first part is general information, and under part two, the researcher puts the five variables to address the relation between the dependent and independent variables on a five-point Likert scale and directly given to the exporters higher-level managers. The questionnaire was having close-ended questions intended to provide comparative data for the study. Secondary data collect from books, websites, reports, and journals.

## 3.6. Validity & Reliability

### 3.6.1. Validity Analysis

In order to ensure the quality of the research design, the study's content and construct validity were checked. Content validity was verified by the adviser of the research, looked at the appropriateness of questions and scales of measurement. The questionnaire consisted of 20 items in which five points rating scale was used.

### 3.6.2 Reliability Analysis

Internal reliability of the scale of parenting styles & dimensions questionnaire was tested with the Cronbach alpha (Cronbach alpha: .63 $p < .01$). According to this result, the test-retest consistency of the scale was found to be relatively high (Önder & Gülay, 2009).

Internal consistency concerns the reliability of the test components. Internal consistency measures consistency within the instrument and questions how well a set of items measures a particular behavior or characteristic within the test. For a test to be internally consistent, estimates of reliability are based on the average inter-correlations among all the single items within a test. The most popular method of testing for internal consistency in the behavioral sciences is coefficient alpha. Coefficient alpha was popularized by Cronbach (1951), who recognized its general usefulness. As a result, it is often referred to as Cronbach's alpha. Coefficients of internal consistency increase as the number of items go up to a certain point. Consequently, the individual item would be expected to have only a small correlation with accurate scores. Thus, if the coefficient alpha proves to be very low, either the test is too short, or the items have very little in common (Drost, 2009).

Thus, to test the internal consistency of variables in the research instrument Cronbach "alpha coefficient calculated.

Table 1 Reliability Statistics summary

| | | Number of attributes | Cronbach's Alpha |
|---|---|---|---|
| Independent variables | Quality | 4 | 0.816 |
| | Traceability | 4 | 0.779 |
| | Cost of Production | 4 | 0.836 |
| | Certifications | 4 | 0.807 |
| Dependent Variable | Specialty coffee export competitiveness | 4 | 0.778 |
| Reliability of Total Scale | | 20 | 0.956 |

Source: Survey data

## 3.7. Data analysis

The data analysis would be made by using both descriptive and inferential statistics. Descriptive statistics such as frequencies, percentages, means, and standard deviations would be used to summarize and present the data. In addition to this, the Pearson correlation coefficient would be used to show the interdependence between the independent and dependent variables. Concerning inferential statistics, regression analysis would be used to test the significant contribution of each independent variable to the dependent variable. Also, the researcher would use multicollinearity test to test if there is a multicollinearity problem within the independent variables. Also, the normality of the data is tested through (SPSS 25) statistical tool.

Regression equation for the problem is the following:

$Yi = a+\beta 1X1+\beta 2X2+\beta 3X3+\beta 4X4+ \beta 4x4+\Sigma$

Where, Y=Overall specialty export competitiveness

$\alpha$= Y intercept/constant

β1= the beta weight or regression coefficient of Quality

β2= the beta weight or regression coefficient of Traceability

β3= the beta weight or regression coefficient of cost of production

β4= the beta weight or regression coefficient of Certifications

X1= Quality

X2= Traceability

X3 = Cost of production

X4 = Certifications

## 3.8. Ethical consideration

According to Blumberg, et al., (2005), ethics is the norms or standards of behavior that guide moral choices about our behavior and our relationships with others. In this research study, issues relating to the ethical conduct of research such as informed consent, confidentiality, and privacy upheld. Also, the goal of ethics in research is to ensure that no one is harmed or suffers adverse consequences from research activity. Next, participants fully informed regarding the objectives of the study. Their answers were treated as confidential, used only for academic purposes, and only for the particular research. Participants were not harmed or abused, both physically and psychologically, during the conduction of the research. In contrast, the researcher attempted to create and maintain a climate of comfort.

# CHAPTER FOUR

# DATA ANALYSIS, INTERPRETATION, AND DISCUSSION

The primary focus of the study was to determine specialty coffee competitiveness: In the case of Ethiopian specialty coffee exporters. Therefore, this chapter presents the analysis of responses that were received via questionnaires distributed to specialty coffee exporter companies. The researcher was able to get back 44 respondents out of the 50 respondent questionnaires. In the end, all the returned questionnaires were successfully processed for the analysis.

Therefore, in this chapter, the data collected from respondents were analyzed and interpreted using quantitative analysis, which involves an analysis of the demographical information of respondents and the descriptive and inferential statistics employed to test the hypothesis and to investigate the influence of independent variables on the dependent variable.

The basic assumptions are Quality, coffee traceability, cost of production, and Certification influence specialty coffee export competitiveness. A regression modeling approach was proposed as an effective method for studying relationships. The result of this multiple regression model is analyzed and discussed in this chapter. The statistical analysis of this study was done by SPSS software, version 25. In the descriptive section, tables, charts, and statistics and the inference section, the result of multiple linear regressions was analyzed.

## 4.1. Reliability test

The result of the coefficient alpha for this study's instrument was found to be 0.956 as an indication of the scale's acceptability for further analysis. Besides the overall reliability test, items under each variable are also tested to check if they measure acceptable or not. Most of the dimension consistency test result was acceptable, meaning higher than 0.7 for specialty coffee export competitiveness, quality, coffee traceability, and cost of production, certification 0.815, 0.778, 0.779, 0.836, 0.807, respectively. The reliability measures of the dimensions are Maximum.

Table 2 Reliability statistics

| Cronbach's alpha | N of items |
|---|---|
| 0.956 | 20 |

Source: survey data

## 4.1.2. Missing value and outliers

Missing data occur at two levels: at the unit level or the item level. A unit-level non-response occurs when no information is collected from a respondent.

An item non-response refers to the incomplete information collected from a respondent. The missing data problem at the item level needs to be tackled from three aspects: the proportion of missing data, the missing data mechanisms, and patterns of missing data. A researcher must address all three before choosing an appropriate procedure to deal with missing data (Dong & Peng, 2013). However, there was no missing value in this study. Thus the researcher does not force to calculate the mean substation for missing values.

An outlier is an observation, which so much deviates from other observations as to arouse suspicions that a different mechanism generated it, thus researcher also checked whether the data have outlier problem or not through descriptive analysis and Mahalanobis, it shows that there is no outlier in the data (appendix 1).

