Developmental contradictions in Ethiopian coffee trade system: The case of Ethiopian Commodity Exchange (ECX)

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1. Introduction

Interconnectivity of Ethiopia and coffee seems to be an incredible story. Ethiopia is Africa’s biggest coffee exporter nation and world’s number six next to Brazil, Colombia, Vietnam, Indonesia and India according to U.S Department of Agriculture in 2010/11. Sizable portion of Ethiopian coffee export goes to five top Ethiopian coffee importing markets such as Germany, United States of America, Saudi Arabia, Belgium and Italy respectively by 2010/11 fiscal year.

In fact, the coffee linkage with Ethiopia is deep-rooted many historians believe Ethiopia as a birth place of coffee. That dated back in 9th century when Kaldi a goat herder discovered after noticing its energizing effect on his goats. Despite the fact, it is difficult to substantiate Kaldi’s fairytale accurately with concrete and solid reference. Given the fact the writers put it in slightly different way between them on how coffee was discovered. However, there is seemingly a consensus in most historians and writers on the area that Ethiopia as a birth place of coffee. The word coffee itself derived from place called ‘Kaffa’ where the trees blossomed. Coffee gradually became a world obsession by spreading from highlands of Ethiopia traveled along spice routes to Yemen, Turkey and Europe.¹

Ethiopia is home to hundred traditional coffee varieties with some popular coffee names in world market such as Harar, Yirgachefe, Sidama, Nekempte, Limu, Bebeka, Tepi and Jimma coffee. Historically, as a commodity coffee has been traded for more than 1500 years. Therefore, Ethiopia is not only top African coffee exporting country; it is also world’s oldest coffee exporter nation. Merchants used to transport coffee by caravans, mules, camels and donkey (ECX, 2008).

After centuries, coffee is still a backbone of Ethiopian economy. Which extremely dependent on agriculture, contributing 26.4 percent of total foreign exchange earnings in 2009/2010 fiscal year according to Ethiopian Revenue and Customs Authority (ERCA, 2010). The endeavors to transform the Ethiopian economy from agriculture to industry based on increasing of production and productivity level of agriculture itself. The agriculture-led economy policy has been successful for the last decade in bringing the development the country needs. At the moment, Ethiopian economy ranked as one of the fastest growing by World Bank and IMF. With a growth rate of 9.9 percent per

year in 2004/05 - 2011/12 compared to the regional average of 5.4 percent expansion of the services and agricultural sectors account for most of this growth (World Bank, 2013).

As a researcher, studying of farmers living and Ethiopian agricultural market is all started in autumn 2012. After I met Professor Reijo Miettinen who encouraged me to study Ethiopian Commodity Exchange (ECX) after we discussed on possible thesis topics. I was over the moon for the opportunity of studying this particular topic. Initially, I knew fairly well about ECX achievements and tremendous efforts and seemingly unreal passion of its founder Eleni Gabre-madhin before. All these together have added up for me to be convinced on picking the topic.

The objective of this study is to identify what agricultural market problems the establishment of modern commodity exchange system called ECX has resolved? To explain what the advantages and challenges (developmental contradictions) different stakeholders such as exporters, suppliers and farmers has found in the new system setting and last but not least how has the coffee farmers living improved? Thus, the following research questions have been formulated:

I. What contradictions of agricultural market the establishment of ECX tried to solve?
II. What advantages and developmental contradictions different stakeholders (ECX head quarter, warehouse, farmers, suppliers and exporters) found in the new system?
III. How ECX has influenced the life conditions of the coffee farmers?

Modern commodity exchange has a long history as far date back as around 17th century in Osaka, Japan². Currently, there are plenty of commodity exchanges around the globe. Gabre-Madhin defined commodity exchange simply as a central place where sellers and buyers meet to transact in an organized fashion, with certain clearly specified and transparent “rules of the game.” In its wider sense, a commodity exchange is any organized market place where trade, with or without the physical commodities, is funneled through a single mechanism, allowing for maximum effective competition among buyers and among sellers. The fact of having a single market mechanism to bring together the myriad buyers and sellers at any point in time effectively results in the greatest concentration of trading for a given good (Gabre-Madhin and Goggin, 2005, p6).

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1.2 The history of coffee trade in Ethiopia

The activity of coffee trade in three regimes of Ethiopia each of the regimes are relatively stayed quite long in power and the one who lived short in power has a 17 years of stay. It is ideologically interesting to see how these three regimes were oriented their policy. The main target of taking the regimes is to create a glimpse of understanding concerning the agricultural trading policy. It is not my research interest at this moment in time to compare the regimes’ as a whole.

Emperor Haile Selassie I Regime (1930-1974)

During Emperor Haile Selassie’s regime market orientation was a liberal or free market principle. In his study Geda (1999), said pre-1974 the foreign trade policy of the country was largely informed by ‘the free trade’ doctrine. Various measures to facilitate trade such as the establishment of the Chamber of Commerce, the establishment of various boards (Coffee Board, Grain Marketing Board and Office of National Standards) were taken. These measures were aimed at controlling the quality of imports and exports and facilitating trade. In terms of imports, imports of capital goods and raw materials were free of duty while others were taxed (MIT, 1987).

Historically, National Coffee Board of Ethiopia (NCBE) was the first responsible government body for coffee sector development opened in 1957, with aim to control and coordinate producers’ traders and exporters’ so as to improve the quality of Ethiopian coffee. In spite of the good start the emperor’s regime fallen under pressure from young elites who pursued political change and call for democratically elected leader. Then students’ question created wave of protest in the country against imperialism and the military in particular intervened and hijacked students’ quest for change3.

Ethiopia’s land distribution was predominantly allocated to the then regime officials and supporters. This resulted in brewing few feudal landlords with numerous oppressed farmers destined to be under their mercy. The distribution of land as a source of wealth was a key component that fuelled public anger and desperation for change and the students’ revolution is a case in point. Farmers were really handicapped by the land system and their fate was to struggle for survival rather than

3 University students demanded change in political system, administration and land policy. But their question lived short when later the military took control of the country and form leftist political system.
aspiring productivity and the free market policy at macro level had insignificant benefit for the bottom line farmers due to the aforementioned reasons.

**Coffee Trade System during Derg Regime (1974-1991)**

The Derg regime overthrown Emperor Haile Selassie I by coup d’état then came to power by 1974. Many reforms addressed by the military junta in the country among those one of the major action was nationalization of private sector entities. Then install strict monopoly system in many industries by the government. However, this action resulted in enormous decline of private businesses and curtailed entrepreneurial attitudes. The regime embraced socialism as principal ideology to follow so as to solve the society’s deep-seated problems which were created by feudalism. Implementation of more strict laws followed to enforce high government role in every aspect of productivity.

Agricultural Marketing Cooperation (AMC) became central authority to look after coffee and related matters. Initially it was set up in 1976 with World Bank support for the purpose of purchasing grain and distributing it to consumers (Lirenso, 1993). AMC had formulated policies in this period including policies on fixed pan-territorial grain prices, restricted private inter-regional grain movements, limited private sector participation, and a producer grain quota (Fisseha, 1994; Lirenso, 1987; Franzel, Colburn, and Degu, 1989). Farmer quota of AMC was consistently below the market prices which have had effect of depressing rural incomes and production (Dercon, 1995). During Derg regime the farmers’ woe changed its form, the regime opted to maximize government’s activity in the market and it unwelcomed the private individuals’ attempt of wealth accumulation by any means possible. Therefore, farmers’ life conditions were victimized by such particular policy which disregarded growth and prosperity of farmers with yet below market pricing of the commodity.

**EPRDF Regime (1991 Onwards)**

In the spring of 1991 the downfall of the communist Derg regime marked subsequently change appeared in the sphere of political ideology. That enabled policy reform on more market liberation sanctioned which aimed at attracting investment as well as encouraging private sector to play vital
role in economic development. The incumbent ruling party *Ethiopian People’s Revolutionary Democratic Front (EPRDF)* after coming through rebellion and guerilla fight to topple the Derg regime declared a democratic republic system leaning towards Eastern Asian countries model of *developmental state*.4

The transitional government in 1992 has taken measures to eliminate market restrictions and free market irregularities such as fixed price and quota that were imposed by the Derg. In their article Bekele and Muchie (2009) wrote: The EPRDF focused on reorienting the economy through market reforms and structural adjustment, backed up by the IMF and the World Bank. …The first set of reform measures included the reduction of the state’s role in economic activity, liberalization of foreign exchange markets, the reduction of tariffs, the relaxation of quota constraints, simplification of licensing procedures, liberalization of foreign exchange control, removal of restrictions on international and domestic trade, opening up of financial markets, abolition of compulsory cooperative memberships and grain delivery, privatization of a few state owned enterprises, and improvement in investment policies (Bekele and Muchie, 2009, p7).

The reform went well through ups and downs despite the question of political stability in the pretext of regime change. Government undertaken endeavors to scale up export earning of coffee sector and has given incentives to form work unions and association in *Wereda* (district) level5.

Despite of taking measures to enhance the overall chain of coffee market. However, Ethiopian commodity in general and system of coffee trade in particular characterized as one of inefficient by having involved too many market actors. The unfavorable inclusion of these market actors emanated from poor system which had allow people, whom did not add value and yet got a chance to be involved in the market process.

Nicolas Petit (2007) pointed coffee trade took place in two major cities of Ethiopia, the capital Addis Ababa (90%) and Dire Dawa (10%) the foremost business and near to the port city. The coffee beans transported to these city’s auction compound in a way the quality and provenance is tested in sample basis by *Coffee and Tea Quality Control and Liquoring Unit* (Petit, 2007, p240).

Coffee from different parts of Ethiopia had to go through in these phases in order to be exported. However, the capacity of these two quality control and auction stations were arguably subpar.

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4 Technocrats of the current regime argued neoliberalism has left Africa in dark for decades and the way forward should be developmental state model that worked well in Asia.

5 In order to offer financial loan, technical assistance as well as to increase the bargaining power of small scale farmers.
During interview session with senior ECX warehouse personnel he underlined long queue of trucks carrying coffee for days at the compound gates were a day-to-day happening. In an interview with warehouse personnel, he explained the matter as follows:

Interview excerpt:

Warehouse personnel: There was for example, in the old system, central stocking system was located only in Addis Ababa. If you recall in Addis cars used to line up due to concentration of traffic …from Kadisco, Yosef, Saris [approximately some three kilometers of distance between these three places]… in one center and there was no progress.

Therefore, exporting coffee without any stake of quality deterioration and weight loss seemed to be an unreachable vision for stakeholders.

Furthermore, information regarding how many tons of coffee in what quality had been exchanged or coffee prices remained in black box. Information used to be kept in papers it made retrieving of data a baffling task. There were no mechanisms for farmers to get market information at the same time convenient market to sell their commodity; this has left them to be vulnerable to brokers and exporters unjust market advantages. As a result, farmers subjected to be for impoverished living conditions despite concrete macro level policy changes the system at grass root level have been overwhelmed by the problems or contradictions that have decades of historical roots.

It took a holistic effort to modernize agricultural market from government of Ethiopia, donor institutions, key individuals and stakeholders to bring a system that benefits all. In general, despite of the ideological variations among these three regimes, the coffee trade remained almost the same without any tangible change for several decades. The coffee auction activity in particular which cruised all these three regimes with only changes at the top of the hierarchy. Whereas, at the grass root level it remained arguably unchanged until the emergence of ECX. Henceforth, it has undertaken a transition from auction method to exchange. In order to make the historical narration complete, I discussed the Coffee Board activity here which I compared with current ECX activity system in search of the contradictions solved by the latter.

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*Weight loss of coffee comes mainly from exposing it to sun or unventilated warehouse given the hygroscopic nature of coffee.*
1.3 Why was ECX established?

In my interview, I kept this topic to be the first theme with intention of deepening the understanding of historical account of the research object. Therefore, I summed up the main justifications I found from my empirical data here. I gave a glimpse on what I found in my investigation why ECX was established in this subtopic.

The establishment of ECX is part of Ethiopia’s project to boost its agriculture-dependent economy and get more competitive edge in world market. The much awaited system established by proclamation after the motion passed by the parliament in 2007 and it categorically aimed at modernizing the agricultural market.

Figure 1. Ethiopian Commodity Exchange

Interview excerpt:

Warehouse personnel: ECX was established in proclamation after ratified by the parliament in 2008. Its significance, as we know the deep rooted problem of the
country’s trading system which was too long [by unnecessary intermediaries] or complicated and inefficient. Therefore, it was established to end such backward system; to enhance the benefits of the country from economic and social aspects.

The above excerpt is taken from the interview I held with ECX warehouse staff. The establishment of ECX has been materialized by a joint effort of Ethiopian government and foreign donors after an outstanding and plausible proposal by Dr. Eleni Gabre-Madhin a graduate of Economics who had been working in World Bank as senior researcher later served as the first CEO of ECX.

There were about six opinion categories from the interview which indicated as rationale behind for the establishment\(^7\). It focused on solving over the years accumulated market problems such as unorganized market, price volatility, high contract default, modernizing the agricultural market as a whole etc. Unorganized market refers to the market set up which is highly inconsistent in its supply. The market stakeholders channel is too long which directly has negative implication to be efficient. The market channel was unclear on the role of brokers, suppliers and exporters in the market and their legally defined role. Involvement of too many intermediaries in the market without adding any value in the process from the point of production to final market destination was a huge difficulty. In other words it means there was very high transaction cost in the expense of farmer’s profit. Likewise, market risk on the other hand deemed to be very high for farmers. In my interview with ECX head office personnel he gave his take on why ECX was established:

**Interview excerpts:**

ECX interviewee: The market had high cost of transaction and high risks. When we are saying it is not organized, it is to refer the buyers’ likelihood of getting product from the seller directly in a sufficient amount was very low or very high, it was inconsistent.

These factors have a direct relation as far as organized market is concerned. Sorting out of the role of each stakeholder systematically makes the channel to be transparent and time efficient as well as organized. Furthermore, higher rate of price volatility which in a given time a particular commodity exchanged at higher price, the same commodity in the next day could hit the lowest rate in a great margin. This has made the sector unpredictable and farmers cannot forecast their possible earning from their produce. At the same time related reinvestment of the money into their activity or living is unthinkable. On the other end, exporters and suppliers struggled to secure needed quality of produce in much more suitable circumstances and continuity of flow or supply of the item.

Higher contract default is also supposedly mentioned by interviewees as another factor the establishment of the institution current work platform avoided. Contracts were easy to enter into

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\(^7\) For more information of establishment of ECX see table 4.
and as well as easy to break out, these were carried out mainly at risk of the other party or one-sidedly. The key part of establishment envisioned to modernizing the Ethiopian agricultural commodity market with transparent and more market ordered system.

In addition, technocrats believed that ECX establishment was focal point for the overall nation building ambitions. The gains in economic benefit were emphasized by reducing illegal coffee smuggling to neighboring countries or controlling contraband business activities. It also attempted to curb one of the major problems of the sector, that better known in local term as ‘Dereq Check’ or in financial term *Non Sufficient Fund (NSF)*\(^8\). Furthermore, it created vast job opportunities for citizens from both rural and urban areas and secure foreign currency etc. It is undoubtedly, a remarkable achievement to agricultural market scene of Ethiopia; those challenges were among the main bottlenecks of the sector.

Furthermore, transforming the lives of millions of farmers through empowering them by market information is another pillar the institution stands for. Farmers today are experiencing multitude of options to get market information they need on daily basis: ECX disseminates market information in on-and-off working hours to 200 strategically selected markets across Ethiopia. That gets instant information about the product through electronic tickers\(^9\), mobile phone Short Messaging Service (SMS), and Interactive Voice Response (IVR) system. These will enable stakeholders to access the service 24 hours via phone call\(^10\), the official website of the institution [www.ecx.com.et](http://www.ecx.com.et) and other media outlets (TV, radio and newspapers) circulate the information to interested users.

There is a great reason that makes the institution ideal scenario which is riskless safety of transaction. Exporters will only let to be engaged in the market after having proof from bank that they have deposited enough amount of money at their disposal. Gabre-madhin described the case how in a video interview: “…In terms of payment, in the past payment was subjected to the will of the seller. Seller pays in the day or month he wants. Even sellers used to say I don’t have money now, come tomorrow. You know these sorts of things, he (seller) let the farmer wait in vain, and it often took them months to get paid.”\(^11\)

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\(^8\) NSF check forces the bank to unable honor the check due to less or insufficient money in the account.

\(^9\) Price ticker conveys up-to-date market price for particular product and anyone interested can easily see from this displays.

\(^10\) IVR works by prerecorded audio system and inputs given by telephone keypad the customer interactively gets the information see

1.4 The journey of Ethiopian coffee from farm to market

The journey of coffee from the wild trees to the consumers’ cup is a long process and it involves different stakeholders in the buildup. I tried to depict the chain of coffee flow from bottom line producers to export. Coffee harvesting season in Ethiopia varies from place to place but the commonly known time falls between August to January\textsuperscript{12}.

Before the coffee is transported by heavy trucks to the ports and then to the world via containerships coffee production process for farmers all started from preparing land and planting of seedlings. Mainly it ends when they collect the prices for the coffee cherries they have produced. Thus, farmers are the key stakeholders through the process, if not the only ones. The coffee market has three divisions: primary, secondary and tertiary markets. These market structures are meant to be the main links of coffee growers to access the main market. The chains the coffee passes through and the role of each stakeholder depicted in the diagram above and each role explained as follows:

Figure 2. The route of coffee from farm to market
Two coffee routes

How to make distinction on the coffee export that took place in farmers’ cooperative unions and the customary way of exporting by exporters? It would be more sensible to classify coffee export by routes: route one and route two. I preferred to put the one with cooperative unions as the first route and the other with many more involvement of stakeholders as the second route.

Ethiopian coffee farmers at present are also working by forming work cooperatives in their localities. That is helping them to add value on their coffee production and improving the lives of their members accordingly. In what I referred as first route, the coffee produce all the way from production to export activities are facilitated by respective unions without any interference of other middlemen. The unions get services from coffee grading facilities of ECX and then directly export it for international market. The support targeted at encouraging the unions to grow in capacity and change their coffee farmer members’ lives. However, when there is a need to supply for domestic market their members could enter into ECX trading floor and settle a deal with coffee buyers.

In the second route, systematically tailored exchange system to the contexts of a developing country like Ethiopia. Bypassing the fact of very limited internet and communication advancements in the country. In order to enable the coffee sector key stakeholders to play their decisive role it recruits alternative communication channels. They engage in the exchange activity on the basis of adding value to the overall system. The main role of the stakeholders in the process discussed in brief subsequently.

Division of Ethiopian coffee market into primary, secondary and tertiary markets

The coffee market has three successive divisions. Due to several reasons such as proximity and poor infrastructure it is impossible to organize the market in a one broad way where buyers and sellers directly meet. Therefore, it is vital to make breakdown of the huge market which serve around 25 million coffee farmers and tens of thousands intermediaries.
Figure 3. Primary, secondary and tertiary coffee market divisions

First, primary markets these markets would be held near to farmers’ whereabouts. Currently, there are about 979 primary coffee market centers in the country. Farmers sell their timely-collected coffee cherries to suppliers in those centers. The primary markets are the main junctures where farmers are accessed. Second, secondary market conducted when suppliers brought the coffee to the warehouses and exchange their coffee with exporters and domestic wholesalers. Finally, the coffee
would be ready at this level to reach to its end users. In this case, the exchange of the coffee said to be at tertiary market level.

**Primary market**

There are different types of *coffee producing* actors to the overall national coffee production grid. It can be from regional farmers’ cooperative unions, large scale private, state farm and small and micro scale farmers. According to Ashine A. (2011), 83% of Ethiopian small scale rural households cultivate less than two hectares of land. In spite of Ethiopia’s coffee production broadly based on small scale farmers. Still state-owned farms and private coffee farming businesses also constitutes a significant share of production. The coffee production in Ethiopia is categorically twofold process one from natural forests and the other and most dominant one by planting seedlings and growing coffee trees. Coffee farmers prepare a particular land beforehand by employing agricultural equipment such as shovels, fork hoes, pickaxes and the likes. They also integrate their farming with advices of professionals in the field; farmers are beneficiaries from the offered technical assistance from regional state agricultural extension workers as well as NGOs’ project which targets on boosting farmers’ advantages.

![Coffee farmer harvesting his produce](http://sidamacoffee.com/CoffeeProduction.html)

Figure 4. Coffee farmer harvesting his produce (Sidama Coffee Farmers’ Cooperative Union)

In coffee producing areas, it is common to plant coffee in their garden and often utilize family labor mostly for harvesting.\(^\text{13}\) F

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\(^{13}\) For more information see e.g. Sidama coffee farmers’ cooperative union. [http://sidamacoffee.com/CoffeeProduction.html](http://sidamacoffee.com/CoffeeProduction.html) Last accessed by 19 October 2014.
farmers then harvest their coffee cherries and take into account the current prices of the type of coffee they produced so as to sell it in a right amount having the market information on their possession they would get it easy to bargain well with suppliers to protect their market advantage.

