THE EFFECTS OF THE COFFEE TRADEMARKING INITIATIVE AND STARBUCKS PUBLICITY ON EXPORT PRICES OF ETHIOPIAN COFFEE

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Abstract. The Ethiopian government has initiated the Ethiopian Coffee Trademarking and Licensing Initiative in 2004 to register trademarks for three of the world’s finest coffee varieties, i.e., Sidamo, Yirgacheffe and Harar, in coffee importing countries. Thirty countries signed the trademark and licensing agreement so far and more agreements are under negotiation. This initiative created a lot of publicity and worldwide campaigns to support Ethiopian coffee farmers mainly due to the court case between Starbucks and the Ethiopian government over the right to register the name “Sidamo” as a trademark in the US. This paper evaluates the effects of this initiative and the publicity created by the Starbucks case on export prices of Ethiopian coffee. I analyze the evolution of prices for the trademarked coffees over time and compare it with that of non-trademarked Ethiopian and other Arabica coffees. This study identifies whether and how government policies and international publicity affected prices, and assesses the feasibility of government’s main goal of “de-linking” the prices of its fine coffees from the world prices in order to increase the share coffee farmers receive from the retail price of these coffees.

1. Introduction and Background

Coffee is one of the most valuable agricultural commodity traded in international markets and Ethiopia is the birthplace and the primary center of diversity of Arabica coffee (Daviron & Ponte, 2005; Labouisse et al., 2008). Ethiopia produces around 5% of World production and more than 30% of Sub-Saharan Africa (ICO). Besides the cultural importance, coffee has an important place in Ethiopian economy because it provides 35% of the total export earnings. 1. Ninety five percent of the total coffee output is produced by over one million small-scale producers and more than 10 million Ethiopians belong to the coffee value chain directly or indirectly (Bastin & Matteucci, 2007).

In 2004 the Ethiopian Intellectual Property Office (EIPO) collaborated with Light Years IP, a development group based in Washington DC, to create a system that would capture more of the retail value of Ethiopia’s fine coffees within the country. According to the Ethiopian Coffee Trademarking and Licensing Initiative, the government is registering Trademarks(TMs) in foreign markets for three fine coffee varieties, Yirgacheffe, Sidamo and Harar, and then licensing importers

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and others involved in the distribution of these coffees for the use of these terms. TMs are expected to give the government more leverage in managing the whole supply and distribution chain and increase the share that farmers receive from the retail coffee price.

I use data from the Ethiopian Customs Department collected during field trip to Ethiopia in March 2009. The data include export prices of all Ethiopian coffees since 2004, local trading prices from the auctions and commodity exchange, and prices of direct exports by coffee farmers’ cooperative unions. I analyze the historical price development of all types of Ethiopian coffee to identify whether and how Trademarking initiative and Starbucks publicity affected the prices of Sidama, Yirgacheffe and Harar coffees vis a vis coffees of other origins. I also use publicly available historical world price data from the International Coffee Organization to compare the prices of Ethiopian coffee and other coffees.  

1.1. Trademarking Initiative and Starbucks Case. Ethiopia applied to the U.S. Patent and Trademark Office (USPTO) to trademark the names of Sidama, Yirgacheffe and Harar coffees in March 2005. Starbucks, however, had an already ongoing application to trademark “Shirkina Sun-Dried Sidamo” and refused to drop its claim to open the road for the Ethiopian government’s initiative (Faris, 2007). Ethiopian government appealed to USPTO to block the application from Starbucks, which dropped its claim in July 2006 but still did not sign the Trademark License Agreement with the Ethiopian government. This dispute ignited a big public campaign by Oxfam America, which was publicized in NPR, the BBC, CNN, Time, Fortune, and The Wall Street Journal and created pressure on Starbucks (Perera, 2007). Around 100,000 people had contacted Starbucks by the end of the Oxfam campaign and Starbucks finally signed the agreement in June 2007. Meanwhile, the Specialty Coffee Association of America protested the registration of Sidamo as a TM and suggested that Ethiopian coffee should rather be protected with Geographical Indicators. The registration of “Sidamo” at the USPTO was only completed in February 2008, after the government provided detailed evidence that the geographic term had “acquired distinctiveness” making it eligible for a TM protection (Rotstein & Christie, 2009). As of May 2009, the three coffee names were registered in 29 countries and more than 90 companies have signed the agreement.

2. Data & Analysis

In order to understand the effects of the Initiative on coffee prices, one needs to differentiate between different origins, grades (grade 1 to 5) and certification status (e.g. organic, fair trade...etc.). The Customs data include information to control for all these characteristics that affect the price of coffee. The three TM coffees make up around 40% of total exported coffee (42% of the observations). Table ICO and Customs data indicate that prices for Brazilian Naturals in international

http://www.ico.org/historical.asp
markets and non-trademarked Ethiopian coffee were stagnant from 2004 to 2009. However, the prices of TM coffees increased especially after 2005 and the difference between the prices of TM coffee and ICO prices has been constantly increasing since then.

Figure 1 shows the premiums of TM and a selection of non-TM coffees estimated using monthly cross-sectional regressions that control for origin and grade. Important dates of the registration and Starbucks case are also marked. I analyze whether the divergence of the TM coffee premium from other coffees that can be seen on the graph is statistically significant. I also identify the effect of the publicity on the export prices. The results will have policy implications for the Ethiopian government and they will also provide insights into other cases where trade in specialty products (that can be trademarked) has a potential to contribute to poverty reduction and rural development.

REFERENCES


Dependent variable is the log of price per kilogram in Ethiopian Birr.