Table 3 Missing Variables

**Group statistics**

| Missing variable | | N | Mean | Std. Deviation | Std. Error mean |
|---|---|---|---|---|---|
| Specialty coffee export competitiveness | .00 | 44 | 3.7614 | 0.88914 | 0.13404 |
| | 1.00 | 0[a] | | | |
| Quality | .00 | 44 | 3.7898 | 0.86761 | 0.13080 |
| | 1.00 | 0[a] | | | |
| Coffee traceability | .00 | 44 | 3.7727 | 0.82971 | 0.12508 |
| | 1.00 | 0[a] | | | |

| | | | | | |
|---|---|---|---|---|---|
| Cost of production | .00 | 44 | 3.7784 | 1.00466 | 0.15146 |
| | 1.00 | 0[a] | | | |
| Certifications | .00 | 44 | 3.7500 | 0.93697 | 0.14125 |
| | 1.00 | 0[a] | | | |

Source: survey data

## 4.2. Descriptive findings

A total of 50 questionnaires were distributed through e-mail. Out of 44 (88%) were returned on time and used in the analysis process, which can be considered a higher response rate. The survey was conducted by using twenty-six questionnaires. The first part of the questionnaire gathered information about the organization's background. Information related to export competitiveness determinants was gathered from the second part of the questionnaire.

### 4.2.1. Demographic profile of respondents

This section summarizes the demographic characteristics of the sample, which includes the respondent's age, gender, education level, work experience, employment category, and type of the organization. Respondents are who are working as a general manager or export manager of those coffee exporting companies. In this specific study, about 14 respondents are cooperatives, 30 are large scale farm exporters. The purpose of the demographic analysis in this research is to describe the characteristics of the sample, such as the proportion of males and females in the sample, range of age, education level, and type of organization, so that the analysis could be more meaningful for readers.

Table 4 Demographic profiles of respondents

| Gender | Frequency | Percent |
|---|---|---|
| Male | 37 | 84.1 |
| Female | 7 | 15.9 |
| **Total** | **44** | **100** |
| Age | Frequency | Percent |
| 26-45 | 28 | 63.6 |

| | | |
|---|---|---|
| 46-65 | 14 | 31.8 |
| Above 66 | 2 | 4.6 |
| **Total** | **44** | **100** |
| Years of experience | Frequency | Percent |
| Below 1 year | 1 | 2.3 |
| 1-5 years | 10 | 22.7 |
| 5-10 years | 20 | 45.5 |
| Above 10 years | 13 | 29.5 |
| **Total** | **44** | **100** |

Source: survey data

Table 4 above shows the demographic profile of 44 respondents. In terms of gender, respondents were more male, and females are very few as compared to males (female 15.9 %, male 84.1%). This shows that females are less in number at the export manager and general manager level.

Regarding the age of respondents, the sample population is largely dominated by the age group of 26-45 (63.6%), followed by the group comprise the age of 46-65 (31.8%). This indicates that most of the sample populations are youngsters. The reaming group of respondents consists of two employees (4.5%) with the age of above 66 years the researcher can say that coffee export employees are dominated by a young group that can transform their organization into the future.

When looking at the tenure of respondents in the company, most of the respondents, 45.5 %, served their respective company for 5-10 years, followed by 29.5% who served for over ten years. Employees who have served about 1-5 are 22.7 %. Also, those who have stayed for below one year are 2.3% when they own many years of experience and the likelihood to specialize in the area they are working.

Table 5 Demographic Profiles of Respondents

| Highest educational level | Frequency | Percent |
|---|---|---|
| 12 grade complete | 1 | 2.3 |
| College diploma | 4 | 9.1 |
| First degree | 16 | 36.3 |
| Masters and above | 23 | 52.3 |
| **Total** | **44** | **100** |
| Years of since establishment | Frequency | Percent |
| 1-10 years | 16 | 36.4 |
| 11-20 years | 20 | 45.5 |
| 21-30 years | 1 | 2.3 |
| Above 30 years | 7 | 15.8 |
| **Total** | **44** | **100** |
| Legal status of firm | Frequency | Percent |
| Large scale | 30 | 68.2 |
| Cooperatives | 14 | 31.8 |
| **Total** | **44** | **100** |

Source: survey data

In terms of education, distribution is not very equally distributed, 23 % of respondents have attained a postgraduate degree and above, while 36.4% of the respondents have a Bachelor of Arts degree. Only 9.1 % of the respondents are at the diploma level in terms of education. This shows that most of the employees are postgraduate degrees and above at the exporters hire employees at the postgraduate levels or encourages employees at the higher education level.

As it is shown in the table above, the majority of the respondents 45.5 % are in 11-20 years since established, 36.4% are for 1-10 years, and the remaining 15.9% and 2.3% of the respondent's company are above 30 and 21-30 since established. This shows that most of the company's long years of experience in the coffee export. Furthermore, the legal status of the respondents company 68.2% are large scale and 31.8% are cooperative.

### 4.2.2. Reasons what makes the exporting company competitiveness

In assessing what makes the exporting companies competitive, respondents are expected to rate among the given enabling environments that make their companies competitive. Likert scale is performed to assess the determinants of specialty coffee export competitiveness of this study.

Table 6 reasons what makes the exporting company competitiveness

| **Specialty coffee export competitiveness** | **Strongly disagree** | **Disagree** | **Neutral** | **Agree** | **Strongly agree** |
|---|---|---|---|---|---|
| We have high-quality coffee. | 4.5 | 9.1 | 6.8 | 47.7 | 31.8 |
| We have a reliable quality control method. | 6.8 | 11.4 | 13.6 | 43.2 | 25 |
| We have our innovation of processed specialty coffee. | 4.5 | 9.1 | 9.1 | 52.3 | 25 |
| We have certified coffee. | 6.8 | 9.1 | 20.5 | 45.5 | 18.2 |
| **Percentage** | **5.7** | **9.7** | **12.5** | **47.2** | **25** |

Source: survey data

The information gathered from respondents' categories discussed above has shown that most of those participants agreed that their exporting company is competitive due to the factors presented above. About 47.2% and 25% of the respondent has indicated that high support quality, reliable quality control method, having their own innovated processed specialty coffee and also having coffee certification maker there company to be competitiveness. In contrast to this, about 12.5% of the respondents explained those factors are not sure applicable to make the company as

competitive as they want to be. A complement to this, the remaining 5.7% and 9.7% reserve to reflect on the degree in their company are not competitive.

### 4.2.3. Coffee quality on the company's competitiveness

In this question on specialty coffee competitiveness, respondents are also asked to rate quality on the specialty coffee export competitiveness.

Table 7 Coffee qualities on the company's competitiveness

| **Quality** | **Strongly disagree** | **Disagree** | **Neutral** | **Strongly agree** | **Strongly agree** |
|---|---|---|---|---|---|
| The low quality of specialty coffee export from Ethiopia negatively affects the competitiveness specialty coffee export from Ethiopia. | 4.5 | 6.8 | 6.8 | 45.5 | 36.4 |
| the problem of quality consistency in supply coffee stringent affects specialty coffee export competitiveness. | 9.1 | 9.1 | 15.9 | 38.6 | 27.3 |
| Lack of quality controller at the farm level during post-harvest and pre-harvest affect specialty coffee export competitiveness. | 6.8 | 9.1 | 6.8 | 52.3 | 25 |
| Lack of specialized technology required to meet foreign market quality needs affect specialty coffee export competitiveness. | 4.5 | 6.8 | 25 | 43.2 | 20.5 |
| **Percentage** | **6.22** | **7.95** | **13.6** | **45** | **27.3** |

Source: survey data

As it is indicated in the above table, most of the respondents have revealed that quality is among their major part of specialty coffee contributor to perform their competitiveness. In other words,

about 45% of respondent agrees on factors identified by the researcher, while 27.3% of the participants indicated that their companies also strongly agree. The problem of quality consistency, lack of a quality controller, lack of specialized technology to be competitive, lack of quality controller at the farm level during post-harvest, and pre-harvest affect specialty coffee export competitiveness. Those are among the most critical challenges of exporting companies, according to the 44 respondents.

