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Coffee Sector workshop

CHALLENGES FACED BY COFFEE COOPERATIVES

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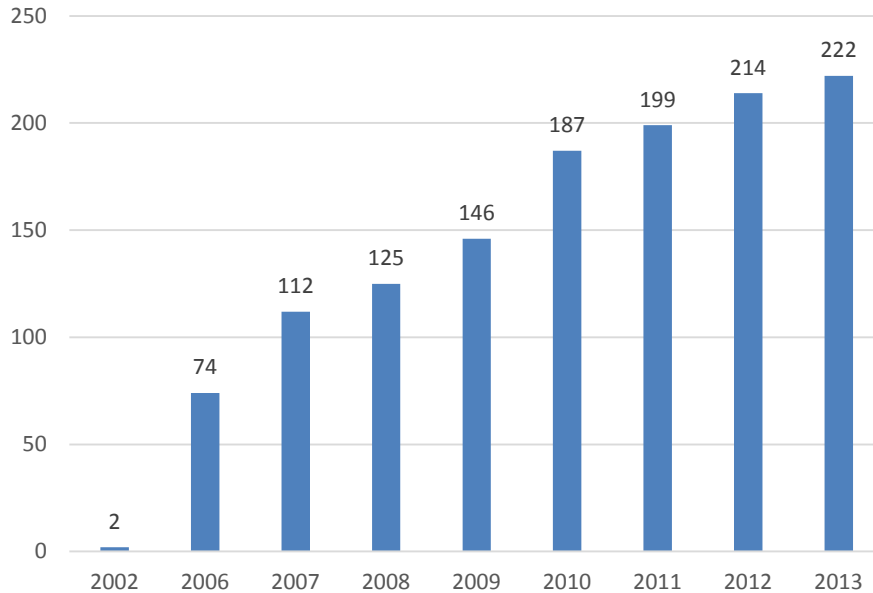
SMART DEVELOPMENT WORKS

Contents

- Overview on primary processing
- Cooperative business model
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OVERVIEW OF THE PRIMARY PROCESSING