Secondary market

*Coffee washing stations* can be established by farmer unions as well as individual investors, it is at this point the red-dark cherries split into two golden halves of coffee beans. According to a journal published on USAID, currently there are more than 637 washing stations with a combined capacity of 102,200 tons per annum. Estate coffee farms own 32, the four farmers’ cooperatives own 169 and the private sector owns the balance of 406. (Chemonics International Inc., 2010, pp.4)

There are different instruments used in coffee processing plants among those disc pulper, a hand tool which is made of wood, clean running water and wide open water tank made from cement and drying tent. The coffee will be fermented and soaked naturally in these stations and later dry in mats, concrete, or cement floors until it retains 11.5 percent of moisture. On proceeding discussed on African Crop Science Conference, Richard M. et al., wrote there are three methods of coffee drying approaches Ethiopian farmers used; on the ground, on raised beds and cemented floors. (Richard Musebe et al., 2007, pp.1918)

![Figure 5. Raised coffee drying beds in Sidama, Southern Ethiopia (Sidama Coffee Farmers’ Cooperative Union)](image)
These plants are service providing entities and mainly suppliers buy their services and it is suppliers’ responsibility to ascertain the coffee washed in these stations are transported in to the nearby warehouses on time.

In recent study on the area it is indicated Ethiopia has over 488 sun-dried coffee processing plants with a combined capacity of over 273,000 tons per year. In the Oromia region they are 273, in Southern Nation Nationalities Peoples Region 113 and in Gambella Region, two. Since the liberalization of the coffee processing, the private sector accounts for roughly 68% of the milling capacity, farmers’ cooperatives 15% and estates 17% (Chemonics International Inc., 2010, pp.4).

Figure 6. Coffee washing site, southern Ethiopia (Nordic Approach blog)

Successful realization of coffee market would have been unthinkable without the engagement suppliers. What sort of activity suppliers does? Suppliers are the ones that makes fundamental market interlinks between the distant and remotely dwelled farmers and central markets where the demand for specific type and grade of coffee is higher. Suppliers are legally registered local business entities or individuals. They add value to the process by directly buying the coffee from the primary markets. Their role makes the fragmented coffee productions at small scale farming to more aggregated form by collecting the quantitatively small product from small scale farmers. The coffee they collected is not yet ready for the next step; suppliers need to get the coffee washed and takes it to the nearby ECX warehouse. Then they receive Good Receiving Notes (GRN) from warehouses that indicates the date of the item received with specific quantity. After a process of grading the coffee also labelled with particular grade and the suppliers go with that to exchange their commodity.
Even though suppliers were buyers of the coffee at primary markets then they will emerge as sellers of coffee at a secondary market. That takes place at ECX trading floor where they will be joined by number of buyers for both export and domestic markets.

It is predefined and stated how suppliers alongside other stakeholders function in the system by the law and they are obliged to abide by ECX’s rules, regulations and directives.

Figure 7. Buyers and sellers meet face to face on transparent bidding at ECX trading floor (Official ECX magazine)

**Tertiary market**

*Coffee export* has been the dominant source of hard currency for the Ethiopian economy. Albeit, the dominance seems to be in decline due to the progress of other sectors such as oil seeds, mining, leather and textile\(^\text{14}\). Nevertheless, coffee still holds the key for the nation’s ambition of its economic transformation from being agricultural dependent to modern industrialized economy.

It shows how it is vital the exporters’ activity in effort to take the economy step further and trickling down the resources down to market actors. Despite the increase of other sectors

\(^{14}\) Ethiopia earned 33.9% of its export from these subsectors the coffee share was 26.4% in 2009/10 financial year. (Ethiopian revenue and customs authority, 2010)
export, it looks highly probable that the Ethiopian economy might be continuing to rely on the vast coffee sector for a little longer as it stands.

Likewise of suppliers, exporters are also legally registered and licensed profit making entities. Most of exporters are members of Ethiopian Coffee Exporters Association, members of ECX and registered with foreign standard issuing firms like US Food and Drug Administration (FDA).

Therefore, the tertiary market happens when the exporters have finally offered the coffee to the world market. The exchange between world market coffee buyers and Ethiopian exporters regarded as the last division of market, tertiary market.

1.5 Ethiopian Commodity Exchange system

The newly launched system brought new organizational structure. It has aimed at realizing the Ethiopian agricultural commodity market sector. Proclamation has given ECX the mandates to design its own rules to govern its various operations. In addition, the Ethiopia Commodity Exchange Authority (ECXA) a regulatory body of the ECX was established by Proclamation 551/2007. The rules of ECX are targeted specifying and defining on how membership, management, trading, warehousing, clearing and settlement issues handled these in a way enable the system to organize and handle its operations which explained more separately in detail later on. The overall operational model of ECX depicted and elaborated below:
The institution implemented after it is deemed necessity for the nation’s as a way forward and its establishment backed by legislation in 2007. Then after, the resources secured from donor institutions and Ethiopian government and the inevitable institution materialized. The model above shows the rules and regulations passed pave the road for the newly assembled Ethiopian Commodity Exchange Authority (ECXA).

As I mentioned it above proclamation has given ECX the mandates to design its own rules for better management of its various operations. The smoothness of operation monitored by *Ethiopia Commodity Exchange Authority (ECXA)* a regulatory body of the exchange activity. That envisioned achieving by 2020 an internationally competitive commodity exchange which is inclusive of and beneficiary to citizens.

The authority decrees are to formulate rules for the commodity exchange that are targeted at specifying and defining on how membership, management, trading, warehousing, clearing and settlement issues should be handled. These in a way enable the system to organize easily handle its operations in orderly manner.
Targets of ECXA are to encourage new and creative system implementation concerning the commodity exchange, to strive all market participants to get the necessary market information, support fair competition between markets as well as market participants, deter any form of market misconduct that threatens the existence of fair market activity, ensure the commodity financial stability and halt down any form of market dangers from happening and the last target is following up market participants and control improper practices as well as protect their customers property or money from unfair usage. (Ethiopian Commodity Exchange Authority, 2013, pp.93)

Figure 9. Court hearing at ECXA (Gebeyit Magazine, 2013)

It can be argued ECXA is crucial despite its tight control in the overall system. Because, the trading activity is prone to many market flaws and crimes. It is understandable how it is needed to maintain the system stability by any cost. Otherwise, it risks the manageability of the complex activity and ever changing challenges that emerge in a different form continuously from time to time.

How should then be membership, trading system, clearing and settlement and warehousing organized? What can be taken as the criterion for members to be a participant of the exchange? At the same time, how the major services of exchange mainly trading system, clearing and settlement as well as warehouse service orchestrated? I have elaborated below the concepts behind accordingly.

ECX membership: while talking about new exchange system under ECX, membership is also something new that comes along with a system. Exchange is based on membership seat and
participants are expected to be members in order to engage in trading or if they are non-members they can still transact via members.

ECX offers two types of memberships these are full members (no restricted on period of membership and allowed to trade in any commodity listed) and limited members (limited to only one commodity and membership renewed annually). These full and limited memberships again further divided in to two as trading and intermediary members.

Trading members are members allowed to exchange only on their own behalf; whereas intermediary members can either exchange for themselves or on behalf of their clients. Membership seat can be acquired by purchasing the seat from ECX and they held the right to transfer it to the third party whenever they need.

Trading system: The system targeted on ensuring the advantages and rights of all stakeholders like producers, buyers, sellers and brokers. Unlike old typical wholesale system in case of commodity exchange there is a mechanism for ‘price discovery’ in organized fashion. Price discovered by buyers and sellers in open bidding based on supply-demand market rules in ECX trading floor or via information communication systems or materializing a combination of both market systems.

For the system to achieve targets such as acquiring market information, follow-up and distribute to the public by recruiting modern technological means remains one of the priorities: Designing of contracts and ratified by the authority for graded products which will be the base for trading of these items, trading by certificate of product grade and guaranteed store issue receipt to minimize risks that arise from breaches of contractual agreement as well as to guaranty safe exchange ECX carries out clearing and settlement for both parties, designing a system for handling dispute and arbitration, provide on-time market information to the public and risk management in order protect the commodity system in general (ECEA, 2013, p.38).

Clearing and settlement: Historically, the transactions were loosely followed-up on the act of fulfilling the expected duties and responsibilities. The main target of clearing and settlement is simply transferring of money and goods successfully and quickly to seller and buyer respectively.

ECX’s clearing and settlement department assumes the responsibility of assuring payment to the seller at the same time handing over the product to the buyer in zero default. ECX works in partnership with 11 banks to facilitate due payment, members could open a bank account in one of

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15 ECX's zero default trading on the basis of seller warehouse receipt and buyer pre-trade cash deposits guarantee transaction, in over five years operation transactions conducted without a single default or any form of delay.
partner banks. When interested buyers buy commodity the money will be transferred to the seller right away and commodity ownership also transferred to the buyers accordingly.

**Warehouses (Grading and Liquoring centers):** One of the remarkable changes in the history of coffee or grain trade of Ethiopia comes in warehousing. These warehousing services technically called as grading and liquoring centers. Therefore, ECX has opened seventeen grading and liquoring centers across Ethiopia and they all are supposedly expected to give well established standardized services on sampling, grading, weighing and certifying of coffee and other grains by using ECX’s laboratory equipment.

![Coffee sample roasted and tested at warehouse](gebeyit magazine, 2013)

The warehouses’ services mainly focused on weighing, receiving and issuing Electronic Goods Receiving Note (EGRN/GRN) and recording of incoming and outgoing of goods in database as well as keeping up-to-date information exchange between warehouses and ECX.

ECX warehouse located in Saris, Addis Ababa seen with truck queue below, it is one of the biggest warehouses of ECX with 300,000 quintal storage capacity.
These grading and liquoring centers could rent private warehouses to accommodate the coffee that comes to the centers. In one center, there are personnel with range of different positions such as Leading Inventory Control (LIC), Inventory Control (IC), warehouse supervisor, warehouse cleaners, security marshal and warehouse guard etc…

Figure 12. Coffee stored in ECX warehouse Hawassa
**Domestic and Export market destinations**

In ECX trading floor it is possible for both exporters and wholesalers for domestic market to come for exchange. In case of export, the demand for quality coffee and variety of coffee species tends to be relatively higher. Exporters in the current ECX framework are assumed that they would easily get the type of coffee with both quality and species variety.

Exporters and wholesalers for domestic market engage in a tertiary level market where the exchange is held between the suppliers and exporters or domestic wholesalers.

**Coffee farmers’ cooperative unions**

This sort of establishments meant to collect their members’ coffee produce to directly export without necessarily getting involved into ECX market channel. They have their own contracts and receivers in international market and they are encouraged and supported by government to operate to their fullest potentials. There are now four coffee farmers’ cooperative unions at the moment namely Oromia Coffee Farmers Cooperative Union (OCFCU), Sidama Coffee Farmers Cooperative Union (SCFCU), Yirgachefe Coffee Farmers Cooperatives Union (YCFCU) and Kaffa Forest Coffee Farmers Cooperative Union (KFCFCU).

At present, the unions are another alternative for farmers while considering sale of their produce. They seem to enjoy today their options with both ‘route one’ and ‘route two’ to access foreign coffee demand. The classical way of coffee selling exclusively by intermediaries are now being challenged by competition of the unions. Unions are growing in their services and seen as much better beneficial for member farmers by building school, health care stations and so forth.

Unions get the support of ECX in their activity which allows them to access the services of warehouses as to get lab grading and convenient stocking of their item till its exporting process ends. In addition, they still operate within ECX’s trading system infrastructures whenever they want to reach the domestic market. Therefore, these unions can be taken as distinct channel of coffee trading by themselves, but they are also indeed market partners or actors of ECX. Thus, their establishments and activity has been backed by the institution from the beginning.
2. Theoretical Framework

In this chapter, I have discussed the theoretical framework of my thesis which is activity theory. That includes generations of activity theory from first to third generations meaning from Vygotsky to Engeström. I, then, proceed to the concepts of developmental contradictions. All of these are broad concepts and I tried to briefly present them in this thesis and in a much more convenient way for the reader. Before jumping directly into this theories and concepts of activity theory, I believe it is worth discussing the market concept in a relation to commodity exchange.

I classified this chapter into four subchapters; I included market, agricultural market and commodity exchange in attempt to give a glimpse of insight to the reader that main object of my study which is a commodity exchange. Besides, I gave general overview of activity theory from first to third generations and I have used the third generation activity theory in depicting the key stakeholders and main activities in the commodity exchange. Furthermore, I have analyzed the contradictions solved in such a way with third generation activity system using discursive manifestations for the first research question and indicated the potential developmental contradictions that are being emerged in the current activity systems.

2.1 Market, agricultural market and commodity exchange

Market

Market has been defined by many authors in numerous ways. In today’s society where people lives with sophisticated technologies and information communication advancements. One could wonder what a market has been few decades ago have completely changed from what we have got today and seemingly the transformation of market cannot be deterred and the advancement looks unstoppable. The marketing elements of production, sales, and promotion and so on, mediated as it has never seen before by online and without necessary physical presence of individuals or goods, modern technological tools are revolutionizing and reshaping today’s market.

In my case, my research interest is about modern agricultural market. Hence, I prefer to see market from the perspective of good or produce as exchange process. While exchange to take place at least
two parties should be involved: buyer and seller. Philip Kotler a key figure on the field of marketing defined this sort of market as: “A societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others.”

**Agricultural Market**

I tried to briefly explain the notion of market and now I am going to explore what holds for agricultural market? How agricultural market does vary from that of general market and marketing concepts? Especially, agricultural markets in the context of developing countries, it constitute as the major job creator sector the population predominantly engaged in the activity of farming. According to Food and Agriculture Organization of United Nations (FAO) recent report in 2009 farmers’ number reached more than 1 billion across the globe. In developing countries such as in sub-Saharan Africa and Asia the growth in agricultural employment between 1999 and 2009 accounted 50 per cent and 33 per cent respectively. Furthermore, agricultural productivity in most of developing countries recognized as principal sector for the effort of fighting poverty and ensuring food security.

Coffee market is a prime interest of this research and farmers usually produce coffee as a cash crop to earn money from it as the same time for their own consumption while government also support the sector as springboard for further growth and societal change. Agricultural marketing, therefore, can be defined as a range of activities which consists of supply of producing inputs to the farmers and create a mechanism of linking the produce to the end users.

**Commodity Exchange**

The world’s basic and yet bulky in size products such as energy products like crude oil, natural gas, gasoline, home heating oil, propane and electricity. In addition, metals like platinum, gold, silver, copper and aluminum all these with that of agricultural commodities such as cacao, coffee and so on. Exchanged in biggest stoke exchanges of New York and London which affects the prices of the item throughout the world.

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Commodity exchange is designed to safeguard all stakeholders and create trust among them systematically. By providing key services to the stakeholders which are trading floor, financial transactions and commodity transfer methods as well as standardized quality grading and warehouse services. Any stakeholder who could be allowed to play its part in the process will be tied by contractual agreements that are binding. In return, the commodity exchange becomes safest for all parties. Eleni and Godin claimed in article: “A commodity exchange operates with a certain set of rules or conventions that are widely known. These rules pertain to four key dimensions of the market: the product, its price determination, the actors, and the contractual relations that bind them. These rules and modalities together create much needed integrity and trust in the system.” (Eleni et al., 2005, pp8)

From the nature of the commodity exchanges we can draw a distinction among them as spot, forward and future commodities. In commodity exchange it is made possible to engage in transactions where with or without the physical presence of the commodity and this characterization of trade could be described in such a way.

A. **Spot commodity exchange**: an exchange the produce or item which was made ready as to transfer ownership title into effect after the exchange take place shortly.

B. **Forward commodity exchange**: an exchange by which buyer and seller strike a deal today for the commodity that can be delivered as well as money will be paid at certain time in future.

C. **Future commodity exchange**: it has minor technical difference with that of forward exchange.

   In this case, standardized contracts used and unlike the former exchange it has little counterpart risk.

**2.2 Rationale for using Cultural Historical Activity Theory (CHAT)**

I have chosen activity theory for two broadly classified reasons. First, it is mainly because of the very nature of the exchange market activities and stakeholders setting. The exchange activity exists in a form of succession and chain so that the coffee produce passes from one stakeholder to the next in nearly symmetrical trend.

The theory of CHAT will help me to analyze these separate stakeholders in their nature but again their collective interaction which creates bigger exchange system. Therefore, I would be able to understand the underneath elements of these stakeholders activity system with clarity. In case of
activity system it is interestingly possible to see how elements of the activity system interact. That means the subject would interact with instrument, rules and regulations, community, division of labor and object in one given activity in order to deliver the expected outcome of the activity system. The interaction of each stakeholder would then give the complete picture of commodity exchange.

Second, unlike other theories activity theory gives an extra edge in dealing with ‘problems’. It views what usually seen in other research theoretical approaches as merely problems or challenges with the notion of contradiction. It is considered as the most important element to trigger radical change in the activity.

In my case, my emphasis was on how did the emergence of ECX impacted in solving contradictions of the problematic Ethiopian coffee trading system and I have attempted to unearth those contradictions based on the data with the help of activity theory. In addition, the prospects of current developmental contradictions which would be presented based on the views of respondents from different aspects of the exchange system and coffee farmers living conditions will be analyzed. Therefore, for the aforementioned factors I am able to pick CHAT and contradiction in this study.

2.3 Cultural Historical Activity Theory (CHAT)

In this subchapter I explained in vivid Cultural Historical Activity Theory (CHAT) which is also known as Activity Theory. According to my readings this theory has evolved to the current form of third generation from its root back in early 1920’s and 1930’s by Russian psychologist, Lev Vygotsky (1896-1934). The disciple of Vygotsky, Alexei Nikolaevich Leontiev’s contribution regarded as catalyst for further development of second generation activity theory and Engeström built upon those activity systems (Engeström, 1987) and proposed a third generation of activity system all of which elaborated subsequently:

In 1920’s and 1930’s Vygotsky initiated the theory of activity system, he came up with a point that narrates human activity is culturally mediated. In his popular work, the connection between stimuli-response he asserted it was transcended by “a complex, mediated act”.
Vygotsky’s colleague Leont’ev presented the activity theory that has been labeled as too-individualistic with his example of ancient human activity more specifically: “primeval collective hunt.” He highlighted how the collective activity was carried out as well as the historically evolving division of labor Engestöm (1987) wrote: …historically evolving division of labor has brought about the crucial differentiation between an individual action and a collective activity. However, Leont'ev never graphically expanded Vygotsky's original model into a model of a collective activity system (Engeström, 1987, pp5).

Engeström developed a model that could give a possible answer for that with inclusion newly developed activity’s components. He advocates artifacts should be conceived as: …“Integral and inseparable components of human functioning” but he argues that the focus of the study of mediation should be on its relationship with the other components of an activity system (Engeström, 1999, pp.29).

Therefore, he expanded what is seen as Vygotskian triangle which comprises social/collective elements, through the insertion of components such as community, division of labor and rules and he also underlined the importance of analyzing the interactions of these components with each other. In addition, Engeström sees contradictions within activity system as a driving force for development and change.

Engeström (1999), highlighted that activity theory may be well summarized with five principles. They can be taken as a platform of current activity theory: First, it is stated that activity systems are a collective, artifact mediated, and object oriented. Second, an activity system is always a community of diverse views, tradition and interest. The division of labor in an activity results in creating different positions for the participants and these participants hold range of histories and the activity system carries ‘multiple layers and strands of history engraved in its artifacts, rules and conventions.’ This principle termed as multi-voicedness of the activity systems; it can potentially be a source of trouble and a source of innovation.

The third principle is historicity activity systems shaped and transformed over lengthy periods of time. Thus, its problems or potentials can only be understood against its own history. Fourthly, centrality of contradictions as a driving forces for development and change. Contradictions in activity theory lens are not seen in similar way with that of problems and conflicts, contradictions will be more elaborated thoroughly in the next subtopic. Fifth principle, activity systems envisages the possibility of expansive transformations which embrace long cycles of qualitative transformations in response to aggravated contradictions.
2.4 Contradictions

As I have stated it earlier the centrality of my studies involved in explaining the contradictions solved by ECX and on the potentials of further development. Activity theory is very welcoming for contradictions as they are paths for development. Engeström and Sannino (2011), defined contradictions in as follows: “Contradictions in activity theory being considered as significant driving force for organizational change. The term contradiction seems vague and ambiguous concept by many; any paradox, conflict, dilemma and double bind tend to be equated or use interchangeably as contradictions” (Engeström & Sannino, 2011). However, contradictions are historically accumulated systemic tensions that cannot be accessed directly; contradictions can only be unearthed by their manifestations. Therefore, we treat those manifestations as articulations of contradictions, “contradictions recognized when practitioners articulate and construct them through their actions and/or words” (Hatch, 1997). Though, contradictions cannot be arbitrarily constructed since they are historically powerful and cannot be squared to situational articulation and subjective experiences (Engeström & Sannino, 2011).