### 4.2.4. Traceability on the company's competitiveness

The main idea of this question is to investigate the traceability effect on the specialty coffee export competitiveness. The exporters have their large-scale farm, and also they receive coffee from having out-growers (small scale farmers) and also who are included in the cooperative union as members of the union.

Table 8 Traceability on the company's competitiveness

| **Coffee traceability** | **Strongly disagree** | **Disagree** | **Neutral** | **Strongly agree** | **Strongly agree** |
|---|---|---|---|---|---|
| The longer the coffee value chain which affects the traceability of coffee negatively affects the competitiveness of specialty coffee export. | | 4.5 | 27.3 | 50 | 18.2 |
| Coffee traceability is major for specialty coffee competitiveness. | 4.5 | 9.1 | 6.8 | 47.7 | 31.8 |
| Lack of traceability negatively affects reliability of sustainability of the coffee export. | 6.8 | 11.4 | 13.6 | 43.2 | 25 |
| The productions are at garden, forest, and semi-forest level it is hard to be traceable and competitive in specialty coffee. | 9.1 | 6.8 | 15.9 | 45.5 | 22.7 |
| **Percentage** | **5.1** | **7.95** | **15.9** | **46.6** | **24.4** |

Source: survey data

Respondents were asked their level of agreement and disagreement relating to coffee traceability. The majority of the responses were agreeing. The highest agreement 46.6 % and 24.4 % agree and strongly agree, which is about the more extended the coffee value chain, the productions are at the garden forest, and the semi-forest level makes coffee traceability difficult. The respondent also agrees that coffee traceability is primary for specialty coffee competitiveness.

### 4.2.5. Cost of production on the company's competitiveness

Table 9 Cost of production on the company's competitiveness

| **Cost of production** | **Strongly disagree** | **Disagree** | **Neutral** | **agree** | **Strongly agree** |
|---|---|---|---|---|---|
| The higher price of red cheery coffee cost affects specialty coffee export competitiveness. | 9.1 | 9.1 | 13.6 | 38.6 | 29.5 |
| The higher cost of imported technological advanced equipment like shed net affects specialty coffee export competitiveness. | 4.5 | 6.8 | 6.8 | 52.3 | 29.5 |
| Higher labor cost affects specialty coffee export competitiveness. | 6.8 | 9.1 | 25 | 36.4 | 22.7 |
| Higher cost of production in specialty coffee affects competitiveness. | 11.4 | 9.1 | 13.6 | 13.6 | 52.3 |
| **Percentage** | **7.95** | **8.5** | **14.75** | **35.2** | **33.5** |

Source: survey data

About 35.2 % and 33.5 % of the participants agree and strongly agree during the time of production, higher cost of production, labor cost, cost of imported technological advanced equipment, and price of cheery red coffee affects their competitiveness to have a better export volume.

Moreover, this leads to a higher price set for the product, the lower it make specialty coffee competitive with commercial coffee. On the other hand, about 14.75 % of the respondents are neutral, 7.95 % strongly

disagree, and 8.5 % disagree on the effect of the higher cost of production, labor cost, and cost of imported technological advanced equipment price of cheery red coffee affects competitiveness.

### 4.2.6. Certification on the company's competitiveness

Table 10 Certification on the company's competitiveness

| Certification | Strongly disagree | Disagree | Neutral | Agree | Strongly agree |
|---|---|---|---|---|---|
| Failing to become certified with different export market requirements like organic certified, fair trade certified negatively affects competitiveness of specialty coffee export from Ethiopia. | 4.5 | 9.1 | 9.1 | 52.3 | 25 |
| Farmer's awareness of certifications benefit makes specialty coffee export competitive. | 6.8 | 9.1 | 20.5 | 45.5 | 18.2 |
| Lack of local certifier company affects specialty coffee export competitiveness. | 9.1 | 9.1 | 15.9 | 15.9 | 50 |
| A short period of certificate duration decrease being competitive in the specialty coffee export. | 6.8 | 9.1 | 18.2 | 40.9 | 25 |
| **Percentage** | **6.8** | **9.1** | **15.9** | **38.65** | **29.55** |

Source: survey data

The information gathered from respondents' categories discussed above has shown that most of those participants agreed that their exporting company could not be competitive due to the factors presented below. About 38.65% and 29.55% of the respondent has indicated that failing to become certified with different export market requirements, farmer's awareness of

certifications benefit makes specialty coffee export competitive. Lack of a local certifier company affects specialty coffee export competitiveness. A short period of certificate duration decrease being competitive in the specialty coffee export has resulted in a negative outcome in making their company competitive.

In contrast to this, about 9.1 % and 6.8 % of respondents explained that those factors are not applicable to make the company as competitive as they want to be. Complement to this; the remaining 15.9 % stay neutral to reflect on the degree in which their company is competitive in the specialty coffee export market by certification.

## 4.3. Correlation analysis

Pearson correlation test was conducted to know the degree of relationship between the independent variables, i.e., Quality, coffee traceability, cost of production, and certification of the dependent variable, i.e., Specialty coffee export competitiveness. Based on questionnaires filled by the respondent, the results of the correlation analysis are shown in the table below.

Table 11 Relationships between dependent and independent variables

| | | Specialty coffee export competitiveness | Quality | Coffee traceability | Cost of production | Certification |
|---|---|---|---|---|---|---|
| Specialty coffee export competitiveness | Pearson correlation | 1 | .883** | .863** | .678** | .944** |
| | Sig. (2-tailed) | | 0.000 | 0.000 | 0.005 | 0.000 |
| Quality | Pearson correlation | .883** | 1 | .790** | .866** | .867** |
| | Sig. (2-tailed) | 0.000 | | 0.000 | 0.000 | 0.000 |
| Coffee traceability | Pearson correlation | .863** | .790** | 1 | .772** | .845** |
| | Sig. (2-tailed) | 0.000 | 0.000 | | 0.000 | 0.000 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Cost of production | Pearson correlation | .678** | .866** | .772** | 1 | .778** |
| | Sig. (2-tailed) | 0.000 | 0.000 | 0.000 | | 0.000 |
| Certification | Pearson correlation | .944** | .867** | .845** | .778** | 1 |
| | Sig. (2-tailed) | 0.000 | 0.000 | 0.000 | 0.000 | |

Source: survey data

For most of the relationships, the inter-correlations among variables were found to be in the expected direction. Significant correlations were observed between specialty coffee export competitiveness, with quality, coffee traceability, and certification ($r$=.944, $p$<.01), ($r$=.883, $p$<.01), and ($r$=.867, $p$<.01). Another correlation between quality with cost of production and coffee traceability was (*r=.866, p<.01*) and (*r=.863, p<.01*). Similarly, followed coffee traceability with certification by *(r=.845, p<.01)*, which shows that all the two dimensions of production cost are positive and significant correlation to the cost of production.

