NUCAFE

SPEECH BY THE CHAIRMAN NUCAFE AT THE 3RD NATIONAL COFFEE FARMERS' CONVENTION 30TH JULY 2008 AT MANDELA NATIONAL STADIUM.

Our Guest of Honour
The Right Honourable Prime Minister
Honorable Ministers
Honorable Members of Parliament
Your Excellency the Ambassadors
Permanent Secretaries
Coffee farmers
All coffee lovers
Invited Guests
Ladies and Gentlemen

In a special way I would like to welcome all of you to the third National Coffee Farmers' Convention 2008. We would like to thank you most sincerely for sparing time to come and share with us issues of great importance not only to Uganda coffee sector but also the world over. This convention as it clearly demonstrates today, it is the largest coffee forum not only in Uganda but also in Africa as a whole.

The theme of this year's convention is; ''**Coffee is our shared business; together we enhance its sustainability**.''

Our Guest of Honour, I would like to introduce ourselves. We the coffee farmers of Uganda organized ourselves into a specialized commodity association called NUCAFE (National Union of Coffee Agribusinesses and Farm Enterprises). We are a legally registered private association. **The vision of our association is, "Coffee farmers profitably own their coffee along the value chain for sustainable livelihoods".**

Objectives of the Convention

We are here today to share with you what so far we have achieved in some of our associations so that the lessons learnt can be replicated to other areas.

We would like also to dialogue on the future of the Uganda Coffee sector in view of the global and local challenges so that we can forge a way forward to the betterment of the current and future generations.

We would like to share information about the world market situation and be able to restore hope in farmers because most coffee farmers had lost hope on coffee as a result of the coffee crisis.

Achievements of NUCAFE

To date we have managed to organize ourselves into 125 coffee farmers' associations in all the coffee growing districts of Uganda and over 100,000 farming families with over 300,000 individual coffee farmers have been mobilized to enhance their capacity in adding value, improving quality and marketing coffee directly to exporters.

In 2005 convention, NUCAFE had managed to a greater extent to assist 10 associations to move away from selling unprocessed coffee (kiboko) to selling 320 tonnes of FAQ (Fair Average Quality). Before the farmers were organized, they used to sell a kilogram of kiboko coffee at 300/= even with the good prices in April 2005. A case in point was Bunjakko Island, Buwama Subcounty Mpigi district. After mobilisation and some value addition, farmers sold their coffee at 2000/= of FAQ making a net profit of 1200/= after deducting all expenses.

NUCAFE has developed a new approach of empowering farmers to gradually expand their scope of responsibilities and activities in the coffee value chain and by so doing increase their farm incomes.

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

The farmer ownership model is a response to a problem with the traditional cooperative model. The traditional cooperative assumes a role which is very similar to that of a middleman who maximizes profits through offering a low price 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 employees.

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 and move up the coffee value chain. Also the roles of the middlemen and processors change. Instead of buying, processors are simply paid processing charges and then the processed product goes back to the farmer who is encouraged to continue adding value. The farmer can further add value by sorting, grading, roasting, grinding, branding and joint ventures (share-holding). This way, farmers and farmer groups and associations are encouraged 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 the farmer organization (group, association or cooperative) to assume some or all of these functions. NUCAFE builds the capacity of farmers and farmer organizations through training, coaching, 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 or 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 raw coffee or even flowers 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 processors/traders. Therefore, processing (milling) at a fee is seen as a win-win for them as processors and the farmers.

In 2007, NUCAFE continued to expand in membership from 110 member associations and corporate companies in 2006 to 125. Through improved quality, value addition in form of minimal processing and negotiating directly with exporters combined with the favourable world coffee prices, NUCAFE linked more coffee from farmers directly to exporters and substantially increased their returns. The change was significant, from Uganda shillings 1200 for 2 kg of unprocessed dry coffee cherries (kiboko) in 2006 to as much as 3300 per kilogram of Fair Average Quality (F.A.Q) for robusta in 2007 and from Uganda shillings 1300 per kg of arabica parchment to as much as 3400 per kilogram of arabica parchment in 2007. Through its market linkage service, NUCAFE facilitated an increase in volume sold from 331 metric tonnes of F.A.Q coffee in 2006 to 630 metric tonnes in 2007. This achievement resulted into increased net incomes of farmers with an overall value added of Uganda shillings 413,360,457 out of the total of Uganda shillings 1,677,220,618 obtained from the sale of 630 metric tons. Consequently as part of this value, farmers from Erusi Coffee Farmers Association initiated what they called the Home Improvement Programme (HIP) in Nebbi district where 42 farmers who were staying in grass thatched houses for decades purchased 1005 iron sheets. Furthermore, 5 farmers from Buwama Coffee Farmers Association in Mpigi district bought 5 motor bikes to support them in transportation service.

Another interesting aspect of 2007 work was the realization by the farmers that time had come for them to contribute towards the sustainability of the services and goods provided by the NUCAFE system. Out of the total value per kilogram of Fair Average Quality that was added to the farmers because of the farmer ownership model, farmers paid their facilitating organizational structures over Uganda shillings 20 million.

I am happy to inform you that our neighbours; Tanzania and Kenya have found NUCAFE as a learning centre for the farmer ownership model and the model is being adopted in those countries.