In their studies, Engeström and Sannino suggest four types of discursive manifestations of contradictions – dilemmas, conflicts, critical conflicts and double bind. These are supposedly proposed to clarify the more general and diffused terms like paradox, dichotomy, opposite, inconsistency and disturbances the researchers did not find them sufficient in their attempt to develop a robust framework for empirical analysis (Engeström & Sannino, 2011).

Table 1. Types of discursive manifestations of contradictions (Engeström and Sannino, 2011)
In addition, contradictions further classified into four levels. It starts with primary contradictions in capitalist socioeconomic formations between use and exchange value within each activity system components. Secondary contradictions are those appearing between the corners. The stiff hierarchical division of labor lagging behind and preventing the possibilities opened by advanced instruments escalates the tension and that possibly typify the secondary contradiction. (Engeström, 1987, p102) As for tertiary contradiction, it occurs when tension emerges from newly introduced system, model or work procedure and old predominant activity configuration. Finally, quaternary contradictions require considerations between central activity system which is the original object of the study and neighboring activity systems.
3 Interacting activity systems: Farmers, Suppliers, Exporters, Warehouse and ECX operation.

Commodity exchange activity can be hardly imagined as a single activity system. Since there exists involvement of many stakeholders and each stakeholder plays a pivotal role in itself. Therefore, it is better to pay a due attention on each key market actor’s activity system and analyze the entire interactive activity system. Not only the exchange stakeholders are connected, interestingly ECX system heavily relies on other service providers such as internet, power and road infrastructures.\textsuperscript{18} The activity of coffee production object is to sell the coffee to world market at the end, in general terms. However, the involvement of farmers, suppliers, exporters and the gateway for both domestic and world market in other word ECX are the major pillar of the activity. I described the activity systems of these key stakeholders below as they all are in a way connected one another.

To sum up, all activities share broadly same object which is “selling coffee or exporting”. The input of each and every market actor contributes a great deal in making the most out of the coffee produce. The end target of selling coffee or exporting realized when different stakeholders (farmers, suppliers, exporters, and ECX personnel) are work harmoniously by forming chain. The chain activity system seems to me directly or indirectly tied to the demands of world coffee market. Therefore, considering the overall activity as an interacting activity seems a far more plausible scenario.

Farmers’ activity system

Coffee farming activity has two sources of production the first one is planting and growing of coffee seedlings. Usually, near to the backyard of the farmer and the second source of coffee production is from forests by collecting the beans that are ready to harvest. Although, the majority of coffee produce still comes from planted seedlings.

The instruments used for coffee growing and later harvesting tasks are farming and agricultural tools such as shovels, machete, fork hoes, pickaxes, basket, sacks and the likes. The instruments can be categorized as a light hand tools and instruments without any sophisticated machines. It also

\textsuperscript{18} These services are basic to modernized exchange model and often mentioned as a challenge by respondents. In addition, in Ethiopia services of telecommunication and power sectors are under state monopoly.
remains the same for big and middle level coffee farms. They hire laborers aplenty to collect the harvest using these instruments. Another important instrument of farmers is the information acquisitions instruments and these includes mobile phones SMS, toll-free number, media (radio, TV and newspapers), price displaying tickers and ECX Interactive Voice Response (IVR). Subject of the activity system is the coffee farmer. It then follows the object, which are cultivating the coffee, collecting the harvest and selling coffee at primary market etc...

The rules of the activity at this level comes from the regional government’s primary market rules and regulations and ECX rules that gives clear direction how suppliers should be acted. As for community of the activity system: family members, suppliers, regional government agricultural desk workers, coffee farmers’ work unions, coffee washing stations workers and warehouses personnel etc. Division of labor of the farmers depends on family work divisions for the tasks of collecting the harvest as well as selling beans.

Figure 13. Farmers’ activity system

The farmers’ activity system dynamics has changed from being scarcely informed about the market price to the extent of engaging in well-informed setting. Farmers’ activity system seems to get better and make advancements in the future as well. There is a growing tensions emerging in demanding the concerned government bodies to work hand in hand to address the limited capacity obstacles of ECX system, combat corruption and to help them to minimize the risks of world market price fluctuations and so on.

Suppliers’ activity system
The role of suppliers extends from remotest primary market till capital city commodity exchange trading floor. Suppliers need to be members or client represented by members as a prerequisite to be an active supplier. Trading license and deposited financial capital for exchange purposes in one of the eleven ECX partner banks are compulsory requirements. These components constitute the instrument of the suppliers’ activity system. Then, the subject is the supplier himself. The object of supplier is targeting to buy as much as possible quality unwashed coffee. It then followed by transport the produce and sells it in trading floor deals for exporters/buyers after it has been washed in coffee washing stations\(^{19}\).

The governing rules and regulations of the activity are ECX warehouse operation manual, ECX rules and regulations, directives, signed agreements between the ECX and suppliers etc. The community mainly includes the coffee producing farmers, the warehouse and washing station personnel, transporters and laborers, and the coffee receiving exporters and/or buyers. The division of labor of suppliers basically stretched from personnel who assigned to finalize the process of buying and collecting of coffee beans from primary markets. In addition, getting the beans properly washed with the desire level of moisture percentage. Thus, it involves agents who enter to transact in ECX trading floor, accountants and cashiers, managers etc.

Interestingly, suppliers’ object is quite expanded from rural towns till urban exchange facilities. That makes them to be in a position to face setbacks such as capacity related limitations, corruption issues, ECX’s insensitivity to their feedbacks and arbitration and punishment approaches. These are seemingly few developmental contradictions aggravating in suppliers’ activity system.

![Figure 14. Supplier’s activity system](image)

\(^{19}\) See for e.g. first chapter coffee flow
Exporters’ activity system

In the flow of coffee, the last stakeholders are exporters by whom the foreign market accessed. The country earns foreign currency and the resource trickle down all the way to the bottom line farmer. Exporters are one of the key stakeholders of ECX, their activity system depicted and clarified below:

![Exporters’ activity system diagram]

Exporters’ instrument likewise suppliers, they need to be registered members, get compulsory exporting license and sufficient amount of capital deposited in the bank. Exporter would be the subject in this activity system. As we move on to the object, exporters’ in this point targets to buy quality coffee from suppliers in trading floor transaction that meet their export demands and selling coffee for the world market based on international market price.

In working towards these ends, the activity abides by rules and regulations of ECX and ECXA, binding signed agreements with ECX, ECX warehouse operation manual and other directives. For exporters the community deems to be the coffee supplying body, warehouse personnel, transporters and laborers, coffee receiving partners abroad. The organizational structure of exporters comprises of transit personnel, accountants, managers, exchange agents and commission agents etc.
The world market coffee price is becoming increasingly hard to predict. Exporters are in disadvantage in some cases. Due to the fact of lower export prices they tend to engage in domestic market, domestic market is barely gets depressed as Ethiopian market are the major consumer of coffee. It leaves exporters to be in conflict with government’s pressure to increase export volumes. In addition, corruptions in some areas like warehouses add extra weight for their business.

**Warehouse (grading and liquoring) activity systems**

Warehouses are the most important objects in pursuing of agricultural market modernizing endeavors. Warehouses expected to give similar and consistent grading of commodities across the nation that would be ready for exchange. It is also a safest possible storage facility the produce can possibly get which prevents the produce from any quality deteriorations. This helps the commodity to be exported or ownership transferred from supplier to the buyer in the best way possible.

In warehouse activity system, we would get instruments such as standardized and well-equipped laboratory, warehouse storage, work manuals and forms to serve customers of the warehouse. After all the instruments are being in place, the coffee will be graded and stored until the process of exchanging completed.

The subject in warehouse activity system is the warehouse personnel. The warehouse personnel comprise diverse staff members. It include individuals whose role are to load and unload the produce from and to the trucks. In addition, other warehouse staffs with supervising role such as warehouse supervisor, LIC (i.e. leading inventory controller) and to some extent Inventory Control (IC). The staffs working in tasting and grading of coffee as well as others contributes significantly for grading and liquoring centers activity success. As a result, the subject in warehouse appear to be diverse than for instance the likes of supplier or exporter. Subsequently, object of the activity system are receiving of washed coffee that needs to be given standard/grade, weighed and stocked in good condition. In order to enforce exchange based on quality and item grades as well as to avoid any harm of produce’s quality deteriorations by stocking it in warehouses temporarily. It gives key services like grading, GRN issuing for the owner of the coffee and dispatching the coffee by GIN.

Rules of the warehouses embrace ECXA rules and regulations, ECX warehouse operation manual and other directives. The warehouse community represents different collection of market actors.

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20 See for example figure nineteenth.
such as suppliers, farmers’ work unions, exporters and/or buyers. Finally, the warehouse division of labor includes major activities such as laboratory unit, receiving commodity, delivering commodity, inventory management and reporting etc. In these activities there are divisions like Leading Inventory Control (LIC), Inventory Control (IC), warehouse supervisors, warehouse cleaners, security marshal and warehouse guards etc…

Figure 16. Warehouse activity system

The warehouses are criticized by suppliers and exporters for lack of consistent grading, some cases of corrupt personnel and limited capacity are few of the shortfalls. There are some efforts taking place to reduce service inconsistencies of warehouses by improving warehouses’ personnel capacity building. The mounting tension on warehouses’ struggle to maintain consistent and reliable services pushing ECX to try develop the warehouses’ work setting again.

ECX activity system

Ethiopian Agricultural market transparency and zero-default transactions have become the central element of ECX activity. In order to achieve seemingly easy and practically tough task given the limitations of the nation’s shortfalls in infrastructure and communication facilities. The activity system of ECX had to be considerate of the fact and come up with tailor-made commodity exchange system for the context of Ethiopia.
Setting up ECX activity system which is the first of its kind commodity exchange for Africa instruments composed of: sales of membership seat, decentralized warehouse services, trading floor exchange platform information distribution channels and arbitration tribunal etc. The subjects are ECX personnel (head office and warehouse personnel), farmers, suppliers and exporters or buyers. Object: facilitate safe or risk free environment and zero-default transaction which refer to transfer of ownership of the good for the buyer and transfer of money for the seller in convenient way without any malfunction. Rules are proclamation and other rules that ECX’s Rules and Regulations Unit (RRU) formulated continuously updated and improved laws. It, however, is a key part of the activity. Otherwise, activity of the institution could appear to be uncontrollable and out of touch.

Figure 17. ECX activity system with involvement of key stakeholders

At present, different rules and regulations are in effect: ECXA rules and regulations, exchange contracts, warehouse operation manual and directives etc. Then the division of labor constitutes ECXA and ECX Operation departments including market information unit, arbitration, exchange, clearing and settlement and warehouses staff. It embraces coffee farmers, export and supplying members, members’ client, warehouse personnel and laborers as well as transporters as part and parcel of the community of the activity system.
4 Research data

I summarized my research questions before jumping into research data. First, from the very beginning I was very much enticed to investigate more closely and to study thoroughly the market contradictions which ECX believed to have solved. In a relation to poorly organized and old-fashioned market system that said to be crippled the fairness of Ethiopian agricultural market system to its stakeholders. Modernized market system with transparent structure was the ideal blueprint to stamp out the highly corruption-prone system after it seemed to have reached an impasse and out of control. It set the activity of market to be controlled solely in the hands of few middlemen and tycoons in the industry which was the cause of complicated market system chaos. Thus, the first research questions formulated to find out what sort of historical and structural contradictions from the past solved by the emergence of ECX to the forefront:

I. What contradictions of agricultural market the establishment of ECX tried to solve?

Then, the second research question attempts to address the issue of possible advantages and emerging developmental contradictions the new market system brought to different market actors or stakeholders, their perception of the ECX system as well as challenges the institution faced. I am keen here to examine the perception of stakeholders’ about the institution and the emerging developmental contradictions of the institution from stakeholders’ point of view. Furthermore, the developmental contradictions by the lenses of ECXs’ personnel that the institution has encounter:

II. What advantages and developmental contradictions different stakeholders (ECX head quarter, warehouse, farmers, suppliers and exporters) found in the system?

In addition, what can be taken as few positives of current agricultural market as well as its impact on the livelihood of Ethiopian coffee farmers? How does it enhance the life conditions of the farmers and their respective family? Even though, ECX embrace a system which enables it to be connected with farmers whether directly or indirectly, it can be assumed the establishment presupposes to put farmers in a better position than they ever been before. Thus, my research question concerning farmers formulated as follows:

III. How ECX has impacted on the life conditions of the coffee farmers?

The main task of data collection was conducted in Ethiopia in summer 2013. I held twelve interviews with different respondents I also had a field observation at different places. I got the permit of admission at ECX trading floor exchange session in Addis Ababa; I also met coffee
farmers in Southern Ethiopia Hawassa and Dila cities and field notes were taken in all engagements.

From twelve interviewees, four of them were from ECX and warehouse respondents while farmers accounted four and two exporters and one supplier in person another one in telephone interview. I was fortunate enough to get a chance of interviewing senior personnel of Ethiopian Commodity Exchange Authority and warehouse personnel they have been at ECX nearly since from the establishment to date. I am satisfied with the farmers I have got a chance to held interview with; they have stayed in the farming activity for most of their entire life. Most of them were married and with children. They do coffee farming activity for quite some time and I have got the insights I needed when I met them.

In regards to exporters, there were two respondents and I met them when they came to transact at ECX trading floor located in St. Lideta area. After I introduce myself to them then I took their phone number and they were willing to meet me for interview after arranging time by telephone call. Even though they always in a rush and extremely occupied. They were kind to be interviewed after frequent phone calls then we agreed on appointment to meet before they enter into ECX trading floor to transact which commonly starts at 2:00 PM. For suppliers, likewise, I used similar approach since both suppliers and exporters come to transact together at the same place and time but I had only one supplier then that I succeeded to interview and my efforts to add another did not work out due to work overload of the supplier. However, the interview was conducted by telephone after I returned back to Helsinki. Furthermore, secondary sources of data such as official Gibeyet (Exchange) newsletters, official documents and rules and regulations of the institution have been collected from the institution.

To give a glimpse picture of the twelve interviews and the proportion of each interviewees depicted in the pie chart below, the distribution of interviews among respondents targeted to maintain balance and to make sure the opinion of key stakeholder has been fairly represented in the process.

My interview was a thematic interview structure categorized into six major parts that cascaded from three research questions. The first question was pointed to get insight on why was ECX established? To find out more on its rationale of establishment and to consolidate more my historical account as well as pave the way to understand the object of my study in a more prolific way. I used exactly the same structure of interview question for every respondent. The only exception was the first theme concerning the ECX’s background that was mainly targeted the ECX
personnel. For the rest of my interview I followed similar questions in attempt to get answers for the research questions systematically from the perspective of different stakeholders.

My interview questions carefully prepared as much as possible in simplified manner. So that the interviewees understand the main substance of the questions and to be able to give answers easily. I presented the details of my research data, as it is described before the interviews were twelve. The interviewees for the convenience of analysis have been codified in abbreviation mainly indicating their department or role. The duration of each interview and the interviewees’ role are depicted below:

Table 3. Interview details

<table>
<thead>
<tr>
<th>No.</th>
<th>Respondents</th>
<th>Date of the interview</th>
<th>Duration of the interview</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>ECX Authority interviewee</td>
<td>25/06/2013</td>
<td>32:33 minutes</td>
<td>HO#1</td>
</tr>
<tr>
<td>2</td>
<td>ECX (operation) interviewee</td>
<td>26/06/2013</td>
<td>47:52 minutes</td>
<td>HO#2</td>
</tr>
<tr>
<td>3</td>
<td>ECX warehouse interviewee 1 (Hawassa city)</td>
<td>09/07/2013</td>
<td>24:04 minutes</td>
<td>WH#1</td>
</tr>
<tr>
<td>4</td>
<td>ECX warehouse interviewee 1 (Hawassa city)</td>
<td>09/07/2013</td>
<td>60:02 minutes</td>
<td>WH#2</td>
</tr>
<tr>
<td>5</td>
<td>Exporter 1</td>
<td>30/07/2013</td>
<td>11:07 minutes</td>
<td>EX#1</td>
</tr>
<tr>
<td>6</td>
<td>Exporter 2</td>
<td>16/08/2013</td>
<td>07:48 minutes</td>
<td>EX#2</td>
</tr>
<tr>
<td>7</td>
<td>Supplier 1</td>
<td>21/08/2013</td>
<td>13:22 minutes</td>
<td>SU#1</td>
</tr>
<tr>
<td>8</td>
<td>Supplier 2 (Telephone interview)</td>
<td>09/01/2014</td>
<td>06:44 minutes</td>
<td>SU#2</td>
</tr>
<tr>
<td>9</td>
<td>Coffee farmer 1</td>
<td>11/07/2013</td>
<td>08:10 minutes</td>
<td>CF#1</td>
</tr>
<tr>
<td>10</td>
<td>Coffee farmer 2</td>
<td>11/07/2013</td>
<td>07:41 minutes</td>
<td>CF#2</td>
</tr>
<tr>
<td>11</td>
<td>Coffee farmer 3</td>
<td>11/07/2013</td>
<td>05:57 minutes</td>
<td>CF#3</td>
</tr>
<tr>
<td>12</td>
<td>Coffee farmer 4</td>
<td>12/07/2013</td>
<td>06:34 minutes</td>
<td>CF#4</td>
</tr>
</tbody>
</table>

During my stay in Ethiopia in summer 2013 I have also collected few publications that perhaps would not be found on the web, these are specifically two ECX official Gibeyet newsletters
February and June, 2013 published respectively. One biannual *Gibeyet* magazine published on February, 2013 and one official publication aimed at awareness creation which elaborated ECX system as well as how it operates and the role of stakeholders published on June, 2013 and then the governing Ethiopian Commodity Exchange Authority rules and regulations document also included. Meanwhile, the field observations conducted in key juncture of the activity as a whole and field notes were taken accordingly.

In addition, other supportive secondary sources of data used to for both to enrich the historical account and consolidate more the analysis for instance journals, video interview of the founder and news resources such as *Addis Fortune* news published on October 13, 2012 [Volume 14, No. 702], May 05, 2013 [Volume 13, No. 679], August 11, 2013 [Volume 14, No. 693], November 10, 2013 [Volume 14, No. 706], August 17 and 2014 [Vol. 15, No 746]. Other articles from *Bloomberg* news published on May 11, 2011, *The Guardian* December 13, 2012, and *Ethiopian Reporter* June 22, 2014 have been used.

**Limitations of the data collection**

The data collection had many positive outcomes and I received genuine cooperation from experienced incumbents. I had a chance of interviewing ECX staffs and warehouse personnel as well as respondents that I met from sectors of coffee farming, supply and export respectively. Generally, I am delighted with the quality of interview I was luckily held and experiences I have got from each and every session. However, there were shortcomings encountered in data collection process such as; for some reason the letter I submitted in request to meet ECX officials took extremely long time to hear from or reply by. Given the short period of time I had in Addis Ababa my effort to interview the CEO or in his caliber top official was to no avail. Thus, too much complicated bureaucratic channels were one of the challenges and perhaps a limitation. Therefore, I had to look for alternative options to get the composure of well experienced with higher hierarchy interviewee. Then I decided to go in person to the offices and ask permission for interview than waiting the already long overdue bureaucratic communication channel. Then the person I spoke first recommended me to meet another person with rich experience in his career as well as concerning ECX. After that, he welcomed me to his office. I introduced myself and explained my objective then asked him when I should meet him for interview. He was very supportive and interested to share his thought on the matter and he suggested for us to meet the following day in his office.
Whereas, in the other end the circumstances of both exporters and suppliers for host of reasons were a challenge. They are extremely occupied in their works and it was very difficult to get interview time. Many appointments made on phone were frequently canceled due to their work nature. However, I managed to interview in person two exporters and one supplier and one more supplier on phone interview. The limitation would be their restless work nature which had impact on the interview to be held in a tense work environment, it was nearly impossible to get time that was detached from work and seemingly uninterrupted flow of phone calls.

In regards to coffee farmers, the interviewees are indeed key stakeholders but indirectly attached to ECX. They had little to say about ECX, even though they access the data and benefit its service. Their awareness about the institution is still insufficient. Nonetheless, the interview main target was to find out the previous life conditions and current scenarios as well as what they see as today’s challenge all of which they were in a good position to give their opinion on.

Method of analysis

After I transcribed the interview recordings, then I proceeded to the next step which was analysis. While analyzing I have counted the number of statement that has been mentioned frequently by the interviewees. Then, I categorized those interviewees’ opinion on the basis of frequency. Later I picked up number of opinion categories under each theme.

The establishment of ECX and subsequent reformative actions in every aspect of coffee trade activity ever since its adoption as one of commodity to be exchanged under ECX system, there seems twists and turns to have happened in every stakeholder’s activity. The image of the system by its stakeholders and their perception to it and all the different views surrounding the institution has to be examined with a research method that could enables me as a researcher to assess a variety of experiences and opinions of the interviewees. Thus, it evoked my thinking to wonder how these all key stakeholders conceptualize and experience the new system. To better analyze the case in more insightful way I found phenomenography as an ultimate and invaluable method for my particular case.