## 4.4. Inferential analysis

### 4.4.1 Assumptions testing in multiple regressions

The underlying assumptions should be satisfied to maintain data validity and robustness of the regressed result of the research under the multiple regression models. Hence, this study has conducted assumption tests such as multi-collinearity, linearity, and normality.

**Multicollinearity test**

Multi collinearity is checked using correlations between the variables in the model. In this case, all of the scales quality, coffee traceability, cost of production, and certification with specialty coffee export competitiveness correlate substantially (0.156, 0.253, 0.230, and 0.180), respectively. As can be seen from the table, these requirements are validated, and there is no multicollinearity issue. As can see from the table below, all independent variables are more significant than 0.1, and the VIF value of all the independent variables is less than 10.

Table 12 Collinearity Matrix's

| Model | Collinearity statistics | |
|---|---|---|
| | Tolerance | VIF |
| (constant) | | |
| Quality | 0.156 | 6.429 |
| Coffee traceability | 0.253 | 3.955 |
| Cost of production | 0.230 | 4.357 |
| Certification | 0.180 | 5.569 |

Source: survey data

**The normality of the data** is essential to assess the normality of data before any formal statistical analysis. Otherwise, we might draw erroneous inference and wrong conclusions. Normality can be assessed both visually and through normality tests. Most of the statistical packages automatically produce the PP and QQ plots. Since graphical tests are very much personal use of analytical tests is highly recommended. Among the analytical tests, the Shapiro-Wilk test is provided by the SPSS software and possesses excellent power properties **(Das & Imon, 2016).**

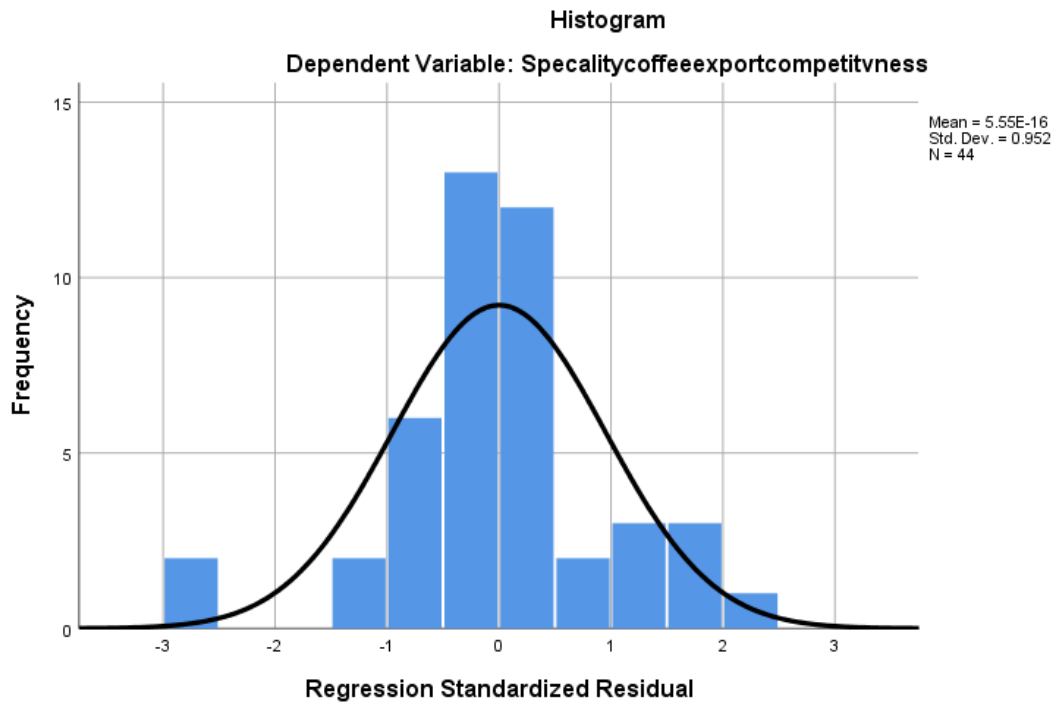


Figure 2 Normality Test

Source: survey data

The easiest and simplest graphical plot is the histogram. The frequency distribution in which the observed values are plotted against their frequency states a visual estimation of whether the distribution is bell-shaped. At the same, time it indicates the insights gap in the data and outliers. Also, it gives an idea of skewness or symmetry **(Das & Imon, 2016)**.

## 4.4.2. Multiple regression analysis

Table 13 Regression Coefficients

| Model | Unstandardized coefficients | | Standardized coefficients | T | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (constant) | -.095 | .102 | | -.929 | .359 |
| Quality | .601 | .061 | .586 | 9.846 | 0.000 |
| Coffee traceability | .339 | .050 | .316 | 6.773 | 0.000 |

| | | | | | |
|---|---|---|---|---|---|
| Cost of production | -.459 | .043 | -.518 | -10.573 | 0.000 |
| Certification | .542 | .053 | .572 | 10.318 | 0.000 |

Source: survey data

The regression model from the above table result shows that keeping other variables constant 0.586 unit increases in quality bring a unit increase in specialty coffee export competitiveness. 0.316 unit increases in coffee traceability have a unit increase impact on specialty coffee export competitiveness positively and significantly.

The results indicated a positive and statistically significant relationship between certification and specialty coffee export competitiveness with the result ($\beta = .572$, $t = 10.318$, $p<.05$) the fact that the regression coefficients are positive means that an increase in quality, coffee traceability, and certification corresponds to affect in specialty coffee export competitiveness also increases. The remaining variable cost of production has significant for specialty coffee export competitiveness when the value of $p< 0.05$, while it has a negative beta value, which is -0.518 respectively; this means these two variables have inverse relation in the competitiveness of specialty export.

Table 14 Model Summaries

| Model | R | R square | Adjusted r square | Std. Error of the estimate |
|---|---|---|---|---|
| 1 | .989[a] | .979 | .976 | .13688 |

A. Predictors: (constant), certification, cost of production, quality, coffee traceability

B. Dependent variable: specialty coffee export competitiveness

Source: survey data

Regression analysis is done as it can see the model summary from table 1.13. The adjusted r square statistic tells us the proportion of variance in the dependent variable that is accounted for by the independent variables. In this case, the coefficient of determination adjusted (r2) was 0.976. This implies that about 97.6% of the dependent variable can be explained by the independent variables leaving about 2.4% to be explained by other exogenous factors. Adjusted

r2 values also indicate the overall effect size of all the independent variables on the dependent variable.

