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3rd Consultative Forum on Coffee Sector Finance
10 September 2013
Belo Horizonte, Brazil

Case Study E
The emerging cooperative phase:
Deciding to stay together

Background

1. The 3rd Consultative Forum will take place on Tuesday, 10 September 2013 from 09:00 to 17:30 in Belo Horizonte, Brazil; during the week of the 111th Session of the Council (information about these meetings is contained in document ED-2153/13). The objective of the event is to identify best practices and disseminate information to Members about aggregation as a platform through which access to finance and risk management could be achieved more effectively. The terms of reference developed by the Core Group were circulated in ED-2158/13. The Forum will be attended by ICO Members, observers and private sector representatives. In addition, experts in farmer aggregation from different geographical and coffee-growing regions have been invited who will form an 'Expert Nucleus' for the session. The programme for the Forum will be circulated separately.

2. A set of seven case studies with discussion questions has been prepared by consultants as the basis for small group discussions amongst delegates and experts. The purpose of the scenario exercise is to engage the entire audience in identifying best practices and the challenges that farmers face in developing farmer organizations or efficiently achieving the objectives of their organizations. This document includes the following case study: **The emerging cooperative phase: Deciding to stay together.**

Action:

The Consultative Forum is requested to review and discuss this case study.

Managing and Growing Farmer Groups Group Discussion *Case Study E:*

THE EMERGING COOPERATIVE PHASE: DECIDING TO STAY TOGETHER

Background

This case study describes a Latin American country that has a long history of cooperatives. However, the growth of its cooperatives has been hampered by a civil war, a perceived association with illicit crops, and a politicized private sector that does not feel cooperatives pay their fair share in taxes. There are coffee cooperatives that are 40 years old and many new producer organizations and cooperatives that have emerged in the last 10 years, after the end of the civil war, in response to a growing understanding of the need for producer organizations.

Most cooperatives in this country have been established in one of two ways: 1) They were sponsored or promoted by a government institution, international donor or NGO in order to access grants or credit or other project-related benefits; or 2) they were established by individual producers who decided they wanted to increase their access to markets, credit, processing facilities, transport, etc.

There is a national organization that represents the political interests of organized coffee producers and another organization that represents the interests of the private sector exporters. These two organizations have rarely coordinated their activities, so the sector has evolved differently throughout the country, often based on international donor interests. There is no organization that represents the interests and needs of the coffee sector as a whole or of individual coffee farmers. There are varying degrees of farmer sophistication, technical know-how, and farm-level investment in coffee-quality management and understanding. Little to no research has been conducted on coffee or secondary education that is oriented towards coffee production or cooperative management. Many producer organizations have been created with the support of the local or regional government or international donor projects.

This case study is divided into three parts to highlight different perspectives: 1) A memo from a coffee importer trying to ensure consistent supply of Organic/Fair Trade coffee from a recently formed cooperative; 2) Meeting notes from the cooperative's Board of Directors discussing the importers' request and what the cooperative needs to do to meet it; and 3) Notes from a regional coffee committee meeting.



Caption and photo credit

MEMO: Golden Cup Coffee Importers

From: Executive Director

To: Country Staff

One of our main buyers is interested in three containers of single-origin, 84-point coffee from the region where the Flying Coffee Cooperative is located. As you know, we have been working with the Flying Coffee Cooperative on improving their quality, but they continue to have problems in maintaining consistent quality at the volume we need. As a result of the technical assistance received from the recently completed international donor coffee project, most of their members produce good quality coffee, processing and drying it on their farm. But when they receive the coffee from their member farmers they don't keep track of it and it gets mixed together. When we ask for information about their producers, they can rarely find it. And we have heard that they might be purchasing coffee from non-members, which would affect their Organic and Fair Trade certification. They do visual testing for defects but don't cup the coffee and don't have a trained cupper. Also they don't pay for quality, only deduct value for defects and moisture content. It is clear that they need to improve their warehouse management and recordkeeping for this single origin order, and that they need to establish systems or controls. We can provide a couple of trainings, but other than that we don't have any resources to pay for these improvements. Please come up with a few ideas of what you think we could do to help them that won't cost us.

Flying Coffee Cooperative Board of Directors Meeting

The Flying Coffee Cooperative's general manager informs the board that Golden Cup Coffee Importers wants to purchase four containers of 84-point coffee, and to do this the co-op needs to make changes and acquire equipment to improve the quality of their coffee. Members of the board say they need a coffee-drying machine, a new warehouse and a truck, and they wonder if the importer could help them get these items or if there is another project that could help them get them. The general manager says that the importer thinks they should hire a cupper and that maybe the importer could help pay for the person. The general manager suggests that they talk to several local organizations and donors and the municipal government to see what they could get to help fund additional staff, equipment and the facilities they need to improve the volume and consistency of quality of their coffee.

Flying Coffee Cooperative Farmer Committee Meeting

Several producers heard that the cooperative might have a new buyer for high-quality coffee and decided to organize a committee meeting. The producers indicated that there was an exporter that was buying Organic and Fair Trade-certified coffee at good prices and they were thinking about selling to them. Others wanted to know how much Flying Coffee Cooperative was going to pay them. Some producers asked what they were going to get if they sold to the cooperative, saying it hadn't done anything for them since the project ended and they hadn't seen anyone from the cooperative. Another asked who the general manager of the cooperative was. One of the newer producers asked what "84-point coffee" meant.

CASE STUDY DISCUSSION QUESTIONS

- 1) What are the concerns of the importer, Board of Directors and farmer committee? Why do they differ?
- 2) How can donor programs help the development of cooperatives? What can they do to hinder their growth?
- 3) What should the Flying Coffee Cooperative be concerned with to achieve consistent quality? Do they require resources to do this? And if so, how could it generate the necessary resources?
- 4) How could appropriate systems and controls help the cooperative meet the importers' requirements? Why aren't these systems in place?