It is described as an empirical based research tradition that was designed to answer questions about thinking and learning, especially for educational research. It is a qualitative research methodology with humanistic psychology roots giving voice to “the other” considered as an emblem for
humanistic inclination (Giorgi, 1970, 2009). I adopted qualitative research method that focuses on the different conceptions people perceives a given phenomenon. Walker characterizes it as follows: Phenomenography is focused on the ways of experiencing different phenomena, ways of seeing them, knowing about them and having skills related to them. The aim is, however, not to find the singular essence, but the variation and the architecture of this variation by different aspects that define the phenomena (Walker, 1998).

According to Marton (1981), phenomenographic approach categorized as a second-order perspective. In the first-order perspective the respondents first orient themselves about the world and make statement about it. Whereas, in the second-order perspective it refers to interviewees conception of reality and how they thought of a given setting really is about. The latter case is indeed typical nature of phenomenography. Questions such as what do you think? What is your take on that? What would be your opinion on it? These and the likes of questions are more likely to receive a second-order form of response. However, these two perspectives are for practical reasons complimentary to one another and a blend of both perspectives usually suggested to be recruited in interview questions.

Thus, I am interested to see the different views and different opinions of stakeholders (i.e. exporters, farmers, suppliers and ECX’s personnel in the head quarter and warehouse) in Ethiopian coffee sector circle see, conceptualize, experience and understand the establishment of ECX and its impact in enhancing the life conditions of farmers as well as coffee trading activity as a whole.

During interview sessions open-ended questions were forwarded that were prepared ahead of time and further narration evoking improvised questions has been raised to ascertain clarity. It is my conviction by using phenomenography method, I would be able to see the substantial merit and emerging contradictions of the system brought for and against to stakeholders from each stakeholders’ perspective and also find out what were the contradictions solved by the current system and analyze what are the possible suggestions of respondents to further improvement of current system.

Using additional sources of data in addition to interview would possibly reduce perhaps eliminate the limitation of phenomenography as it is linked with the issue of credibility. The possible technique of eliminating risk of credibility is triangulation. In triangulation by recruiting other sources of data would eliminate or reduce this potential limitation. Sources of data to be used include video recordings (of the founder interview on TV show and with journalists), newspapers, and field notes from my observations in ECX operation where buyers and sellers meet to transact as
well as farmers’ homes and the likes. Therefore, these additional inputs of data might be the options to rely on in order to verify or falsify the interviewees’ conceptions.
5 Why was ECX established?

In its broadest sense, the establishment of ECX set its target on modernizing Ethiopian agricultural market which was once considered as more bureaucratic and less transparent market. It seems a straightforward question that would be encountered by a straightforward answer. However, it is indeed a tricky one and the respondents probably find themselves dragged into different aspects of the institution’s achievements.

Hence, I have got different answers that categorically grouped into seven distinct opinions from my interviewees, from these respondents I have found about five major contradictions from my empirical data which are presented in this chapter:
Table 4. Why ECX was established some of the reflections by stakeholders. The numbers refer to the number of statements mentioned.

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Typical expression</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. To solve accumulated market contradiction such as unsafe exchanges or payments and exchange crime prevention</td>
<td>17/5/3/3/28</td>
<td>“Unorganized systems and activities, informal market and price volatility…”</td>
</tr>
<tr>
<td>2. Empowering farmers with market information: To encourage farmers to sell their produce with accurate price information</td>
<td>11/8/3/5/27</td>
<td>“Farmers are much better off with the new system.”</td>
</tr>
<tr>
<td>3. To create more socio-economic opportunities such as reducing contraband and create job opportunities etc…</td>
<td>13/4/5/4/26</td>
<td>“… It [contraband] is very unlikely to occur with the new System.”</td>
</tr>
<tr>
<td>4. Facilitates safe, cost efficient, and less risk transaction</td>
<td>10/4/4/2/18</td>
<td>“There were different forms of acquaintances or kinship because of the market risk.”</td>
</tr>
<tr>
<td>5. Improving quality control of coffee production: Coffee quality has been improving continuously</td>
<td>6/7/4/3/20</td>
<td>“… farmer comprehends his focus on quality would later bring him value.”</td>
</tr>
<tr>
<td>6. Bring Market stability and balance between stakeholders</td>
<td>6/2/2/-/8</td>
<td>“… Because of the transparency around the pricing, all the farmers in the country are now using the ECX price as the reference price.”</td>
</tr>
<tr>
<td>7. Protect the system from exchange and related crimes.</td>
<td>5/-/1/-/6</td>
<td>“When one commits [exchange related] crime it will be sued and judged here.”</td>
</tr>
<tr>
<td>Total</td>
<td>68/30/22/17/133</td>
<td></td>
</tr>
</tbody>
</table>
Solving accumulated market contradictions

There were a bountiful of responses given for this theme and much of the responses were used for the build-up of historical narrations in the first chapter. I will discuss those points here in-depth since it is all about the main contradictions that have claimed to be solved by the newly established institution, ECX.

The five contradictions that have been resolved are listed briefly as follows: it brought organized market setup where buyers and sellers exchange easily, the exchange increasingly become significant for economic gain of the country, unsafe payment disturbances have been abolished such as issuing of NSF checks, quality level of coffee production increased, and finally market stability and the emergence of arbitration tribunal to resolve disputes or control a crime.

As it is depicted in the table, for the most of the respondents it was established to solve market problems which have been accumulated over the years. According to my data, four of the stakeholders in interview stated structural market problems of many years or even decades have been the case all seems to have a consensus upon, the occurrences were: ECX headquarter respondents 17 (25,0%), farmers 5 times (16,7%), suppliers 3 (13,6%) and exporters 3 (17,7%) respectively. In this opinion category, I have come across with seemingly significant contradictions and I will analyze those in thorough accordingly.

In my headquarter respondents view the old market system termed as “unorganized”. It is to refer the fact that the market actors’ playing ground was not fairly leveled for exchange actors and so it was the case for consumers, too. The market chain was not effective in the process from where the produce is collected to the place where the demand is located. In addition, the market looked as if it had a nature of being “informal” in its functions and huge price fluctuations. Informality connotes the involvement of market actors and numerous middlemen or brokers. They were not subjected to binding laws that delineates specifically how they should function rightfully. Practically, the old system has put in place these sort similar rules and regulations in some form for actors to be abide by. The problem seems precisely the rules were quasi-rules to address the complicated nature of market system details. It is criticized for not being updated and reviewed in parallel with ever-changing existing situations.

I observed double bind expressions of the then situations in headquarter respondent when he elaborates the reasons of ECX establishment:
HO#2: ECX reasons to come to market [establishment] are... For instance, in the market there were accumulated problems such as unorganized systems and activities, informal market and price volatility, problems on absence of necessary market information to targeted bodies (stakeholders) conditions.

The interviewee continues to elaborate what he meant by accumulated problems. It created the chance of getting the linguistic clues to get a hold of the manifestations of contradictions beneath the old system; he describes unorganized market in the following excerpt:

HO#2: When we are saying it was not organized, the buyers’ likelihood of getting product from the seller directly. In a sufficient amount was very low or very high, it was inconsistent. There were no clear mechanisms in place... What can you possibly do without it?

In fact, the situations looked quite of a double bind the market was depleted by lack of clear and well established mechanisms to address the need of successful interaction by buyers and sellers. However, the available system in the past made it problematic to facilitate organized market where buyers easily access the produce and sellers in return easily sell their produce. I also found similar reflection from farmer respondent who remembers the struggles of selling and sustain living. He claimed even to sell below the exact market price they still need to know people and have contacts with people who can help them find buyers. These legally unrecognized and unregistered brokers charge them a great share of their sale and the circumstance could be regarded farmers were in a battle to sustain living. The farmer recalls the time and gave his take on the case as follows:

Question: How did it look to sell coffee in the past?

CF#3: It was extremely difficult, not easy at all. You need to know broker that can help you sell it [the coffee]. He also needs money for what he did and he asks you a lot... Plus, the price of coffee is too cheap that I used to get paid. I lived every single day with stress of affording myself and my family’s expenses of living.

In both excerpts, it seems clear to see the chaos caused by unorganized market. Unfortunately, the farmer and other millions like him have experienced hardship of accessing market. Whereas, buyers on the other hand also did not get the type and amount of produce they needed abundantly and it seems the produce was highly concentrated at and around nearby of the farmers’ villages. Suppliers and exporters played irreplaceable role in taking advantage and suffering at times in the old market. However, it appears a no-brainer to express their dissatisfaction on the system. It was not a tight
system and there were no strict laws that enforce exporters and suppliers as long as system concerned but the old system was time taking:

EX#1: Yes! It was a big hustle to get quality coffee back in a day. We had to make a huge effort and spent too much of our time and money.

This seemingly qualified to be taken as contradiction if we visualize attentively to the circumstances of the respondents. I assume they are well manifested in respondents’ excerpts. Categorically, the underlined interview extracts the circumstances were already in double bind and helplessness situations. These excerpts lead us to the first potential contradiction of the old system. The market was unorganized by its nature and farmers did not get fair price for their labor. On the other hand, other stakeholders also had to work their socks off to be able to get the type of coffee they want.

Furthermore, the establishment of ECX also gave answer for market problems like price volatility and market default. These matters are part of the broad category of ‘unorganized market’; they were the prevailing scenarios of the past and potentially looked like another important dimension of contradictions solved by current system. Price fluctuates in almost all transactions and exchanges today in the world; it could not come as a surprise to hear since it is based on market dynamics, supply and demand. However, the fluctuation could seldom come from deliberate man-made errs, too. This was likely the case in point in old system that middlemen and brokers hoard coffee intentionally to sell it when the price is higher in other words by seizing or downsizing the flow of produce they clearly used to create disturbances to the interplay of demand and supply.

WH#1: …when I was in Addis in 2008, millions of tons of coffee was lost. And nobody knew what happened to it. After an extensive assessment, it was discovered that exporters were hiding it for the intention of selling it in contraband market.

I learnt these kinds of mischiefs in the market had huge impact not only in turning price volatility but also in turbulent and shaky financial and economic difficulties. The contradiction seems to be aggravated by old activity system’s Buna Board/ Coffee Board rules. Inexistence of clear and proactively updated rules in the previous system made the stakeholders to struggle to yield the expected results; manifestations of the contradiction were witnessed in the extracts vividly.

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21 For more information on coffee hoarding, see e.g. Bloomberg report from internet:
Moreover, ECX personnel described market default incidents when the deals could not go through either party of buyer or seller failed to live up to expectations payment or transfer of ownership unable to be settled. The higher the market default means the less the market safety gets for all. In the new ECX system, contract defaults occurrences are reduced highly to the extent of zero-default. The commencement of the institution has brought a solution for the so called ‘contract default’ a puzzle that has been dominating the market for decades.

HO#2: About the contract default, there is no contract default in ECX system; we call it Zero-default. If you once agreed you are not allowed to call the deal off or breach it.

Therefore, the first contradiction precisely was between unorganized-market versus organized-market. ECX abled to bridge such gap by offering well-organized market system that evenly distribute the produce. This is mainly down to the rules of ECX that attempted to addresses every aspect of the activity.

Empowerment of farmers

What more has been added to the track records of ECX? It is safe system in terms of payment complications, it is also carried out with lesser cost, the flow of supply is consistent and with massively reduced risks. Farmers used to face overwhelming challenges of getting safest services. They encountered with untrustworthy middlemen and exporters whom take the coffee produce with cheapest deal as well as unspecified payback period. Farmers had to incline to work with acquaintances in response to minimize the risk of middlemen. The following ECX respondents excerpt gives an insight on it:

HO#2: In addition, there was a trend of doing business in different forms of acquaintances or kinship because of the market risk, people used to tend to give produces to people they know. Because, they do not have anyone they could trust to sell their produce for. There were these types of channels.

At the moment, ECX has eliminated the risk factor by implementing a coordinated warehouse, trading floor exchange services and with involvement of partner banks. The cost of ECX market chain is quite lower in relative terms than the old system. The new system shortened and the
unnecessary intermediaries and brokers have been systematically forced to operate only in newly built structure. The new structure designed in three aggregate levels which are primary, secondary and tertiary markets, it added some transparency on the entire flow of the object or commodity. Therefore, the previous system cost that used to be paid every here and there for middlemen have been avoided which seems to be resulted in cost efficient new commodity system.

The flow of coffee becomes consistent in its supply, the interruption used to be created by intermediaries to maximize their profits reduced. The flow becomes more dependable, as a result it greatly benefits exporters. Although, exporters were assumed to have been a beneficiary from the previous chaotic system, the burden of securing the right quality coffee with right amount was very tough task. At the moment, concerning supply of coffee they can get it easily with current steady supply after making a deal inside trading floor. They do not need to do the ‘dirty work’ of finding coffee. Risk wise, the exchange is carried out inside trading floor and each buyer and seller comes after passing few specific formalities, that makes the transaction failure risk to zero-default.

Buyers of the produce deliberately used to sign and issue bank check that has no enough deposit, NSF checks. This problem was very persistent and lack of mechanisms to block it allows the damage to look endless. Usually, NSF recipients are suppliers and farmers at lower level. For suppliers, this payment wastes their time and holds their capital from business operations and could jeopardize their existence as a firm. Whereas, farmers are dependent on the sale of their produce to cover their daily living expenses, payment of loan for fertilizers, to pay their kid’s school fee and the least could go on and on. Unless they could not get their money right after the sale or at least in a predictable near future time they likely to face a difficulty. Life would become a nightmare and the pressure on the recipient of the NSF makes everything much harder. In ECX success of realizing free of risk payment systems, the main victims are the individuals who have been suffering from receiving of NSF checks. In a video interview, Gabre-madhin highlighted the burdens of farmers:

...In terms of payment, in the past payment is made in the day when buyer wants. Buyers used to say ‘I don’t have money now, come tomorrow...’ you know these kinds of things. He let the farmer wait in vain for the money of his own produce. At times, it often took months for farmers to get paid. In the meantime, they have a queue of expenses to take care of they ought to send their kids to school, they might need the money for their son’s and daughter’s wedding, loan payment for fertilizers and related farming activities. ...due to this fact, even there were devastating incidents such as suicide.\(^{22}\)

\(^{22}\)Gabre-madhin video interview [https://www.youtube.com/watch?v=7KCuXc_nAgU](https://www.youtube.com/watch?v=7KCuXc_nAgU) Last accessed 6 March 2014.
It is historically accumulated tension dragged from the previous exchanging system which was unable to be reassessed and continuously developed with existing situation, it took quite long time for technocrats to tackle this challenge and ensure safety for all stakeholders equally. In my interview with supplier, he explained the modern system relief regarding safe payment and sense of guaranty they have got at present:

SU#1: We (suppliers) were unable to get our money on-time. Now transaction is carried out by ECX, buyer deposits his money on his name in particularly designed account for this trading system purpose. Unless he doesn’t deposited sufficient amount of money he couldn’t be part of the transaction, there is what we call Member Client Positioning (MCP) if there are no enough money in his MCP the company are not eligible to buy. Therefore, the supplier is 100% confident he would get his money. Without any problem, there wouldn’t be a single penny left unpaid. That is a great advantage of the system. He could take his money right away and spend it on the next transactions.

Therefore, the new system has solved the NSF difficulties with newly introduced MCP systems and this perhaps could be seen as the most remarkable change brought by the institution. The introduction of strict laws and preconditions for exchange like MCP has solved a difficulty situation that was also equally unacceptable in the underlined extracts “…I don’t have money now, come tomorrow” sort of situation was very common and the farmer or supplier had been left for huge risk as I analyzed it. Therefore, the contradiction was rooted in the old system where buyers of the produce could sign and issue NSF checks while suppliers/farmers forced to wait without on-time pay for so long. The introduction of MCP system guaranteed stakeholders to be free from concerns of not being paid. It also safeguards on-time payment at the same time.

**Socio-economic opportunities**

I discovered from my interviewees’ response the third major contradiction that has been solved led to the broader economic and social merits that comes along with the new system. The percentile shows ECX respondents 13 (19, 1%), farmers 4 (13, 3%), suppliers 5 (22, 7%) and exporters 4 (23, 5%) respectively. The spectrum of core issues mentioned were such as: contraband business
reduced, foreign currency earning and job opportunity increased I will analyze each of these issues in this subtopic.

The backbreaking burden was on the overall economy by smuggling produce to the neighboring countries with a motive of getting comparative advantage. Brokers and exporters had played disastrous role as the economy is highly agriculture-dependent. This dreadful illegal activity understandably flourished from failure of a system that was in place; the incapability of the then market system of the country arguably brought the economy down to the brink of severe catastrophe.

Therefore, unfavorable activities such as contraband business severely damaged the economy and the new route laid by ECX looked to ascertain the commodities are exchanged within the newly formed platform. Unfortunately, the challenge is far from being over and it seems to me it may remain a challenge and requires proactive attitude of the institution to continuously improve the system. Regardless of the fact the system is too transparent to get away with contraband as the warehouse personnel said:

WH#1: This problem [contraband] is very unlikely to occur with the new System, because information is open online, the system is highly transparent. One can easily trace the transactions and see how the coffee moves within the market. This makes it very easy to take action on any outliers.

The warehouse respondent was referring to the contraband business that used to happen from the warehouses of the institution itself. Now, the transparency and computerized stock management solved the problematic paper based data storage systems. I would argue that eliminating contraband activities needs a concerted effort. The produce that has already been in ECX store could have too low risk of being smuggled out. While the millions of quintals of coffee that are already at the hands of farmers could be target for smuggling. In a very recent parliamentary annual report the chief of ECX admitted that transgression of rules and corruption are making the institution’s job difficult, *Ethiopian Reporter* quoted in its June 22, 2014 Amharic edition as the chief saying:

The transgression of laws and corruption is happening because of the fact business people with abundant of money and personnel that could possibly be deceived are meeting. He said coffee and sesame are the two major commodities with higher level of transgression of laws.\(^23\)

\(^{23}\) See e.g. Ethiopian Reporter Amharic Newspaper June 22, 2014. P.3
It looks sensible move for ECX and concerned government bodies to exert an effort more to make sure there is no going back. The Ethiopian commodity market needs to avoid by any cost the returning of contraband. In my assumption, ripping apart of such system could not possibly be achieved in overnight and the resistance obviously remains immense. Those individuals within such network of business are conceivably influential in the market to say the least. From interview extract the following excerpt is one of the few descriptions given on the issue:

HO#2: ECX, of course, succeeded because of the support it received from government and otherwise it would have been nearly impossible. …Businessmen of the system has stayed for a very long time on the market they know how to trick you. Their system is hard to predict and you never know what they would do and this was also a challenge…

In the underlined phrase, the interviewee expresses the toughness of the sector and unpredictability of the stakeholders because they are expertise of the business. They have extremely rich experience of doing this business which they can potentially use it to their own advantage. The interviewee sounded the situation was out of hand ‘their system is hard to predict’ and government intervention required to get out of the difficulty ‘otherwise it would have been… impossible’ and it is a double bind situation. Thus, it can be inferred as a manifestation of contradiction between less benefiting or rewarding system that handicapped the economy and relatively better rewarding exchange system.

The subject of the activity system interacts well with object to obtain the outcome in more convenient way than before as well as the rules (i.e. warehouse and exchange rules and guidelines) attempted to create transparency and it appeared to reduction of contraband business extremely. It is worth noting the very recent report of ECX chief to parliament could be an indication for need of further studies on the area and it is likely new contradictions are emerging in the current activity system which is beyond the research interest of mine at this moment in time.

Meanwhile, it created job opportunity for citizens as well as earn hard currency for the country, this regarded as another economic and social merit dimension of ECX. Halting illegal smuggling of produces makes the new route to become successful in encouraging many business people to intensively engage in this activity. The demand for laborers and skilled workforce gradually increased throughout the process starting from rural producing areas to the metropolitan destinations. These job opportunities include service sectors such as transportation of the produce, warehouse services, and financial institution services and so forth. Depending on the skill of the individual thousands of jobs has been created at different levels starting from laborers to highly
qualified personnel. The picture below shows warehouse laborers unloading coffee from truck to storage.

Figure 18. Warehouse workers unloading and moving the coffee to its storage (Gebeyit Magazine, 2013)

In the meantime, it becomes a reliable foreign currency source. Hard currency acquisition is high in significance without enough amount of hard currency development cannot be accelerated, investment attractions are unthinkable and machinery procurement becomes unreachable vision. The following excerpt indicates the vitality of agricultural commodity for the nation and prospects of development:

HO#2: Agriculture, as you know, it is a question of life-and-death for Ethiopian economy. That is how we hope to transform our agriculture dominated economy to industry… that is our base for any prosperity. Thus, in order to do that, these resources are golden assets by using these resources efficiently from foreign currency earned machinery and more advanced industries can be installed and boost the economy.