## 4.5. Hypothesis testing and interpretation of results

Table 15 Hypothesis Testing

| Hypothesis | Analysis | Result | Reason |
|---|---|---|---|
| **H.1** Quality has a positive relationship and a significant effect on specialty on coffee export competitiveness. | Regression analysis | Accepted | B =0.586,p<0.05 |
| **H.2** Coffee tractability has a positive relationship and a significant effect on specialty coffee export competitiveness. | Regression analysis | Accepted | B =0.316,p<0.05 |
| **H.3** Cost of production has a positive relationship and a significant effect on specialty coffee export competitiveness. | Regression analysis | Accepted | B =-0.518,p<0.05 |
| **H.4** Certification has a positive relationship and a significant on effect specialty coffee export competitiveness. | Regression analysis | Accepted | B =0.572,p<0.05 |

Source: survey data

In order to surpass the profoundly competitive and volatile commodity-based sales, several producing countries are attending differentiated and value-based products. Moreover, promoting a competitive situation based on such manners that are likewise challenging to duplicate presents a potentially more viable long-term. Differentiating a product or service or adding value in the country of origin involves an understanding and managing a set of more complex issues, including current market trends, appropriate technology, multiple distribution channels, and the sometimes complex logistical, financial, and risk management requirements of supply chains. Combining smallholders and the most impoverished farmers requires that more attention paid to strengthening organizational and managerial capacities of institutions such as trade assistance and cooperatives (Lewin, et al., 2004).

The cooperatives operating in the area play a significant role in stabilizing the local coffee market in that they protect farmers from the low prices offered by local traders. However, cooperatives need to be strengthened in order to enhance their financial and managerial capacities. The study showed that union member cooperatives were doing better than non-

member cooperatives, indicating that cooperatives on their own are not viable; they need to be part of a union to get support in various ways (Amsalu, A. & Ludi, E., 2010).

Small Farmers or Out-growers are those who produce coffee but cannot export coffee directly by themselves. So they sell their coffee to exporters at the Cooperative union level they will be a member of the union for large scale farm exporters they will be out-growers for exporters and sell coffee directly to exporters.

Large scale farm exporters and cooperative union's exporters have a better experience from certification. It helps Farmers (Out Growers) under them by paying premium payment from certification. This motivates farmers to produce a good quality coffee and supply to exporters, not only that the coffee they produce is easily traceable; this means the exporters know from where they bring their coffee. The production of the cost can be covered by the premium price they get from the certification. This helps the exporter have a better quality coffee, a coffee with a history, and traceable coffee. This creates better competitiveness for the exporter by increasing export volume and production capacity by strengthening this Ethiopia can increase specialty coffee exporter than commercial coffee export and be competitive.

### 4.5.1. Quality

Quality has a positive and significant relationship with specialty coffee export competitiveness, with the hypothesis having a beta value of 0.586.

Coffee is either processed by wet or dry methods. In most of the study area, coffee is prepared using a dry processing (natural sundried) system. However, other researches indicated that the wet processing method has high mean values for good cup quality (attributes like acidity, body, and flavor) and bean physical quality (attributes like odor) as compared to the dry processing method. Also, storage facilities should be clean, fresh, shaded, dry, and well ventilated. On the other hand, genetic origin (species and genotype), farmers' perception, and adaption of technology also greatly influence coffee quality (Belay, et al., 2016).

Farmers recognize the importance of the quality of coffee, but there is no price differentiation based on quality. The buyers do not use containers with different prices for purchasing coffee based on quality. This has tended to discourage producers from severe involvement in quality improvement endeavors. Efforts have to be made to differentiate coffee processed based on

quality to enable farmers to produce high-quality coffee to earn a premium. This could be through promotion. It is expected that the premium so obtained would encourage the farmers to get involved more in the production of coffee of high quality (Musebe, et al., 2007).

Ethiopia's coffee and sesame sectors have the potential to serve higher-end markets, as the quality produced are generally high in Ethiopia. Ethiopia also has several specialty coffee and sesame types (Mheen-Sluijer, 2010).

Farmers' level of awareness also determines their accessibility to the coffee processing facilities. This means that creating awareness through education or advertising of the processing facilities may help improve the farmers' decision making regarding choice and access to the processing facilities (Musebe, et al., 2007). Quality is the primary significant thing for specialty coffee competitiveness, but the increasing export volume and production capacity should work on quality control, support farmers (out growers), and produce a good quality coffee.

### 4.5.2. Coffee traceability

The major obstacles are the absence of a traceability system and that compliance with social and environmental standards cannot be guaranteed (Mheen-Sluijer, 2010). A system for tracking and tracing would be one of those measures. Because such measures are costly, it is recommended that an analysis of the costs and benefits of the investments is made (Mheen-Sluijer, 2010).

Traceability is not an easy job that the exporter does by itself; however, by improving the recordkeeping until the final export by creating suitable traceability, it can fulfill the buyer's demand. Moreover, be competitive in the specialty market.

Coffee traceability has a positive and significant relationship with specialty coffee export competitiveness, with the hypothesis having a beta value of 0.316.

### 4.5.3. Cost of production

The cost of production has a negative and significant relationship with specialty coffee export competitiveness, with the hypothesis having a beta value of -0.518.

Production of coffee is capital and labor-intensive. Mainly weed control (weeding and digging), and harvesting is costly and need a relatively large capital. These operations are frequently

undertaken annually, and the minimum wage in coffee areas is very high as compared to the other cereal crop-producing farming systems. This high labor and capital demanding feature of coffee are discouraging as coffee productivity is lower in Ethiopia relative to other countries, especially South American countries. There is no doubt that technological advances can play an essential role in lowering production costs and contributing to quality improvement and coffee tree management (Diro et al., 2019).

A decrease in farm taxation means a relative increase in revenue for farmers from sales of their produce. An increase in revenue for farmers offers them an opportunity to meet any vital production cost-effectively, most importantly, control of diseases and pests (David & Christian, 2013). Exporters can work with the government and support the farmers under them by decreasing the tax, giving advanced technological material to make the production easy, and, to a minimum, the cost so the exporters can have a better price for red cherry coffee. While decreasing the production cost can increase the production capacity and export volume.

### 4.5.4. Certification

Certification has a positive and significant relationship with specialty coffee export competitiveness, with the hypothesis having a beta value of 0.572.

Certification programs require the fulfillment of defined indicators covering social, environmental and economic sustainability, and product traceability (Wahyudi & Jati, 2012).

Fairtrade, organics, and the SMBC bird-friendly initiatives all prescribe stringent standards and have successfully created a toehold of support within the mainstream market. The rainforest alliance, UTZ, and the 4c process, by contrast, seek to generate more comprehensive support for less stringent standards and hence extend the reach and applicability of coffee certification. Although concerns for consumer confusion and downward pressure on standards arising from the competition are real, it appears there is a better chance for these two levels to work synergistically in coffee than in many other sectors (Auld, 2010).

