

The farmer ownership model

Transforming smallholder coffee farmers in Uganda

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Uganda's National Union of Coffee Agribusinesses and Farm Enterprises (NUCAFE) has adopted a new approach to encourage coffee farmers to expand the scope of their activities in the coffee value chain.

NUCAFE has adopted a new approach, known as the farmer ownership model (FOM), to help farmers increase their incomes and standard of living. With this model, farmers are encouraged to own their coffee throughout the various stages of processing. At the same time, NUCAFE helps farmers organise themselves to assume as many roles as possible so that they benefit from the value added to the coffee at each step in the processing chain.

The FOM is an alternative to the traditional cooperative, which acts as a middleman and maximises its profits by buying from farmers at a low price and selling at the highest price possible. Rather than purchasing coffee directly from farmers, NUCAFE acts as process facilitator, providing goods and services to help farmers expand their activities throughout the value chain. The role of trader processors is also different in this model. Instead of selling their coffee to processors, farmers now simply pay them a fee for processing or milling, and retain the processed coffee. NUCAFE is encouraging farmers to continue adding value by organising sorting, grading, roasting, grinding and branding their own coffee.

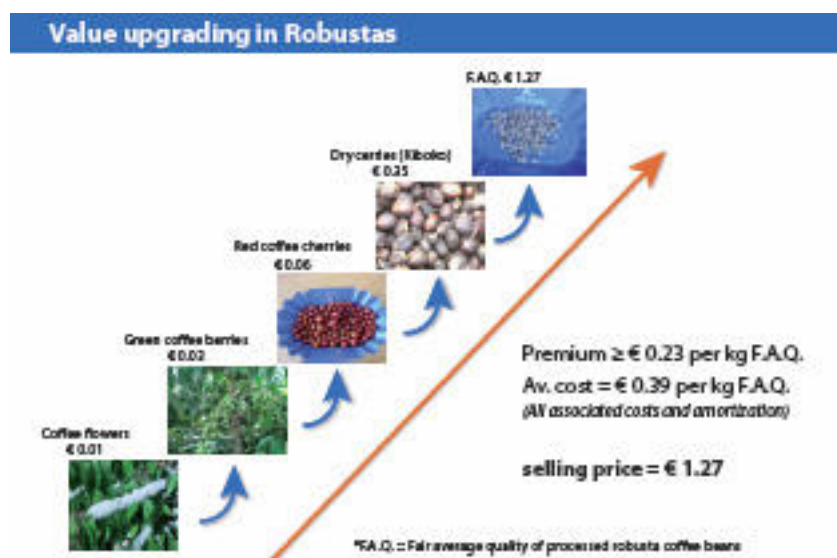
Attitudinal change

The success of this model relies on the ability of farmers, through organisations such as farmer groups, associations or cooperatives, to assume some or all of these functions in the value chain. NUCAFE is therefore helping to build the capacity of farmers and their organisations by training, coaching and guiding farmers through the process of attitudinal change that is required to make the model work, especially in the early stages. Further, NUCAFE is encouraging farmers to diversify their farm activities to ensure stable incomes throughout the year.

Trader processors are not members of NUCAFE, and not all of them subscribe to the new approach because they see it as preventing them from buying coffee. However, some have

realised that if their role does not change, there will eventually be no coffee for them to process. This is because farmers' margins are steadily shrinking, and may reach a point that the volumes available will cease to make economic sense, not only for the farmers but also for them. Therefore, processing coffee for a fee is seen as a win-win for them and the farmers.

Value added



Since NUCAFE began developing the model in 2003, it has made considerable progress. Its membership has continued to expand, from 110 associations and private companies in 2006, to 125 today. By improving quality, adding value with minimal processing, and negotiating directly with exporters combined with favourable world coffee prices NUCAFE has been able to move

more, higher quality coffee, and has increased substantially the returns to farmers. For example, in 2006, farmers were paid just 1200 Uganda shillings (about ?0.48) for 2 kg of unprocessed dry coffee cherries (*kiboko*). A year later, NUCAFE was able to obtain as much as US\$ 2700 (?1.07) per kg of 'fair average quality' (FAQ) processed robusta beans. Through its market linkage service, NUCAFE succeeded in increasing the volume of sales of FAQ coffee from 331 tonnes in 2006, to 630 tonnes in 2007, for a total of US\$ 1677 million (?680,094). Out of this, the value added amounted to more than US\$ 413 million (?167,613).

With their additional income, the members of the Erusi Coffee Farmers' Association in Nebbi district have launched a home improvement programme, starting with the purchase of 1005 metal roofing sheets for 42 farmers who had been living in thatched houses. In Mpigi district, members of the Buwama Coffee Farmers' Association were able to buy five motorbikes to set up a transportation service. Many farmers have also begun to make financial contributions to support the services provided by their local associations and the NUCAFE system as a whole. So far, they have contributed over US\$ 20 million from the profits they have made (about ?8000).

For NUCAFE, however, the challenge is to increase the financial and human resources it needs to expand the programme and its services to all coffee farmers in Uganda. Organisations that have supported the development of the farmer ownership model over the last four years include the NGOs AgriCord, Agriterro, the Uganda Coffee Development Authority (UCDA), the National Agricultural Advisory Services (NAADS), the Coffee Research Centre (COREC), the US Agency for International Development (USAID) and Oxfam International.

For more information about the FOM, or to request a copy of a manual, [contact](#) the author.