Manual for Developing The Farmer Ownership Model

Building the Coffee Value Chain for Sustainable Livelihoods

Farmer Ownership Model Graphic Representation

Exporters
Government ministries
Sector regulator
National Coffee Farmers Organisation
Association/Co-operatives
Enabling environment
Co-operative training
Research Training
Mobilisation, GAPs
Coffee dev't fund
Extension & business support services
Donors
Institution

Processors
Extension services
Standards agency
Co-operative

Traders
Fruit images

Financial services
Inputs

Information Flow
Certification/standards

Exporters
Importers, Supermarkets
Consumers

Principles
Coffee is an entry point
Performance pay
Mind - set change
No buying coffee
Facilitation role
Value addition
Sustainability
Sustainability

By Joseph Nkandu

With financial support from
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1. **Forward:**

This manual is a key resource for smallholder farmer empowerment for sustainability towards sustainable livelihoods and consumer satisfaction and is available to any body for use in farmer training, policy formulation, innovation and knowledge sharing.

With the aim of improving the standard of living of the farmers, NUCAFE uses the “farmer ownership model” whereby farmers are encouraged to own their coffee along the various stages of the coffee value chain. At the same time farmers organize themselves to assume as many roles and responsibilities as possible in the coffee value chain in order to increase their incomes from the value added.

The farmer ownership model is a response to the paradox within the coffee value chain whereby players in the active coffee trade including; roasters, importers, exporters and the primary traders are always in the boom where as farmers are always in the crisis leading to a vicious cycle of poverty. The farmer ownership model is also a response to the challenge of the traditional cooperative model. The traditional cooperative model assumes a role which is very similar to that of a middleman, who maximizes profits through offering low prices to the farmer or by selling at the highest price possible. This alienating effect on the farmers kicks in especially when the cooperative grows and when farmers lose control and ownership to the governance and management structures.

According to the “farmer ownership model” the role of the farmer organization such as NUCAFE is different. Rather than buying...
coffee, NUCAFE focuses on being a process facilitator providing goods and services that empower farmers to upgrade (forward integration) and move up the coffee value chain. Also the roles of the middlemen and processors change. Instead of buying, trader-processors are simply paid processing or milling charges and then the processed product goes back to the farmer who is encouraged to continue adding value by sorting, grading, roasting and selling directly to roasters, and we have future prospects for branding and moving into joint ventures (share-holding in a business of a final product) and cultivating farmers into roasters and consumers. This way, farmers and farmer groups and associations are empowered to assume as many functions as possible within the value chain in order to improve their livelihoods sustainably. Of course it all depends on the capacity of the farmer through a strengthened farmer organization (group, association and co-operative) to assume some or all of these functions with a certain degree of skill, knowledge and technology. NUCAFE builds the capacity of farmers and farmer organizations through training, mentoring, and guiding farmers through a process of attitudinal change that is required, especially in the early stages of adopting the model. Furthermore, the farmer ownership model encourages farmers to diversify and integrate other enterprises on their farms to ensure stable incomes during the off-coffee seasons.

Trader processors are not members of NUCAFE but some subscribe to the NUCAFE Farmer ownership model because to some it is viewed as eliminating them from buying coffee. However, through education, some have realized that if their function of buying very raw coffee (unprofitable forms of coffee) or coffee at flowering stage does not change, there would be no coffee in some years to come because farmers’ margins steadily continue to shrink to a point that volumes will cease to make economic sense not only to the farmers but also to the trader processors. Therefore, processing (milling) at a fee is seen as a win-win for them and the farmers.
This manual provides a good resource obtained from farmer empowerment activities, workshops and international exposure to coffee markets. It can also be used in other commodities like cocoa, sugar and cotton to mention but a few.

This manual puts emphasis on ensuring sustainability of farmers not only in taking ownership in upgrading themselves in the most profitable links in the coffee value chain for their sustainable livelihoods and satisfaction of other players but also mitigating climate change and gender inequality through application of best coffee agroforestry practices and gender equity in decision making respectively.

In developing this manual, I have drawn my experiences on our own activities for 10 years working with smallholder coffee farmers within NUCAFE and with exposure to many different models within and outside Uganda. This manual has been developed as a result of implementing activities and gaining knowledge and experience by working hand in hand with ICRAF, CAFNET Project, TRIAS, Agricord, Agriterra, DANIDA ASPS programme, Uganda Coffee Development Authority (UCDA), Oxfam, USAID SPEED project, Private Sector Foundation Uganda, Café Africa, IFAP, NAADS, CORI and CIRAD.

In a special way I would like to extend my felt thanks to AGRICORD and Trias for funding its development, NUCAFE staff, farmer leaders and farmers for collectively contributing to the development of this innovative system leading to the preparation of this manual.

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I wish all the farmer ownership model facilitators the best in taking forward the development process of the model. I wish all smallholder farmers an easy adoption and replication of the model. I also look forward to feedback so that this manual can further be improved.
This manual is available to anybody for use. The condition of use is that Joseph Nkandu asserts the moral right to be identified in a retrieval system or any means, whether electronic, mechanical, photocopying, recording or otherwise, without prior written permission. All concepts and ideas expressed in this manual remain the property of NUCAFE Ltd.

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Executive Director, NUCAFE
2. Definition of Acronyms/Abbreviations

AGRICORD: Consortium of Agriagencies
AGRITERRA: Agriagency in Netherlands and Member of Agricord.
CAFNET: Connecting, Enhancing and Sustaining Environmental Services and Market values of Coffee Agroforestry
CIRAD: International Research Institute for Agriculture and Development
CORI: Coffee Research Institute
DANIDA ASPS: Danish International Development Assistance Agriculture Sector Programme Support
GAPs: Good Agroforestry Practices
ICRAF: World Agroforestry Centre
IFAP: International Federation of Agricultural Producers
NAADS: National Agriculture Advisory Services
NGOs: Non Governmental Organisations
NUCAFE: National Union of Coffee Agribusinesses and Farm Enterprises
TRIAS: Belgium Agriagency and Member of Agricord
UCDA: Uganda Coffee Development Authority
3. **Introduction:**

The *Farmer Ownership Model*, which is based on the farmer group-association/new form of co-operative framework, is an innovation aimed at supporting coffee farmers to organize themselves to assume as many roles as possible in the coffee value chain in order to increase their value share of the finished product. For a long time, coffee farmers have not had the opportunity to have ownership over coffee, the policies and programmes that target coffee and the processes involved to reach the exporters and the manufacturing industry.