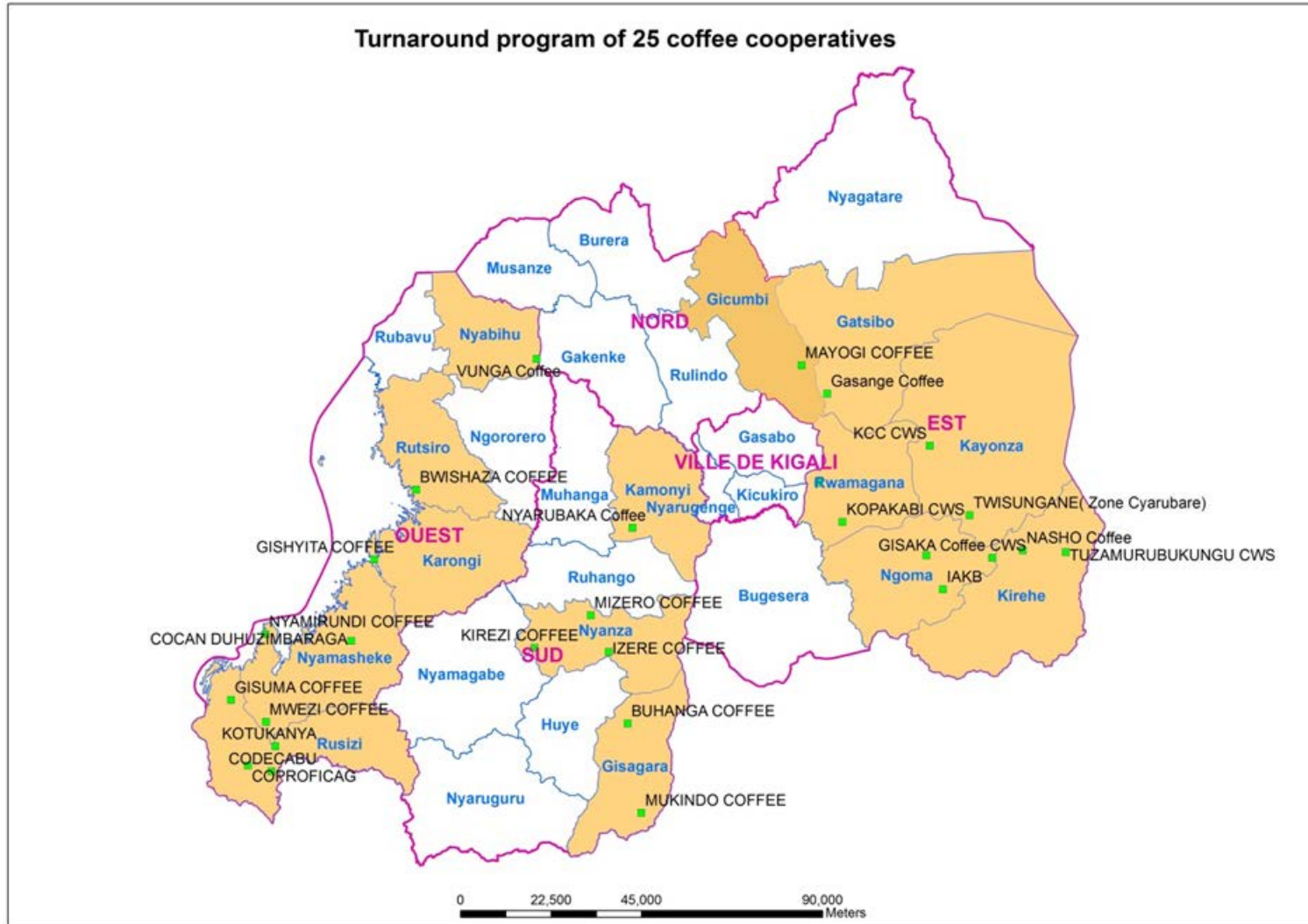
The number of CWS increased from 2 to 222



110 CWS or
50 % CWS owned
cooperatives owned

Most of them were
funded and supported
by donors.

Turn around program : 25 coffee cooperatives



Cooperative's business models

4 business models are currently developed in the wet process industry with regard to vertical and horizontal integration towards market

1. Cherries collection from members and selling to nearby CWS, no investment in CWS
2. Investment in processing and relationship with CSP (Finance and market : Technoserve)
3. Vertical integration
4. Joint-venture private & cooperative as an emerging model

There are more elaborated model for private, but the trend is integration model,

Business model	Benefits	Disadvantages
1. Cherries collector model	No business risks, risk transferred upstream	Low benefits to members (low value addition)
2. CSP model (TechnoServe)	Access to finance and market, Business risks shared with CSP, Financial risk supported by CSP	Power asymmetry, High supervision cost
3. Coffee Company model (MISOZI, RWASHOSCCO,)	Access to finance and market, Potential for growth Possible economies of scale Higher bargaining power	Business risks supported by the cooperative Only market oriented, no other services so far.

4 Key Challenges

Challenges	Description of the issue
Governance	Weak leadership Past mismanagement leading to distrust Respect of cooperative principles and values Cooperative model dilemma that not allow quick decision making in competitive environment and low level of reinvestment.
Access to finance	Lack of collateral Bad debts Mismanagement Lack of skilled staff
Management and CWS operations	Lack of skilled and motivated staff Lack of management rules (procedures) and external control Low capacity utilization, Cherries competition that lower coffee quality (members side-selling)
Access to market	Low bargaining power due to quality and quantity inconsistency Low access to information and

DRIVERS FOR COMPETITIVENESS

Human factor comes first

- Farmers (many of them are dealing with daily survival strategies),
- Leadership development remain a critical factor
- Relationship building along the value chain
- Farmers Information System
- Filling skills gap
- Improve internal and external control

Finance factor

- Access to finance
- Reduce finance costs

Technical factor

- Productivity (farm level, CWS)
- Develop business development services



THANK YOU

SNV

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