In another extracts, the respondent from ECX narrated the deeply frustrating situation and he described the case in a way there were no clear paths to track the flow of trade and quite confusingly by whom and when these trades are happening. The linguistic clues are here manifested and the situation was indeed very much hanged in alternatives which are unacceptable – to let the trade continue and to safeguard the hard currency earning. This means if the trade continues the
channel is unknown and thus cannot be anchored systematically, while the foreign currency cannot be obtained in the now defunct system. Therefore, this has aggravated highly and pushed the government to cooperate with concerned groups to change the trading system radically.

\[\text{HO#2: The country needs hard currency for the wellness of the economy and that system depriving the nation from earning hard currency. You don’t know exactly the routes of trade were… how and when they did it. You just can’t know. It was out of control… it is traditional market.}\]

Thus, the contradiction here seems that selling coffee because many lives depends on it, many gets job and income and on the other hand tax collection and foreign currency earning issues are slipping away from government hands. On one hand to facilitate productivity on the other to reap the results for the nation became increasingly unattainable the underlined interview extracts depicts the situation very well. This double bind situation seems to be a contradiction as I have been discussed in the first chapter. Historically, coffee traded in auction method in centralized warehouse mainly in Addis Ababa and the vast majority of trucks used to queue in the gate of this particular warehouse and it seems it is one factor contributing for smuggling of the produce in unidentified route and that escalate by uncomputerized database work platform of the old system. The division of labor in warehouses and in head quarter of ECX has changed its approach into decentralized warehouses across the country. It reduces the queue of tracks and coffee can easily store relatively in warehouses and other divisions of labor also enhanced in a way to handle the exchange activity. The subject also somehow changed by deterring unnecessary intermediaries from taking part in the exchange and reducing those means the profit margin to the farmers would increase and since they usually operate out of the law and key actors of smuggling and contraband business; ECX has brought a membership method which became a solution and only the accredited members are allowed to transact or exchange and the other element of the activity system are instrument that has seen many changes including warehouse setup from centralized to decentralized ones, exchange based on trading floor deals, information distribution mechanisms etc.

Besides, the market conceivably didn’t have a platform for stakeholders to track current market price information, those of whom stakeholders living in the remotest part of the nation in particular appeared to be deprived from being engaged in transaction in an informed manner. Thus, most likely they simply forced to be submissive to what few middlemen, suppliers and exporters had to tell them as exact price for their produce and they cannot crosscheck but sell at a huge disadvantage.
Apparently, this could be vital reason for mass acceptance of the institution’s establishment on wide range of its stakeholders.

I witnessed many mechanisms of information dissemination outlets during my visit in the summer of 2013, these all are practiced today in unprecedented manner. In addition, the recent booming of mobile phone service subscribers in the country, it has been a great opportunity for ECX to capitalize services of market information to its users. Other mechanisms such as newspapers, TV and radio news, price tickers (display boards) as well as lower level regional government desks all are being used.

Figure 19. ECX information system network (Tsega, 2010)

These several information outlets came after a quite long period of time, farmers particularly has lost a grip of their fair and deserved reward for their produce. Therefore, one could argue that the invention of these paths to access market information might be a leap forward for farmers at the grassroots level. While discussing the case of these changes Gabre-madhin said it is an empowerment of farmers: The farmer directly accesses the international price (i.e. New York price) and Ethiopian market price. Then he simply makes estimation on what amount of price to sell his
coffee by himself. He matches it locally… it is a huge impact. It is a massive farmer empowerment.  

Her notion seems to hold true, the previous system has been criticized by farmers and ECX respondents in an interview. According to senior ECX staff I interviewed, he underlined the achievements in exactly the same way. The following interview extracts were what he had to say:

HO#1: Knowing what the price is in Addis Ababa and in New York. …considering the overhead costs, the farmers know how much their produce is worth. There are several concrete evidences that farmers are much better off with the new system.

In fact, farmers’ access of information alongside other factors contributed for farmers to be in control of their activity. Today farmers have options where and how to sell their produce. They weigh their options before jumping to exchanges. It means they have got today a bargaining power which for so long has never been part of their business. It is a big step forward for millions of farmers which granted them to follow the market price easily and even to plan beforehand to which grading category to prepare their coffee.

Nevertheless, the previous system flaws and then the manifestations of contradiction indicate the respondents’ critical conflict experience. Both of the respondents expressed it with clear dissatisfaction of its incompetency in delivering these quite basic as well as compulsory services to the clients at different level. I am convinced finding an answer for this particular gap might have been the result of tackling deep-seated contradiction in the previous system; the excerpt leads to that assumption:

HO#2: Exporters used to be considered as unquestionable entity in the market they hide information whenever they want then farmers struggle to get the information… let alone the international market the national market as you know the situations of farmers most of them are less educated.

The ‘informal power’ of exporters that came through the process in the market described as ‘unquestionable entity’ by the interviewee shows the paralyzing phrase to the subject (HO#2) and it appears as a critical conflict and situation of impossibility. The disturbance in incompetent market information system was likely to be powerful enough for farmers to be able to sell their produce in an informative manner. The absence of information distribution mechanisms and even lack of

initiative to recruit the already available mass media channels seems to be one vital shortfall. Whereas, the system’s inability to generate accurate information then disseminate the information to the wide users across the nation was highly questionable.

Hence, ECX has worked to bridge these limitations and came with a modern system where information accumulated and distributed within few minutes time. It uses many channels such as price tickers, TV and radio, website, SMS, IVR and so on to deliver the market informations. Therefore, the information distribution mechanisms were the missing element from the previous system. These instruments enabled farmers not only to be informed about the current domestic price but also world current coffee price. The contradictions here came from the circumstances where farmers couldn’t have a chance to be aware of the market information. Therefore, selling based on what intermediaries offered to them which was too low from actual market price. Later the establishment of ECX which led them to be aware of every detail of domestic and international price information by different mechanisms deliberately designed to reach them. The contradictions manifested in linguistic cues like “unquestionable entity” or even more in double bind situation where exporters and other intermediaries “hide information whenever they want then farmers struggle to get the information”. Similarly, government as a big stakeholder in the overall process had not able to collect tax based on actual transparent transactions.

**Shift from quantity to quality driven attitudes**

In the era of old system there were no mechanisms in incentivizing for quality coffee. Therefore, there was a great deal of inclination by farmers towards mass production of coffee with inferior quality level. It is contradictory by nature as foreign market demand for quality produce is very high, yet in the other end farmers did not get encouragement to go after quality coffee producing. However, farmers had to do whatever technique possible their coffee sack to be heavy in weight which includes selling their coffee with above standard humidity\(^{25}\) and even to the extent of adding other odd objects on the coffee and the likes. In an interview with ECX respondents, there were many intriguing stories in relation to maximizing of earning by farmers and even middlemen that has happened in the past. I am interested to see the distractions from going for quality, addressing

\(^{25}\) The standard raw coffee humidity is eleven percent of the weight.
such issue probably would be the route to redress the problem, the following excerpt is one of the case explained:

HO#2: …The product quality was poor. Because, farmers were unaware for which grade he/she is producing was not clear for them. Plus, they used to work to sell number of quintals and sometimes you could get many odd objects on the sack just for the sake of weight increase. It was a burning issue, you just cannot fix that after it come to warehouses, and it has to come neatly from farmer’s hand.

The coffee filled with ‘odd object’ was a troublesome and the interviewee believed the only way to stop that was at lower level while in the farmers’ hand and cannot be fixed after it comes with quality defects. The state of mind seems to be in double bind mode the underlined sentences refer there was no way out other than working to fix the supply from lower level to get coffee free from ‘odd objects’ that was deliberately or negligently added. These linguistic cues can be taken as a manifestation for difficult and troublesome situations the warehouse personnel used to go through.

While the changes of the current system in strictly adhering to quality standards and measurements. The newly introduced warehouses throughout the nation, equipped with quality and standard laboratories with qualified personnel. The coffee species with grade ranging from ‘A’ to ‘C’ means the price also significantly varies. In doing so, farmers are aware of the potential earning they would get from quality coffee. It has incentivized them to look on coffee farming in different perspective – better earning for highest quality:

HO#2: …at present the likelihood of keeping up the quality of coffee is higher. Because, the farmer comprehends his focus on quality would later bring him value, so he cares much.

Exporters and suppliers acknowledge the change achieved on quality front; they appear enjoying supply of relatively better quality coffee recently. In an interview supplier interviewee indicated there is change in coffee producing dynamics farmers today are more sensitive to quality and he claimed he have been a witness for those changes. To sum up, ECX detailed and perhaps practicable procedures on how warehouse services and overall commodity exchange activity should function in the context of Ethiopia.

Distinctive coffee variety grades with segregated price for each grade revolutionized coffee producing activity to be quality oriented. It has transformed the activity system by solving massively aggravated contradiction. The contradictory elements were farmers aim to sell their
coffee with a good price, based on the weight of their coffee sack than its quality. Because, that was how they could get better pay. On contrary, meeting demands of export quality level pressurize government and exporters to spend much of time and money on being too selective and deal with a huge difficulty.

Eventually, ECX seems to be instrumental in increasing the quality of coffee. Farmers’ and suppliers’ perception of ‘quality coffee’ dramatically changed by setting up standardized grades and varieties. Therefore, farmers at different areas produce different types and varieties of coffee as Ethiopia has hugely diverse coffee varieties. Among those varieties the most popular ones are such as Sidama, Yirgachefe, Limu, Harar, Jimma and Nekempte. These types also graded after passing through laboratory as grade one, grade two and so on. Farmers of particular coffee producing area aims to produce for top grade as much as possible, ECX has geared the demand in such a way farmers to work towards. Then rewarding coffee farmers with different pay return based on the established standards and mechanisms.

In addition, the market stability that has been realized and progress made with regards to exchange crime prevention and detection. Powerful business tycoons and their representative brokers as I described it in the early chapters had been very powerful in the market. The market had a tendency of monopolistic control in every key aspects of the market level by these few business people and brokers. Their control granted them to be in the driving seat while farmers handicapped from making fair deal. However, it changed with ECX farmers directly or indirectly represented on the exchange system. Other undermined stakeholders are also encouraged to play their fundamental role in the new platform.

The newly established commodity exchange has dissolved concerns such as unfair market balance, stakeholders given a due attention on how to be represented at the best way possible. Farmers mobilized to form their own unions and to proactively follow their own activity and to build their own capacity. From just selling the beans today they are moving strategically towards adding value and sell their coffee in a better way for the long term.

The truly astonishing fact here is that with ECX system it looks no single farmer pressurized by broker or any middlemen to sell his produce with desperation. Farmers today are provided with all information they need as well as convenient market options.26 Millions of farmers today have got ECX prices as a reference while selling in local markets and farmers’ views and interests are being

26 See, route one and route two.
heard at the moment. Millions of farmers were under the shadow of few businessmen that has been created by weakness of the system. The founder Gabre-Madhin had interview with UK’s *Guardian* newspaper and she explained thoroughly how the farmers and other stakeholders embraced by the system:

Question: The smallholder farmer was the theme of the African Green Revolution Forum. Are they able to access the commodity exchange easily?

Dr. Eleni: In our exchange, 12% of the members are farmer co-operatives that are representing 2.4 million small farmers in Ethiopia. That's a massive number in just four short years and relative to the amount of investment. Millions and millions are being spent on linking farmers to markets, and here with less than $10m we've accessed 2.4 million farmers in four years.

More importantly, even if they don't trade directly through the exchange, because of the transparency around the pricing, all the farmers in the country are now using the ECX price as the reference price. There are 15 million coffee farmers in Ethiopia, for example, and they are referencing their local market sales off the ECX price. This basically means that the margin between the local price and the ECX price has narrowed almost by half. So if a trader knows what the central market price is, but the farmer doesn't know, the trader will try to bring it down. Even if the prices are going up, the trader is buying at the lowest possible price to get a big margin – that margin has shrunk down to half of what it used to be because of the transparency of the system and because everybody's using the same system.27

Interestingly, in ECX membership 12% farmer co-operatives and work unions representing an outstanding 2.4 million farmers and this was achieved with in merely four years. It seems the institution targeted the farmers to be closer to the exchange and to be beneficiaries from its services. In the old system, when the emphasis given and effort exerted to get the most out of the small scale farmers were inadequate. Farmers were neglected and distanced as well as they live dispersed geographically. They hardly access the market, they had to be submissive to what middlemen and brokers had to tell them to sell their produce. These issues aggravated and the contradiction became clearly visible with dissatisfaction by farmers at the lower level and technocrats at the top. In addition, exporters they want to get consistent supply of quality coffee but again they could not have it easily they had to follow the monotonous informal chain. I speculate farmers were considered as key actor in the old system, but the challenge was probably absence of modern system that can reach the farmers via multiple ways like the current system does. These include information distribution mechanisms and transparent trade and warehousing systems. Therefore,

ECX abled to achieve a stable market conditions by addressing all stakeholders fairly. The inclusion of twelve percent farmers into overall membership system and being a price reference for fifteen million farmers is the result of making good strides of progress.

Farmers seem well represented in an inclusive system. This is something quite new in the overall activity of Ethiopian commodity exchange history and farmers are no longer under intermediaries influence. Therefore, the market appeared to be more stable by solving the contradictions of farmers’ inclusion to the system with more information access and membership and other middlemen with consistent and easy quality supply of coffee.

**Crime prevention and control mechanism of the exchange**

Finally, in an endeavor to achieve the goals of ECX it was believed by technocrats and experts of the field to form a government body that could successfully lay the groundwork of transparent commodity exchange system. The authority would be with mandate of educating the stakeholders and the community about the principles of modern commodity exchange. It also protects and prevents the commodity exchange system from illegal activities. That could potentially threaten the safe existence of the system as well as fairness of the entire commodity exchange activity for its stakeholders. In its mission of teaching and then punishing when it is necessary, legislation approved to design its own court that is purely related with ‘commodity exchange’ which would be able to give the expected fair trial for disputed parties or individuals. If the crime surpasses this boundary I learned during the interview ECXA works in collaboration with Federal High Court or with any other concerned hierarchy in due course:

**HO#1:** So as to implement this system, a new governmental body has been established Ethiopian Commodity Exchange Authority (ECXA). The main function of this governmental body is to make sure ECX laws are implemented in the right way. And to punish those that break the law. …When one commits [exchange related] crime it will be sued and judged here. But if it is more than exchange crime, then we work and collaborate with the higher court of the country and it is out of our mandate if it has nothing to do with exchange crimes.

The implementation of strict laws, trials and punishment has raised many people’s eyebrows. Still there are criticisms in some cases of this approach, but the credit must be given for the institution despite the fact of criticisms encountered. It appears to have made the commodity exchange less susceptible to financial and exchange related crimes and those committed crimes also given a trial
in a new set-up. Therefore, it is a new feature the commodity exchange brought, it is assumed technically unlikely to get away with committed frauds while exchanging in the current system. However, market crimes have been unmanageable and the occurrences were overwhelming. I tried to trace manifestations of the contradiction in the activity system elements that were historically and systemically accumulated tensions in the following excerpts:

WH#1: Exporter or any intermediary can do whatever he wants. His actions could negatively affect the other party. Yet, he can get away with it, with no proportional legal action against to the committed crime. This kind of tradition in the exchange was dominant and that is why they resist laws today.

Lack of the legal frameworks and unambiguously mandated government bureau to execute the laws could be the areas one could potentially speculate from the older system. The emergence of ECX provided the missing element in detecting and preventing exchange related crimes after and before happening and take corrective actions accordingly. To be precise, all the NSF checks and overwhelmingly delayed payments were existed because there was no a serious endorsement of the law or perhaps the laws were not tight enough. The newly formed ECX has been successful in addressing such sorts of gaps and reducing the crimes with especially organized commodity exchange judiciary system to look after these commodity related crimes. Therefore, the contradictions between the old system rules and regulations and subject which perhaps unable to detect criminal activities in the system and on the other hand ECXA establishment with emphasis to prevent and control those crimes is another perspective by introducing new system such as ECX courts and registered stakeholders.
6 What are advantages of the new system?

In the second theme, my research interest here was to categorize the different opinions of respondents from their respective point of view and analyzing them separately. Therefore, the advantages are pointed out and discussed based on how the interviewees conceived the system. I analyzed each respondent’s opinion separately for the sake of convenience since their opinions vary from one another respectively.

The variety of answers in this theme was fairly different and diverse opinions. I categorized all those opinions into broad six opinion categories in relation to the main substance of the point that has been raised by interviewees. The categories of opinions concerning the system advantage have been presented in table 1 below:
### Table 5. Advantages of the system for stakeholders and beyond

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Typical Expression</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Easy access of market information: SMS, price tickers and through other</td>
<td>9</td>
<td>“Knowing what the price is in Addis Ababa, in New York [world coffee price].”</td>
</tr>
<tr>
<td>media like radio and TV</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>2. Enhanced Farmer Living conditions: Sending kids to school, better</td>
<td>7</td>
<td>“Farmers are now sending their kids to school, access to medical care, better housing, food security, etc…”</td>
</tr>
<tr>
<td>housing and engagement in small businesses</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>3. Ensured transparency and safe transaction: On time payment and zero</td>
<td>6</td>
<td>“If they sell their produce today, they will get paid tomorrow by 11AM.”</td>
</tr>
<tr>
<td>risk of NSF check</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Tight quality control in laboratories and increased overall coffee</td>
<td>4</td>
<td>“Now if the farmers supply better quality they would get better price.”</td>
</tr>
<tr>
<td>quality level</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>5. Time efficiency improved for exchange activity and market stability</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>between stakeholders</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Contribution to economic growth: Job creation, foreign currency</td>
<td>5</td>
<td>“In the past the data of product transactions were not known be it quality or amount.”</td>
</tr>
<tr>
<td>generation and easy tax collection etc…</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**ECX Respondents: Market information, enhanced farmers’ living and strict coffee quality grading**

As a service providing entity ECX respondents have pointed out the main advantages their customers able to get and the institution able to provide. Hence, the main advantage that has been mentioned by ECX interviewees was market information it brought to the scenes of Ethiopian agricultural market. The occurrences were 9 times (24, 3%) by ECX respondents they consider information access to be the top improvement in agricultural market history of the nation. The information distribution arrangement predominantly seemed to be characterized by information inaccessibility. Which has been changed followed by the newly established ECX with easy but
numerous options of disseminating market information for almost all stakeholders despite the case of rural-urban circumstances.

According to senior ECX respondent he argued his institution were able to deliver extraordinary services to stakeholders in general. He underlined the ECX’s allegiance to the farmers, change in farmers bargaining power is the case in point. At the moment, farmers bargaining power dramatically changed since the establishment of ECX which seems to be a derivative of access to information and the following extract shows the far reaching impact of information:

HO#1: The barraging power is more …the fact that formed unions [farmers’ work unions] are a big power. One might say it’s better for me to sell it through these associations. You know…they can weigh their options before selling. Second point, information they would get. Knowing what the price is in Addis Ababa, in New York [world coffee price] knowing this and considering the overhead costs, the farmers know how much their produce is worth. There are several concrete evidences that farmers are much better off with the new system.

This argument sounds quite convincing when we realize farmers are developing a sense of entrepreneurial attitudes and forming associations adding value in the process to their produce. Henceforth, it appears to be a new tradition to sell their produce after checking the market price information. This regarded as a remarkable achievement for the institution as it gave the service a whole new look. The plenty mechanisms of reaching the potential clients indeed can be taken deservedly as advantage that the institution is offering.

Figure 20. Price displaying board or price ticker assembled in farmers nearby place. (Source: ECX).
Second, the institution achievements in enhancing farmer’s standards of living with occurrences of 7 (18, 9 %) accounted to the opinions of the ECX respondents. It seems indisputable as some indicators are crystal clear and to mention few of the changes that described as ‘change in standards of living’ are significant increase in their income, abled to work in their own unions, better tools and fertilizers used, access to medical care, better housing, sending their children to school etc...

Certainly, these are few of the areas change believed to have been taking place. I will be discussing these issues thoroughly later. Since the third research question is about farmer living conditions. Now crucial advantage mentioned was the system enhanced farmers’ living conditions. These include their income gradually increased while unnecessary middlemen without any fair contribution to the business left out of the system. When the system becomes transparent and efficient unnecessary intermediary involvement also resolved. It had had a far reaching effect not only in curbing farmers’ share of profit but also compromise the produce quality by lengthening the activity of exporting or selling to the end users.

Therefore, shortening the channel of coffee flow from the point of producing till exporting was enormous challenge. ECX has overcome and deliver the deserved profit to all stakeholders in general and farmers in particular. Farmers’ livelihood enhancements look perhaps a tricky term when we ponder how to measure it objectively? Farmers’ life conditions improvements arguably represented by economic growth indicators such as better farming tools usage, better housing in the case of Ethiopia such as the upgrading of houses from grass roofs to metal sheets; from mud and wood made to cement block houses and not to mention furnishing their houses.

In addition, they are encouraged to form unions and associations whom can operate in their own behalf, for one ECX respondent it is certainly a great opportunity they could get from the institution:

**WH#1:** ECX has also enabled farmers to establish unions that allow them to export directly they will bring their coffee to us to be graded, tasted here then they will export it. Even they will not enter into ECX trading floor to sell, ECX has created this opportunity for them and it is a massive advantage. Frankly speaking, there are farmers today with luxury cars which could never have happened [Had it not been for ECX]. Thus, it cuts costs incurred for intermediaries.