The farmer ownership model is a model that builds the capacities of farmers to remain in charge of their own affairs and be responsible for their own actions but work in partnership with other stakeholders as facilitators. Therefore, it addresses the inefficiencies of the linear coffee value chain which have been impacting negatively on farmers for decades. This model is an intertwined network value chain quite different from the traditional linear value chain which used to focus on only the active players in production, processing and marketing without taking consideration of other stakeholders outside the linear framework such as financial institutions, input suppliers, the academia, NGOs. In addition, the overall public development policy for the coffee sector in Uganda like in most of other African coffee producing countries does not offer viable support to the coffee farmers to exploit the hidden treasure in coffee. The three million smallholder coffee farmers who predominantly produce 98% of Uganda's coffee have always been policy and price takers. The twenty five million families involved in coffee production across the world are the most marginalized and least paid in the coffee value chain. As a result, the returns on their investments have always been so low that reinvesting in quality, productivity, rehabilitation and replanting has been so challenging. To this end, over time quality of coffee has deteriorated and the volume of Uganda coffee accordingly declined. This also applies to other African coffee producing countries. All the above has resulted into increased poverty and poor standards of living. In Uganda, the farmer ownership model has gained considerable attention over the years, as an operational means to prudently empower and enhance the competitiveness of smallholder coffee farmers in the profitable links in the coffee value chain.
It is, therefore, very important that facilitators (change agents), such as; farmer leaders, extension workers (e.g. Business Managers), policy makers, stakeholders and farmers themselves get to know the root cause of the vicious cycle of poverty among small scale coffee farmers who produce the second most traded commodity in the world. It is also important for policy makers not only to understand the paradox in the coffee value chain but to actively partner with farmers to find a sustainable solution. It is also important that all stakeholders appreciate that sustaining coffee production is a shared responsibility and that all coffee stakeholders depend on each other. Therefore, in order to sustain it, there is need for deliberate efforts to move towards shared ownership over coffee and anything that goes with it. Once stakeholders develop the sense of shared ownership, then farmers would have ownership for the mutual benefit of all. But for that to happen, smallholder coffee farmers have to take collective actions to begin the journey towards ownership. They must be well organized into business oriented and manageable farmer groups and associations or the new form of co-operatives that do not do business with their members but facilitate business for their members. They must assume as many functions hitherto performed by traditional middlemen. Middlemen can only remain if they change their roles- away from taking possession of coffee to providing services. Even the farmer groups and associations must not engage themselves into buying coffee from individual member farmers. Associations, groups or co-operatives are honest brokers (facilitators) whose pay is based on performance. Otherwise, the ownership over coffee still remains under the individual farmers until it has received the required value addition and eventually sold to the buyer who may be an exporter, roaster or even supermarkets or the final consumer depending upon the sophistication (level of development) of that farmer organization.

In other words, a more durable and substantial way of enhancing farmer incomes with increasing environmental conservation, social responsibility and ultimate ownership lie in the way farmers are organized for effective advocacy, systematic application of knowledge to the coffee value chain network and the application of innovative business practices. These three elements are called “Amasiga g’obugagga” in the luganda language (three pillars for wealth creation for smallholder farmers). This simply means that
farmers must upgrade their value share in the following forms:

- Coffee commodity upgrading – including innovations involving change of coffee form in the value chain
- Process upgrading – including innovations involving partnerships and collaboration between links in the value chain and enhancing it with for example a story behind coffee
- Functional upgrading – comprising a different mix of activities within a particular link in the chain (e.g. taking responsibility for logistics and quality) and/or undertaking activities formerly performed by other players in the chain (e.g. moving into marketing and branding).
- Diversification – involving horizontal integration of other enterprises – meaning that coffee is an entry point and integral part of the farming system
- Farmers becoming shareholders in the business of the finished coffee product
- Sustained pursuit of enabling environment and also preferential treatment for coffee farmers obtaining from their contribution to the country’s economy.
Defining ownership – the coffee farmer’s perspective:

What is ownership in the context of a commodity like coffee? When farmers are asked to define ownership, this is what they say:

- The farmer does not lose control or possession of the coffee before maximising value addition e.g. through primary, secondary or final processing along the value chain depending on the capacity to do so.
- One is responsible for his actions e.g. quality improvement, environmental conservation through good agroforestry practices.
- Possession of but not simply a custodian or a trustee.
- Coffee farmers have always been relegated to being trustees or custodians rather than owners.
- Belonging; there is a voice to advocate for farmers.
- Concern; there is care and interdependence for one another.
- In charge of structures, policies and programmes.
- Farmer has a say on an enterprise e.g. coffee by being able to negotiate or determine the price.
- Farmer knows the volume, value and taste of the coffee.
- Farmers have access to market information.
- Farmers have capacity to access affordable credit and inputs for investment.
- Farmers have capacity to access technologies.
Having sustainability means supporting the ability of farmers to remain agile, cope up with changes, to be adaptive and resilient in responding to new challenges by adapting their production system.

There is equity in decision making at the household, farmer organisations and along the Coffee Value Chain among different stakeholders.

Then what exactly do we mean by small scale coffee farmers have no ownership over coffee?

Smallholder coffee farmers say that lack of ownership happens when:

- The farmer is a price taker
- The farmer is a policy receiver
- The trader determines the weight of the coffee because the farmer does not have the weighing scale
- The trader determines the moisture content of the coffee because the farmer does not have the moisture meter
- The trader does processing and takes possession of coffee
- The farmer sells flowers or unripe coffee on trees or at most sells dry cherries or parchment
- Farmer has no sustainability to ensure sustainability. For example if farmers’ returns are just below cost of production, they cannot afford application of mitigation measures for climate change
- All the above leading to a vicious cycle of poverty
Lack of equity at household level and farmer organisations, leading to disenfranchising some parties, (i.e, women and the youths)

Coffee Value Chain analysis

For farmers and policy makers to be able to tackle the paradox within the coffee value chain, which leads to lack of farmer ownership over coffee, it is important to carry out a thorough coffee value chain analysis. This will help us to find out where the most and least profitable stages of coffee are. Then we can start to build a coffee value chain by way of empowering the farmers to upgrade.

