Coffee Sector workshop

CHALLENGES FACED BY COFFEE COOPERATIVES

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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,

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

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<thead>
<tr>
<th>Challenges</th>
<th>Description of the issue</th>
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| 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