Towards a level playing field

Building Coffee Farmers Alliances in Uganda

AFCA 2013 – Presented by Stefan Cognigni
CFAU project locations and beneficiaries

<table>
<thead>
<tr>
<th>Project Districts</th>
<th>Direct Beneficiaries (Households)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mityana/Mubende</td>
<td>15,000</td>
</tr>
<tr>
<td>Luwero/Nakaseke/Nakasongola</td>
<td>15,000</td>
</tr>
<tr>
<td>Masaka</td>
<td>15,000</td>
</tr>
<tr>
<td>Kasese</td>
<td>8,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>53,000</strong></td>
</tr>
</tbody>
</table>

Representing approx. 344,500 people
Objectives

- Development and strengthening of farmer organizations as service providers to their farmer members (marketing, value addition, linkages)
- Establishment of extension systems to improve production and farm management
- Establishment of coffee nurseries to increase availability of improved planting material
- Enhancement of coffee quality through improved harvesting and post-harvesting practices
- Addressing critical crosscutting issues such as gender relations, adaptation to climate change and food security
### Approach

<table>
<thead>
<tr>
<th>Bottom-up</th>
<th>Process begins at grass root level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participatory</td>
<td>Beneficiaries have full ownership and drive the process</td>
</tr>
<tr>
<td>Business and Entrepreneurial Oriented</td>
<td>Creates an environment which is conducive to business development</td>
</tr>
<tr>
<td>Pre-Competitive and non-binding</td>
<td>Addresses dependencies/captive situation and provides farmers with choices/options</td>
</tr>
<tr>
<td>Integrated value chain</td>
<td>Covers the entire value chain from production to marketing, including critical crosscutting issues</td>
</tr>
<tr>
<td>Relevant nationwide</td>
<td>Adaptable to other value chains</td>
</tr>
<tr>
<td>Paving the road for further initiatives</td>
<td>The organizational structures established will be used by other implementers and service providers</td>
</tr>
</tbody>
</table>
Organizational levels and functions

Project activities

UCFA

DC

DC

PO

PO

PO

PO

Uganda Coffee Farmers Alliance
Registered Apex Organization

Coordination, market access, link to service providers, code of conduct

Depot Committees
Registered Companies of 400-800 farmers

Bulking, value addition, logistics, quality control, marketing, access to service providers

Producer Organizations
Village Groups of 20-30 farmers

Extension (Demo plots, Farmer Field Schools), collection of coffee

To date established: 1,668 Producer Organizations and 82 Depot Committees
Project Trainings

Farmer Organizations

- Leadership selection (70% of the success of Farmer Organizations)
- Technical Training: bulking, processing, quality control, logistics
- Business Training: record keeping, financial management, banking, marketing and business planning, internal auditing

Extension Systems

- Training of DC Extensionists, Lead Farmers and Farmer Field School Facilitators
- Development of Farmer Field Schools and demo plots
Requirements for performance of the model

- Leadership & coordination
- Extension and Research info
  - Market information
- Market access
- Value addition
- Linkages to service providers
- Compliance with code of conduct
- Transparency

Apex
UCFA

Farmer Organizations
PO & DC

Trust
- Compliance with code of conduct
- Active Participation in bulking
- Field Information
- Business approach
- Improved quality of coffee
- Improved production of coffee

Farmers
Yield Achievements

- Adoption levels of good agricultural practices have more than trebled

- Average farmers’ production has increased from about 550 Kg green coffee per Ha to about 1.3 MT/Ha.

- Average production on demonstration plots has reached about 2.7 MT/Ha.

- Demo plot production levels have also been achieved by some of the most improved farmers.
Access to improved planting material

- 14 Nurseries with mother-gardens have been established
- Total capacity to produce over 500,000 clonal plantlets per year
- CWD resistant variety planted in 4 mother-gardens
Organizational Development and Value Addition Achievements

- Establishment of the “Uganda Coffee Farmers Alliance” as an Apex Organization

- 56 DCs (representing 35,000 farming households) are carrying out primary processing and delivering hulled green coffee (FAQ) directly to exporters in Kampala.

- Farmers are achieving 20-25% higher prices for their coffee (net of processing and marketing costs).