The analysis involves tracking the value chain from downstream where consumers and roasters are to upstream where farmers are found. Because we are always advised to be market driven and markets of different forms of coffee are always found in different places, we analyse how the different forms of coffee whose prices may in most cases be different with regard to different locations.

Situational Analysis of the coffee Value chain

If market-driven, consider location and form of coffee sold. The price of coffee will depend on the location, form of coffee, quality of coffee, among other things.

As an example, let us start by looking at the price of the cup of coffee in the coffee shop in New York, United States of America (USA). As seen below, a high quality cup of coffee is at US$ 8.82 (Uganda
Shillings 17,640). From 1kg of roast and ground coffee, which may also be roughly equated to 1kg of instant coffee, at least 80 cups of coffee are obtained. This translates into US$705.60 (Ugshs 1,411,200) when the exchange rate of one United States dollar is equal to two thousand Uganda shillings.

For a kilogram of high quality green beans in New York, the price would be US$ 12 per lb or US$26.46 (Uganda Shillings 52,920) per kilogram according to research by Benoit Daviron and Stefano Ponte, The coffee paradox 2005.

The pictures below illustrate these two scenarios according the location, quality and form of coffee.

USA Coffee shop
A high quality coffee cup

A cup = US$ 4 per lb = US$ 8.82
(Uganda Shs 17,640)

1kg of roast and ground coffee = at least 80 cups = US$ 705.60
(UgShs 1,411,200)

High quality coffee beans

1 kg of green beans = US$12 per lb = US$ 26.46
(Uganda Shs 52,920)

Source: Benoit Daviron and Stefano Ponte, 2005 – The coffee paradox

If we consider the price of coffee of different forms and quality whether in a restaurant or a coffee shop at another location, say in...
Kampala, the situation is as illustrated below;

**Kampala Restaurant**  
(for a poor cup of coffee)

A cup of coffee US cents 25 =  
Uganda shillings 500

1kg of instant coffee (620 cups) = 2.6kgs Green coffee  
US$155 = Uganda Shillings 310,000

Consider a relatively good quality cup of coffee  
at Kampala Coffee shop

A cup goes for at least US$2 =  
Uganda shillings 4000

1 kg of roast & ground high quality (80 cups) US$ 160 =  
2.6kgs Green coffee = Uganda shillings 320,000 /=

Upgraded Farmer: 2.6kg green coffee US$2.05 =  
Uganda shillings 4100 (1.3% of the retail price)

But we would like to find out how much does a farmer who has tried to upgrade get from the 2.6kg of green robusta coffee? The farmer would get US$2.05, which is equivalent to Uganda shillings 4100 (i.e. 0.3% and 1.3% of the price of the coffee in New York and Kampala coffee shops respectively). What a paradox!!! Does the coffee farmer really have ownership??

We would like now to go beyond the coffee shop level and look at the price of a kilogram of instant coffee at the retail (supermarket). The question is how much would a kilogram of instant coffee usually made from undergrads (poor coffee beans) cost in Kampala for the coffee that is imported?
Supermarket /retail level (Uganda)

1kg of instant coffee (poor quality) = US$42 = Uganda Shillings 84,000

Let us also look at the common links in the coffee chain where farmers always mostly operated and try to analyse the values (prices) that they get.

**Common forms of coffee with low value in which farmers have normally participated (Robusta coffee).**

- **Graded coffee**
  - kg 2500 (0.4500=)

- **F.A.O (kilo)**
  - kg = 2200/=  

- **Kibolea**
  - kg 600 to 700/=,
  - parchment 2400

- **Red cherries**
  - kg 400 to 500/=  

- **Green Berries**
  - 330/= per kg

- **Coffee flowers**
  - 220/= per tree

Source: NUCAFE 2009
Being a global commodity, it is also important for us to analyse the global revenues generated out of the coffee and be able to compare how much is shared between producing and consuming countries over the years. Below is a table illustrating how globally coffee revenues are shared and the percentage share and revenue for Uganda from 2000-2007 coffee years.

### Trend: Global coffee revenues and how they are shared

<table>
<thead>
<tr>
<th>Year (A)</th>
<th>Global Coffee Revenues (US$bn) retail level (B)</th>
<th>Total value of exports for all producing countries (US$ bn) (Source: ICO F.O.B) (C)</th>
<th>Uganda Coffee revenues (US$mn) (Source: UCDA) (E)</th>
<th>Percentage share value by Uganda out of the global revenues at retail (E/B)*</th>
<th>Percentage share value by Uganda out of all coffee producing countries' exports (E/C)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>60¹</td>
<td>9.2</td>
<td>164</td>
<td>0.27</td>
<td>1.80</td>
</tr>
<tr>
<td>2001</td>
<td>60²</td>
<td>7.2</td>
<td>105</td>
<td>0.18</td>
<td>1.46</td>
</tr>
<tr>
<td>2002</td>
<td>70³</td>
<td>5.0</td>
<td>84</td>
<td>0.12</td>
<td>1.68</td>
</tr>
<tr>
<td>2003</td>
<td>70⁴</td>
<td>5.4</td>
<td>105</td>
<td>0.15</td>
<td>1.94</td>
</tr>
<tr>
<td>2004</td>
<td>70⁵</td>
<td>5.8</td>
<td>116</td>
<td>0.17</td>
<td>2.00</td>
</tr>
<tr>
<td>2005</td>
<td>70⁶</td>
<td>7.6</td>
<td>162</td>
<td>0.23</td>
<td>2.13</td>
</tr>
<tr>
<td>2006</td>
<td>80⁷</td>
<td>9.5</td>
<td>170</td>
<td>0.21</td>
<td>1.79</td>
</tr>
<tr>
<td>2007</td>
<td>90⁸</td>
<td>9.0</td>
<td>257</td>
<td>0.29</td>
<td>2.86</td>
</tr>
</tbody>
</table>

