

**Pilot Short & Medium Term Finance to
Small Scale Coffee Farmers in Kenya
(CFC/ICO/020)**



Results and Proposed Way forward

PROJECT GOALS



Project Goals

To Provide Sustainable Access to Financial Services Particularly Credit to Small Holder Coffee Farmers

Objective:

To increase the benefits to smallholder coffee farmers through the creation of a **suitable**, **sustainable** and **replicable** inputs credit system

Expected Outputs:

Development of a financial product, delivery systems and building of capacity of participating institutions and small holder farmers.

HOW DID WE DO IT?

.....The Credit+
Product

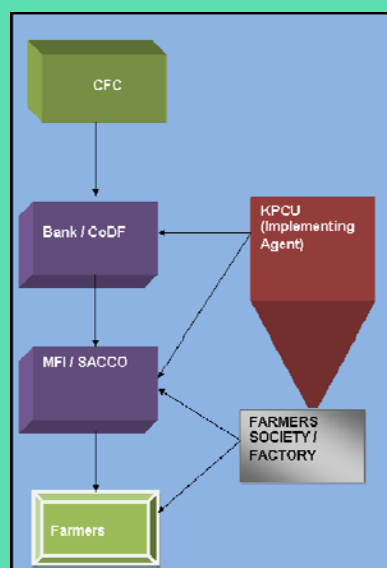


Product Features

- Provision of adequate and timely credit to farmers pegged on the number of trees as the primary basis, calendar of activities, efficient loan structures and computerization of farmers' database;
- Provision of Extension Support to farmers to improve productivity and quality;
- Implementation of an intensive monitoring system of end use of credit through joint liability groups of between 5-25 farmers with a group leader and 4 nominees trained by the Project Implementation Unit (KPCU) in ***coffee Nutrition, Pruning, Pest & Disease Management, and Picking & Delivery Supervision.***
- Model is based on 90 percent bank loan, farmer contributes 10 percent of labour requirement



The Lending Structure





How We Did it...

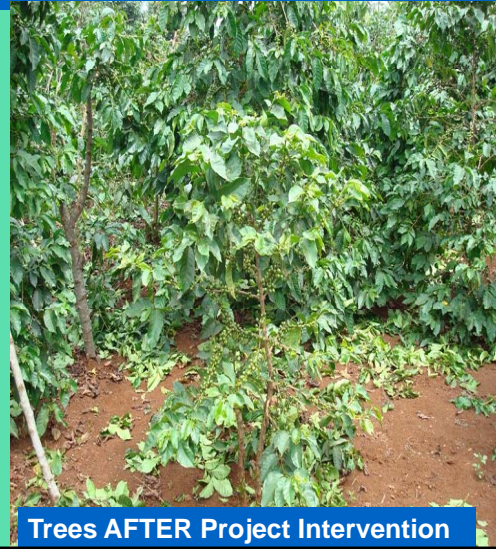
- Lending commenced in October 2007.
- About 600 farmers participated in Upper Midland zone One (UM I) Pilot site at Karithathi in Year I of Lending, representing approx. 60% of the factory membership
- Formed 43 Joint Liability Groups, each with a Group Leader and 4 experts (Pruning, Nutrition, Disease and Pest Control and a Coffee Delivery Supervisor); and 3 Common Interest Groups (CIGs).
- A farmers' passbook used to record all farm activities.
- 12 estates mostly from UM II and III participated – organised in 3 Common Interest Groups

THE RESULTS.....

Improved Coffee Trees!



Trees BEFORE Project Intervention



Trees AFTER Project Intervention

Farm Productivity...Almost Tripled!

Cherry production in Kgs

	Kiunyu Factory – Project	Kiunyu Factory - Non-project	Total	Kabingara Factory	Soc Total
2007/08	243,693	158,002	401,695	104,518	506,213
2008/09	672,303	292,812	965,115	234,282	1,199,397
% Increase	176	85	140	124	137



Improved Coffee Quality.....

