



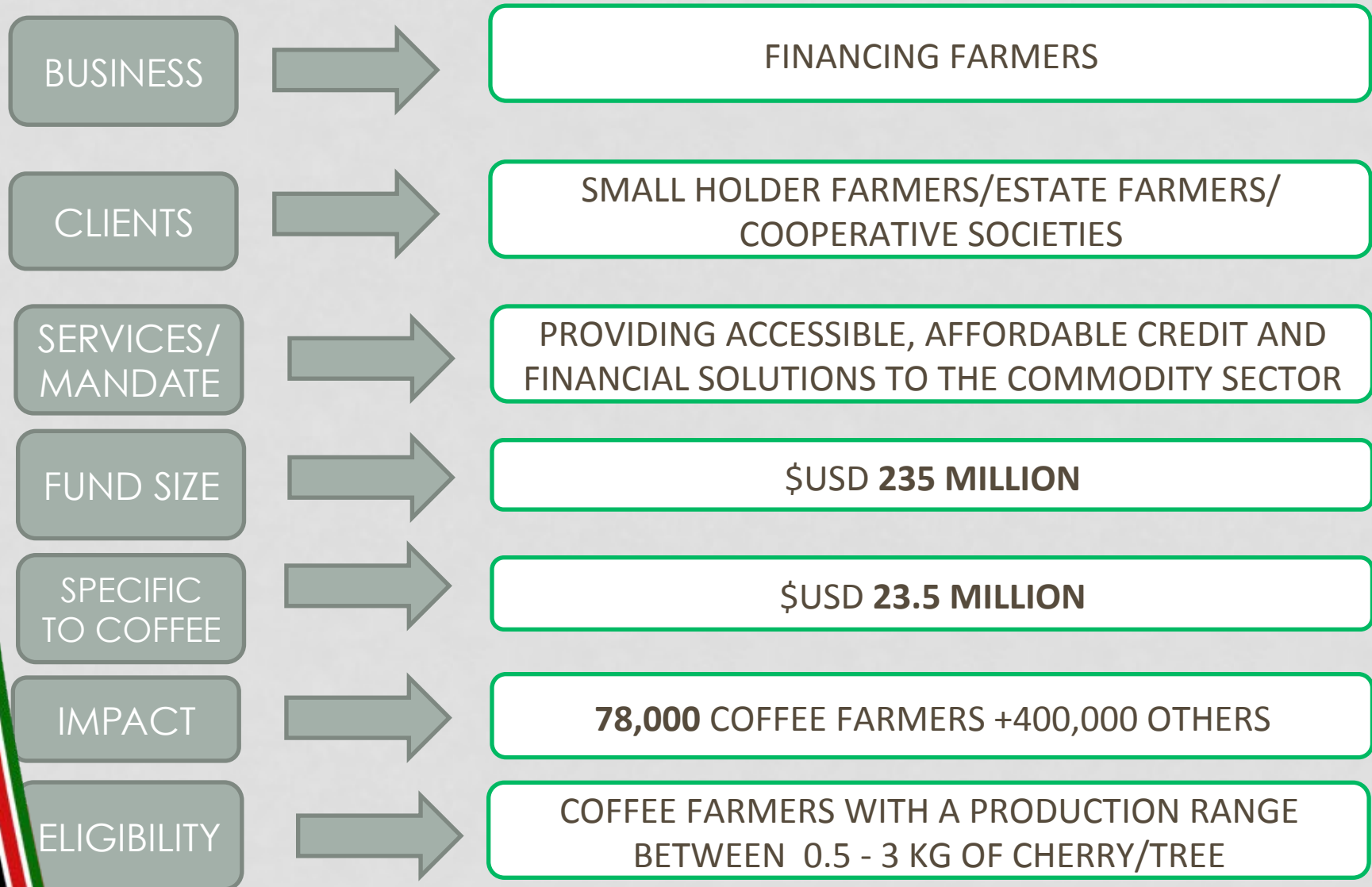
# FINANCING COFFEE: A KENYAN EXPERIENCE

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# COMMODITIES FUND AT A GLANCE



# CURRENT COFFEE FUNDING STATUS



- Government of Kenya financing through Commodities Development Fund largely remain the main source of coffee financing.
- The sub sector is less attractive to private investors due to long turnover periods and a client base considered 'high risk'
- commercial banks are shying away from financing coffee farmers.
- The sub-sector is in need of approximately **US \$ 100 Million** to meet its credit demand.