The benefits of producing for specialty markets in the three case study areas in Ethiopia, Kenya, and Tanzania, efforts to improve sustainability certification systems should nevertheless be further promoted to enhance these systems' appeal to consumers and bring about improvements in producers' livelihoods. Moreover, this process should be enhanced through the more inclusive

debate on sustainability criteria and on institutional settings and their related costs – financial and otherwise – as well as on cost-sharing mechanisms; by giving producers more power in negotiations relating to standards; and by improving technical assistance in the coffee production sector but also in alternative enterprises, as a means of supporting diversification. This should not lead to consumers paying more for their coffee, but to fairer final price distribution within the overall value chain (Amsalu, & Ludi, 2010). Having coffee certification helps to be competitive more because it only not limited to the exporter. It includes farmers under the exporter; this supports the farmer always to produce a better coffee and also by an increased volume.

To summarize, all hypotheses developed based on the research objective, and the conceptual framework was tested. Moreover, aiming to validate the hypothesis testing, several assumptions were checked. Accordingly, the hypotheses were tested through appropriate statistical procedures, and the results obtained from the statistical analysis are said to be successful in achieving the desired objective and in answering the research questions.

# CHAPTER FIVE

# SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter winds up the study undertaken so far by giving insights about the summary, conclusions, recommendations, and highlighting future research areas.

## 5.1. Summary of the major findings

The study's general objective was to determine specialty coffee competitiveness: in the case of Ethiopian specialty coffee exporters. Ethiopia exported Arabica coffee to the world; specialty coffee is not higher than the commercial coffee world. The world was currently demanding specialty coffee that is of high quality. The cupping values are more than 85, but still, Ethiopia was not exporting better volume; hence, this study tries to identify which determinant has the most substantial influence on the overall specialty coffee export competitiveness. This study also tries to answer the four research questions it started within the introduction.

- The researcher tested four independent variables like quality, coffee traceability, cost of production, and certification to determine the factors that influence the specialty coffee export competitiveness by distributing 50 questionnaires to the respondent. However, from the total distributed questionnaires, 44 of them completed correctly and returned within a time. Based on the conceptual framework and objectives of the study, 20 questions were provided on a 5 point Likert scale. The gathered data has analyzed through descriptive and inferential statistics using SPSS version 25.

- Descriptive analysis results revealed that respondents of the questionnaires are an export manager, and general manager are almost equal. A researcher can understand that specialty coffee export was done by large scale farm exporters and cooperative union exporters. However, most large scale farm was that respondents have 68.2 % dominated in specialty coffee export. As read from the result of questionnaires, the most significant portion of years of establishment of the respondent's company is categorized under11-20 years of exporting experience. This shows us that most of them have the highest experience in the area.

- Quality has a positive and significant relationship with specialty coffee export competitiveness, with the hypothesis having a beta value of 0.586. This implies that a 1

unit increase in quality lead to an increase with specialty coffee export competitiveness in the by 0.613 units.

- Coffee traceability has a positive and significant relationship with specialty coffee export competitiveness, with the hypothesis having a beta value of 0.316. This implies that a 1 unit increase in coffee traceability lead to an increase with specialty coffee export competitiveness in the by 0.103 units.

- The cost of production has a negative and significant relationship with specialty coffee export competitiveness, with the hypothesis having a beta value of -0.518. This implies that a 1 unit increase in the production cost lead to an increase with specialty coffee export competitiveness in the by -0.430 units.

- Certification has a positive and significant relationship with specialty coffee export competitiveness, with the hypothesis having a beta value of 0.572. This implies that a 1 unit increase in certification lead to an increase with specialty coffee export competitiveness in the by 0.576 units.

## 5.2. Conclusion

At the beginning of the study, it was hypothesized that Quality, Traceability and Certification had a positive relationship and significant impact on specialty coffee competitiveness except Cost of production had a negative and significant impact on specialty coffee competitiveness. After the analysis was done, the findings revealed that the significant dimension which affects specialty coffee competitiveness is discussed, like quality, coffee traceability, certification, and cost of production which accept the alternative hypothesis.

The primary purpose of this study was to investigate the factors affecting specialty coffee export competitiveness in Ethiopia. The results of regression analysis indicated a positive effect of quality, coffee traceability, and certification from this finding; the researcher can conclude that the above three variables are influential factors for the dependent variable, which is specialty coffee competitiveness. The other main issue researcher read from the results of inferential statistics is that cost of production has an inverse relationship and significant effects on the dependent variable that is specialty coffee competitiveness. This means when the cost of

production, increase specialty coffee export competitiveness can decrease to be competitive in specialty coffee cost of production have to be minimized.

## 5.3. Recommendations

Ethiopia has better competitiveness in specialty coffee by increasing production capacity and the export volume of the specialty coffee to increase competitiveness in the specialty coffee export. The country should consider quality improvement and control system from the farm level to the final processes. At the same time, the researcher says that at the farm level need to bring technologically advanced material to control the quality of the coffee. While processing, develop a sound quality control system from like replacing aging trees, pruning, and control of blending different flavors coffees, controlling of a fermentation tank cleanness, and checking the coffee while it is drying not only that from the government side controlling the storage system. This can make to get a better quality coffee from farmer (out-grower) to both cooperative union exporter also exporters those who have large scale farms.

Traceability is also another significant factor for specialty coffee competitiveness controlling traceability like national standard recordkeeping of the coffee history, creating farmers' awareness about the use of tractability, and creating a standard coding system from that farm level to the final processing. Exporters can fulfill the demand for specialty coffee in the international market, and Ethiopian can be competitive in specialty coffee export.

The cost of production inversely related and significant factor for specialty coffee export competitiveness. The production cost of coffee is relatively high. This is because there is a higher labor cost. Most of the works are done by human power. Technologically advanced materials should somehow replace this. In a rural area, there is a lack of infrastructure. The transportation cost is high, the buying price of red cherry from the farmers is costly since there is an improvement on the cost of production can have a better specialty coffee exporter than a commercial coffee exporter. Ethiopia can improve production capacity and export volume and can be competitive in specialty coffee export.

Certification is also significant for specialty coffee competitiveness. Having a better quality is not enough to be competitive in the specialty market; having certification like organic and fair trade makes it more competitive. Because the above to certificate supports better quality coffee

processing and supports farmers (out growers), those are under exporters by buying a coffee from exporters at a better price with a premium price that supports farmers. However, to be competitive, exporters must manage certification by increasing farmer's awareness about the use of being certified, government support to have national certifier companies, and increasing the certification duration. Which helps the exporter has a better price and support small farmers (out growers) exporters can increase the export volume and production capacity.

## 5.4. Limitation and future research recommendations

The present study was conducted to investigate the determinants of specialty coffee competitiveness in Addis Ababa, Ethiopia. Therefore, there is scope for other researchers to study specialty coffee also can include Harar because Harar coffee does not come to Addis Ababa. It directly exports from Harar. The limitation is that the researcher is only restricted to Addis Ababa. Similarly, the future researcher may use more time, resources, and sample size to make an all-around assessment in this area. Here the limitation is the sample size is limited because specialty coffee exporters are not higher like commodity coffee exporters. Besides that, this study used the four variables future researcher may investigate other variables that have the potential to influence the specialty coffee export competitiveness.