**Added Sources:**


The paradox and discrepancy within the coffee value chain as illustrated leads to many environmental, social and economic challenges at the farmer level, coffee producing country level and the world at large because coffee presents a global value chain. Further more, the challenges may include but not limited to; deforestation, poor agricultural practices, erratic weather, social unrest and civil strifes and all these leading to poor standards of living. Climate change is another aspect whose effects are partly as a result of depriving farmers of their ownership leading to poor

"Empowering Farmers in the Coffee Value Chain"
returns on their investments in coffee production. The improvement of environment quality depends on the market economy and the existence of legitimate and protected property rights. They enable the effective practice of personal responsibility and the development of mechanisms to protect the environment. The government can in this context create conditions which encourage the people to save the environment. However, this does not come easily. Farmers must advocate for policies to provide the favourable conditions for environmental, social and economic development. Therefore, in a bid to make ends meet, because the farmer is not getting reasonable returns from coffee, he or she tries to diversify horizontally the sources of income generation and ends up cutting trees for charcoal burning in order to earn a living. This kind of action partly contributes to adverse effects of climate change as seen in the picture below:

A Condition where the coffee trees have no shades

Before drought

After drought
If coffee agroforestry is promoted, it mitigates the effects of climate change as seen in the picture below:

A Condition where the coffee trees are under shades

Before drought  
After drought

A Condition where the coffee trees have no shades

Before drought  
After drought
Forward integration or upgrading by farmers.

We have been able to analyse the coffee value chain and now we know where reasonable profits are in the various links or stages along the coffee value chain. It is time now to build the coffee value chain by empowering farmers to integrate or to upgrade to the identified profitable stages in the chain. The diagram below illustrates the values at different links of different forms of coffee that can be attained once farmers are empowered.

Empowering Smallholder Coffee Farmers to upgrade along the Coffee Value Chain with increasing ownership through Value addition

Source: NUCAFE 2010
Farmer ownership model development process.

This section is intended to answer the question, **HOW DO WE DEVELOP THE FARMER OWNERSHIP MODEL FOR SUSTAINABILITY AND SUSTAINABILITY?**

Farmer ownership development process is divided into five main phases but consisting of several detailed steps. This manual outlines 13 steps of which some can be merged but for clarity we work with 13 which include:

**Phase 1: Marshaling support**
- i. Baseline and fact-finding (value chain analysis)
- ii. Introducing rationale or relevance of the model
- iii. Identifying and prioritizing targeted farmers and geographical location and coverage

**Phase 2: Mobilizing and organizing to build the base**
- iv. Farmer organization formation
- v. Leadership selection and capacity development

**Phase 3: Stimulating action**
- vi. Developing the vision
- vii. Developing simple vision-based business plan

**Phase 4: Implementation**
- viii. Registration of the farmer organization
- ix. Bench-marking and piloting programmes
- x. Empowerment through consolidation and deepening of activities

**Phase 5: Sustaining action**
- xi. Developing medium to long term strategic agenda
- xii. Integrating and linking farmer organizations
- xiii. Reflection, and evaluation

"EMPOWERING FARMERS IN THE COFFEE VALUE CHAIN"
Step 1: Baseline and fact-finding (and value chain analysis)

Farmer ownership is a need based feeling which comes as a result of real market forces on one side and social irresponsibility on another. But the most challenging thing is lack of capacity to innovative and be able to overcome those market imperfections. This feeling is expressed in three dimensions including social, environment and economic as one tries to earn a living. Smallholder farmers who are often marginalized within the commodity (e.g. coffee) value chain are always required to respond to the market requirements which demand compliance with social and environmental standards but unfortunately not always complemented equitably in economic terms within the overall globalization and liberalization phenomena. This certainly leaves the farmer with almost little choice for survival. This kind of situation makes the smallholder farmer lose ownership causing a primordial challenge for poverty alleviation and wealth creation.

In this fact-finding step, it is vital to do value chain analysis with particular focus on the relative value shared by the various players over a period of at least 5 years. This helps to establish facts on which link value is more added and what must be done to ensure that a farmer upgrades his value share.

The analysis is also important to potential supporters to show them the justification for farmer ownership development as a centre stage strategy in upgrading quality and value to realize competitiveness. This is a key resource mobilization step to gain support of development partners and a step to begin identifying the Farmer Ownership Model facilitator such as the Business Manager. The facilitator is then exposed to the model and in turn explains it to farmers.

The lack of ownership can be illustrated with the practical example. In order to illustrate the lack of ownership, a 60kg bag of kiboko (dry
cherries) coffee is used:

- Loss incurred on a trader tampered weighing scale 5kg
- Loss incurred on trader moisture meter 2kg
- Loss incurred on deducting gunny bag weight 1kg
- Loss incurred on trader claiming extraneous matter 1kg
- Loss incurred because of ignorance of out-turn (To every 2kg of kiboko, the farmer makes a loss of at least 0.2kg of F.A.Q making a total of 6kg of F.A.Q and about 12kg of kiboko) 12kg

Total loss incurred before the trader buys the coffee 21kg

Therefore, out of 60kgs of kiboko, the farmer remains with only 39kg. Remember the out-turn component which is very important has not been included! At this point, then the trader will ask the farmer at how much he or she sells the coffee. The response by the farmers is always, at how much are you buying? This means that the trader has the ownership to set the price.

21kg of kiboko coffee according to current prices (17/11/06) would sell at $19,900 = 18,900=

21kg of kiboko are at least equivalent to 13.0kg of F.A.Q and would sell at $13x2000 = 26,000=

Money lost when kiboko is sold: 26,000-18,900 = 7100=

N.B. The same analogy applies to Arabica coffee where farmers at most sell parchment.

If one compares the loss that the farmer incurs by not selling instant coffee for every 2.6kg of green coffee is about a total net of at least 80,000 Ug Shs. When this is aggregated at the national level it is at least US$ 1 billion per year.
Step 2. Introducing rationale or relevance of the model

The lessons learnt out of the illustration in step 1 is that even if the farmer struggles to improve the quality of coffee, the money received will always not be commensurate to the efforts she or he puts in. Secondly it means that selling unprocessed coffee is like throwing away money (7100/=) when the farmer has almost finished the difficult stages of production. Therefore, farmers must change the way they do things for their own survival and survival of their world. The world needs the farmers and the farmers need the children. This relationship is the driving force of the farmer ownership model which makes it a shared ownership for all once farmers have a reasonable stake.