# LENDING APPROACH



Direct  
lending

Directly to Individual  
farmers

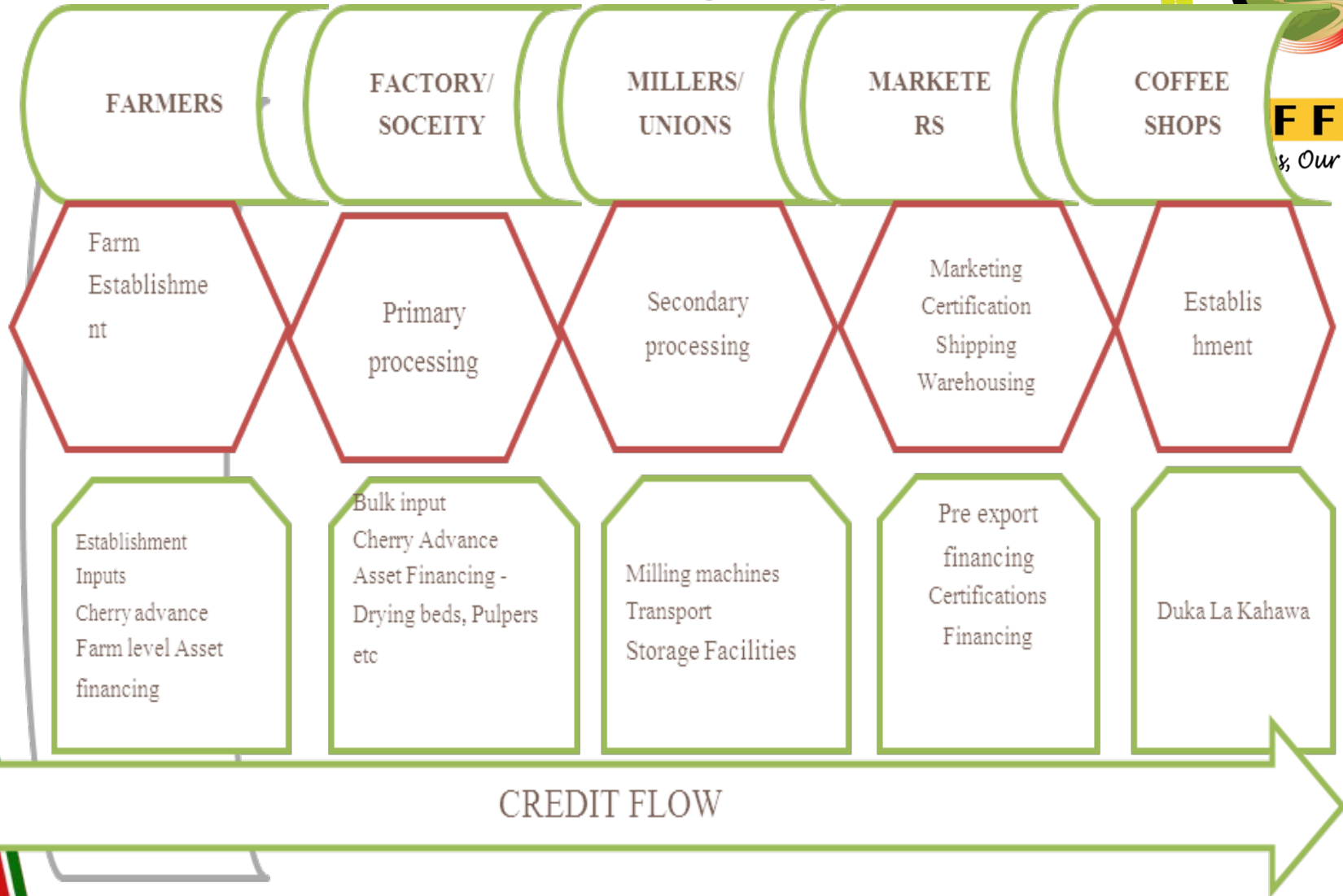
Directly to societies,  
women groups,  
youth groups and  
companies

