**DAMOTA WOLAYATA FARMERS COOPERATIVE**

**UNION LIMITED LIABILITY (DWFCU)**

**Back ground of The Company&Campany Profile**

**June 2016**

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**Damota Wolayta Coffee Farmers’ Cooperative Union Background Information and company profile**

***Profile of Wolayta Zone***

Wolayta is the name of both the people in Southern Nations, Nationalities and Peoples’ Regional State (SNNPR) and an area located between 6051” and 7035” North Longitude; and 37046” and 3801” Latitude. It is located at about 330 km from South West of Addis Ababa, and 160 km from Hawassa, the southern regional capital. Wolayta is one of the thirteen zones of the Southern Nations, Nationalities and Peoples’ Regional State (SNNPR), which also has four special Woredas; with a total area of 4,471.3 km2 or 438,370 hectares, Wolayta is inhabited by over 1.9 million people. Out of the total cultivable/arable land area of the zone, which is 232,867.12 ha, the cultivated land is 142,684.88 ha (61.3 %) and 91,427 ha of the total land area is covered by forest, 48,082 ha (20.6%) is grazing land, 17,022 ha irrigable, 3,113 ha irrigated and 31,710 ha is covered by others.

1. **Back ground Information about the Union**

Damota Wolayta farmers’ Cooperative Union limited liability was found in Wolayta zone which is located in Southern Nations, Nationality & Peoples Regional state of Ethiopia. The union was established by 26 primary cooperatives in Wolayta zone on Dec 2003. By now, the number of primary cooperatives affiliated to the union reached to 64. The total membership of primary cooperative is 22,582 of which 17,809 are male 4,773 are Female. The total family size is 118,910. Out of 64 primary cooperatives; 42 primary cooperatives are involved on coffee production and marketing. Others work on ginger, grain, and fruit marketing. Among the above total member producing farmers: 16,420 areof organic green coffee using only natural (compost, animal dung & etc.) rather than chemical fertilizer and no herbicides or pesticides. They were supplying green coffee bean for their primary cooperatives, of which 11,494 are male and 4,926 are female household farmers.

**Table 1.Organizational Details/Background**

|  |  |
| --- | --- |
| **Type of ownership** | **Limited liability** |
| Key contact Person(s) | Meskele Bekele (General Manager) |
| Sara Tanegeta (Export Manager) |
| Physical address | SNNPR, Wolayta Soddo |
| Branch office | Addis Ababa, Ethiopia |
| Export License number | 175/02/19/11/02 |
| Reg. number | D/W/U/0710/96 |

* 1. **Vision of the Union**
* By using modern technological production techniques, enhancing production and productivity there by increasing the well-being of the farmers.
  1. **Mission of the Union**
* To maximize the benefit and capacity of primary cooperatives, for that supplying of technological inputs and increase the net income of farmers so as to accelerate marketable produce and sell in the international markets based on the prevailing market signals.
  1. **Objectives of the Union**
* To improve the bargaining power of primary cooperatives there by their members;
* To procure the agricultural inputs and services at a lower cost;
* To enable members product get better market access;
* To promote modern agricultural technologies;
* To facilitate credit for input and produce marketing;
* To access market opportunity for farmers via promoting direct linkage with the international markets
  1. **Sportive Partnership**

The union undertakes its business working closely with Wolayta Zone Administration, Zonal Agriculture Department and Marketing and Cooperative Department in the areas of capacity building, promotion, auditing and inspection services. It also works in partnership with TechnoServe, USAID funded ACDI/VOCA’s Agribusiness and Marketing Development (AMDe) Project of Agricultural Growth Program of Ethiopia (AGP) in the areas of trainings and technical supports. World Food Program (WFP) through its Purchase for Progress (P4P) program supports DWFCU in improving the marketing infrastructure of the union, such as warehouse construction and supply of postharvest technologies and warehouse materials. USAID funded AGP-AMDe Project and TechnoServe additionally facilitate union’s access to rural finance to finance its marketing activities.