Challenges

Having said all that, I would like also to share with you the challenges we are facing and which have impeded faster expansion and development in the coffee sector:

National Coffee policy

It is sad to note that the commodity which has a remarkable historical economic importance to this country lacks a policy for proper guidance of potential investors. As a result, sector players have from time to time come up with many strategies which are never implemented. There are instead annual policy statements scattered in a myriad of documents making it difficult to pin point what is Uganda's policy for reviving the coffee industry to achieve the expected growth. As a result the policy guidelines being used right now are discerned from the annual broad policy statements of the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) issued each year in support of budgetary requests from the Government. This does not auger very well for a sector which is among the top foreign exchange earners for the country and on which 33% of the total households in Uganda depend for their livelihoods. For example, there is no policy whatsoever to guide release of new coffee varieties to farmers. A case in point is now the popular low land Arabica (catimors), which has left farmers in Bushenyi, Masaka and Rakai only to cultivate vegetative growth rather than the much needed coffee beans.

With the absence of the well articulated coffee policy, the coffee farmer is faced with lack of ownership and control over the coffee and programmes that come with coffee. This has dis-empowered coffee farmers from making informed decisions that would make a difference in their livelihoods.

Regulatory and institutional framework

Today the Uganda coffee sector is faced with an obsolete coffee law that brought the Uganda Coffee Development Authority (UCDA) into forth. The UCDA statute has many gaps in that it has not lived with the changes and developments in the coffee value chain. The law does not take into consideration how the farmer must deal with the coffee especially after harvesting. Today, there are coffee roasting facilities and hotels that serve coffee. However, our country has been a laughing stock because the methods of preparing and serving coffee in those places are not covered by the current law. In other words, Uganda does not have an appropriate coffee standard that regulates the whole value chain to match the current market requirements. District coffee bye laws are not effective at all because some districts have bye laws and others do not. In the process the quality defaulters cannot be dealt with appropriately.

Status of the coffee research centre

Today, it is not clear where the coffee research centre (COREC) belongs. There is dilemma as to whether the coffee research is the responsibility of UCDA or NARO under the National Agricultural Research Services Act. The current coffee research centre used to be a fully fledged coffee research institute but was down-graded to a mere centre!! The research centre is faced with lack of sustainable funding. These challenges have not only affected the proper functioning of this institution operationally but have had many multiplier negative effects to the entire coffee sector and the country as a whole. The research centre has done a commendable job in breeding for about seven coffee wilt resistant varieties but there is no money for multiplication so that farmers can access them.

Status of the volume of coffee and quality

When liberalization was introduced, the coffee farmers were not assisted to organize themselves in order to maximize sustainably on the benefits that come with liberalization and globalization. The benefits that the coffee farmers enjoyed in the mid 1990s were short-lived. For example in 1996/97, Uganda exported 4.2 million bags of 60 kg compared to 2.0 million bags of 60kgs. This represents a percentage decline in volume of more than 50%. Today many coffee farmers sell flowers and unripe coffee. We continue to see serious quality deterioration when different quality parameters are analyzed. According to UCDA statistics, when you consider robusta coffee screen 15, the volume of coffee exported as screen 15 declined by over 50% from 1,560,548 bags of 60kgs in 2000/2001 to 404,017 bags of 60kgs in 2005/2006. When you translate this into monetary value, at current prices, there has been financial loss of about US$ 100 million per year making a total loss of over US$ 600 million in a period of 6 years for only robusta coffee screen 15. This means the combined financial loss the country has incurred when you compare with other screens and other Arabica grades presents a very big threat to this country. Also, it poses serious policy implications especially as far as government efforts towards prosperity for all are concerned.

Coffee Consumption

Uganda needs to consider domestic coffee consumption as a priority. Uganda’s coffee per capital consumption is less that 5% of its coffee production. This also poses a challenge in terms of not only quality improvement and domestic market but also health. We need to learn from Ethiopia. Today Ethiopia consumes about 50% of its coffee production. Where is the problem? Can we say that the problem is again policy?

Branding

We have not done enough in branding Uganda's coffee. We do not find Uganda coffee on the selves of super markets in Europe and United States. Is this also a policy prpblem.

Recommendations:

1. **Coffee Policy**

We need the support of government to urgently develop a national coffee policy which is owned by all stakeholders.

2. **Regulatory framework**

We urgently request government to amend the statute that brought the Uganda Coffee Development Authority (UCDA) into forth so that UCDA can be empowered to apply best regulatory practices and funding for research, production, farmer organizations and promotion. The amendment of the UCDA statute should take into account the development of the Uganda coffee standard as an integral part of it.
The law that downgraded the coffee research institute to a mere centre must be revisited and be re-instated under UCDA.

3. **Coffee research**

We are proposing that coffee research must be the responsibility of farmers. In other words, Uganda Coffee Development Authority must take charge to ensure sustainable funding of the research from Cess.

4. **Coffee Consumption and branding**

As part of the new considerations under the national coffee policy, there is need to support efforts towards domestic coffee consumption and also branding coffee to be promoted at national, regional and international level.

5. **Replanting programme**

The coffee replanting programme is at the hearts of so many coffee farmers and funding for multiplication of planting materials is urgently required.

6. **Support to popularization of the "farmer ownership model"**

Farmer organizations are "vehicles" to mobilization and empowerment of farmers in this liberalized market economy. We would like to request government to **support the organization of coffee farmers** by adopting the **farmer ownership model** which is an innovation of ourselves. We have tested it and it is working but we lack resources to reach out to many coffee farmers. NUCAFE is a well organized group with a well articulated model and strategy contributing to many government programmes such as Prosperity for All.

Thank you very the Right Honourable Prime for accepting our invitation and I do kindly request to stay longer so that you can appreciate what the coffee sector can do for this country.

Acknowledgement
I would like to thank all those that have supported this forum. I would like to mention some of the organizations such as DANIDA ASPS, Bank of Uganda, UCDA, NAADS, PSFU, all exhibitors, buyers and fellow farmers.