Within the same issue of “enhancements of farmers’ living conditions” raised by ECX interviewees was farmers’ ability to afford better medications and educating their children. They can go to good hospitals and get a fair treatment as well as their work unions also building health care stations for
the community where they can get treatment. It is seen as an outstanding achievement for the coffee growers who usually deprived from these kinds of services due to the fact they live in remotest part as well as government’s limited financial coffer to build health stations and provide the necessary medical facilities. Therefore, the community involvement in building health stations and hospitals might be seen as tremendous effort and contribution to the overall developmental aspirations.

According to my respondents sending their kids to school affording all the school related costs symbolizes the farmers’ livelihood conditions are changed in a desirable way.

WH#2: The main benefit of this is that the negotiation power increases, from this what we call an economical benefit is that when the farmer gets the due value for the produce, he/she will make a basic change in living standard. Farmers are now sending their kids to school, access to medical care, better housing, food security, saving as well as investing in hotels, and small businesses.

The riskless exchanging of produce came as third advantage with quick payment modes for stakeholders, payment safety ensured as well as reduced corruption possibilities and convenient market set-up occurrences were 6 (16.2 %). Farmers are safe to sell their produce bearing no risks whatsoever, the produce offered for sale when it is ready and collected based on pre-established grading standards. Furthermore, they get their payment in the next day of sale. In a videotaped interview Gabre-madhin explained: “In ECX system, if they sell their produce today, they will get paid tomorrow by 11AM. This is assurance; they can plan whatever they want with certainty of getting paid.”

It also seem to help the effort of fighting corruption, the more the work is automated the better it become transparent. ECX respondents argued it has reduced the corruption immensely and farmers benefited from the current market platform as they don’t need to find a buyer for their produce by themselves.

Fourth, the introduction of exchange system based on coffee grades and strict laboratory check points has been central element for the overall quality improvement. The institution exchange activity has encouraged and demanded each stakeholder to work towards better quality produce and supply with the occurrences of 4 (10, 9 %) in the interview represented this point. Warehouse personnel of ECX respondent have underlined it concisely:

WH#2: Now if the farmers supply better quality they would get better price, this has encouraged the farmer to produce better quality.
Contribution to the overall economic growth (i.e. foreign currency gain, halt contraband trades and increased competitiveness internationally) 5 occurrences among four of the respondents which is equivalent to 13, 5 %. ECX respondents assume it is now a source of hard currency by limiting the possibility of contraband coffee smuggling activities, still coffee remains one of the top export commodity for the nation.

Thus, for ECX respondents, the economy is better off with ECX systems key areas of the coffee business sector such as taxation, domestic wholesale or exporting. It becomes much easier and not only reduced contraband and illegal coffee smuggling. Nevertheless, it created conducive environment for business to flourish and government body to be able to collect tax money from tax payers based on clear information and data. 28

While Ethiopia’s economy is still in an intensified effort of transforming from agriculture-led to industrialized one. Such a colossus ambition requires the nation to strengthened and expand the acquisitions of hard currency. ECX respondents argue the institution has helped in solving this puzzle as I have discussed this before it is very decisive aspect. Similarly, the nation’s capability to withstand stiff competitions in international level remarkably increased, subsequent changes in different activity systems ranging from producing till export contributed to the overall competitiveness of the produce internationally.

Finally, respondents of ECX claimed as another advantage of the system was its shortened chain and time efficiency, brought market stability and uninterrupted supply with 6 times occurrences 16, 2% respectively. This is also what I thoroughly elaborated earlier; the elimination of unnecessary intermediaries and brokers made the system more efficient the produce can be accessed in short period of time once it is ready. Unfair overpower of few businessmen over the rest of stakeholders is now history and even the less fortunate farmer has the power to bargain on his own produce. It in fact, created stability among market stakeholders.

**Suppliers: Safest and transparent system, availability of market information and tight quality control**

Meanwhile, suppliers by far seem to be satisfied with the safest and transparent payment system, 4 (28, 6%). The risk of NSF was higher from buyers of their coffee in the past, at the moment the transaction is carried out with the involvement of ECX which created a sense of guarantee. Thus the

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28 In Ethiopia, it is applicable to tax based on tax office’s personnel estimation when there is no clear transaction data.
The prospect of getting money with quick and safest course will allow them to mobilize their money to other business transactions. It is a massive advantage for them as we recall the NSF payment circumstances. Furthermore, they are able to exchange with details of information concerning price and quality. Regardless of service inconsistencies suppliers appeared satisfied with the available information and computerized services mainly in warehouses. That is where they submit coffee they bought from primary market. Although, at the commodity exchange trading floor pre and post computerized procedures in a way helped them to feel safe in their exchange. Despite some daunting implementation shortfalls of the institution they only seek those inconveniences to be addressed shortly.

In addition, they raised peculiar advantages like quality improvement of the produce 2 (14, 3%), less time consuming system 2 (14, 3%) and they also perceived the farmers’ benefit from the system in betterment of their lives, 2 (14, 3%) and others.

Exporters: Ensured transparency/safest exchanges, enhanced farmers living and better market information

The establishment of ECX has also offered a handful benefits for exporters. In old system, they had relatively relaxed environment to pay back the money for suppliers or farmers. There was no any pressure of the institution and it has considerably benefited them to do their businesses with great profit margin. However, what seems to be benefit for exporters and few of the middlemen comes at disastrous cost of the other stakeholders – farmers and suppliers. Therefore, at the moment what are the benefits of exporters?

These are interesting issues to address. Exporters believed the advantages they can point out are transparent and convenient market 3 (30, 0%), quality and variety of coffee 2 (20, 0%), time saving and efficient 2 (20, 0%), farmers’ livelihood improvement 2 (20, 0%) and other.

I will clarify the aforementioned advantages precisely, market convenience and transparency from exporters’ angle refers to buying the coffee they want at one spot market where suppliers join them. It makes it very benefiting because all the hustle has been dissolved the coffee awaits them shortly for collection at warehouse after they bought the coffee in trading floor deal.

EX#2: …I don’t have to do the dirty work of finding good coffee anymore. I can have it in one center with less effort and short period of time.
Whereas, coffee quality has also improved gradually over the last few years and the available coffee species increased in variety these changes were welcomed by the exporters momentarily. Although, they are still dealing with challenges of quality measurement inconsistencies which I will discuss later on in thorough, they seem to acknowledge crucial quality change that resulted from tight quality control.

**Farmers: Market information, enhanced their living and time efficiency**

The farmers’ advantage of ECX seems numerous as it has attempted to change the market chain and anatomy affecting millions of coffee farmers in a good way. Farmer respondents gave priority for advantage they got in regards to information access and bargaining power accounted 5 times occurrences (41, 7%), advantages that brought tangible change in their livelihood were 4 (33, 3%) and quality improvement and increase of productivity registered at occurrences of 3 (25, 0%).

Clearly, market information access paves the way for the emergence of farmers who firmly stand to get the maximum possible profit through negotiation or bargain. Being aware of the actual coffee price and demands of graded-coffee varieties alerted farmers to be awaken and regain their deserved power over their own produce. As I discussed it already in earlier chapters, farmers do get daily market price via multiple mediums of communication:

CF#4: I’d say it is easier to get the prices information.

Correspondingly, farmer respondents emphasized there are concrete changes with regards to their livelihoods. Although, I will be discussing those changes vividly later, I preferred to highlight them here as these changes are already mentioned by farmers as an advantage of the system. These changes could be viewed with several dimensions: changes in relation to better housing, educating kids, better health care benefits, small and medium business engagements, better tools and fertilizers, owning different properties, forming unions and getting plenty membership services and benefits, and so forth.
7 Fairness of the system

In terms of fairness, according to my data there seems a consensus among stakeholders that the institution is free of partiality: ECX respondents 4 (57, 1%), suppliers 2 (28, 6%), exporters 2 (28, 6%), and farmers 3(75, 0%). In all cases, there were no complains or indications of bias done deliberately by the system whatsoever. Although, there were few cases that highlighted some of the stakeholders are taking relatively higher risk than the others. The respondents view depicted on table 3 below:

Table 6. Fairness of the system: Who are the losers and winners or is it same to all?

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Typical Expression</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The exchange system is fair for every market actors</td>
<td>ECX 4</td>
<td>Farmers 3</td>
</tr>
<tr>
<td>2. ECX still needs to improve and work on to ensure fairness</td>
<td>ECX 2</td>
<td>Farmers 1</td>
</tr>
<tr>
<td>3. Suppliers are taking high risk</td>
<td>Suppliers 1</td>
<td>-</td>
</tr>
<tr>
<td>4. Exporters are taking high risk</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>7</td>
<td>4</td>
</tr>
</tbody>
</table>

I began with a straightforward question to respondents and their thoughts are analyzed precisely as follows:

Question: Do you think the system is fair for all stakeholders?

SU#1: I would say yes. But there are some things still needs to be sorted. More or less, it will get better from time to time, since it is new for Ethiopia.

However, there were challenges and problems have been raised concerning the system potentially affecting its fairness. All respondents conceded that there should be more work needs to be done to improve the entire system ever further. The level of risks suppliers and exporters are taking at times goes up and down, in some instances exporters are taking risks if we see for example when export prices hits the lowest rate they forced to sell with deficit. The same holds true for suppliers as they
bridge the gap from point of primary market to tertiary market they play irreplaceable role in due course they incur many costs when the world market is at its lowest they could not get better offer which directly affect their business activity.

Nonetheless, the risks are shouldered by both suppliers and exporters and they seek ECX to come up with something to shield them from the effects of volatile world coffee market price fluctuation.

SU#1: It is actually difficult to tell who is gaining and losing at the moment, the trend seems balanced.

Meanwhile, farmers are appreciative of its fairness and for ECX being the stepping stone for many opportunities that arises from the realization of the system, yet they still hope the world coffee market price challenges to be curbed as it was evident for suppliers and exporters accordingly. However, the object of world coffee price happens thousands miles abroad and out of ECX’s control it is extremely difficult for ECX to craft an effective system to avoid potential risks that associated with lower coffee prices. Despite the fact, I believe there could be a chance of handling the threat without allowing it to cause much harm on stakeholders.

CF#2: I think the system is fair but the recent lowest market price [world’s coffee price] is affecting the work.
8 Developmental contradictions of ECX: Views of respondents

Despite of ECX’s achievements I asked in the interviews what were the major challenges and contradictions of the institution? When any new system introduced, new kind of contradictions also emerge. Stakeholders and concerned officials tend to seek further solutions for their activity. Therefore, that makes developmental contradictions very natural in every activity no matter how good the system is thought to be, the contradictions are imminent. The term developmental contradictions imply the stakeholders and concerned officials reach to the point. Then seek answer by asking “what shall be done?” to solve their contradiction. By ‘developmental contradictions’ I refer to such conflicts and dilemmas that were mentioned in the interviews which would demand corrective measures and would imply development of the ECX system further.

I analyzed each stakeholder’s views separately for the convenience of characterizing the currently emerging developmental contradictions for the respective stakeholder itself in particular. Thus, I analyzed the major contradictions the institution respondents emphasized in slowing down ECX’s progresses from marching ahead.

In the activity theoretical tradition developmental contradictions are typically defined interventions like Change Laboratory.29 Key actors of the activity participate in those research intervention sessions actively participate in developing the new activity together. In contrast, my work is based on interviews of separate representative of stakeholder groups. Therefore, the developmental contradictions found in stakeholder interviews may serve as a starting point for further discussions among stakeholders.

Table 7. ECX’s problems and challenges: Views of different stakeholders.

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Typical Expression</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Limited capacity of ECX such as warehouses, personnel and infrastructure problems like roads, electricity and internet etc…</td>
<td>6 3 6 3 18</td>
<td>“… road projects lagging behind the schedule, power problem, internet problem.”</td>
</tr>
<tr>
<td>2. Corruption and bribery related problems by few warehouse personnel are still a huge challenge.</td>
<td>4 3 4 5 16</td>
<td>“Their job is complicated by nature and I don’t think there is no corruption.”</td>
</tr>
<tr>
<td>3. International or world coffee market price fluctuation effects on stakeholders.</td>
<td>2 1 2 5</td>
<td>“The world market is always fluctuating and mostly to the lowest trends.”</td>
</tr>
<tr>
<td>4. Feedbacks of other stakeholders like suppliers and exporters are not taken seriously by ECX.</td>
<td>1 - 2 2 5</td>
<td>“It doesn’t have room to listen, it doesn’t listen to you.”</td>
</tr>
<tr>
<td>5. Rushing to punish market actors when there is exchange related deliberate or non-deliberate offenses by stakeholders.</td>
<td>- - 2 2 4</td>
<td>“…. the approach must be more towards teaching participants than punishing them.”</td>
</tr>
<tr>
<td>6. Mistrust of stakeholders towards ECX and fabricated accusations by stakeholders.</td>
<td>3 - - - 3</td>
<td>“Negativity in some of ECX stakeholders”</td>
</tr>
<tr>
<td>7. others</td>
<td>2 - - - 2</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>16 8 15 14 53</td>
<td></td>
</tr>
</tbody>
</table>

**ECX respondents viewpoint: Shortage of warehouses, internet network outage and corruption challenges**

The major challenges ECX encountered according to the respondents were limited capacity and shortage of well-ventilated warehouses, infrastructural problems such as outage of internet connection and power shortage these problems occurred 6 (37.5%) times. According to the respondents reflection what ECX is doing and the potentials it can be doing is unmatched due to these capacity limitations, they are convinced ECX can potentially intensify its services even more in quantity and variety of commodities. However, the institution is working by being overstretched already due to size and scale of the activity. The size and scale of the exchange and managing that
in the warehouses and trading floor requires sufficient resources and personnel. Nevertheless, the institution had to enter bearing the entire burden by itself with limited resources. Factors such as delay of road projects that connect warehouses from coffee producing towns also adding burden to the institution overall performances and the institution had to adapt to all these burdens with limited resources.

It seems ECX performance could be affected not only to inner weaknesses and limitations but also by the availability of infrastructural services and facilities within the nation. It appears infrastructural issues are one area of developmental contradictions emerging while implementing a system which highly relied upon roads, internet, electricity and so on demands are higher. The warehouse personnel complained some troublesome conditions in his rhetoric underlying unfinished road projects and absence of other infrastructural implications:

WH#1: … there are road projects key to connect warehouses from the farmer towns and they are lagging behind the schedule, power problem, internet problem …absence of infrastructure means the businessmen cannot buy and sell the coffee on time and the export will be affected…. the exporter could fail to fulfil his contractual agreement with foreign agents and he might lose his contract and that is a big blow for the exporter and for the economy at large.

Similarly, the warehouses are located in different topography some of them are in highlands with relatively cold weather towns and some on the lowlands where the temperature is very high. The given condition pushes us to seriously consider while and after building of the warehouses how to maintain the modest warehouse temperature because the produces can easily be spoilt. The respondents’ precisely underlined well ventilated warehouses and their limited capacity are a bottleneck factors.

In addition, I observed the institution is struggling to cope up with recurrent internet connection outages. Buyers and sellers often experience inconveniences to exchange because what they store at warehouses cannot be verified online; I shall elaborate this more on later stage. Still about the warehouses, some of the warehouses are causing great loss to the ECX itself, they are not up to the standard and coffee by nature is a hygroscopic. It means surrounding moisture and air would be absorbed by it and it directly affects the quality as well as the weight of coffee. In other words, the coffee could easily get weight when exposed to humidity and it can lose its moisture when stored in dry places, too. Warehouse personnel stressed that some of the warehouses are operating regardless
of this fact and causing many weight loss to the coffee and the institution in some cases forced to pay compensation fees.

WH#1: Some of the rented warehouses are not standardized ones. They are not properly ventilated; there could be water leakage and so on. The fact that the substandard of these warehouses have put the institution in jeopardy, when there is moisture loss of coffee ECX assumes the loss and refund the exporters. When the coffee stays long in such warehouses the moisture loss happens.

Second, another challenge claimed to descend from corruption and rent-seeking attitudes in work interaction by ECX’s personnel and the stakeholders 4 (25, 0%). Businessmen accused of getting involved in giving bribes and affecting the smooth operation of the institution in giving consistent and reliable services to its clients. For ECX respondents it was mentioned that the system has faced a serious threat from corruption and these issues are indeed developmental contradiction potentials where reflection and measure needed to be taken to solve the contradiction, which is corruption.

HO#1: Rent seeking attitudes, they [warehouse personnel] give inappropriate grades this is minor but still it is a challenge.

Although, the system was made to make corruption chances unlikely to happen by introducing coding of produces; as the produce passes through by coding not with name so that it cannot be distinguished who owns the particular commodity while it is in warehouses. But, it seems there is still much work that needs to be done. To make sure the warehouse system are free from corruption and rent-seeking inclinations. Therefore, the warehouses and the entire system of coffee grading and tasting seem to be another lane where developmental contradictions are emerging. The underlined discursive manifestation highlighted that it is still a challenge despite modernized warehousing and inventory management systems. Thorough study and participatory process in seeking solution will be required.

Another issue also mentioned such as unfavorable or misperception of the system by stakeholders, 3 (18, 7%), it derailed the foundations for harmonious relationship between the institution and stakeholders. The ECX respondents’ assume their stakeholders are skeptical and engaged in fabricated accusations about the institution and they argue the introduction of strict rules and regulations are the underlying factors. According to my data it was evident that the level of trust between stakeholders and ECX are not at its best level. I assume that this relationship should be
replaced by trust and mutual understanding which could be guaranteed by joining hands to work together with all stakeholders.

Finally, other challenges constitute the rest 18, 8% such as high employee turnover rate, less participatory or top-down decision making trends. Pressure to participate in political conferences or meetings over employees as a challenge were mentioned by one interviewee.

Supplier respondents’ viewpoint: Corruption and bribery problems, stakeholders’ feedback neglected and punishment threats by ECXA arbitration tribunal

Meanwhile, ECX’s limited capacity is also what has been mentioned as major challenge by suppliers: 6 (40, 0%). The interviewees raised internet connection outages, power supply interruptions, limited number and capacity of warehouses were among the top challenges which causing disturbances from giving smooth services. Similarly, ECX respondents saw limited capacity is aggravating and emerging as a developmental contradiction. In addition, suppliers claim the warehouse services of quality grading and other basic services are not free from corruption, 4 times occurrences (26, 6%). The suppliers’ trusts of personnel in giving fair services to all are questionable:

SU#2: I don’t think their [warehouse personnel] hands are clean. …their job is complicated by nature and I don’t think there is no corruption. Because, all of these service inconsistencies are evident of the matter.

I pointed out earlier that the institution is also admitting the fact corruption and rent seeking are still prevalent. Therefore, the suppliers’ allegation seems to have a point. The supplier (SU#2) in the interview excerpt is criticizing that the warehouse personnel are less transparent. According to Engeström and Sannino (2011), in developmental contradiction one of the major discursive manifestations are “I do not agree” or “this is not true” and the likes of linguistic cues. The supplier seems in a state of conflict as he was explaining his view on the warehouse personnel. Therefore, for the supplier respondents’ it seems evident that the conflicting situation leads us to the contradiction of the current activity. The areas of warehouse management and quality grading in particular seems contradictory and that requires a solution.
The suppliers voiced their opinion also by proceeding with comments and feedbacks are neglected when it comes from stakeholders, 2 (13, 3%). These opinions highlighted the rules and regulations are not discussed with a possibility of amendments, they only discussed to make others aware about it. It is undemocratic and quite centralized approach according to them. The laws it formulates meant always to favor the institution and all the risks whatsoever are not well evaluated the stakes it has on other stakeholders according to my supplier interviewee:

SU#1: ECX always comes with a rules and working laws that highly one-sided to the institution only. It doesn’t have room to listen, it doesn’t listen to you. We are agents and we are registered members… ECX don’t listen, you know? It is a dictator institution, it is unfairly powerful. Even when it signs you obligation, it secures some advantage over you. Therefore, there is no room for us to challenge it and even unlikely to sue it.

The suppliers’ thoughts are centralized and undemocratic approaches of ECX in formulating and introducing rules and regulations. The supplier’s underlined emotional and vivid metaphors give us a clue of critical conflict. Labeling ECX as “dictator institution” could be reason of that he is angered and dissatisfied with the way many rules and regulations passed in to effect over the years. He also criticized with the way their feedbacks are not taken seriously. For suppliers, it is one aspect where ECX needs to do more, in consulting and discussing while formulating any rules and regulations.

While the ECX respondents interestingly assumed most of stakeholders are skeptical of the institution activities. There is a tension between these two and solving this contradiction would be a pressing issue. It is another aspect where developmental contradiction is emerging at ECX.