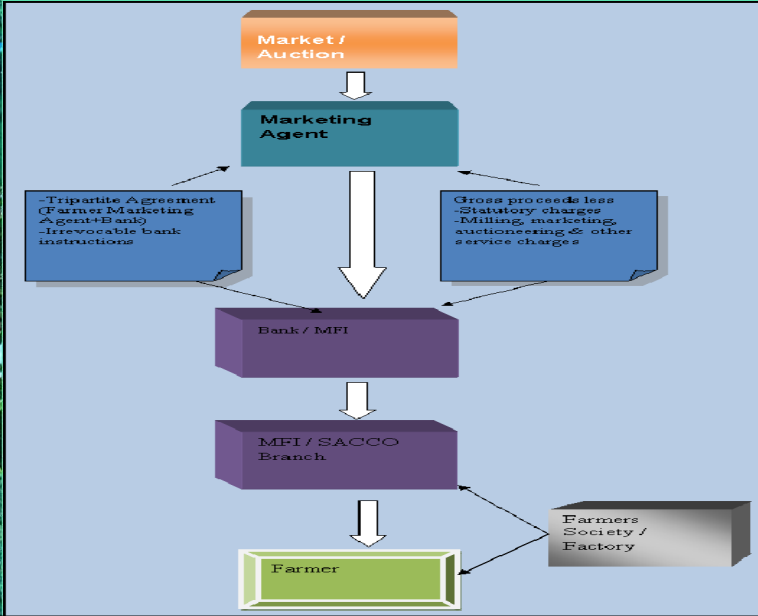
Production Quality in 000's Kg of clean/green coffee

Coffee grade/class	BEFORE project (2007/08)	AFTER Project (2008/09)
AA2	-	2.26
AA3	22.20	32.98
AB2	-	4.47
AB3	20.86	30.11
PB2	-	0.49
PB3	4.97	7.03
E2	-	0.02
E3	0.33	0.36

Loan Performance.....



Loan Repayment Structure!



High Quality Loan Performance.....

- In year 1 of Lending, total loans including interest was **KSh 10,735,285 (USD 137,631-@ sh78)** in 2007/08 that was advanced to pilot test the developed farmers credit system.
- Amount recovered so far from the small holder co-operative farmers is **KSh.9,072,030.50 (USD 116,308)**.
- Amount recovered so far from the estates was **KShs.1,120,129 (USD 14,360)**.
- Thus, Total recovered: **KSh 10,192,159.98 (USD 130,668) representing 95% recovery.**
- **We expect 100% loan recovery on completion of the full payment of sales proceeds to the farmers.**

Key Milestones



Key Milestones

1. Successful development and testing of a credit lending product and delivery mechanism that can now be utilised by banks and financial institutions for lending to farmers that were previously perceived as risky ventures.
2. On going lending at two OTHER pilot sites/factories: 40 JLGs have been formed in the UM II pilot site at Kirurumwe in Embu district comprising over 300 Small holder farmers. More JLGs are being formed at the UM III pilot site at Kagaari South in the same district.



Key Milestones...

3. The Project is currently benefiting directly and indirectly over 5,000 farmers in the selected pilot areas. About 1,300 farmers have so far been financed for their input and labour requirements and there is continued willingness by more farmers to participate.
4. Increase in Joint Liability Groups (JLGs) from 43 to 62 in the UM I pilot site (Karithathi) and Common Interest Groups (CIGs) from 3 to 4 in Kirinyaga district in the year II of lending.
5. Successful development and implementation of an IT System at the Society.

Challenges...



Challenges

1. Uncertainty in Coffee prices causing fluctuations of returns to the farmers
2. Limited small holder farmers benefiting from the Project as the Pilot was only restricted to specific Project sites within Kenya

Way Forward



Replication

- **Replication in Tanzania, Uganda and other relevant areas of Kenya so that more small holder farmers can benefit from the positive results of this pilot project.**
- In this connection, it is worth noting that CFC had earmarked funds for this purpose and we have already developed relevant proposal requesting for funds' disbursement.
- We therefore strongly recommend that the Council **supports** our request for purposes of consideration by CFC.



Price Risk Mechanism

- As already been noted, the Project almost tripled small holders' farm productivity in the Pilot areas.
- However, the actual income to the small holder farmers could have been much higher had the price fluctuations been addressed.
- Indeed, the Project had envisaged this situation and had factored in a Price Risk Component to address fluctuation of Coffee Prices so as to stabilize income to the farmers.
- **We are therefore making an urgent request to implement the Price Risk mitigation component that had been approved by CFC along side the current Small Holder Farmers Input Credit Project in Tanzania, Uganda and Kenya.**



**THANK YOU FOR YOUR
SUPPORT!**

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