



NUCAFE

National Union of Coffee Agribusinesses and Farm Enterprises

2ND WORLD COFFEE CONFERENCE
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**LESSONS EMERGING FROM THE CRISIS:
NEW PATHS FOR THE COFFEE SECTOR**

SESSION 2:

COFFEE POLICIES IN A MARKET ECONOMY

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COFFEE POLICIES IN A MARKET ECONOMY

By Jack Bigirwa – Chairman NUCAFE- Uganda

This presentation focuses on the experience of small coffee producers drawing experiences from NUCAFE (National Union of Coffee Agribusinesses and Farm Enterprises) – a coffee farmer based organization in Uganda highlighting how it is organized and how it has worked with farmers during the crisis of low prices and how this has affected the small farmers. The paper also recommends policies that will help small producers in the future to ensure a more sustainable coffee economy.

1.0 Overview of Uganda Coffee Sector

Uganda is an agricultural country where over 80% of its population of 27 million people depends entirely on agriculture. Of this population 20% depends on coffee as means of livelihood. Both Robusta and Arabica varieties which constitute 85% and 15% respectively are grown in the country.

Uganda is geographically positioned along the equator and as a result the country enjoys two main coffee seasons, in the northern and southern hemispheres with a reasonable good fly crop in both hemispheres.

Production of coffee has drastically declined over the years from as high as 4.2 million 60 kgs bags in 1996/1997 to 2.5 million 60kgs bags in 2003/2004. The decline has been caused mainly due to the global coffee crisis coupled with devastating coffee (CWD) in the Robusta coffee growing areas.

2.0 Liberalization of Coffee Sector in Uganda

The Uganda coffee sub sector saw the emergence of liberalization in 1990's. Before the liberalization coffee marketing was controlled by Government. The main players were the Uganda Coffee Marketing Board and the Cooperative Movement. Under this arrangement farmers produced with predictable prices although their earnings were only 20% of the international prices.

The wave of liberalization of the coffee sector in Uganda created tremendous challenges and opportunities for the sector. The main challenge was that the process of liberalization was hurriedly done and sent shock waves among the small holder farmers who were totally unprepared to take over the roles previously played by the Government



the Parastatals and the Cooperatives. This was the beginning of the future challenges to the small holder coffee farmers which still affects the whole sub sector. Due to unnecessary competition for the coffee with no attention to quality, the coffee quality and price drastically declined at farm gate level. Faced with massive overproduction, price collapse, overall fall in quality of coffee, and shortage of good quality coffee and growing inequality resulted into poor coffee producing countries capture of only 10% of the market share compared of 30% of the value of the coffee market ten years ago. This is a very sharp decline that translates into big problems for poor producing countries because it means that:

- 25 million poor farmer families will go hungry with nothing to eat.
- No medicine or health care or children out of schools etc.
- Poor government are left with less money for health, education and debt repayment.

Despite these challenges however, liberalization brought about opportunities such as prompt payment to the farmers who received up to 70% of the international market prices. It also ushered in private sector organizations to fill in the gap in the areas of production, processing and marketing roles previous played by the Cooperatives and Parastatals. This however lacked coordination and planning to benefit the farmer.

The overall challenge was that the small coffee farmers remained totally confused and disorganized as they did not know exactly what roles they should play in a new liberalized market environment.

3.0 How Did Uganda Coffee Farmers respond to these challenges?

With the emerging challenges in liberalization of the coffee sector farmers realised the need to organize themselves so as to assume as many roles as possible along the supply coffee chain in order to keep in pace with market and consumer demands.

4.0 NUCAFE takes the lead.....

NUCAFE (National Union of Coffee Agribusinesses and Farm Enterprises) which is a coffee farmer organization in Uganda carried took a lead and carried out a strategic planning and needs assessment survey among small holder coffee farmers to appreciate their needs, challenges and opportunities in the coffee sector.

The study revealed that small holder coffee farmers could better be positioned and become competitive when organized into meaningful producer groups at farm level.

Using the Farmer group-Association model, NUCAFE has organized farmers into producer groups and Marketing Associations. By doing this NUCAFE aims at



empowering coffee farmers to produce, process and market coffee of known quality, volume and value at a negotiated price. It also effectively empower the farmer maximize on the benefits associated with market liberalization economy policies. NUCAFE adopted a farmer driven approach to build confidence and ownership among farmers themselves.

5.0 This NUCAFE model is guided by the following principles:

- (i) Farmer must own their coffee – own their structure which govern them – and own programs that sustainable coffee production.
- (ii) Maximum value addition along the chain while maintaining high quality of the coffee product and the service provided along.
- (iii) Reward for performance which entails that each actor in the chain is rewarded for effort (Value for money).
- (iv) Negotiate for price with known coffee quality, volume and value.
- (v) All actors in the coffee chain are winners (Sustainable Coffee For All- SCFA)
- (vi) Holistic approach using coffee as an entry point to develop other enterprises (cash and food crops) for sustainable livelihood

6.0 The NUCAFE strategy – How it works

Farmers are organized in manageable business registered farmer groups of between 25 – 35 farmers who select themselves with an aim to adopt good agricultural practices, access training and produce coffee of uniform quality which meets the needs of the markets.