Finally, any potential researcher can further use this work as a benchmark while conducting their research on the specialty coffee export competitiveness of the sector in specific and other areas of study.

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## APPENDIX

**Appendix 1: Descriptive Analysis**

**Frequency**
**Table**

**Position of respondent**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | General Manager | 23 | 52.3 | 52.3 | 52.3 |
| | Export Manager | 21 | 47.7 | 47.7 | 100.0 |
| | Total | 44 | 100.0 | 100.0 | |

**Sex**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | Male | 37 | 84.1 | 84.1 | 84.1 |
| | Female | 7 | 15.9 | 15.9 | 100.0 |
| | Total | 44 | 100.0 | 100.0 | |

**Age**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | 26-45 | 28 | 63.6 | 63.6 | 63.6 |
| | 46-65 | 14 | 31.8 | 31.8 | 95.5 |
| | Above 66 | 2 | 4.5 | 4.5 | 100.0 |
| | Total | 44 | 100.0 | 100.0 | |

**How many Years of experience do you have on the current position?**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | Below 1 year | 1 | 2.3 | 2.3 | 2.3 |
| | 1-5 years | 10 | 22.7 | 22.7 | 25.0 |
| | 5-10 years | 20 | 45.5 | 45.5 | 70.5 |
| | Above 10 years | 13 | 29.5 | 29.5 | 100.0 |
| | Total | 44 | 100.0 | 100.0 | |

**Highest Educational Level**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | 12 grade complete | 1 | 2.3 | 2.3 | 2.3 |
| | College Diploma | 4 | 9.1 | 9.1 | 11.4 |
| | First degree | 16 | 36.4 | 36.4 | 47.7 |
| | Masters and above | 23 | 52.3 | 52.3 | 100.0 |
| | Total | 44 | 100.0 | 100.0 | |

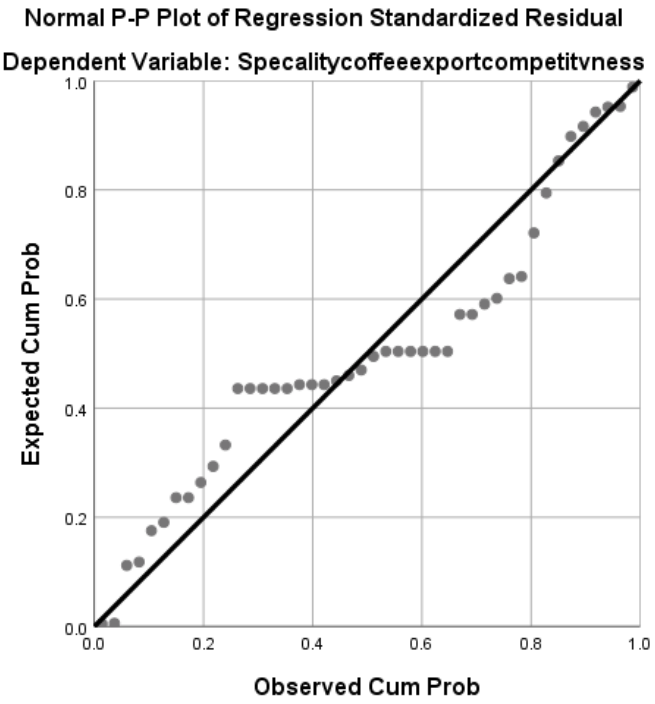
**How many Years of since establishment?**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | 1-10 years | 16 | 36.4 | 36.4 | 36.4 |
| | 11-20 years | 20 | 45.5 | 45.5 | 81.8 |
| | 21-30 years | 1 | 2.3 | 2.3 | 84.1 |
| | Above 30 years | 7 | 15.9 | 15.9 | 100.0 |
| | Total | 44 | 100.0 | 100.0 | |

**Your organization Type**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | large scale | 30 | 68.2 | 68.2 | 68.2 |
| | cooperatives | 14 | 31.8 | 31.8 | 100.0 |
| | Total | 44 | 100.0 | 100.0 | |

## Appendix 2: Normality of Residual by P Plot




## Appendix 3: Missing Value Statistics

| Missing Variable | | N | Mean | Std. Deviation | Std. Error Mean | Missing | | No. of Extremes | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Count | Percent | Low | High |
| Specialty coffee export competitiveness | .00 | 44 | 3.7614 | 0.88914 | 0.13404 | 0 | 0.0 | 0 | 0 |
| Quality | .00 | 44 | 3.7898 | 0.86761 | 0.13080 | 0 | 0.0 | 2 | 0 |
| Coffee Traceability | .00 | 44 | 3.7727 | 0.82971 | 0.12508 | 0 | 0.0 | 0 | 0 |
| Cost of production | .00 | 44 | 3.7784 | 1.00466 | 0.15146 | 0 | 0.0 | 0 | 0 |
| Certifications | .00 | 44 | 3.7500 | 0.93697 | 0.14125 | 0 | 0.0 | 0 | 0 |

**Appendix 4: Correlation Matrix for Variables**

| | | specialty coffee export Competitiveness | Quality | Coffee traceability | Cost of Production | Certification |
|---|---|---|---|---|---|---|
| specialty coffee export Competitiveness | Pearson Correlation | 1 | .883** | .863** | .678** | .944** |
| | Sig. (2-tailed) | | 0.000 | 0.000 | 0.005 | 0.000 |
| Quality | Pearson Correlation | .883** | 1 | .790** | .866** | .867** |
| | Sig. (2-tailed) | 0.000 | | 0.000 | 0.000 | 0.000 |
| Coffee traceability | Pearson Correlation | .863** | .790** | 1 | .772** | .845** |
| | Sig. (2-tailed) | 0.000 | 0.000 | | 0.000 | 0.000 |
| Cost of Production | Pearson Correlation | .678** | .866** | .772** | 1 | .778** |
| | Sig. (2-tailed) | 0.000 | 0.000 | 0.000 | | 0.000 |
| Certification | Pearson Correlation | .944** | .867** | .845** | .778** | 1 |
| | Sig. (2-tailed) | 0.000 | 0.000 | 0.000 | 0.000 | |

**. Correlation is significant at the 0.01 level (2-tailed).

**Appendix 5: Regression Analysis**

**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| 1 | .989[a] | 0.979 | 0.976 | 0.13688 | 1.865 |

a. Predictors: (Constant), Certifications, Cost of production, Traceability, Quality

b. Dependent Variable: Specialty coffee export competitiveness

**ANOVA**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 33.264 | 4 | 8.316 | 443.812 | .000[b] |
| | Residual | 0.731 | 39 | 0.019 | | |
| | Total | 33.994 | 43 | | | |

a. Dependent Variable: Specialty coffee export competitiveness

b. Predictors: (Constant), Certifications, Cost of production, Traceability, Quality