Intermediary  
approach

Wholesale

Conduit  
approach

# FINANCING ALONG THE VALUE CHAIN APPROACH



# MERITS OF WOMEN INVOLVEMENT IN COFFEE



- Source of labour:
- Leadership Quality : Very few women hold leadership positions in cooperatives, less than 15%
- Sustainability of the coffee sector
- Economic development; Govt. agenda



# WOMEN BORROWERS IN FIGURES



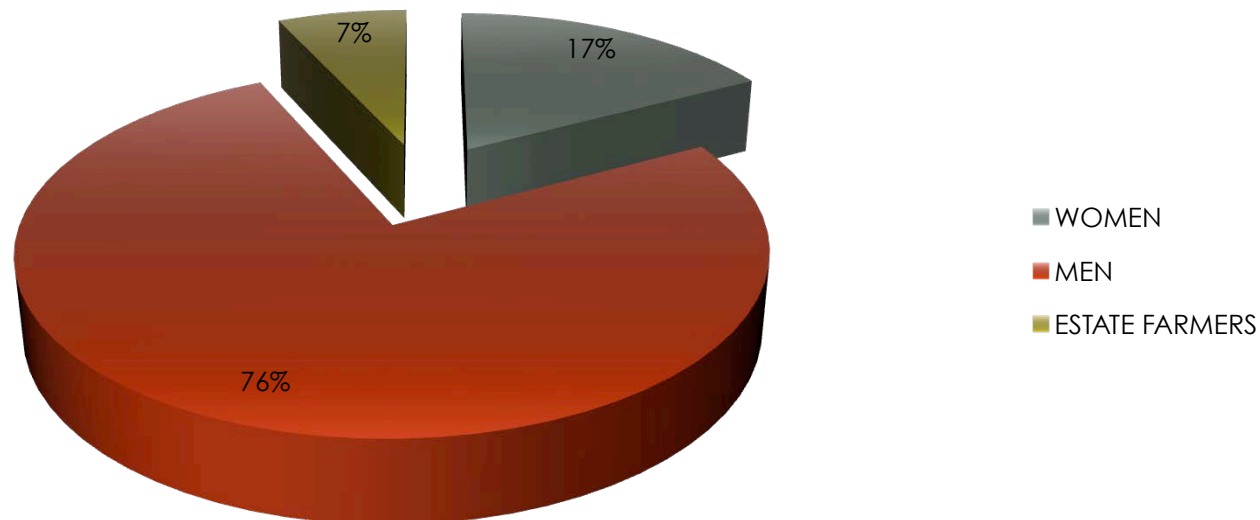
- Slightly over 17% of total borrowers are women
- Only 7% of total amount borrowed went to women