For example coffee farmers do not have ownership in programmes like certification schemes especially in policy formulation and decision making on the type of standards set. Most programmes are driven by certifiers who charge high certification costs making it impossible for farmers to pay on their own. Other programmes are only owned by public sector without the ownership of the farmers who are the key users of the programmes. Hence, they end up failing leading to loss of money.

It is very important to recognize the fact that sustainable production of coffee would only happen when there is shared ownership over coffee, programmes and processes. It is the responsibility of the farmers themselves to take the bull by the horn. But this must be guided by the farmer leaders and employed staff as facilitators or change agents (e.g. secretariat staff and Business Managers) who have the capacity to explain the model to the farmers and other stakeholders. It requires determination, resilience and hope in order to make a turn around. It requires employed staff and farmer leaders who have good communication skills to create a change in attitude. Employed staff and farmer leaders must be accountable for their actions and must apply the principle of pay-on-performance. Deliberately, farmers must be supported to remain in charge and own all processes, programmes and be able to determine the course
of direction with the guidance of their leaders and staff. Farmers must have access to appropriate information which they can use to realize value out of it. This is one of the roles of the Business Manager (as change agents) and farmer leaders. Information is only potential power and it can only be power only when it is used to achieve an objective. Business managers and farmer leaders must make the information as user-friendly as possible to the farmer.

Farmers need to be guided to learn to be patient and hold-on to their coffee until maximum value is added

For smallholder farmers to have ownership, they need to have good facilitators or change agents (e.g. Business Managers and good leaders). Who is a good facilitator? What qualities must good facilitators have?

It is very unfortunate that historically farmers had not taken coffee consumption as one of the ways leading to ownership. Farmers must be able to taste and appreciate their coffee by consuming it. Business managers and farmer leaders must lead the way towards creation of domestic consumption of coffee. This must begin with groups and associations and later would spread to the general public. Coffee is such a very important commodity to human health. To promote its consumption, it requires facilitator or change agent to know the attributes of coffee to human health which will entice farmers to drink it.

**Step 3. Identifying and prioritizing targeted farmers and location and coverage**

This step is about identifying and prioritizing early adopter farmers as farmer ownership model drivers within a locality. A facilitator will have to determine the geographical location of the targeted farmers and number of farmers to be within each farmer group and also the number
of groups that will form an association. Sometimes such groups or associations would be already existing and struggling to survive but with difficulty. A facilitator makes an assessment of them and if they need re-organization as determined by the members themselves then that gets done. On the other hand, there could be no form of farmer organization. Sometimes this could be an opportunity or even a challenge that a facilitator could easily make quick success or otherwise depending on culture, perception, level of education, the political environment and historical background of people working together whether as cooperatives or informal clubs.

The facilitator must consider factors that will ensure the success of the model because the farmer ownership model is not an end in itself. Right from the beginning the facilitator must invest a lot of his time and physical presence with the farmers. This will mean that the distance where farmers are and where the facilitator lives including means of travel must be considered. Actually there must be criteria for prioritization of targeted farmers and locations in line with the goal of the facilitator. At the back of the facilitator(s) is to ensure that once some form of farmer organization is in place, competition must be triggered as a catalyst to ensure that there is activity on-going.

**Step 4. Farmer organization formation or re-activation**

Having identified and made priorities on targeted farmers, locations and numbers to be covered, the next step is to facilitate the farmers to get organized into groups where groups or associations did not exist or re-activate and re-organize the already existing forms of organization. However, it is important at the same time to undertake an initial review and analysis of those probably loose organizations. This involves gathering information about the existing selected forms of organization and understanding their comparative and competitive advantage. A good fact based analysis will result into a firm base for consensus on the current situation by the targeted farmers. The purpose of the analysis is to start the mobilization process by introducing the farmer ownership concept to the farmers as at the same time the facilitator
engages the farmers to form the farmer group or re-organize the exiting one(s).

It is important to ensure that the number of farmer households (farming family) ranges from 25 to 35. This number is manageable and will from amongst the group members select only three leaders who would join other leaders from other groups to form an association within a well structured government administrative unit (e.g. subcounty).

**Step 5. Leadership selection and capacity development**

With the farmer groups and associations formed, the next key activity is the participatory selection of the leadership of the group as an ideal situation. The 3 group leaders are another set of new facilitators particularly for a group. Furthermore, the association also must have leadership democratically selected from group members where every group within the jurisdiction of the association is represented on the association Board by one representative. This Board leadership is the governance body responsible for policy formulation. In its own right also the Board is a facilitator made of individual facilitators coming from groups.

Capacity development of the leaders/farmer organization: it is advisable that the Executive committee of the Board should not be more than 7 members. These are the policy makers who ensure that the organization grows and lives to the expectations of the members by providing strategic direction.

**Step 6. Developing the vision**

At this point, the environment is stimulated further for the farmer organization to begin thinking about the future. To build for future requires a clear strategic visioning for the farmer organization to operate within the framework of the farmer ownership model. Why some farmer organizations fail like any other organization of people is lack of consensus on the farmer organization direction. It is at this stage that consensus is reached on the preferred pathway to attain
the vision.
A facilitator must carry out a number of consensus building meetings and workshops. This must involve details of specific activities to be carried out with expected outputs. Motivation must be seriously built at this step. This means that the facilitator must have good methods of facilitation, technical competence and mastery of the commodity value chain network. In chapter 7 there will be emphasis on the role of the facilitator.

At the first meeting or workshop, an analysis of the current situation facing the farmers should be well articulated. Reference can be made to the report from step 1. following the consensus based on clear and relevant analysis, a vision for the farmer organization (group or association) is developed. A clear vision will help to prioritize the steps that need to be addressed in reaching the desired situation while prioritizing government policy and other stakeholders’ expectations. At the beginning, the vision can be as simple as doubling the target within three or five years. It should not be very complicated. It can be refined later as a high-level agreement is sought. The first results may mainly be qualitative or just marginal returns because it is still a learning curve.