**Coefficients**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 | (Constant) | -0.095 | 0.102 | | -0.929 | 0.359 | | |
| | Quality | 0.601 | 0.061 | 0.586 | 9.846 | 0.000 | 0.156 | 6.429 |
| | Traceability | 0.339 | 0.050 | 0.316 | 6.773 | 0.000 | 0.253 | 3.955 |
| | Cost of production | -0.459 | 0.043 | -0.518 | -10.573 | 0.000 | 0.230 | 4.357 |
| | Certifications | 0.542 | 0.053 | 0.572 | 10.318 | 0.000 | 0.180 | 5.569 |

a. Dependent Variable: Specialty coffee export competitiveness

**Appendix 6: Questionnaires**

**ADDIS ABABA UNIVERITY SCHOOL OF COMMERCE**

**Dear Respondent**

My name is **Rekik Haile**. I am a graduate student at Addis Ababa university school of commerce, and currently I am conducting a research on the Topic **"Determinates of specialty coffee competitiveness: The case of Ethiopian specialty coffee exporter"** I kindly request you to provide me reliable information. Your response kept confidential. The outcome of study is purely for academic purpose and thus not affects you in any case. I assure you that your response treated with strict confidentiality. So your genuine, frank and timely response is extremely vital for the quality and successful completion of the study.

Therefore, I kindly request you to spend some of your valuable time to complete this questionnaire to the best of your knowledge.

**Instruction:-**

- ✓ In this questionnaire you are allowed to feel this form if you are Owner of the company, export manager and if you are expertise in the area, if not please don't fill the questionnaire.
- ✓ No need of writing your name

**Part-I: General Information**

**Q1.** Name of the firm: _____

**Q2.** Position of respondent: _____

**Q3.** Sex: **1** Male □

**2** Female □

**Q4.** Age **1** below 25□

**2** 26-45□

**3** 46-65□

**4** above 66□

**Q5.** How many Years of experience do you have on the current position?

**1** Below 1 year □

**2** 1-5 years □

**3** 5-10 years □

**4** above 10 years □

Q6. Highest Educational Level: **1** 12 grade complete □

**2** College Diploma □

**3** First degree □

**4** Masters and above□

**Q7.** Legal status of firm: **1** Public Enterprise □

**2** Partnership □

**3** Sole Proprietorship □

**4** Share company □

**5** Joint-Venture □

**6** other (specify) □

**Q8.** Year of Establishment (Ethiopian calendar) ----------

**Q9.** Your organization **1** large scale □

**2** cooperatives □

**Part-II: Please attempt to address the following questions as per the provided instructions; Indicate your degree of agreement or disagreement against each question by encircling the appropriate number (where, strongly disagree (SDA) =1, Disagree (DA) =2, Neutral (N), =3, Agree (A) =4 and Strongly Agree (SA) =5**

**Q10. What makes the organization competitive in exporting specialty coffee? Please attempt to address the question below.**

| S/no | Specialty coffee export competitiveness | Strongly disagree | Disagree | neutral | agree | Strongly agree |
|---|---|---|---|---|---|---|
| Q10.1 | We have high-quality coffee. | 1 | 2 | 3 | 4 | 5 |
| Q10.2 | We have a reliable quality control method. | 1 | 2 | 3 | 4 | 5 |
| Q10.3 | We have our innovation of processed specialty coffee. | 1 | 2 | 3 | 4 | 5 |
| Q10.4 | We have certified coffee. | 1 | 2 | 3 | 4 | 5 |

**Q11. Quality is significant factor that impedes competitiveness of specialty coffee competitiveness?**

| S/no | Quality | Strongly disagree | Disagree | neutral | agree | Strongly agree |
|---|---|---|---|---|---|---|
| Q11.1 | The low quality of specialty coffee export from Ethiopia negatively affects the competitiveness specialty coffee export from Ethiopia. | 1 | 2 | 3 | 4 | 5 |
| Q11.2 | The problem of quality consistency in supply coffee Stringent affects specialty coffee export competitiveness. | 1 | 2 | 3 | 4 | 5 |
| Q11.3 | Lack of quality controller at the farm level during Post-harvest and pre-harvest affect specialty | 1 | 2 | 3 | 4 | 5 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | coffee export competitiveness. | | | | | |
| Q11.4 | Lack of specialized technology required to meet foreign market quality needs affect specialty coffee export competitiveness. | 1 | 2 | 3 | 4 | 5 |

**Q12. Coffee Traceability is significant factor that impedes competitiveness of specialty coffee?**

| **S/no** | **Coffee Traceability** | **Strongly disagree** | **Disagree** | **neutral** | **agree** | **Strongly agree** |
|---|---|---|---|---|---|---|
| Q12.1 | The longer the coffee value chain which affects the traceability of coffee negatively affects the competitiveness of specialty coffee export. | 1 | 2 | 3 | 4 | 5 |
| Q12.2 | Coffee traceability is major for specialty coffee competitiveness. | 1 | 2 | 3 | 4 | 5 |
| Q12.3 | Lack of traceability negatively affects reliability of sustainability of the coffee export. | | | | | |
| Q12.4 | The productions are at garden, forest, and semi-forest level it is hard to be traceable and competitive in specialty coffee. | 1 | 2 | 3 | 4 | 5 |

**Q13. Cost of production is significant factor that impedes competitiveness of specialty coffee?**

| S/no | Cost of production | Strongly disagree | Disagree | neutral | agree | Strongly agree |
|---|---|---|---|---|---|---|
| Q13.1 | The higher price of red cheery coffee cost affects specialty coffee export competitiveness. | 1 | 2 | 3 | 4 | 5 |
| Q13.2 | The higher cost of imported technological advanced equipment like shed net affects specialty coffee export Competitiveness. | 1 | 2 | 3 | 4 | 5 |
| Q13.3 | Higher labor cost affects specialty coffee export Competitiveness. | 1 | 2 | 3 | 4 | 5 |
| Q13.4 | Higher Cost of production in specialty coffee affects competitiveness. | 1 | 2 | 3 | 4 | 5 |

**Q14. Certification is significant factor that impedes competitiveness of specialty coffee?**

| S/no | Certification | Strongly disagree | Disagree | neutral | agree | Strongly agree |
|---|---|---|---|---|---|---|
| Q14.1 | Failing to become certified with different export market requirements Like Organic certified, Fair trade certified negatively affects competitiveness of specialty | 1 | 2 | 3 | 4 | 5 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | coffee export from Ethiopia. | | | | | |
| Q14.2 | Farmer's awareness of certifications benefit makes specialty coffee export competitive. | 1 | 2 | 3 | 4 | 5 |
| Q14.3 | Lack of local certifier company affects specialty coffee export competitiveness. | 1 | 2 | 3 | 4 | 5 |
| Q14.4 | A short period of certificate duration decrease being competitive in the specialty coffee export. | 1 | 2 | 3 | 4 | 5 |