**1.5.1 Marketing performances**

In its coffee marketing business, the union exported 204 MT Washed and Sundry Coffee during the last marketing season. It also supplied 112.8 MT Sundry coffee to domestic market through ECX. In its grain marketing activities, is sold 150MT Maize out of this 80MT was bought by WFP.

# 1.5.2Operational Capacity

Damota Wolaita Cooperative Union has concret warehouses and rub hall with a total holding capacity of 3500 MT. In addition to this, it has one wet coffee and one Sundry Coffee processing machine, three multigrain crop cleaner, four engines driven maize Sheller, and ninety manual maize Shellers. It also has one double cap vehicle being used for office transport service

# 1.5.3 Market Plan

The harvesting and marketing calendar of the Zone stretches from September to April for most of its products. Thus, all aggregation and selling of the products is carried out during this period.

* + 1. **Suppliers**

All products are aggregated from member PCs. The union entered into purchase contact with the PC for which floor prices for coffee with understandings on fixing floor prices to be determined by information on international market. PCs are on collecting Sesame following floor price already determined at regional level.

**Buyers**

* + 1. **Coffee Buyers:** The union has been selling its Coffee to

1. *FALCON-SWITZERLAND AND AMERICA*
2. *STARBUCKS- AMERICA*
3. *ROYAL COFFEE INTERNATIONAL- GERMANY*
4. *RUEDELA MARCHACHE- SWITZERLAND*
5. *MAISONP JOBIN & CIE-AMERICA AND AWSTRALIA*
6. *SCHLUTER—AMERICA*
7. *NEUE MAN KAFFE GROUP/NKG/*
8. *ECX*
9. *SOUTHERN ETHIOPIA FARMERS COOPERATIVE FEDERATION*
10. *WONDO TRADE AND INVESTMENT COMPANY*
    * 1. **Sesame and Haricot Bean Buyers**

The major buyers of Sesame and Haricot Beans are Wondo TIC, Southern Ethiopia Farmers COOP Federation and ECX market.

# Financial Plan

**1.5.8 Financial Requirement**

The total working capital finance required for the business year is ETB 57,395,510. Out of this, Birr 53,783,902 will be covered from bank loan. The union coves Birr 3,611,608 for preparatory activities and early businesses. Quantitative details on marketing and financial plans are presented in the table below.

**Tabel -1: Financial Requirement**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Loan type** | **Financial demand and supply sources** | | | | |
| **Equity** | **Bank loan** | | | **Total** |
| **Short term WC loan** |  |  | | |  |
| Washed Coffee | - | 14,642,335 | | | 14,642,335 |
| Sundry cofee | 893,368 | 11,241,567 | | | 12,134,935 |
| Sesame | - | 15,000,000 | | | 15,000,000 |
| **Total** | **53,783,902** | | **57,395,510** |

**1.5.9 Loan Repayment**

The working capital loan required is expected to be released on clean loan basis for which alternatives of merchandize, minimal collateral and letter of confidence from appropriate government body would be produced. Therefore, the automatic repayment of the loans for export coffee marketing is dependent upon timely supply of the fund and. Whereas, the repayment for WFP purchased Maize is automatic to delivery of the product and tripartite agreement entered between the union, the financing bank and the buyer, WFP.

* 1. .**10**  **Financial Statements**

Performances of the business are represented with the following financial statements in which surplus generation and liquidity ratios are calculated.