These groups then form themselves into Associations with the purpose of bulking the coffee for processing, access market and price information, and sell their coffee to a buyer at negotiated price. The sale proceeds are paid directly to each group at its local village bank account. The Associations which are at sub county level also coordinate farmers' access to inputs, appropriate technologies, training, information and credit.

The National Secretariat is responsible for planning, lobbying, and advocacy at local and international level.

7.0 What Impact has the NUCAFE model created?

The small holder coffee farmer is now part of small global village and as consumer and market awareness grows there is need for a small holder farmer to be aware of the emerging concerns/questions demanded by the consumer. For example the consumer/markets want to know.....:



- a) **Where is this coffee coming from? traceability**
- b) **Who is growing it?women, children labour laws**
- c) **How is to grown and processed? quality and food safety**
- d) **Is it grown in friendly environment?shade grown, bird friendly, soil conservation practices etc.**
- e) **Is it value for money?Consumer satisfaction**

It is through this NUCAFE approach that sustainable coffee production issues mentioned above can be adequately understood and addressed by the smallholder coffee farmer in a globalize market economy.

8.0 What have we achieved as NUCAFE?

Among some of our achievements, supported by Agricord through International Federation of Agricultural Producers (IFAP), and Uganda Coffee Development Authority (UCDA), in a short period NUCAFE has been able to:

- i Organize 500 farmer groups consisting of 30 farmers each (15,000) and registered as coffee quality producer business groups cutting across 16 districts of Uganda.
- ii As a trial NUCAFE has assisted farmer groups to sell over 75 tons of coffee directly to the buyers or through the Warehouse Receipt Systems (funded by CFC), and commodity exchange. This figure looks small but this is the way to go.
- iii As the result of these program farmers were able to sell their coffee at high attractive negotiated prices.
- iv NUCAFE has continues to develop strategic partnership with both a local and international organizations and initiatives. We are closely working with Utz Kapeh, the 4 C's, SAI, CFC, etc. These initiatives are very strategic to small holder coffee farmer as a direct beneficiary.
- v Initiate with other stakeholders in Uganda a strategy that will promote coffee consumption among the coffee farmers themselves including students. Uganda consume less that one per cent of its production.



9.0 What lessons have we learned through this process?

- a) The key to success for sustainable coffee production is for the smallholder farmer to embrace a holistic approach from the farm to market through group dynamics – shortening the coffee chain to maximize farmers’ revenue.
- b) The sense of belonging, feeling empowered and ownership of their coffee increase the level of commitment and responsibility on part of smallholder farmer. But this calls for reward with competitive price.
- c) It was noted that harmonization of existing programs initiated by coffee players could be more effective if harmonized.

9.0 What policies do we then recommend helping small coffee producers in the future to ensure a more sustainable coffee economy?

- 9.1. The price of a cup of coffee paid by consumer in London, Paris or New York has never come down yet the smallholder farmer continue to receive chicken feed for their coffee. We therefore recommend policies that aim at narrowing the gap between producers and consumers that aim to promote mainstream certified coffees. This will believe will create traceability, price transparency and make coffee trade fair.
- 9.2 Most of programs and interventions in the coffee sector are more government, institutional oriented which takes time for these programs to filter through to the intended beneficiaries. Policies that will be holistic in nature involving all the stakeholders from production to market that are private sector led will produce better and meaningful results. This we believe is the way forward.
- 9.3 Harmonized programs and projects related to the development of the coffee sector at both local and international levels will lead to a better coordination, efficiency, avoid duplication, confusion and wastage of resources. We therefore call for strategic smart partnership along the entire coffee commodity chain to ensure a win win for all.
- 9.4. Deliberate and well calculated policies that are geared towards domestic consumption ensure increased production and price sustainability. We encourage more support from the coffee industry towards the initiative started by ICO in this endeavour.
- 9.5 Tariff barriers which inhibit market access continue to be a big problem. In order to narrow the GAP between the coffee producer and consuming countries, producers need to add as much value as possible to their coffee to access markets and sell finished product to the consumer market. We therefore recommend



removal of these trade barriers and restrictions so that even small producers like Uganda could market processed coffee to the consumers. This will create a fundamental change for sustainable production among smallholder coffee producers.

FINALLY,

We in NUCAFE believe that the future of coffee industry is bright provided we are all winners and we as farmers will continue to play our role to ensure sustainable production in an organized manner because we know that the future belongs to the organized and together we can make a difference.

GOD BLESS YOU ALL

THANK YOU.