An example of the vision for Kako Coffee Farmers Association is to market 10 metric tones of Fair average Quality (F.A.Q) by end of 2008.

The vision should be refined and updated periodically to ensure that the farmer organization remains competitive and relevant for the farmer.

**Step 7. Developing simple vision based business plan(s)**

This step builds on step 6 but it goes into details of analysis finding ways of how the vision can be achieved, what is the situation and when should activities be implemented to achieve the vision. It should be also emphasized that it does not need to be a complicated plan especially when needs assessment has been done in a participatory manner.

A good facilitator (e.g. Business Manager, farmer leader) must be able to plan with and for the associations/groups/farmers. It is not possible
to implement a farmer ownership model without proper planning and active involvement of farmers. It is important to note that in the farmer ownership model, the facilitator facilitates and leads from behind. A good facilitator (Business Manager) is judged by first of all the plan he has with those he is facilitating. The plan comes from situational analysis and this has to be periodical; every year and should be broken down into specific activities with performance indicators that can be monitored and evaluated. To start the development process of the farmer ownership model, the facilitator (change agent) must have a rough picture of the phases and steps involved although this is not cast in iron. From the vision, then the business plan is developed and hence the phrase, “vision based business plan”.

Vision Based Business planning: NUCAFE believes in vision based business planning where a facilitator (e.g. Business Manager) guides the farmers in carrying out a situational analysis of what happened in the past, what is happening today and what is likely to happen in future. In other words farmers analyze where they were for example before liberalization, where they are at the present time and where they want to go in five years to come? And how they would get there? This is also called the Trends Analysis approach. The facilitator (Business Managers and farmer leaders) must have the skills and knowledge to take the farmers through this process so that farmers can own the conceptualizing and planning process and eventually implementation for them to be able to improve their livelihoods on a sustainable manner. The Business manager or farmer leader simply facilitates in this process and farmers are directing the course of planning. Of course the facilitator MUST have a back-pocket checklist for guidance but it MUST NOT be an end in itself.

Through a workshop, the facilitator guides the participants to prioritize activities or issues to be carried out to achieve the vision. The vision based Business plan is about turning the vision into reality and in most cases a democratic procedure of simple voting would ideally be carried out to affirm ownership and not imposed on farmers.
The priorities ideally should not exceed five or else implementation becomes a challenge. It is advisable to make short-term vision based business plans of maximum one year but which can be broken down into monthly and quarterly implementation action plans.

**Step 8. Registration of the farmer organization**

In implementing the farmer ownership model, there are certain activities that will overlap and be carried out simultaneously. Step 8 is part and partial of step 7 and 6. Step 8 involves two types of registration; the first one is getting the targeted farmers recorded and entered on the farmer group or association register called the farmer entrance form. It is important to know very well the number of farmers per group and the corresponding enterprise information (e.g. coffee acreage, production estimates) details because this is also the basis for good visioning and planning. Farmer groups within an administrative unit (e.g. subcounty) are also recorded and then they come together to form an association. The ideal situation for formation of an association is after the business name registration of the farmer groups. Then the farmer groups become the subscribers to memorandum and articles of association for the association to be registered as a company limited by guarantee. Therefore, the second registration is the legal registration with the Registrar of Companies for both farmer groups and associations. At the end of the day 25 -35 individual farmers are the members of each farmer group and an average of 10 farmer groups are the members of an association. This gives rise to the farmer group – association framework upon which the farmer ownership model is based. After this registration, then business can be transacted in a legal manner and bank accounts can be opened for the groups and the association. Groups and associations have complementing roles and functions which are distinct because one is a constituent member of the other as described above. Therefore, overlapping and ambiguity must always be minimized or avoided.
Step 9. Bench-marking and piloting projects

Like any other new project it is always a good idea to first carry out a pilot or test to ascertain what works and how it works out while at the same time bench-marking with other models. A pilot project is a small project which takes one year but with clear targets and performance indicators coming from a well developed vision based business plan. It should be known that all pilot projects may not take the same shape. Data collection and continuous observation and learning will help to ensure how best to achieve the objective of the pilot. Depending on the target(s) of the pilot, facilitators of the project should not be scared even when they have not achieved 50% of the results. Remaining vigilant and patient and looking forward to building on what “we” have achieved so far is in itself the biggest achievement. Everyone will say it is “ours” and we have proved it and we can do it once, twice, thrice and more to perfect it. Rome was not built in one day. Even the one highly regarded as the father of genetics, (Gregory Mendel) used to fail his exams but he kept his motivation up and then he was crowned the father of genetics!!

Step 10. Empowerment through consolidation and deepening of activities

Having carried out a pilot project, it means that almost the most important un-knowns are clearly understood. Therefore, instead of expanding, you need to build on the achievements of the pilot project by consolidating and deepening activities to maximize on the returns from the same number of farmers. However, this depends on a number of other factors such as availability of funds and the life cycle of the crop commodity. During the consolidation period, the facilitator must stimulate the farmers more and more to think about sustainability of the services being provided by the project in the short, medium and long term.
Step 11. Developing medium to long term strategic agenda

In this step we stretch and move on from short term strategy that we did as vision based business planning to the medium to long term, with more strategic issues. It is at this stage that the farmer ownership model becomes more and more complex by looking at more value adding strategies within the commodity value chain. This also means more risk taking but ensuring that the risks do not threaten the model. The medium or long term strategic agenda referred here is often known as the strategic plan. The strategic plan involves making fundamental changes on the organization or product or service and usually involving capital investments and the annual operational workplans for a period of preferably 3 to 5 years. At this stage, sustaining momentum with a focus on designing sustainability within the farmer organization becomes more critical.

Sustainability: As a facilitator, you have to ensure that the farmer organization system sustains itself. Farmers are the engine of growth for the organization and this can be realized while working quite well in partnership with other players in the value chain network. This requires different ways of revenue generation for the facilitator to focus on.
What are the ways in which the farmer organization system can raise income for its financial sustainability?