**1.5.11 Income Statement**

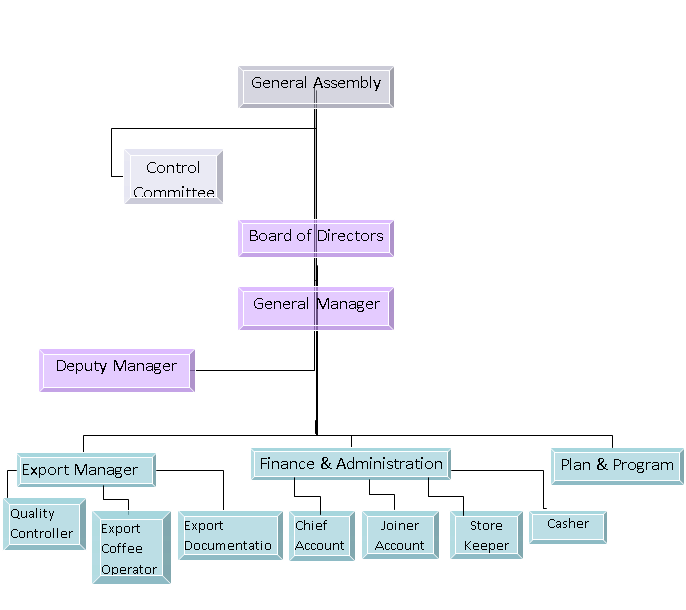
|  |  |
| --- | --- |
| **Damota Wolayta Farmers Cooperative Union** | |
| **Projected Income Statement** | |
| **For the period July 1/2014 to June 30, 2015** | |
| **SALES:** |  |
| **Grain products** | 71,788,415.77 |
| **Other sales** | 531,716.61 |
| **Total revenue** | **72,320,132.38** |
| **COST OF SALES:** |  |
| **Beginning Stock** |  |
| **Add: Purchases** | 57,395,510.05 |
| **Cost of Goods available for Sale** | 57,395,510.05 |
| **Less: Ending inventory** | - |
| **Cost of Goods Sold** | 57,395,510.05 |
| **Gross Profit** | 14,924,622.33 |
| **Less: Operational expenses:** |  |
| **Transportation** | 1,266,214.00 |
| **Warehouse** | 10,724.00 |
| **Wages and labor** | 204,496.40 |
| **Packing** | 543,960.00 |
| **Cleaning** | 298,212.40 |
| **Fumigation** | 4,900.00 |
| **Interest Charge for working capital:** | 1,925,487.08 |
| **Total Operational Expenses** | **4,253,993.88** |
| **Operational Income** | **10,670,628.45** |
| **Other incomes** | - |
| **Total Income** | **10,670,628.45** |
| **Administrative Expenses:** |  |
| **Salary** | 263,796 |
| **Per-diem** | 319,158 |
| **GA Annual meeting** | 114,319 |
| **Stationery** | 38,669 |
| **Printing** | 5,300 |
| **Fuel** | 113,166 |
| **Maintenance** | 75,000 |
| **Telephone** | 24,000 |
| **Utilities** | 21,609 |
| **Electric service** | 4,800 |
| **Labor for Seeds** | 41,892 |
| **Insurance** | 39,838 |
| **Entertainment** | 16,435 |
| **Promotion** | 25,000 |
| **Training for GA members** | 57,600 |
| **Miscellaneous costs** | 15,953 |
| **Bank charge** | 24,000 |
| **Total Admin expenses** | **1,200,534.70** |
| **Net Profit for the Year:** | **9,470,093.75** |

