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**Improving coffee quality in East and Central
Africa through enhanced processing
practices (Rwanda and Ethiopia)**

Summary of the final report

Background

1. This document contains a summary of the final report of the project entitled 'Improving coffee quality in East and Central Africa through enhanced processing practices (Rwanda and Ethiopia)' which was submitted by the Project Executing Agency, CABI Africa.
2. The project commenced in July 2004 and ended in December 2007. The participating countries were Ethiopia and Rwanda.
3. A copy of the full report is available on request from the Secretariat.

Action

The Council is requested to note this document.

IMPROVING COFFEE QUALITY IN EAST AND CENTRAL AFRICA THROUGH ENHANCED PROCESSING PRACTICES (RWANDA AND ETHIOPIA)

Summary of the final report

Project Background

The overall goal of the project was to improve the livelihoods of small-scale coffee farmers through the improvement of the quality of coffee in Ethiopia and Rwanda.

In terms of developmental objectives, the following deliverables were envisaged:

1. Viability and sustainability of small-scale coffee washing stations (SSCWS) demonstrated
2. Improved use of sun-drying systems for natural coffee
3. Benefits of improved methods of processing and quality coffee promoted through training and dissemination of information
4. Proposal for financing SSCWS on a commercial basis developed

Major achievements

The project achieved all its objectives. This report summarizes the achievements realized, the implementation challenges encountered and recommendations on how such challenges were/could be addressed.

Output 1: Viability and sustainability of SSCWS demonstrated

The successful delivery of this output was pegged on formation and sustainability of farmer associations based on SSCWS which operate profitably. The socio-economic surveys conducted in Ethiopia and Rwanda revealed that farmers in both countries were enthusiastic and willing to continue participating in the programme. Eagerness among non-project farmers to be enlisted in the future phases of the project was demonstrated in both countries.

In Ethiopia, farmers were highly receptive to the use of hand-pulpers and reported that hand-pulpers produced high quality coffee compared to sun-dried coffee processing. Both methods, as promoted through the project, demonstrated significant quality improvements.

Benefits attributable to the production of pulped coffees were identified as follows:

- Farmers are able to produce better quality coffee and as a result, are now able to attract premium prices.

- Farmers are now able to sell their coffee in bulk at the end of the crop season and as groups. This has increased the bargaining power of the farmers, shielding them from potential exploitation by middlemen.
- The lump-sum payments received upon the sale of coffee promoted a good savings culture among farmers which did not exist prior to the project.

Farmers are once again able to work in viable interest groups. Additional capacity-building and awareness-creation activities are however necessary to entrench mutual trust among farmers to establish well-structured farmer groups.

From the socio-economic perspective, the hand-pulpers demonstrated the capacity to be commercially viable within the first year of operation. Technical efficiency was less than the expectation given the underutilization of capacity. The reported initial profitability and technical efficiency levels coupled with the growers' interest and commitment indicate that the hand-pulpers would be sustainable in the long run assuming all other factors do not change drastically.

In Rwanda, results obtained from the project demonstrated that the quality of coffee processed by the SSCWS was better than that processed by other methods. This indication of quality is encouraging given the implications for monetary returns and establishment of a niche market for Rwandan coffee in the event that large volumes are produced and processed.

Perceived benefits by farmers in Rwanda associated with the improved processing practices increased willingness of the farmers to pay for the pulping services. This is an indication that the processing approach championed by the project would be sustainable beyond the project life.

Preliminary results also indicate that SSCWS achieved good financial efficiency in the first year of operation and that they are commercially viable. It is also expected that better returns would be achieved as the project activities continue and become entrenched. The technical efficiency of SSCWS was less than expected, but reasons for the low performance such as capacity underutilization can be easily addressed in subsequent years of operation.

Output 2: Improved use of sun-drying systems for natural coffee

This output was limited to project activities in Ethiopia and its successful delivery was pegged on the adoption by 2,000 farmers of the improved drying methods by year three. At present, 900 project farmers have also adopted the improved sun-drying techniques to process excess coffee which cannot be produced using improved semi-washed methods. Over 155 tonnes of sun-dried coffee are already being produced annually using this method.