In ECX’s operation, there are procedures to follow trial for those who commits a crime against institution’s smooth operations. However, in suppliers’ opinion the emphasis given is beyond the limit and very threatening, 2 (13, 3%). According to one of the interviewee, he argued mistakes can happen even without any form of deliberation. He accused ECX for rushing into punitive measures than constructive ways which he believes should be changed immediately. As businessmen are irreplaceable partners of the system should not feel threatened, the following excerpt explains it well:

SU#1: For example, it is natural to make mistakes, human is human not an angel so mistakes can happen. While in exchange mistakes can occur and in that case ECX rushes to punishment and penalty. But it should have been more constructive and the
approach must be more towards teaching participants than punishing them. The priority must be on consulting, teaching than that of punishing.

Exporter respondents’ viewpoint: Quality delivery inconsistencies, infrastructural limitations and world coffee market price fluctuations

Exporters have experienced entirely new system where they have integrated with an exchanging method. That is more modern and transparent in terms of exchange and produce flow. Thus, for exporters the challenges stem from inconsistency of services and corruption prone warehouse services, 5 (35, 7%). The interviewee claimed there are incidents in delivering of different quality produce than agreed, he stressed exporters buy coffee produce relying on the institution. While exporting it their customers abroad are complaining about the coffee. In the past, he said it was much better for them to find the type of coffee they want; now it is ECX who is grading the coffee and not getting that particular coffee is a possibility:

EX#2: …I cannot be so sure the coffee I am buying is exactly the same when it is delivered from warehouse. Sometimes we encounter customer complains. As if we didn’t send good coffee for them. The problem is not ours, it is ECX’s.

The linguistic clues are indicative of critical conflict and double bind. These situations were well analyzed by Engeström and Sannino (2011), according to their work critical conflict is a situation when a person found himself in inner doubt and paralyze. In addition, a “situation of impossibility” for the subject alone to engage and finding a solution. The excerpt describes that the exporter (EX#2) doing his job in a situation of “inner doubt” that the coffee might not be the right standard. Still he cannot solve it by himself and that constitute “unsolvable by the subject [i.e. exporter] alone” circumstances. It seems to me that these situations are also double bind by nature. The second underlined phrase “…problem is not ours, it is ECX’s”; it sounded like as if there is “sense of urgency”. These exporters activity is determined by their trade relations with their partners abroad. They are receiving customer complaints and making the necessary amendments are out of their hands. The sense of urgency is mainly to keep their business partnerships alive by delivering the type of coffee the customers are demanding. Which the exporter said as ECX’s fault of barely delivering a produce of different coffee variety than originally ordered by foreign clients.
Second, limited capacity shortfalls in warehouses, infrastructure and internet connection problems in central office and trading floors accounted as a major challenge for exporters; 3, (21, 4%). The duration of coffee at warehouses with current system is relatively long after it is once graded and submitted by suppliers. The exporters need to pass through few procedural steps to secure the coffee such as depositing their exchange capital. To the bank account that solely opened for exchanging reasons, then struck a deal with suppliers and request the warehouse for the coffee to be delivered etc. all such procedures lengthened the coffee duration at warehouses this somehow perceived as inconveniences among few of the exporters.

EX#1: We used to buy from any supplier at any time previously, now we cannot do that.

Finally, exporters mentioned three opinions in the same weight world’s coffee price fluctuation, 2 (14, 3%). Feedbacks of exporters and others are neglected by ECX, 2(14, 3%) and rushing to take measures to punish stakeholders also mentioned, 2 (14, 3%). The world coffee price fluctuates in unpredictable manner exporters likely to be discouraged to export it while it hits lowest of the low. They prefer to engage in domestic market which contradicts from government pressure to continuously increase the export level of the sector. In annual parliamentary report, interim CEO Ato Shimelis Habtewold speculates the reasons behind subpar export performances: “Despite world coffee market price decline, the domestic Ethiopian market [price] is still high. Therefore, exporters prefer not to export.”

It seems the interim CEO and exporters have a point when we see the statistics of coffee world price trend for the last two years.

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Subsequently, challenges in a relation with the institution being less attentive to feedbacks of exporters and they said many problems would have been easily solved had there been an institution willing to listen to the problems at lower level. Furthermore, the tendency of rushing to take punitive actions should be slowed down according to my interviewees. Exporters respondents believe the atmosphere is not based on trust between institution and exporters.

**Farmers respondents’ viewpoint: Shortage of warehouses, internet network outage and corruption challenges**

Meanwhile, farmers’ interact with ECX indirectly. However, the institution’s activity has a direct implication on farmers’ activity. If we compare ECX’s track record with old system, one could argue farmers would be nothing but thankful. Since the changes dissolved unnecessary intermediaries and increased farmers’ advantage. Nevertheless, farmers are also affected by ECX shortcomings and questions some of its inadequate activities that needs to be reassessed like limited capacity as well as shortage of infrastructure access and network outages, 3 (37, 5%).

CF#3: It is difficult to get mobile network connections while in the remotest areas to check the market. It is unthinkable I really wish this can be fixed very soon.
Similarly, farmers like other respondents have reflected on the cases of absence of enough capacity of the institution to handle its activity very well. It is highly likely ECX will be engaged on addressing these issues sooner or later. They will remain as a major developmental contradiction since they are causing many inconveniences and disturbances to all stakeholders including farmers. Farmers also seem to assume there could be corruption in the system which influences the recurrent coffee grading fluctuation and others, 3 (37, 5%). ECX faced a real test in blocking all the possible channels of corruption and win the trust of stakeholders. Therefore, farmers believe progress in anti-corruption battle is where contradictions are aggravated and robust measure might be needed.

Finally, another developmental contradiction comes from the world coffee price which unpredictably fluctuates. Although it is out of ECX’s mandate to monitor and stabilize the world market. But, it was mentioned as a major challenge which continuously either negatively or positively affect their lives, 2 (25, 0%). There seems to be an agreement among many of them that the effects of world market should be handled in a less risky way according to farmers.

The farmer’s excerpt shows the troublesome conditions of the farmers faced. The world coffee market price is indeed very turbulent by nature with quite frequent fluctuations. It would be a challenge for ECX to come up with a solution. Not possible to deter the market nature, but some sort of mechanism could be studied and discussed with stakeholders. This can be insurance or other risk management options to minimize the risk of stakeholders. However, this cannot be the only solution. There could be still few more solutions that might work best for the context of Ethiopian farmers or other stakeholders. It has to be studied in thorough and with different experts representing every stakeholders. The proposed solution has to address the concern of each stakeholder.
9 Stake holders and ECX personnel suggestions for ECX system improvement

The interviewees suggested what should be done to bring improvements for the overall activity of ECX. I precisely analyzed their opinions separately based on the categories of each respective interviewee groups. The opinion of the interviewees grouped into nine subcategories as it is depicted in the table below.

Table 9. Some suggestions for improvement of ECX system by stakeholders

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Typical Expression</th>
</tr>
</thead>
<tbody>
<tr>
<td>1, Exchange system improvement such as online trading system as well as expansion of warehouses.</td>
<td>4 4 3 2 13</td>
<td>“Online trading is about to start.”</td>
</tr>
<tr>
<td>2, Infrastructure and service improvement: roads, electricity and internet.</td>
<td>3 2 2 3 10</td>
<td>“You cannot stop change. So ECX have got to adapt with it.”</td>
</tr>
<tr>
<td>3, Reduction and elimination of corruption and bribery mainly at warehouses.</td>
<td>2 - 2 2 6</td>
<td>“We need not to give them a chance systematically.”</td>
</tr>
<tr>
<td>4, Subcontracting and inviting private sector to share the heavy burden of the institution.</td>
<td>2 - 1 1 4</td>
<td>“… Opening up some sectors for private sector is helpful like warehouses.”</td>
</tr>
<tr>
<td>5, Teaching and consulting approaches should be the priority when reacting to the exchange related violation of laws instead of punishment.</td>
<td>- - 2 2 4</td>
<td>“Our main role is to deal with violation of law as well as inform and educate practitioners.”</td>
</tr>
<tr>
<td>6, ECX personnel capacity building efforts must be carried out continuously to ensure ECX’s success.</td>
<td>2 1 1 - 4</td>
<td>“Providing opportunities for employees to get training and further education.”</td>
</tr>
<tr>
<td>7, Risk management mechanisms must be introduced for world coffee price fluctuation.</td>
<td>- 2 - 1 3</td>
<td>“These cases [world market fluctuation] are causing us bankruptcy to our business.”</td>
</tr>
<tr>
<td>8, Others</td>
<td>1 - - - 1</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>14 9 11 11 45</td>
<td></td>
</tr>
</tbody>
</table>
ECX respondents: Launching of online trading system, tightening room for corruption to decline and capacity building of personnel

The main challenge that was mentioned in previous theme was that the institution is handicapped by limited capacity in many aspects. Thus, ECX respondents suggested there should be more work that needs to be done regarding warehouse services expansion in number and size. Hence, accessibility of such establishments would maximize the benefits of all stakeholders. In addition, online trading system project which was under progress while I was collecting my empirical data should be made immediately into effect and other basic infrastructural inputs like electricity and internet service outages must be sorted, 4(28, 6%).

HO#1: Online trading is about to start, this is very decisive to improve the system. …working on warehouse expansion, there is shortage of warehouses considering the potential of producing as well as the warehouse’s geographical distribution they are concentrated at few mostly urban and suburban areas they need to increase in number and reach out to the lower level.

The introduction of online trading is seen by many as a game changer as it might enable market actors scattered across Ethiopia to participate on the exchange process easily. The project was funded by Investment Climate for Africa (ICA) with an expense of 3.8 million USD. During my stay in Addis Ababa unfortunately the project has not been materialized. The interim CEO, Shimelis Habtewold, disclosed to state-owned ERTA news agency:

when the project begins service, it will enable market actors to participate directly in trading from remote online trading centers established in different parts of the country, including Humera, Gondar, Adama, Hawassa and Jimma.31

In addition, ERTA reported online trading is envisaged to increase access to ECX and its service as well as it will build the capacity of various stakeholders and increase efficiency, it was pointed out. Furthermore, the system improvement and expansion also needs to be backed by infrastructure improvement, 3(21, 4%).

Warehouse services transparency should be maintained and quality grading must be improved according to the ECX respondents. Even though, the ECX system was made to be highly transparent. It have been a challenge to maintain consistent service in quality control and many activities of that sort. It seems ECX respondents are alerted about that danger which in the long run

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would threaten the overall success and remarkable buildup of outstanding journey. The trust of stakeholders might be lost and the image of the institution could be tarnished irreparably.

HO#1: We should always work on the system to be tight for such people; we have to always narrow the space for them. Not to focus to catch them after everything happened, we need not to give them a chance systematically. Otherwise, it is very difficult for the organization wellbeing.

Moreover, these include roads that connect the remotest areas of production into warehouses and urban markets the availability of good roads means the produce would be secured in a good condition. Other infrastructures such as internet and electricity also were mentioned by the interviewees which needs a due emphasis. Although, the power shortage and interruption seems to have been tackled temporarily with procurement of generators. That might reduce the impact of power outages.

To sum up, three different issues were raised capacity building and attracting talents to the institution, containing corruption and inviting private sectors to join the institution in rendering services such as quality control, warehousing and so on constituted 2 (14, 3%) for each of three respectively with similar weight.

** Suppliers: Internet outages, corruption reduction, teaching and consulting based crime prevention and control approaches**

Similarly, supplier interviewees said there must be improvement in system and expansion of ECX’s services, 3 (27, 2%). They claimed there is lack of combination and coordination between different warehouses and even head office works. They have suggested these needs to be assessed and amended. They also believed the current warehouses capacity and number are insufficient and the services must expand in order to exploit the fullest potential of the country.

Suppliers highlighted infrastructure problems are persistent in some cases and the improvement of internet connection would flatten MCP and GRN system uses, 2 (18, 2%). Their daily exchange activity is solely dependent of such services and internet connection outage creates a chaos to their businesses.

SU#2: …there is partnership between ECX and banks. There is what we call MCP… they could tell you your money is not sufficient to enter exchanging. So you will have to
wait for a while at least. But, it would have been in your account but they couldn’t check it, if there is no internet.

Third, suppliers are not convinced the services and personnel at ECX warehouses are free from corruption. In their opinion about the quality of service delivery they are receiving. They expressed their doubts and questions on the warehouse personnel. They suggested the services have to be uniform and corruption prone ways should be identified and possible measures have to be taken.

Tendency to create awareness and teaching stakeholders should be a prime objective of ECX. The ECXA follows any transgression of exchange crimes and brings them to its court and charge the suspect and possibly fine. This system, however, encounters many criticisms from some suppliers and other middlemen. They believe the room left for teaching and consulting of stakeholders are undermined. They seem to demand there must be a shift in the way of approach. In my data, one supplier asserted as you rush for punishing you are terrorizing stakeholders that are functioning in a good faith and with confidence. The suppliers’ notion could have some bearing to the fact of many business entities are suspended and/or asked to pay huge fine for their convicted violation of law.

SU#1: While in exchange mistakes can occur and in that case ECX rushes to punishment and penalty. But it should have been more constructive and the approach must be more towards teaching participants than punishing them. The priority must be on consulting, teaching than that of punishing. It would only left people to be shocked and disturbed.

However, the authority personnel disagree with such claim and he believes some of the middlemen are deliberately committing crimes. He added it is responsibility of the institution to safeguard the entire system from such wrongdoings. He also stressed the institution prioritize on awareness creation and teaching of stakeholders.

HO#1: So our role is to protect the system from such exchange related crimes and to create awareness by the participants. Provide educational information to the parties involved. …our main role is to deal with violation of law as well as inform and educate practitioners.

Finally, there were also other suggestions like human resource capacity building and subcontracting to the private sector each of the two had 1 (9, 1%) occurrence each. For ECX system improvement that the human resource development issue of the institution were raised. It is to refer for the
opportunities to learn and train in short and long term programs to refresh and upgrade employees’ capabilities. The other interesting idea was subcontracting some of the activities for private sector investors. In such a way to help offload some of the institution burdens and to better manage the institution’s activity.

**Exporters: Infrastructural limitations need to be sorted, expansions of warehouses and fighting corruption**

While analyzing the issues raised by exporters the main suggestions were service and infrastructural improvements should be enhanced, 3 (27, 2%). The current services are in comparison acknowledged by exporters by improving the overall aspects of the exchange activity. However, the ideas of modernized market demands are very high. According to the interviewees ECX have to make deep assessment and continuously enhance all of its infrastructures for stakeholders. The online services must be offered without any system interruption, which means the services of MCP and GRN. Likewise, suppliers also asserted this would enable them to exchange without any interruption. These services would be offered best by installing high-speed internet in all major units of ECX and banks. In exporter’s excerpt below that he found himself in dilemmatic circumstance. He believes the modern system is better than the old one, but again he feels that the system is not functioning well due to internet outages.

EX#1: …to some extent it is good system if you compare it with the old one. But, modern service can only be rendered when you have modernized facilities. ECX has modernized facilities more or less but still needs to find solution for internet problems and keeping up with the changes.

Nonetheless, the services also have raised questions as they continue with the trend of inconsistencies of grading. Exporters claim their work is highly dependent on trusting the institution and they neither have the time nor the chance of cross checking the produce grading process. They reflected that there must be a transparency and system that could convince stakeholders.

Whereas, in another exporters’ suggestion that the key for utilizing the existing potential of both quantity and quality wise is to expand services and improve institutional system, 2 (18, 2%). Interviewees’ underlined warehouses should be accessed easily by the producer and buyer. More and more warehouses have to be added to many coffee producing areas. When new warehouses
built it also mean good standard road also needed. Since the heavy trucks transport the produce and all the infrastructural facilities seems to be a requirement. According to my respondents, ECX needs also to tackle its institutional system deficiencies. In spite of being modernized and computerized there should be a checkpoint for the system setup. Continually, evaluate the system and develop it in collaboration with stakeholders are vital.

EX#2: Yes, warehouses needs to be added what ECX have now are not sufficient, but it is very important the roads connecting the warehouses and the market must be good for big trucks. …the system also has to always assess itself. Many problems comes with the time, you cannot stop change. So, ECX have got to adapt with it.

Similarly, exporters are not different from suppliers and ECX respondents in stressing the need to get rid of corruption and rent-seeking inclinations in some ECX’s personnel attitude, 2 (18, 2%). In my view, it seems corruption attitude seems to require an intensified effort of awareness creation and show commitment to combat it. However, one could argue that these incidents happen not because of lack of awareness of the personnel. In fact, we might say it is more driven by the individuals’ motive of accumulating wealth. In an attempt of combating corruption, it is widely accepted trend to keep educating the society itself to come onboard and be a key ally in fight against it. In addition, like supplier interviewees the exporting counterparts also emphasized that there should be more of a constructive measure. It should be a priority than punishment when any market related disturbance happens, 2 (18, 2%).

Eventually, the risks of world coffee market is directly overshadowing the activities of exporters as it is in continuous unpredictable fluctuation. The current market did have a mechanism of predetermining the range of price. Thus, the exchange would remain in line with world’s coffee market price. But, that has been abolished recently and left stakeholders at risk. Exporters are demanding ECX to find ways in protecting them from such risks.

EX#2: The big problem today is that the price of domestic market we are buying from and the world market we sell into is not feasible. These cases are causing us bankruptcy to our business. Now, the coffee price is in depression.

The second exporter respondent seems to be in a double bind situation. He is in a pressing at the same time unacceptable situation. It is practically impossible to stay in the market with expensive local supply and cheap export price or earnings. He also described the coffee market is in “depression” and causing “bankruptcy”. The typical double bind expressions are rhetorical.
questions and need to do something with a sense of urgency with a linguistic cues like “us”, “our”, “we must”, “we have to” solve it, yet being unable to do so or feeling of perceived impossibility.\textsuperscript{32}

To sum up, the private sector is also suggested to be invited to invest and join ECX. I found similar thoughts like suppliers in my exporter respondents that some activities could be done by private companies. The burdens can be reduced and the services can be delivered in a better way. These two cases represent 1 (9, 1%) each in exporters’ view.

\textbf{Farmers: Network outages and mechanisms to reduce the world market coffee price fluctuation effects}

In the case of farmers, they have route one and two as I classified their channels of selling coffee produce in the first chapter. Route two has been mainly my research interest as it is related with profound engagement of ECX and other stakeholders on it. Farmers’ respondents gave some suggestions from this route to be improved which is mainly system improvement and expansion, 4 (44, 4%).

Market information disturbances when they are trying to access the market price information by their phones the network outage is a common incident. This would be even worsened, if they are situated in remotest area. They are usually located in remotest places and mobile network coverage mainly focuses towns and cities than remote areas. In fact, it is out of ECX mandate to improve telecommunication networks. However, this service indeed revolutionized the way the market information delivered. Collaboration with the service provider to enhance the network services to those farmer towns and villages might ease the problem:

\begin{center}
\textbf{CF\#3: …getting the market information sometimes becomes very difficult; there could be no network for one day or two. So, it is affecting my activity…I cannot get the information as I want it due to that problem.}
\end{center}

Accessing of primary markets or closest processing plant is time consuming and laborious they could walk between two to four hours to transport it. Majority of coffee production is small scale farming in Ethiopia. According to some figures 95\% of Ethiopia’s coffee export comes from small

\textsuperscript{32} See for e.g. Engeström, Y. & Sannino, A. (2011).
scale farmers. It seems the coffee collecting activity is a tough one and farmers’ inconvenience can be easily understood in the following excerpt:

CF#2: I have to travel and transport the coffee in order to sell it. I need to walk hours by foot to get to the processing plant from my home or sometimes I would sell it to somebody without having walked that long. I really hope they [government] would do something about it.

Thus, for the farmers some of the system improvement and expansion comes alongside tangible changes in the areas of infrastructure and service improvement, 2 (22, 2%). The mobile network and electricity improvement directly impact the services. In accessing market information via mobile phone in anytime and anywhere when needed. The roads connecting the processing plant and the farmers’ town and the processing plants and the warehouses would enable the coffee to stay in a better quality. It might give a chance for farmers to travel less and even could allow them to use cars for transportations.

Farmers’ world coffee price fluctuation challenge is another aspect the farmers hopeful of something would be done to protect them from huge loss they are enduring, 2 (22, 2%). Some sort of mechanism they claimed needs to be drafted so that it can minimize the risk. However, the coffee price fluctuation is also crippling the projected export performance by government. Addis Fortune reported: “The decline of coffee prices on the global market has continued since July 2012 with the International Coffee Organization (ICO) composite price indicator recording a 33pc drop, as released on Monday, August 10, 2013 by the Market Report. In July 2013, a kilogram of coffee traded at 2.6 dollars, unlike the 3.6 dollars a year ago.” It means that international coffee market price fluctuation has a detrimental effect on everyone including government. However, as I discussed it earlier the damage can be reduced by creating a system that would possibly manage the risk.

Finally, other opinion 1 (11, 1%) heard from farmers’ indicating personnel capacity building of ECX would be a great input of improving ECX.

34 See e.g. Addis Fortune, August 11, 2013. Volume 14, No 693. “Poor export revenue demands diversification”.

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10 ECX’s influence and some of the impacts on farmers’ living conditions

I often raised the points that ECX have been influential in betterment of farmers’ living. Henceforth, I analyzed those changes in thorough in this chapter. The notion of measuring change in living condition is quite debatable and the parameters vary accordingly. I believe my analysis could give a brief insight of farmers’ circumstances on the ground. Perhaps, it is one broad dimension which can be researched further. Therefore, I am focused more with some of the changes on the ground and to highlight those tangible changes that are believed to have happened after ECX.