# BORROWERS IN NUMBERS

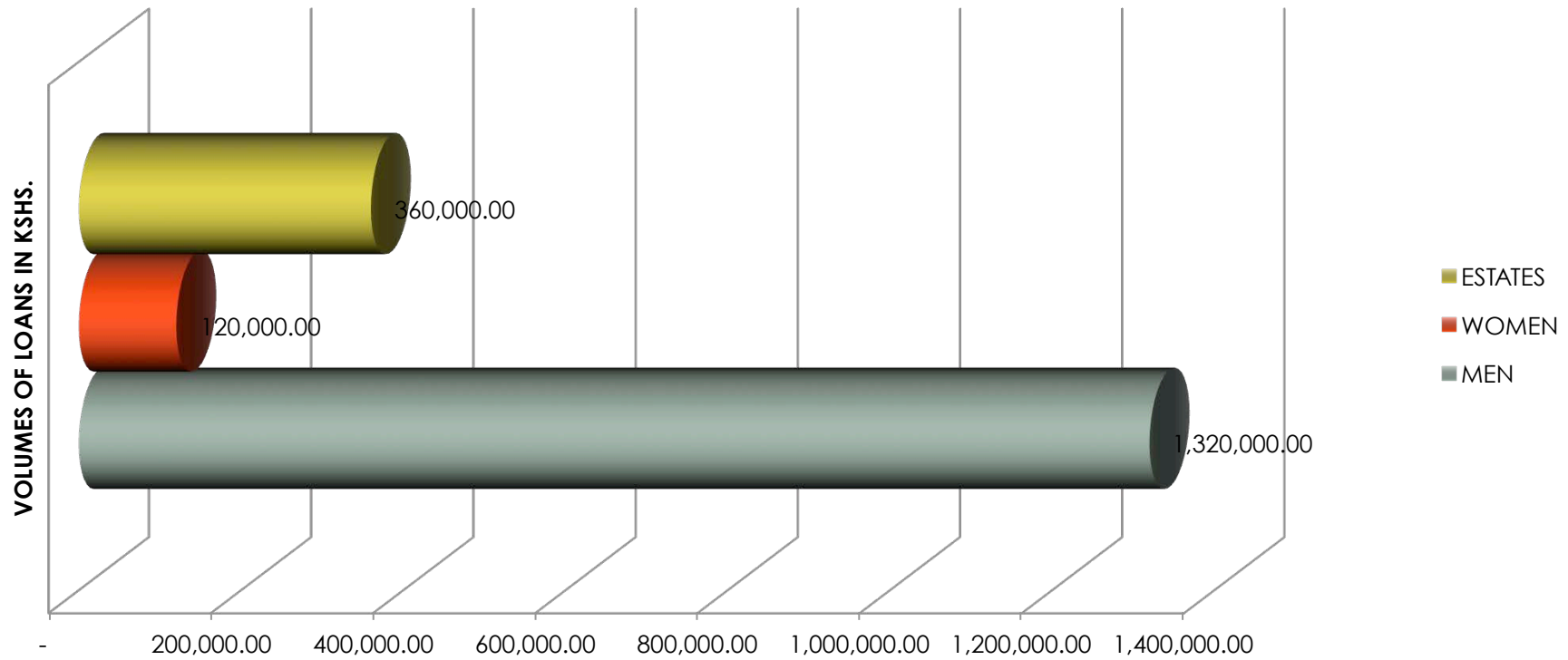


TOTAL NUMBERS OF BORROWERS APPROXIMATELY.  
83000





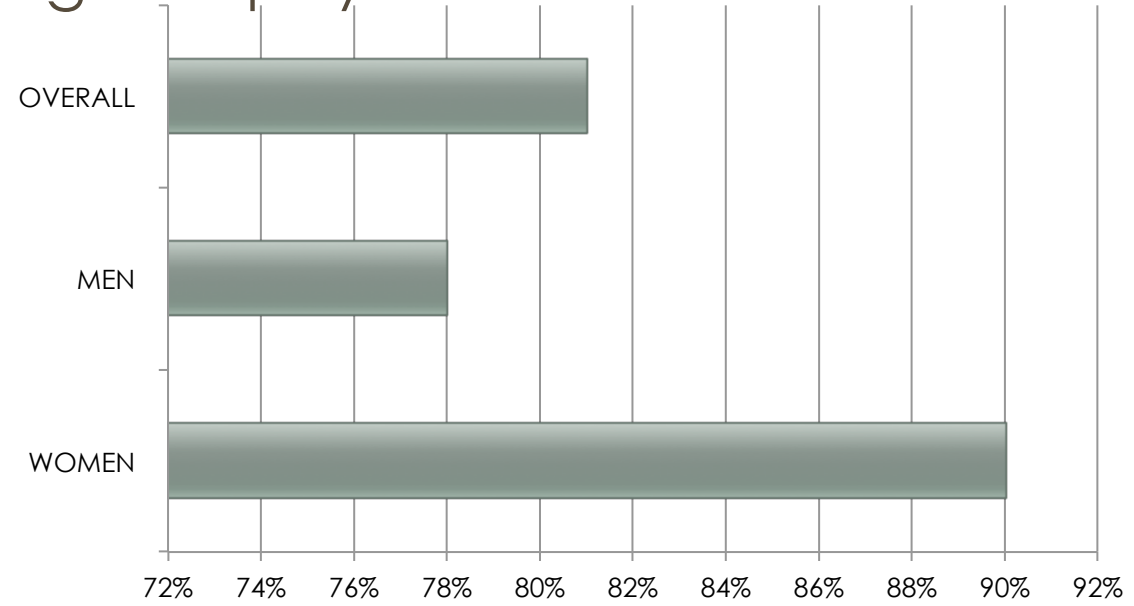
# % VOLUMES IN KENYA SHILLINGS BY BORROWER