# Annexes:

## Table 1.5.12 Purchase plan

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description** | **Washed Coffee** | **Sundry Coffee** | **Sesame** | **Total** |
| October purchase plan in % | 0.1 | 0 | 0.1 |  |
| Purchase plan in quintal | 174.2 | 0 | 500 |  |
| Unit purchase price in the month | 7900.00 | 0.00 | 3000 |  |
| Total Oct. purchase cost | 1376180 | 0 | 1500000 | 3903680.00 |
| November purchase plan in % | 0.20 | 0.05 | 0.50 |  |
| Purchase plan in quintal | 348.40 | 181.00 | 2500.00 |  |
| Unit purchase price in the month | 8295.00 | 3200.00 | 3000.00 |  |
| Total Nov. purchase cost | 2889978.00 | 579200.00 | 7500000.00 | 11644178.00 |
| December purchase plan in % | 0.50 | 0.25 | 0.30 |  |
| Purchase plan in quintal | 871.00 | 905.00 | 1500.00 |  |
| Unit cost | 8460.90 | 3264.00 | 3000.00 |  |
| Total Dec. Purchase cost | 7369443.90 | 2953920.00 | 4500000.00 | 17268363.90 |
| January purchase plan in % | 0.20 | 0.45 | 0.10 |  |
| Purchase plan in quintal | 348.40 | 1629.00 | 500.00 |  |
| Unit cost | 8630.12 | 3394.56 | 3000.00 |  |
| Total January purchase cost | 3006733.11 | 5529738.24 | 1500000.00 | 12695371.35 |
| February purchase plan in % | 0.00 | 0.25 | 0.00 |  |
| Purchase plan in quintal | 0.00 | 905.00 | 0.00 |  |
| Unit cost | 8802.72 | 3394.56 | 3060.00 |  |
| Total Feb. purchase | 0.00 | 3072076.80 | 0.00 | 3956416.80 |
| March | 0.00 | 0.00 | 0.00 |  |
| Purchase plan Quintal | 0.00 | 0.00 | 0.00 |  |
| Unit cost | 8978.77 | 3394.56 | 3121.20 |  |
| Total March purchase | 0.00 | 0.00 | 0.00 | 6900000.00 |
| April | 0.00 | 0.00 | 0.00 |  |
| Purchase plan Quintal | 0.00 | 0.00 | 0.00 |  |
| Unit cost | 9158.35 | 3394.56 | 3183.62 |  |
| Total April purchase | 0.00 | 0.00 | 0.00 | 1027500.00 |
| Total working capital | 14642335.01 | 12134935.04 | 15,000,000 | 57395510.05 |
| Average unit price(Can we get the raw product @this price???) | 8405.47 | 3352.19 | 3000.00 | 155390.31 |
| Less: Internal fund supply | 0.00 | 893368.48 | 0.00 | 3611608.48 |
| External | 14642335.01 | 11241566.56 | 15000000.00 | 53783901.57 |
| WC loan from CBE |  |  |  | 2000000.00 |
| From Addis International Bank | 14642335.01 | 11241566.56 |  | 25883901.57 |
| Working capital loan from Federation |  |  | 15000000.00 | 19000000.00 |
| Working capital from Union |  |  |  | 0.00 |
| ZFEDD |  |  |  | 6900000.00 |
| **Total** | **14642335.01** | **11241566.56** | **15000000.00** | 53783901.57 |

1. **Organizational structure of the Union**

The following is simplified Organogram of Damota Wolayta Farmes’ Cooperative Union

1. **Agriculture**

Agriculture is the major occupation of people of this zone and it is subsistence in nature whereby coffee production, different cash crops & animal husbandry are carried out simultaneously.

* 1. **Coffee Production Systems in Ethiopia**

There are four types of coffee production systems in Ethiopia: - forest coffee, semi- forest coffee, garden coffee and plantation coffee. 95% of the coffee production from these systems can be considered as organic, although not yet officially certified. Garden coffee production is the dominant system in Wolayta zone.

* + 1. **Garden Coffee Production**

Garden coffee is found in the vicinity of farmers' residences. It is found mainly in the Southern and Eastern part of the country (Sidamo, Gedeo, and Wolayta). It is planted at low densities ranging from 1000 to 1800 trees per hectare, mostly fertilized with organic material and inter- cropped. It accounts for about 80% of the total production in the Wolayta zone and it ishighly practiced system and currently being diversified in most Woredas of this Zone.

* 1. **The Uniqueness of Ethiopian Coffee**

Ethiopian coffee is rightly known as highland coffee by consumers. The diversified types of *Coffee arabica* in the country, growing in an ideal environment has allowed Ethiopia to be attractive to the world coffee market. It has a great deal to offer in the way of gourmet, specialty and organic coffees. Ethiopian coffee is rich in acidity and body. It possesses an aromatic and sweet flavor and is characterized by winey, spicy notes and the world famous mocha tastes so highly prized by connoisseurs. Because it has so much to offer, it can be enjoyed as a single varietal and it can also be blended with coffees from other origins to upgrade them. The flavor wise in Wolayta area which is characterized by spicy tends to floral and tends to mocha.