- DC have access to marketing loans from financial institutions. A model for input finance is being piloted.
How the marketing chain changed

Supply Chain before Project

Farmer selling Kiboko (dry cherry) at farm gate … the lowest value point to 1st Intermediary, selling the coffee on… to 2nd Intermediary, processing and selling FAQ on … to Export company

Supply Chain of Coffee Farmers Alliance

Farmer selling green coffee (FAQ) … through DC (Coffee Farmer Company) that provides value chain services: quality control, bulking, processing, logistics and marketing … to Export company
How farmers have added value

<table>
<thead>
<tr>
<th></th>
<th>Dry Cherry Farm Gate</th>
<th>Dry Cherry Farm Gate</th>
<th>FAQ Delivered to Kampala</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Outside Project Area</td>
<td>Inside Project Area</td>
<td></td>
</tr>
<tr>
<td>Value [USD/kg]</td>
<td>1.40*</td>
<td>1.54*</td>
<td>1.91</td>
</tr>
<tr>
<td>Cost [USD/kg]</td>
<td>-</td>
<td>0.03</td>
<td>0.2</td>
</tr>
<tr>
<td>Net Value [USD/kg]</td>
<td>1.40*</td>
<td>1.51*</td>
<td>1.71</td>
</tr>
</tbody>
</table>

*Green Coffee (FAQ) equivalent

- 7.8%
- 13.2%
- +21.0%

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## Income improvement per farmer

<table>
<thead>
<tr>
<th>for an average farmer with 300 coffee trees</th>
<th>Non Member low yield</th>
<th>Alliance Member average yield</th>
<th>Demo Plot (full GAP) high yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>Point of sale</td>
<td>Farm Gate</td>
<td>Exporter Kampala</td>
<td>Exporter Kampala</td>
</tr>
<tr>
<td>Production per tree Kg green coffee (FAQ)</td>
<td>0.5</td>
<td>1.2</td>
<td>2.5</td>
</tr>
<tr>
<td>Production cost per tree USD</td>
<td>0.19</td>
<td>0.39</td>
<td>0.78</td>
</tr>
<tr>
<td>Sales price (net of marketing costs) USD/Kg FAQ</td>
<td>1.40</td>
<td>1.71</td>
<td>1.71</td>
</tr>
<tr>
<td>Total Cost of Production USD</td>
<td>57</td>
<td>117</td>
<td>234</td>
</tr>
<tr>
<td>Total Gross income USD</td>
<td>210</td>
<td>616</td>
<td>1,283</td>
</tr>
<tr>
<td>Net income USD</td>
<td>153</td>
<td>499</td>
<td>1,049</td>
</tr>
<tr>
<td>% Increase in net income</td>
<td>226%</td>
<td>585%</td>
<td></td>
</tr>
<tr>
<td>With 460 coffee trees</td>
<td>400%</td>
<td>951%</td>
<td></td>
</tr>
</tbody>
</table>
Components of Increased Income

Incremental Return (USD / 300 trees)

- Without Project: 153 USD
- Improved Productivity: 423 USD (153% increase)
- Improved Quality: 499 USD (49% increase)
- Improved Market Access: 226% increase over the total

Value Addition: 24%
Gender intervention

Increased income does not necessarily translate into household development and improvement of livelihoods

Need to:

• Promote equitable relations within the households

• Empower men and women for joint decision making and planning on income generation and use
Ongoing Challenges

**Access to Finance**

- Difficult access to loans from the formal financial sector
  - Loans from middlemen (usually through early selling of crop)
  - Household members using coffee as petty-cash. Pick small quantities for sale as fresh cherry

**Governance - Leadership and transparency**

- Transparency and accountability still a problem in some organizations
  - Lack of trust
Key Learnings

Confirmation of general approach

• Capacity building on the level of individual farmers (farm management) and farmer organizations (service provider)
• Comprehensive approach from production to marketing (value addition is key)
• Bottom up approach to get farmers’ buy in and generate full ownership
• Project scale and critical mass: interesting for value chain players, spill-over effects

Building and strengthening of farmer organization

• 3 tier model (producer organizations, depot committees, apex) appropriate for service delivery and as permanent structures (part of exit strategy)
• Structures established are attractive platforms to other organizations to promote sustainable development of rural areas
Transformation is possible

FROM

Thank You

TO

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