- Membership fees
- Annual subscription
- Fundraising
- Market linkage fees (commissions)
- Consultancy
- Sale of training materials
- Grants and donations
- Project management fees, etc.
- From assets like renting of buildings
Step 12. Integrating and linking farmer organizations

In this step, the opportunities and challenges call for linkages beyond one farmer organization located somewhere in the corner of a developing country. Farmer organizations coming together to form either a national, regional and international linkages can offer critical mass for engagement in activities that are beyond the scale of an individual association. The links brought together would foster both commercial and policy advocacy and lobbying edge. The links actually go beyond farmer organizations to include other stakeholders who may or may not necessarily be within the linear commodity value chain but have significant influence on farmer ownership.

Geographical Appellation and branding: A very important opportunity for linkages among groups or associations in a given geographical location is the development of a brand or appellation as it is within the wine industry. The example of the Champaign wine where consumers are able to obtain the wine of their choice based on the regional identity is also a money making strategy. Such product will always require reliable supply which a single group or even association may not be able to provide. It is also well known that promotion and marketing normally require relatively huge capital investment. As an association of many groups is able to make such investment so that jointly you reduce on unit costs while maximizing on overall returns. Together you are able to sustain your business but ensuring that continuous innovation is part of the overall strategy.

Step 13. Evaluation

It is always important that a periodical review is in-built within the farmer ownership model development process. This provides the opportunity to reflect, take a step back and examine the successes and failures since the inception of the farmer ownership model. This evaluation is not only important to the members of the farmer organization but also to the supporter who provided the funding.
Consequently, it determines the subsequent budget allocations either to consolidate the achievements by putting more resources on same number of target group but deepening the activities on innovativeness or expanding to other areas in which two cases were successful or to stop the funding where it proved not to work. Evaluation is also important for academic purposes. As to who does the evaluation, probably a participatory evaluation would be important but should involve an external person. This could be the donor's representative or an independent consultant working closely with the farmer ownership facilitator(s). It would be important also to go beyond the organization project evaluation to look at the individual players within the farmer organization. This will reveal who really contributes to the success or failure of the model. A simple evaluation tool such as a logframe of one page with clear performance indicators would be used to measure progress. Evaluation should also include financial evaluation in terms of expenditure as planned and actual. Based on the outcome of the evaluation, then decisions are made on the way forward.

4. The Middleman role in the Farmer Ownership Model:

The Farmer ownership model is about change of the middleman role of buying the coffee before the farmer maximizes value of that coffee. To alleviate poverty and be able to create wealth, the conventional middleman function must change to service provision rather than commodity buying and taking possession. In this case all players; farmers and traders (often referred to as conventional middlemen) become winners and each gets equitable value for the effort. In the process, farmer ownership becomes actually shared ownership with other stakeholders. Therefore instead of buying, trader-processors are simply paid processing or milling charges and then the processed product goes back to the farmer who can continue adding value by sorting, grading, roasting, grinding, branding and etc. This
indeed depends on the capacity of the farmer through the farmer organization (group, association or cooperative) to assume some or all of these functions. It should be appreciated that for the farmer to assume such roles or functions, there is need to invest in training for attitudinal change. There is need for hand-holding especially in the early days of introduction and adoption of the model. It must be clearly understood that even farmer organizations like the nonprofit associations (e.g. NUCAFE) is a middleman organization. However, NUCAFE is only a service provider and does not take ownership over the commodity but rather facilitates the process of creating and enhancing input supply and market linkages and accordingly should be paid for that service.

On the other hand, in the traditional cooperative model, coffee has to exchange hands and immediately the farmer loses ownership over that coffee. This is more noticed for example in coffee where all the farmers who are cooperators sell mostly forms of coffee before kiboko or kiboko (dry cherries) in case of robusta coffee or parchment in case of Arabica coffee. The same story goes for even the farmers and cooperatives certified fair-trade. The only difference cooperative society has over traditional middlemen is that it is assumed that the business is for the members but the cooperative is not restricted only to buy from members. At this point the cooperative society plays a traditional middleman role. Because cooperatives are profit making businesses, they must always strive to maximize profits. Profits are made by either offering a low price to the farmer or by selling at the highest price possible. This is where a conflict of interest comes in within the cooperative society and in the long run farmers lose control and ownership to the employees. To make matters worse, the Registrar of cooperatives has extreme powers which technically and tactfully might over-rule even that of the members of the General Assembly or Board. This in itself may deny members their full ownership rights because the Registrar of Cooperatives is entrenched with powers and is well protected within the cooperative laws. Time has also come for the cooperatives regardless of any grade whether first grade or secondary grade or
third grade to modernize themselves towards the requirements of the Farmer ownership model to avoid plunging farmers more and more in poverty.

5: Network value chain of the farmer ownership model

The farmer ownership model is an intertwined network value chain quite different from the traditional supply chain. It is a model that integrates almost every one and goes beyond the linear supply value chain. It means that every entity within the integrated concentric framework as seen in the diagram below matters and has influence over the success or failure of the project. However, the farmer is the principal actor in production. Therefore, sustainability of farmers to apply the best coffee agroforestry practices and integrating them into more value added chains and working collectively will ensure a sustainable coffee value chain to the benefit of all stakeholders.

Farmers need to acquire holistic capacity (sustainability) to remain agile and resilient in contributing not only to mitigation of climate change, but also sustained production.
The diagram defines the relationship among the stakeholders in the coffee value chain network.

It indicates farmers within farmer groups in villages and parishes of between 25 to 35 farmers in the first inner concentric circle being at the centre of the chain. The role of the farmer groups is to ensure cohesiveness of members, uniform quality through good agricultural practices, bulking of coffee from individual farmers or processing depending on economic

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volumes realized. The farmer group has only 3 leaders; Director, Finance Officer and Administrator.

The second concentric circle represents associations/co-operatives formed out of many farmer groups depending on the size of the subcounty in a given district. The roles of the associations/co-operatives range from extension service provision, bulking groups’ coffee ready for processing and creating market linkages with the national coffee farmers organisation (NUCAFE) as in the third concentric circle and this depicts the on-the-ground roles in enhancing extension and market-driven linkages with exporters, roasters, supermarkets, offices, individual consumers and input-technologies with input suppliers.