# PERFORMANCE OF LOANS GIVEN TO WOMEN



- Average Repayment Rate



# CHALLENGES OF FINANCING SPECIFIC TO WOMEN IN COFFEE



- Land ownership
- Access to information
- Cultural beliefs
- Collateral challenges

# GENERAL CHALLENGES P OF FINANCING COFFEE SECTOR



<b><i>Financing Challenges</i></b>	<b>Interventions Undertaken</b>
<b><i>Dispersed and remote location of coffee farmers presents a challenge in credit delivery.</i></b>	<b>Formation of lending partnerships with 26 rural-based financial institutions.</b>
<b><i>Lack of adequate collateral.</i></b>	<b>Adopt social collateral (group lending) to make credit easily accessible to deserving coffee farmers.</b>
<b><i>High cost of production due to high cost of inputs</i></b>	<b>The Fund continues to facilitate bulk acquisition of inputs among cooperatives to minimize costs of production to growers.</b>
<b><i>Governance issues among cooperatives</i></b>	<b>Work closely with other sector players to build capacity for improved governance of cooperatives</b>

# GENERAL CHALLENGES P OF FINANCING COFFEE SECTOR



<b><i>Financing Challenges</i></b>	<b><i>Interventions Undertaken</i></b>
<b><i>Unpredictable weather patterns affecting coffee production, leads to losses in potential revenue which is likely to affect loan repayments.</i></b>	Training farmers to incorporate climate change management in coffee farming. Financing irrigation infrastructure, rain water collection in the farm and at factory levels
<b><i>Lack of a social support system which in the past encouraged farmers to remain in coffee production e.g. cherry advance to meet farmers' daily needs as the farmer awaits payment in six months.</i></b>	Offer cherry advances to smallholders as an incentive to remain in coffee production.
<b><i>Delays in coffee payments leads to multiple borrowing among smallholders increasing the level of indebtedness.</i></b>	Developed an M-Banking service to facilitate convenient, cost-effective and a faster mode of payment.

# OTHER CHALLENGES AFFECTING LOAN REPAYMENTS



- Poor quality coffee attract poor prices and hence less income for the farm
- Cooperate Governance challenges in FCS leads to mismanagement of funds
- Use of obsolete technologies in coffee processing
- Poor Agricultural practices



# KEY LESSONS LEARNT



- Strong farmer groups is key in financing the coffee sector effectively and efficiently
- The repayments of loans by farmers depends on application of GAP. The fund must get involved in ensuring that GAP is followed by their beneficiaries.
- Advancing loans to Farmers who are financially illiterate is doomed to fail

# WHAT WE ARE DOING



- Deliberate targeting – Women and Youth groups- going to where women are instead of waiting for women to come to us.
- Alternative collateral – e.g. Group guarantee,.
- Capacity Building - encourage women and youth participation
- Collaborations with other women and youth focused organizations.



# WHAT WE ARE DOING



- Encourage women and youth to engage in other value chain activities .e.g coffee shops, roasting etc.
- Collaborating with county governments in supporting women leadership in coops;- through legislation

# INTEGRATED COFFEE PRODUCTION PROJECT- TOWARDS 100,000 METRIC TONNES IN 2020



Poor Quality of coffee



OLD COFFEE TREES

- Replacing old trees and old varieties of coffee with new improved varieties.



Competition from real estate development in farms bordering the city of Nairobi and other towns in the Central Region

- Mobilize Expansion of coffee farming to non traditional coffee regions to replace those taken by real estate



**ASANTE SANA**