These changes are discussed from the perspective of ECX respondents, suppliers, exporters and farmers themselves. The result summed up by six categories and it is depicted in table ten below:

Table 10, few of the changes mentioned by interviewees in farmers’ living conditions after ECX took over in the coffee commodity exchange.

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Typical Expression</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Accessibility of accurate market information.</td>
<td>4 6 2 2</td>
<td>“In terms of market they are riskless.”</td>
</tr>
<tr>
<td>2. Farmers income increased with ECX system remarkably.</td>
<td>4 4 2 2</td>
<td>“My earning has almost tripled.”</td>
</tr>
<tr>
<td>3. Farmers are living in a better housing, sending their children to school and benefited from medical care etc…</td>
<td>2 6 - 2</td>
<td>“I have a modern house now.”</td>
</tr>
<tr>
<td>4. Engagement in other small businesses activities.</td>
<td>3 5 1 -</td>
<td>“Farmers now even functioning in other small businesses.”</td>
</tr>
<tr>
<td>5. Opportunities of selling coffee in cooperative unions.</td>
<td>6 3 - -</td>
<td>“Each member is beneficiary for working under union.”</td>
</tr>
<tr>
<td>6. They are accessing better tools and fertilizers</td>
<td>1 4 - -</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>20 28 5 6</td>
<td>59</td>
</tr>
</tbody>
</table>

The top ranked benefit for ECX respondents was accurate market information which frequently updated with four occurrences (20, 0%). As it was discussed earlier these information access brought a new era for farmers. They are in a strong position to sell their produce and secure good deals. Above all, it helped them to be secure from being unpaid for their own produce. Likewise, suppliers also assumed farmers now have got the benefits of information acquiring mechanisms.
which directly influence their life, 2 (40, 0%). Also, exporter respondents also agreed that farmers have got the information today in various ways.

Therefore, they tend to sell with market price and quality detail awareness, 2 (33, 3%). Farmer respondents pointed out that their life has been extremely affected due to absence of market information. They underlined that ECX’s price and quality information could be accessed in multiple ways. It is helping them to transform their living conditions and getting numerous advantages today in unprecedented manner, 6 (21, 4%).

Second, the level of income increased this could be partially related with the first category of market information access. However, the main reasons mentioned were ECX system becomes a convenient and easy market to exchange. Safety of payment mechanisms and elimination of NSF payments are the major contributing factors for income increment. The occurrences and distributions were as follows: ECX 4 occurrences (20, 0%), suppliers also had 2 (40, 0%), exporters similarly had 2 (33, 3%), farmers 4 occurrences (14, 3%) respectively.

Issuing of NSF checks and involvement of unnecessary intermediaries played a role in consuming the farmers’ profit margin and has made payment mechanisms highly insecure as well. One exporter interviewee expressed his opinion that farmers have now a secured way to sell their produce without any major risk:

EX#1: …their [Farmers’] produce can be sold in a satisfactory price as well as in a reliable way. No NSF checks these days. It is solved for them. In terms of market they are riskless.

Moreover, one farmer interviewee also precisely expressed the tangible coffee price changes that he has witnessed. He claimed his earning has been nearly tripled when he compared it from pre-ECX era and this seems the result of the unnecessary market intermediaries’ removal from the market chain. The majority of the final coffee export price share reaches to the farmers themselves.

CF#3: I used to get as little as 35 Birr per 100 kilos for my coffee and now my earning has almost tripled.

It seems these sorts of changes are not arbitrary. It rather seems as ECX’s work over the years on financial transaction and flow. According to some data, from the final export price the farmers’
shares were as little as 38% before ECX and this figure leapfrogged to 65% after ECX.35
Seemingly, it is a remarkable change farmers probably would have liked to happen and it appears ECX gradually realized it.

Third, another key indicator on change in farmers’ living were better housing, medical care and affording to educate their kids; ECX respondents 2 (10, 0%), Exporters 2 (33, 3%) and farmers 6 (21, 4%). In rural and countryside Ethiopian villages houses are built from thatch roof, wood and mud mixture of walls. Improved income from coffee farming and other activities led farmers to invest on their housing. The method of building a better house with brick, cement as well as steel roof sheets in farmers’ villages. These are supposedly taken as one indicator of change in livelihood and human welfare of societies in the context of developing world.36 One coffee farmer interviewee said he has built good house and it is also well furnished. During my visit I observed the overall house building tradition. It seems it is changing slowly that thatch roof houses are fading away with sheet metal roofs are replacing them.

Q: What about housing and related improvements in your life?

CF#1: I have a modern house now. I am living there starting from 2009. It is well furnished one with TV, couch, etc…

In my visit to the southern Ethiopia, I captured few random pictures that could depict the underpinning reality of these changes. I observed some under construction houses as well as finished ones.

35 Dr. Eleni Gabremedhin interview see e.g. https://www.youtube.com/watch?v=7KCuXc_nAgU Last accessed 6 March 2014.
In Figure 21, the house is under construction as it can be seen the roof is sheet metal with metal made door and stones in front of the house can be spotted. The more the farmers are affording to build these types of houses. It might be taken as one factor to argue that these farmers are thriving in their activity and they are starting to change their lives. Therefore, these houses are not merely a house. They also symbolizes as a key indicator for farmers’ living improvement. But, it is also worth noting that these few pictures or cases might not tell the full story of all farmers.

Below in Figure 22, it could give a glimpse of idea how it looks to be a modern house in such distant and urban villages. The house is painted and covered with sheet metal roof and it is considered as a modern one by the villagers.
For the sake of comparison there was one setting I luckily managed to take picture. During my short visit which shows the thatch-roofed house next to the modern house. Although, the thatch-roofed house seen below oddly short, most houses for the purpose of living built higher than that. This short house might have been built for other purposes like storage or something else. I am interested to depict for the reader how it looks to be a thatch-roofed house.

![Thatch house and sheet metal roofed farmer house: Dila, Southern Ethiopia](image)

**Figure 23.** Thatch house and sheet metal roofed farmer house: Dila, Southern Ethiopia

In addition, not only their housing improved, farmers are now getting better medical care as well as educating their kids. They can get basic health care services in their own villages and even it was mentioned that majority of them are gradually growing to afford travel to the big cities of the country in order to get better medical treatments. Their kids also getting education opportunity benefits; with the past meagre coffee earnings it was unthinkable to afford educational expenses for their children. However, system change in the coffee exchange activity has changed many other factors at grass root level. Farmers are sending their kids to school and even to the university and college level today affording the overwhelming tuition fee and other education related expenditures. The following ECX interviewee’s excerpt on factors what he considers to be changes in farmers’ life sums it all:

**HO#1:** …wherever you go now in farmers’ towns and villages, you would see houses with sheet metal roof. That is one indicator. Beyond that, in the big city you could see farmers building their houses, getting electric access, educating their kids. In the past,
sending children to school was very difficult but now they found it easy. So, we can say their life is changing gradually.

Similarly, I had a chance to meet a coffee farmer who has built a modern house and manages to send all of his children to school and one of his older daughter even admitted to university and he said he afford these costs all by himself:

CF#4: Thank God! All of my children are studying and my older daughter is at Hawassa University, I am proud. …I built good house three years ago. Many things have changed at the moment.

Moreover, farmers’ have got a chance of engaging in other small and medium scale business activities. The respondents’ opinions about this were for ECX interviewees 3 (15, 0%), among suppliers it was noticed 1 (20, 0%) and for farmers there were 5 occurrences (17, 9%). Some farmers, if not all, have managed to run these businesses and benefit themselves and others in creating jobs and rendering services to the community. Although, they are also getting better tools and fertilizers which directly or indirectly attributed to the farmers who have been able to make fairly good money in their coffee producing activity; they become capable of taking loans from government for their fertilizers and pay it back accordingly as it is depicted in table 7.

Furthermore, farmers’ another great benefit comes from opportunities of forming farmer unions and sells their coffee in their own cooperative unions – ECX respondents 6 (30, 0%) and farmer interviewees 3 (10, 7%). The work cooperative unions allow farmers to sell their coffee easily without the involvement of other intermediaries and yet get the support of ECX. ECX has encouraged from beginning these unions to come to existence then allowed unions to use its facilities such as the warehouse and trading floor services, if necessary, for the successful achievement of the unions’ target. The unions as it is elaborated diagrammatically in the first chapter of coffee flow, they happened to be an option offered for farmers so that they can weigh their options as they would have liked. The next two excerpts of ECX and coffee farmer interviewees give a conclusive remark on the influences of ECX in changing farmers’ living conditions:

HO#2: Not only just selling to the suppliers, they are forming their own cooperative unions and adding value to their product. It means, they are installing processing plants and adding more quality to their products and sell. Even more, there are some cases they started directly exporting by themselves and make the most out of their products.
CF#2: The work union…I found it very important. Each member is beneficiary for working under union. Together, we can negotiate, sell with better price and the union gives many services for the community [developmental contributions such as building schools, health care stations, roads etc…].
Agricultural market is the spearhead of all the other sectors in Ethiopia and embraces millions of farmers. The establishment of Ethiopian Commodity Exchange (ECX) and implementation of its strategies have been a hallmark of new era for the agricultural sector. ECX has benefited all stakeholders and has proved to be a ‘lifesaver’ for the majority of the farmers. It gave a new shape to exchanging of agricultural commodities and served as a pioneer for other developing countries to revamp their own exchange systems based on the Ethiopian experience.

The aim of my research was to investigate some of the solutions ECX brought to the exchange activity in Ethiopian market. According to the findings of this research, the achievements of ECX were mesmerizing and it has endured many obstacles to achieve them. Therefore, these achievements are the results of collective effort and toil of different donors, government and private sector establishments as well as individuals. It is interesting to see a commodity exchange that is widely considered as if it only suits into developed world, blossoming in conditions of developing country like Ethiopia where infrastructural and overall resource limitations are prevalent. Consequently, the success and popularity of ECX has caught other African countries to regard it as a center of excellence and to copy and adopt it into their own respective conditions.

ECX managed to redefine the Ethiopian agricultural market activity by resolving many contradictions that have been accumulated over the years. I have identified five major contradictions that have been resolved by ECX according to my empirical data. These improvements were: it offered better exchange platform for buyers and sellers in organized fashion, the economic gain from such transparent exchanges have yield good results that was not a case in the past, it has managed to establish guaranteed and riskless payment mode, quality level of coffee production has increased and the mechanisms of dealing with exchange crimes i.e. arbitration tribunal.

In addition, ECX became a turning point for disturbances such as NSF payment or ‘dereg check’. It has significantly reduced illegal smuggling of produce to the neighboring countries or contraband market channels. Thus, it has created plenty job opportunities for both rural and urban localities in the country. This changes that are brought by ECX have great economic significance in the overall Ethiopian economy. In regards to quality, coffee producing party’s perception has been positively influenced to focus more on quality than quantity. So as to do this, ECX has developed a mechanism of grading and testing the production of coffee in laboratories of grading and liquoring
centers and incentivize better quality with better price. This shift of focus has set a new trend in the sector. Each stakeholder is now showing a change in attitude towards quality of coffee.

Before the establishment of ECX, the stakeholders of the market had unbalanced power, this imbalance can clearly be seen by comparing the efforts and benefits of farmers versus various intermediaries and businessmen. The farmers were deprived of significant market information and thereby unable to sell their coffee in a competitive market. In the meantime, the businessmen had access to the most recent market information and were taking advantage of the farmers by offering them a price that is well below market and even worse refused them to pay on-time. The establishment of ECX has put the farmers in the fair trade map where they can sell in a much better way with different options. Therefore, ECX has been instrumental in bringing market stability where market is ruled only by demand and supply as the only way to determine the price. But, not by few powerful brokers and businessmen unfair profit making motives.

The mechanisms instilled to deal with market crimes prevention and detention is another merit of ECX. The Ethiopian exchange market has never seen a tailored court and arbitration dedicated specifically to control exchange crimes. It presupposes that the commodity exchange system to be less prone from frequent deliberate crimes. In case, when those crimes occur that the arbitration tribunal takes the matter and attempts to take measures after investigation within short period of time. However, these dealings of exchange related violation of laws are controversial among stakeholders. I observed from my data few respondents seem to be unhappy and agitated with its harshness towards institution’s clients. There is also criticism in the contrary that some individuals who engaged in violation of law are also getting away with it unpunished, even though they are caught red-handed. Developmental contradiction is manifesting in these incidents that show, in my view, that there needs more work to be done. The areas of handling violation of law and taking corrective action should be scrutinized that it has responsibility to reduce client’s contempt. It has to assure that individuals and organizational entities ought not to be subjected to either for harsh punishment or letting some individuals being unaccountable for their offences.

As it was discussed in the analysis of this paper, the benefits ripped by stakeholders’ from the system vary from one another. However, it is fair to say that every stakeholder have seen their job re-formed in the process. In my analysis, I found out ECX as a service provider appears to deliver platforms of modern information and communication facilities but it has been challenged by recurrent network outages. It changed the information distribution radically and clients that had

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37 See e.g. Ethiopian Reporter Amharic Newspaper June 22, 2014. P.3
been left previously become beneficiaries. As a result the impacts of market information in the overall market setting happen to be central in benefiting farmers particularly. This does not mean that other stakeholders are left aside; other stakeholders also have detailed information about the commodity. They are also benefited from such multiple ways of information availability. It is probably certain to say that farmers and other stakeholders are getting equal and fair share of information for their activity.

Market information updated on a timely basis and disseminated via many outlets such as electronic price display tickers, mobile phones, IVR, and so forth to all stakeholders regardless of their geographical proximity. Consequently, the significant enhancements of farmers’ living condition are another great hallmark of ECX advantages. The vast majority of farmers are slowly but surely transforming their lives from being just farmers of subsistence to farmers of another level: fortune makers and business owners. Whereas, suppliers and exporters are also profiting from the availability of consistent quality supply of coffee that’s consistent in quality in a much shorter time compared to the previous practices. This is because the system has successfully blocked unnecessary intermediaries this was a good advantage for all key stakeholders. The presence of unnecessary intermediaries was the major factor in merely prolonging the transaction process and ripping most of the profit that farmers deserved to get.

Interestingly, the overwhelming majority of people I interviewed agree that ECX promotes a fair and just exchange environment. However, like everything else they don’t agree the system is perfect. But, there is room for improvement in smoothing the operation and need a rethink on managing the high risks taken by suppliers and exporters. The turbulent fluctuation of coffee prices made the coffee suppliers’ and exporters’ job unpredictable, hence it might be a sensible move from ECX by taking the initiative to keep these key stakeholders to grow and prosper by creating a mechanism to cope with fluctuating world market risks. The measures here might be tracing back the trend of world coffee market prices, analyze it deeply and design an insurance scheme. The service of such insurance coverages can be offered either by private sector or state. That could guarantee the stakeholders that they are not engaged in too hazardous business activity that could threaten their existence. In addition, it could also be considering the returning of the previously removed price range which limits the highest and lowest accepted exchange prices. Eventually, the risk might be reduced for practitioners of the exchange. Most significantly opening the issue for further discussion and seeking other best solution would still be possible alternative.
Furthermore, I have attempted to reveal the contradictions by focusing more on the linguistic cues. Thus, I have identified some of the manifestations of the contradictions in situations of dilemma, conflict, critical conflict and double bind. As a result, the developmental contradictions that ECX might need to give emphasis for are: factors related with limited capacity and infrastructure problems, stakeholders’ negative perception of the system, fighting corruption, higher coffee price fluctuation, inclusive approach by taking stakeholders’ feedback and assess fairness of arbitration tribunal measures. The prospect of developing ECX activity can be taken as a high probability, government are working relentlessly to increase the country’s economic competitiveness by undertaking ambitious infrastructural projects such as road, increase electric supply, telecommunication and so on. ECX in a way will be benefited from such projects and it potentially may enhance the services of the institution.

Although some measures needs to be considered apart from the underway projects. Since most of the contradictions are emerging within the institution. Issues like expansion of existing warehouse centers in size and number as well as improving on closely working with stakeholders of the exchange. The move of decentralizing the warehouses from only Addis Ababa and Dire Dawa to more than seventeen grading and liquoring stations and warehouses brought enormous change. But, these warehouses are still too few to deal with ever-growing demand. Consequently, it is needless to say stakeholders expect that warehouses will be assembled in major areas where key crops are produced. In fact, it is also what the institution is really working on strategically to expand the warehouses. In addition, enhancing the current warehouses would enable them to give standardized services. That means well-maintained warehouse temperature or ventilation system remains a key task ahead. The damage in weight loss to the coffee and quality decline would be altered. ECX have been forced to compensate such losses.

Transparency and consistency of performance in the warehouses of coffee grading and tasting is very vital in gaining the trust of stakeholders. The image of ECX is being severely tarnished by how few individuals in the organization operate; they take bribes and work in dishonesty. ECX operates in a modernized and computerized system, but somehow these few individuals have found a way to bypass the system and commit unlawful acts. As discussed in the analysis section of this paper, ECX respondents admitted that this problem exists and ECX needs to seek solutions by taking developmental measures. Therefore, the institution should work very hard in tightening its weakest links and undertake continuous update in developing of the system. It has to tighten all the weakest links and continuously updating and developing the system. As activity theory indicates there is no such thing as a perfect system. When a new system is introduced contradictions also start to emerge.
and it is a continuous change and development. Therefore, developing ECX’s activity at the same time combating corruption and related problems can be done by forming partnership with the exchange community. These might stifle the possibilities of corruption and throughout time. The system would restore the faith of stakeholders, their misperception of the system also changed in due course.

In order for that to happen, ECX needs to engage in a genuine discussion with all its stakeholders before passing any rule or whatever change it hopes to bring. The more the feedback and opinion of the stakeholders are considered and their questions are answered; the better the system would get. It would firmly anchor ECX to regain the lost trust of stakeholders and much needed satisfaction of practitioners. Therefore, it is significant to work side by side with all concerned stakeholders and discussing their opinions in the decision making process. It would be more fruitful if it is based on inclusive, agreeable and fair stances than quasi stakeholder meetings, controversial and incomprehensive approaches.

As it was indicated in the analysis, stakeholders criticized ECX for lack of readiness to be inclusive while formulating law and the rules passed by the institution do not serve equally or it is one-sided. It is one of the areas where tensions and contradictions is aggravating and ECX needs to assess its approach of interaction with stakeholders.

Finally, in regards to farmers living conditions and opportunities created by ECX there is much to acknowledge for. ECX has a good track record in changing hundred thousands of farmers’ lives positively. In pre-ECX era, farmers used to linger under the mercy of few businessmen whom exploit their resources unfairly. Absence of modern system also has had its fair share in worsening the matter. However, ECX has abolished most of the bottlenecks with modern system that systematically bridge farmers to access buyers in the market easily and vice versa. Farmers had struggle of affording to send their children to school and had difficulty of sustaining life due to meagre pay. Now, farmers are progressing well and they are no longer in helplessness circumstances. They are encouraged to form and work in unions and through their unions they can sell their coffee directly or through ECX channels and in either ways ECX are still there being supportive. To sum up, they can access market information in plenty ways, they are more secured than ever, they saw their earnings elevated, they are educating their children, engaging in other businesses, change in lifestyle with better housing and medical care and so on.

Indeed, the farmers’ living conditions during pre-ECX and post-ECX looked strangely unequal undertaking according to my data input and observation. What has been realized is really
mesmerizing and tackling the current bottlenecks or in activity theory terms solving the emerged and aggravated contradictions might ensure farmers will march from success to success with their unreserved effort and hard work.
Epilogue

I have included two phenomena which perhaps have happened or that are work in progress in the meantime. It could potentially change or improve the current activity of the exchange system that is being used. I described these points precisely by two points: First, the institution was undertaking a project to implement online exchanging system implementation and giving training to stakeholders. It was when I was collecting my empirical data back in summer 2013. Therefore, these data ultimately could not be inclusive in analyzing the project’s impact in overall exchanging activity. In fact, the 3.8 million USD online exchange project was announced on September 2014. Which might enable online exchanging possible from remote online trading centers; without necessarily a person physically be in Addis Ababa.

Second, in recently published Addis Fortune newspaper it was reported that Ministry of Trade is working to form a new enterprise that manages ECX warehouses. According to the newspaper, the draft directive is already prepared by a committee composed of experts from Ministry of Agriculture, ECXA and ECX, regional trade and industry bureaus representatives. The new enterprise reported to be responsible for managing the existing warehouses and construct more warehouses to intensify ECX’s services. The newspaper also reported that the proposed warehousing enterprise will be used Inventory Warehouse Management System in hope to find remedy for the ECX’s warehouse management difficulties.

38 For more information see for e.g. http://addisfortune.net/articles/new-enterprise-to-manage-ecxs-warehouses/
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http://www.ecx.com.et/KnowledgeCenter.aspx#Articles/