1. **Organic Coffee production**

One of the most fundamental principles of organic coffee growing is the use of shade trees.  Traditional methods of coffee growing involved inter-planting coffee with shade trees, composting, and eliminating harmful chemicals.  These principals were used in the coffee growing areas of Wolayta, which continues to use these methods and produce one of the most highly desired and tasty gourmet coffees today. The quality of soil and the elevation of the coffee growing area will determine the quality of the coffee bean that is grown.  The traditional growing methods used for organic coffee promotes the use of shade trees and the mixing of coffee crops with other food crops like leguminous crop; Haricot bean and with ginger.  These practices result in a healthier soil that prevents water contamination

Each year organic coffee producer’s farms are inspected by Internal Inspectors of the Cooperatives. All the farm history is recorder on the ICS format and finally signed by the farmer (farm owner) and by the internal inspectors. The internal inspectors are 12th or 10th grade completed who are selected from the Cooperatives. They inspect each farmers plot and keep the records of each farmer’s history. The inspectors are well trained and experienced on the organic coffee inspection procedures’. The location of each farm (by code number) is indicated on village maps. The village maps is normally drawn on the large sheet of paper by the ICS team that serves to guide staff and inspection team to the location farmers homestead farm and the maps should contain only information necessary to achieve this process. .

* 1. **Organic Coffee Growing in Wolayta Zone**

The potential of coffee production in Wolayta Zone is high as a result of altitude, ample rainfall, optimum temperature, suitable planting material as well as fertile soil. Furthermore, the country Ethiopia is of particular value to the world as it is the home or the origin of *Coffee arabica* with best inherent quality and production potential. The total area coverage of cropped land in Wolayta zone is approximately 469290 hectares, from these 12292.4 hectare is covered by coffee tree and the area for current productive farms is 8889.75 hectare out of this 6873.1 hectare is covered by mother coffee tree, 4991.34 ha is covered by new planted coffee and the area covered by stumped coffee tree (up to 5 year) is approximately 428 ha. The year 2011/2012 data of Wolayta zone annual organic coffee yield estimation result shows 7.55 kg per hectare. The total numbers of kebeles that are producing coffee are 281 and the number of coffee producers (farmers’) in Wolayta zone is around 166293. There is no forest coffee production system in this zoneit is totally dominated by garden coffee production system.

* 1. **Rehabilitation of Old Coffee Plants**

After the establishment of a coffee farm, the rehabilitation of coffee trees at this age is very important as the yield starts to become uneconomic. To make the trees economically productive again, they need to be pruned to cut out old, unproductive wood and stimulate the growth of new wood that will bear fruit. There are various methods of old coffee tree rehabilitation methods which are practiced by growing farmers in Wolayta area such as stumping, side pruning and in some cases topping.

* + 1. **Stumping**

Stumping is the systematic renewal of old coffee plants and can take a number of forms, but the most known and largely applied in our country is clean stumping. Clean stumping should

be carried out as soon as after the harvesting of the previous crop has been completed. This

will counter the temptation to leave the old stem which might have flowered or budded and

shown some crop potential. The cutting of the coffee tree should be done with a saw at an

angel of 450and a height of about 45cm above the ground. Any rough edge on the cut should be pared off with a sharp saw (knife) sterilizing by alcohol.

* 1. **Environmental Conditions**
     1. **Altitude**

In Wolayta Zone, coffee growing area at various altitudes ranging from 1800 - 2200 meters above sea level.

* + 1. **Rainfall**

The annual rainfall in Wolayta zone especially in coffee growing areas varies between 800 and 1600 mm. Rainfall distribution in this zone is bimodal. This distribution pattern enables Wolayta farmers to harvest coffee from September to January of the year which makes the supply of red ripened coffee cheery.