The 4th concentric circle indicates how he national coffee farmers organisation (in this case, NUCAFE) works hand in hand with government, and other bodies at national, regional and international level like AGRICORD, IFAP, Oxfam with ICO to lobby and advocate for a better enabling environment. Still at this level the national coffee farmers organisation works with, NGOs, donors, academia and researchers in order to enhance the value it takes to the farmer.

The 5th concentric circle depicts the diversity of players (information service providers, exporters, importer – buyers, roasters, consumers) to whom farmers sell their different forms of coffee directly depending on the level of sophistication or capacity for them to reach the various downstream market players. Besides the concentric circles, are the other indirect players outside the supply chain but having a lot of influence over the programme’s success or failure. These include; financing institutions, input suppliers and certification or standards setting bodies. For this model to survive, NUCAFE observes biblically the following principles:

- **Sustainability**; Empowering farmers in groups and associations to apply good agro forestry practices (GAPs), farmer organisation governance and management

- **Coffee is an entry point**; to mitigate risks, diversification by farmers is important to ensure stable incomes and better livelihoods

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• **Paid on performance;** members and staff must be accountable. Value for money
• **Attitude change.** To succeed members and staff must have positive attitude to transform their livelihoods.
• **No buying coffee.** To avoid conflict of interest NUCAFE system shall not buy coffee but only facilitates market linkages between members and buyers.
• **Facilitation role;** NUCAFE plays a facilitating role without taking possession of the coffee
• **Value addition;** farmers, groups and associations must assume as many functions as possible in order to improve farmers’ incomes.
• **Sustainability;** providing for current without compromising future needs

The model is about sharing responsibilities and resources within a network by players who have a stake in the coffee sector to ensure a sustainable coffee value chain. It means every person involved in the network of the chain must contribute towards its competitiveness and sustainability.
6. The importance of having an enabling environment:

It must be made categorically clear that the farmer ownership model is not an end in itself without investing in advocacy. Advocacy is one of the ways through which smallholder farmers attain ownership. Therefore, smallholder farmers must balance the application of three most important pillars that make the foundation for the farmer ownership model. These are; innovative business practices, knowledge and advocacy to attain best regulatory practices in the network value chain. Joseph Nkandu as the architect and principal navigator of the farmer ownership model calls these tools, Amasiga g’obugagga (the three pillars for wealth creation) for smallholder farmers.

Therefore, farmers must be involved in policy advocacy and lobbying besides the coffee business. It is equally important for facilitators as change agents, to work with farmers towards an enabling environment if farmers are to have long lasting ownership. In this case, advocacy for good policies is critical at different levels such as local government, central government, regional and international levels. Issues of policy nature must filter through right from the individual farmers, groups, associations, national apex farmer organizations to national, regional and international levels.
7. The role of the Farmer ownership model Facilitator:

This chapter is about the role or function or work of the facilitator of the farmer ownership model. This facilitator can also be called a change agent. The facilitator is as important as the farmers themselves. This is a person who motivates farmers to do things that would not be done. He is a person who influences most importantly people's mind-set leading to positive thinking and action. For some farmer organizations like in the case of NUCAFE would be the Business Manager but can also be a farmer leader. Ideally, each farmer organization would have a facilitator. This facilitator is supposed to play both the role of a manager as well as a leader. To ensure that farmer ownership is created, the facilitator must lead from behind. This is a challenging job because it is a new way of doing things but it requires a person who is self motivated and who can keep the momentum in a farmer organization and among farmers.

A good facilitator must be able to influence people voluntarily towards collective action. The facilitator must be able to change the behavioral pattern of smallholder farmers and some of other players within the coffee value chain (e.g. middlemen).

A farmer ownership model facilitator is an honest broker who only acts as a catalyst stimulating farmers to work best to increase competitiveness by constantly upgrading their services and product profiles for the benefit of themselves and stakeholders.

A facilitator must be able to deliver an effective training. Therefore, the farmer ownership model has emphasis on training facilitators to effectively deliver training to farmers.
To summarize, the purpose of the facilitator includes:

1) To foster a positive image of the farmer ownership model for adoption and development

2) To facilitate in upgrading of the farmer ownership model services and product profiles for increased competitiveness and value to farmers through training or knowledge application

3) To harness Amasiga g’obugagga to work better for smallholder farmers

4) To stimulate self-sustaining spirit among farmers

In summary, a good facilitator should be able to exhibit characteristics of a social entrepreneur. A social entrepreneur is a change agent in the social sector and he or she does his or her role by:

• adopting a mission to create and sustain social value (not just private value or profit,

• recognising and relentlessly pursuing new opportunities to serve that mission,

• engaging in a process of continuous innovation, adaptation and learning,

• acting boldly without being limited by resources currently in hand, and
exhibiting a high degree of accountability to the members served and for the outcomes created.
References:

Empowering Farmers to Integrate in Coffee Value Chain

Prices in US$

Roast and Ground Coffee
Consumption
1 cup 4000/= (80 cups per kg)=250,000/= per kg

1 cup = US$ 0.63
1 kg = US$ 8.00
1 kg = US$ 4.00
1 kg = US$ 0.15

Costs in US$

Roast beans
1 kg 20,000

Green Berries
1 kg 500 to 700/=, parchment 2,400
1 kg = US$ 0.50
1 kg = US$ 0.35
1 kg = US$ 0.20

Coffee flowers
1 kg 320/= per kg
1 kg = US$ 0.20

Kiboko
1 kg 600 to 700/=, parchment 2,400
1 kg = US$ 0.15

Graded coffee
1 kg 2,800 to 4,500/=,
1 kg = 2,200/= F.A.Q. (fare)

Situation of the coffee farming family in the current coffee value chain

1 tree = US$ 0.15

Source: Joseph Nkandu

"The Coffee Value Chain approach under the farmer ownership model is the way to go to solve the challenges surrounding the small holder coffee farmers." Hon. Gerald Ssenduula, Chairman NUCAFE and former Uganda’s Minister of Finance, Planning and Economic Development.

"If the Farmer Ownership Model is adopted by government through policy, it would go a long way to enhancing prosperity for all even with other agricultural commodities e.g. bananas" Prof. Julius Y.K. Zake.