Although not quantified, a large number of non-project farmers are already establishing facilities for improved drying methods. Large numbers of non-project farmers also made requests to sell their coffee through the project, having noted the perceived benefits associated with the marketing system used to sell project coffees. Moreover, new farmers have been given extra drying materials in recognition of their interest in adopting the improved processing practices.

Output 3: Benefits of improved methods of processing and quality coffee promoted through training and dissemination of information

In the case of Ethiopia, extensive training and awareness campaigns have been conducted jointly with the Ministry of Agriculture and Rural Development (MoARD) staff and a consultant from IllyCaffè. The thrust of the training included improved coffee processing practices (both sun-drying and pulping) and proper use and handling of processing equipment and drying materials. Promotional materials were developed and widely circulated in the project countries.

An important activity undertaken to enhance farmers' awareness of the benefit of producing quality coffee was the presentation of certificates and cash tokens to those who produced the best quality coffees for sun-dried and wet processed coffees respectively. Accordingly, six farmers (three each from the sun-dried and pulped categories) are identified each year for the awards.

A number of training activities were similarly carried out in Rwanda. Although the number of trained farmers was not as high as in Ethiopia, the few trainees represent a large number of farmers operating through cooperatives.

Output 4: Proposal developed for financing of SSCWS on a commercial basis

In Rwanda indicators for commercial financing of the SSCWS have been observed and farmers are supplying coffee to the SSCWS for a fee and are willing to form other associations that would request other SSCWS to avoid congestion in those already supplied. More activities will be required in Ethiopia to entrench coffee-processing through small farmers' associations. The two countries have therefore developed a proposal to solicit support in developing rural-based credit schemes and to address other areas which may require additional support.

Challenges encountered during project implementation

Marketing issues

Marketing of the premium coffee produced through the project remains one of the most challenging problems faced by the project. In Ethiopia, for instance, direct access to markets by smallholder farmers is not the normal practice, nor are farmers paid on the basis of the quality of coffee produced. Extensive discussions were required with the National Project Coordinator of the Ministry of Agriculture as well as with selected coffee exporters so as to ensure premium prices paid to farmers who produced high quality coffee during the first year of the project. The exporters subsequently agreed to buy the coffee at a premium as follows; local price + Ethiopian Birr 1.5/kg for sun-dried coffee and price of improved sun-dry coffee + Ethiopian Birr 2.5/kg for pulped coffee.

To ensure that a more sustainable marketing system was in place before the end of the project, the sale of coffee produced in the second year of the project was auctioned through a closed tender system. The advantages of the open bid have yet to be realized.

Financing

Access to affordable credit in Rwanda is one of the main constraints and it was not directly targeted by the project. Where access to loan facilities was brokered by the project, some problems were observed during the rolling-out phase of the credit scheme.

Provision of loans by Rwandex for the purchase of coffee cherries was rather irregular, inadequate at times and on a weekly basis. In some cases, the loans were lower than requested by the cooperatives since Rwandex had yet to develop confidence in the new coffee associations.

Conclusion and recommendations

The project demonstrated that improved coffee processing based on the use of hand-pulpers and modern sun-drying practices in Ethiopia and ecological pulpers in Rwanda was economically viable. Farmers are achieving better quality crops and are willing to form sustainable farmer associations based on SSCWS which operate profitably.

The project results have outstripped the anticipated target in the area of dissemination of information and gains in coffee quality, and premiums realized are beyond the project expectations. Aftercare interventions will, however, be required through capacity-building in areas which were not targeted by the project but which directly impinge on widespread adoption and sustainability of the project.

The different stakeholders have recommended that the sun-drying method be up-scaled. It is also recommended that additional activities to enhance scaling-up and scaling-out of the project be undertaken in the coming years.

Factors being considered in the up-scaling phase include skills and knowledge in good agronomic practices, capacity-building in terms of training in labour management, skills in the management of Small to Medium Enterprises (SMEs) and development of rural credit schemes based on farmers' savings, development of an endowment fund to facilitate access to credit, improved information management systems and development of warehouse receipt systems. To accurately estimate the impact on non-project farmers, it is also recommended that an impact assessment study be considered in the second phase. In addition, it is recommended that deliberate efforts be made to systematically sensitize non-project farmers about the benefits of producing high quality coffees and the formation of viable farmers groups.