* + 1. **Temperature**

In general, coffee grows best in proper environment. The ideal suitable temperature for coffee production is considered to be l5.10c- 280c. This temperature prevails in most coffee growing Woredas of this Zone.

* + 1. **Soil**

The soil type of coffee growing areas of this Zone is red volcanic origin with high nutrient holding capacity of clay minerals. All the coffee growing areas of Wolayta have fertile, clay, silt clay, sandy and loamy soil with more than 1.5m of depth. The top soil is predominantly red brownish in color with a slightly sour pH; one peculiar thing about the soil is that its fertility is maintained by organic recycling. Enough organic material is added to the soil through litter fall, pruning and root residue from the perennial coffee trees. Furthermore, the small coffee farmers, who are the major producers, use organic fertilizers to maintain the natural fertility of the soil.

1. **Management systems**

The field managementsystems in coffee producing areas of Wolayta Zone are generally good and well organized.

* 1. **Cultural management practices:** includes weeding, spacing, pruning and tinning.
     1. **Weeding:**

Weeding is the most commonly practiced management system in this area and can be done manually by hand picking. Farmers also use agricultural tools to destroy different types of weeds which grow in coffee farm.

* + 1. **Spacing:**

Regarding agronomic management practices, one of the most commonly used management practices was spacing. The compact (dwarf) and open (spreading) type varieties were also grown in this area. Both planted at 2m spacing between plants within row and 2m between rows (2m x 2m spacing) with one plants per hole. The 2m row spacing may be useful to facilitate picking, movement of workers and weeding practice. The planting of one seedling in “T” shape and close spacing within row could also be an advantage at early bearing stage (first and second) to efficiently utilize the space, to control erosion and maximize yield per hectare. At later stages, however, because of vegetative growth, the plants become too dense especially with the open types and the branches become intermingled within row. Such conditions perpetuate disease and insect development, create picking difficulties.Therefore, it seems imperative to conduct simple spacing trials for both open and compact types and determine proper spacing that produce economic yield.

* + 1. **Pruning:**

Pruning is one of the most important agronomic practices done by famers in coffee production. At early bearing stage this practice may not be visible. However, as the plants get older, it becomes important even though the intensity of pruning varies depending on the growth nature of the varieties and climatic conditions of the growing area. Even at this early stage, the plants have become so dense and covered within row space. It generally needs proper spacing to facilitate aeration and light penetration and reduce buildup of diseases and insect pests on old and dense branches.

* 1. **Diseases and insect pests**

Planting resistance variety coffee seedling, disease control measures such as uprooting the infected coffee tree and based on close follow up pruning for good aeration and weeding can practiced manually that makes to control pests and diseases. There is no chemical control method used at all.

* 1. **Soil Fertility Management**

The methods which are used for managing the fertility of soil in coffee farm in Wolayta Zone are: - allowing for natural replenishment of soil nutrients by co-planting coffee with legumes like haricot bean, shade trees such as *Enset (false banana,) Cordia Africana, Sesbania*, and etc. Nutrient level increases through other fertility management techniques such as organic matter, burning and the local conditions the crop husbandry systems which are described below in more detail:

* **Mulching: -** is a method, in which a layer fresh organic matter is placed on top of the soil;
* **Green manuring: -** involves ploughing with fresh green materials;
* **Inter-cropping: -** means growing two or more crops together on the same field;
* **Green fallow periods**: - species are sown or stimulated that have better qualities then the species that would grow spontaneously in the fallow period;

1. **Inputs for coffee farm**

In coffee growing areas different organic sources are used as input for production. The inputs, such as organic fertilizers are homemade (farmers produce their own) and as the plot size of the farmers. Mulches and green manures are usually used together with legumes ginger. Decomposition occurs fast enough on the field so, it is not worthy of composting crop residues. Composting is very suitable for coffee farm where crop residues decompose very slowly in the field. In this situation composting provides greater yields for the farmer. The organic material that is available everywhere like farm yard manure, planting residues and house hold garbage’s is also often used as organic input for the farm. Agricultural farming tools which are fabricated instruments such as fork, watering can, saw, scissors, spade and different locally made farming materials are also used as input for ploughing coffee farm.

