

GUARANTEEING CREDIT TO COFFEE FARMERS IN ETHIOPIA AND RWANDA

Locations Ethiopia, Rwanda

Dates 11/02/2011 - 31/07/2016

Summary

Coffee is one of the largest traded commodities in the world, providing livelihoods for 25 million farming families, and is crucial to the GDP in many countries. In places such as Ethiopia and Rwanda, coffee plays a critical role in the economy and revitalising coffee production and quality is vital; allowing farmers to attract premiums and improve their household income. This project continues on our previous work here improving processing practices by smallholders.

The problem

Coffee, produced by over 50 countries, is one of the largest traded commodities in the world.

Supply and demand are in very tight balance, and more and more coffee is being consumed around the world. With statistics showing that African production is falling behind, it needs ways of increasing production and quality. In countries such as Ethiopia and Rwanda, where coffee plays a critical role in the economy, revitalizing coffee production and quality is vital; allowing farmers to attract premiums and improve their household income.

Despite the superior varieties of the coffee, the optimum soil and the climate, the industry has declined substantially here.

What we are doing

Following up on a previous three year pilot project aimed at improving coffee quality here, this project is continuing to improve processing practices by smallholders in Ethiopia and Rwanda. This is resulting in an overall sustainable increase in the quality and quantity of sun-dried, semi-washed and fully washed Arabica coffee.

As many smallholder farmers are reliant on basic equipment to produce their coffee, we designed a credit guarantee scheme, enabling smallholder farmers to access commercial loans to improve their product. This is enabling farmers to acquire improved processing equipment and is assisting cooperatives to purchase and export the resulting high quality coffee produced. CABI is providing technical assistance to promote good agronomic and processing practices, market information to everyone in the coffee chain and promoting good governance of the cooperative societies.

The previous pilot project resulted in significant improvements in the quality of coffee in Ethiopia and Rwanda with farmers receiving higher premiums (in excess of 30%).

However, some smallholder coffee farmers are resource-poor and do not have savings and the level of capitalization enjoyed by the cooperatives. By giving access to affordable credit, we expanded the new processing technologies to non-project farmers and other regions.

Inadequate access to market information also undermines the smallholder's capacity to effectively negotiate in the supply chain. Information is important in planning future production and scheduling of product release into the market so our team aimed to arm farmers and others with the right information to facilitate best returns.

Results so far

We have identified and selected 22 new cooperatives in Ethiopia and 20 in Rwanda and purchased and installed machinery, equipment and facilities for improved processing.

To allow banks to lend to them, training on financial literacy and good cooperative governance was run by Rabobank for the selected cooperatives in Rwanda. Likewise, training for loan officers in the participating banks was successfully undertaken in both countries to enable them to better understand the coffee value chain. Loans have been made and we are monitoring progress with installation of equipment and enhanced processing techniques.

Training future trainers was undertaken in Ethiopia for over 100 development agents, and for 19 trainers in Rwanda. The team covered a wide range of issues relating to coffee production, processing, quality, marketing and management of farmers associations.

Additionally, the team conducted training sessions across three coffee regions for farmers, which involved active participation in lectures, group discussion, debates and presentations, field visits and demonstrations; sharing experiences, information and ideas. Cooperatives participating in the project have increased coffee productivity and are producing better quality coffee. This has resulted in increased incomes both to the cooperatives and to the members. Cooperatives are increasingly capitalizing, acquiring durable assets and increasing savings.

Donors

International Coffee Organization, Common Fund for Commodities (CFC), Rabobank Foundation

Partners

Banque Populaire du Rwanda (BPR), The Cooperative Bank of Oromia (CBO), National Agricultural Export Development Board (NAEB), Rwanda, Ministry of Agriculture and Natural Resources, Ethiopia






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