* 1. **Seed selection**

Coffee seeds are selected for different purposes: seed for house hold consumption, seed for marketing and seed prepared to produce seedling. Because the country is the source of *Coffee Arabica*, there is a wide variety of characteristics to be found: - disease resistance, high yield, and high quality are mostly selected from good varieties of mother tree to raise seedling under proper environmental condition. The selection and approval procedure is done by the coffee research centers in the region and by the professional personnel of rural development bureau of Agriculture in the region. Moreover, the coffee research of the region has been providing good quality organic nurseries to the farmers and trains how to select, pick and grow the seedlings.

* 1. **Raising coffee seedling**

In coffee growing areas of Wolayta seedlings are raised in two methods:

* By bare root growing (farmers grow the seedling by their own.)
* Governmental or NGO Nursery site in the kebele

After planting the seeds should be watered daily but too much water or too little water can kill the seed.  The soil should remain well drained, but moist at all times. The potential for germination will continue for almost (3) three months, but after this time the germination rate is several fold less and germination time is significantly longer.

* 1. **Transplanting of seedling**

Coffee seedlings are produced especially in this area is by the following two methods:

1) Bare root seedling&

2) Polyethylene bag seedling methods

Coffee seedlings are raised by the above two methods with a proper environment and good management practices. The seedlings can be transplanted to the prepared farm by careful handling.

* 1. **Planting site preparation**

Coffee is planted in different planting methodologies depending on the topography of the area. The topography of most coffee producing Woredas in Wolayta zone is rugged. Therefore, before planting season approaches farmers first select the site and the selected site should be cleared to avoid any of unwanted plants. Then, the farm is ploughed from one up to six times in order to make the soil fertile. If the field is sloppy, terracing is done across the slope. Additionally, composts, green manures and plant residues are applied. After proper preparing of the land, when three months left for planting pitting 60cm x 40 cm (depth and diameter) hole should be prepared. During the planting season the prepared seedlings are planted. In the region planting of seedlings on the field are takes place during April-May so that the planted seedlings can have the rain water and grow properly.

* 1. **Managing coffee farm**

Proper management of farm is very important for good growth of coffee plants and high quality coffee production. The Wolayta Organic coffee producers are trained every year by the Woreda Rural development Agriculture office collaboration with our Union, so as to produce good quality coffee. The producers’ farms are always free from weeds and the weeds are controlled by hoeing, mulching and slashing. Most of the farms are established by the shade trees and developed by intercropping leguminous crops and ginger.

**6.6. List of Non-Conformities and Sanctions within ICS 2014/2015**

|  |  |  |
| --- | --- | --- |
| **R.no** | **Non-Conformities** | **Sanction to be effected** |
| 1 | If the famer mixing non-organic coffee with organic coffee at the time of planting the seedling and processing of the cherries. | Find out which lots are contaminated and indicate those lots as “Conventional” and inform the certifier not to include with organic coffee. |
| 2 | If the Farmer has fertilized his coffee garden with synthetic fertilizers and grow crops types not allowed to be intercropped with coffee farm. | For the first time the farmer will be decertified for 3 years and for the second time possibly expelled from organic program check whether products already bought. |
| 3 | If the farmer has sprayed his home consumption crops inter cropped with the organic coffee | For the first time the farmer will be decertified for 3 years and for the second time possibly expelled from organic program check whether products already bought. |
| 4 | The farmer has sprayed or fertilized his home crops like maize and sorghum which is far away from organic garden. However, the internal organic standard requires that farmer grows ALL crops organically. | The farmer will be suspended as punishment for the 1 year sprayed or applied plot recorded in map as conventional with date of spraying additional training will be given to the farmer about the organic farming procedures. |
| 5 | If the farmer is neglected his farm and has not taken any soil improving measures and has not prepared any manures and compost for his coffee farm. | Oral or written conditions for the farmers will be given and also additional training if repeatedly discuss if still shall be a member of the respective cooperative. |
| 6 | If the Coffee farmer wants to sell more than 10% of his estimated yield. | The ICS will go/send field officer to investigate in the fields; if they found that farmer has tried to sell products from its neighbors etc…the farmer will be excluded from the Organic project in the cooperative. |
| 7 | If the purchase officer of the Cooperative/Union has bought from non-member farmer. | Find out where respective lots are now, down-grade them as conventional. Is already sold – inform the certifier. Additional training purchase officer (or dismissal in case of fraud). |
| * Sanctioned and suspended farmer are also inspected annually by internal control “Suspended” farmers: remain on approved farmers list with indication “suspended 1 year.” * “Sanctioned farmers” are removed from the farmers list on to a list of sanctioned farmer. | | |

1. **Coffee processing**

To produce a good quality coffee trainings are given to farmers before the harvest start. Only red cherries are harvested when they are ripe and bright all over and the picking materials are identified and keep out farm any contamination. Red cherries are collected by hand picking for both wet processing and sun dried coffee. The cooperatives also buy red cherries only from EU & NOP certified member farmers who are inspected by ICS team as EU/NOP requirements. The two processing methods are described below:

* 1. **Wet processing**

The harvested red ripened cherries are harvested and picked from trees with a high production and without any disease or other affliction. The delivered cherries are inserted to wet processing machine in the same day. Before pulping under ripe and over ripe cherries are picked out from the good cherries. After pulping, the parchment coffee is fermented for 72 hours so that the mucilage can removed easily. After fermentation, the parchment is washed to isolate the floater coffee and after get rid of floater the final washing is done and the heavy parchment is taken to the drying table. The table, which is made up of chicken wire, is covered by Hessian cloth, and the parchment coffees are spread thinly. After slow drying for 2 weeks, the dried coffee is weighted and traceability is assured through clear recoding of incoming coffee and the steps in processing and storage. Fully washed coffee is classified by grade for absolute best but normal export quality sells as grade 2 which allows 12 defects with a clean cup.

* 1. **Sun-dried coffee processing**

Dry process is also known as unwashed or natural method and it is the most common method of processing coffee. The dried coffee is weighted and recorded before hulling. The picked red cherries are directly taken into the table and dried for not more than 3 weeks. The dried red cherries is stocked in the separated, clean, cool and well ventilated ware house using new and clear bags. After a certain weeks, the husk is removed by hulling at a small factory in the region. The hulled green bean also is stocked at a separated clear area by using new bags until deliver to union in Addis Ababa. Before the green beans transported to the union, the damaged beans are picked manually by hand and finally the cleaned beans are packed, traced and transported to the ware house of the union at Addis Ababa. After arrival at union ware house, it also labeled and stocked separately according to the NOP & EU requirement until processed and shipped to the port.Sun dried coffee can be of great quality when matured cherries are used all over ripe produce '' wiry'' or ''fruity'' cup test where green cherries give a grassy green flavor. Damota Wolayat Union is working with producers to deliver this quality more and more.

1. **Coffee Quality Grading System**

The product of our organization washed and sun-dried coffee is processed and transport to Ethiopian Commodity Exchange (ECX) at Wolayta Center to be tasted preliminary coffee quality assessment. Based on the laboratory result this year performance report shows for sun-dried total sampletasted = six (6) from out of total the laboratory result shows grade 2 (Q2) =2, Grade 3=4. For washed sample tasted = 4 and from out of total grade 3 = 4. The result implies that best quality performance.

1. **Export and Marketing**

After preliminary assessment test result the arrival coffee sample sent to Addis Ababa Export warehouse centerin order to standardize and pack should have hulling and polishing by export hulling machine, tasted by export coffee liquoring unit (CLU) at Addis Ababa. If it fits for export standard sent to international market based on contract agreement with the buyer.

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