

FARMER OWNERSHIP MODEL TO TRANSFORM THE RURAL COMMUNITY

NUCAFE is the National Union of Coffee Agribusinesses and Farm Enterprises. It is the national association of Coffee Farmers in Uganda. The vision of NUCAFE is, “coffee farmers profitably own their coffee along the value chain for sustainable coffee production and improved standards of living.

NUCAFE uses the farmer ownership model, which is based on the farmer group-association framework designed to support coffee farmers to organize themselves to assume as many roles as possible in the coffee value chain in order to increase their market value share. For a long time coffee farmers have not had the opportunity to have ownership over coffee, the programmes that target coffee and the processes involved to reach the exporters and 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 supplies, the academia, NGOs.

The farmer ownership model emphasizes the way farmers are organized for *effective advocacy*, the 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* (three pillars for wealth creation among smallholder farmers). The combined application of the three pillars enables farmers to upgrade their value share and this may be done in five 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
- Sustained pursuit of enabling environment and also preferential treatment for coffee farmers obtaining from their contribution to the country’s economy.

The farmer ownership model works on five principles which include:

(1) Facilitation and performance pay:

This principle emphasizes the fact that the farmer organization such as NUCAFE must not buy coffee. It must only be a facilitator in the processes, services and goods that empower those farmers to upgrade and move up the coffee value chain. Based on how much value the facilitator’s services have added, then the farmers rationally make business decisions on how to reward the facilitator.

(2) No buying coffee

The conventional middlemen who have been buying coffee from farmers in different forms such as flowers, green coffee berries on trees, red cherries, Kiboko or wet parchment should change that function to being service providers if Uganda is to have transformation in the rural areas and the country as a whole. 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 overrule 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 bye 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.

(3) Coffee is an entry point and integral part of the farming system

To avoid too much exposure to risks, smallholder farmers must mitigate risks associated with traditional commodity fluctuating prices especially before they have upgraded to more value added products whose prices are always relatively stable. The farmer ownership model encourages farmers to diversify and integrate other enterprises on their farms to ensure stable incomes during the off-coffee seasons.

(4) Value addition.

Farmers, Farmer groups and associations must assume as many functions as possible within the value chain in order to improve farmers' incomes. Farmers must stop selling of coffee flowers, green coffee berries on trees, kiboko or parchment. The lowest form of coffee farmers can sell is the Fair Average Quality (F.A.Q). But as the capacity of the farmer association develops, more and more advanced forms of coffee such as sorted, graded, roasted etc must be explored.

(5) Partnerships and advocacy

It must be made categorically clear that the farmer ownership model is not an end in itself without investing in advocacy and effective partnerships. 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. Working in a network rather than focusing on the linear coffee value chain does not only bring harmony in the way of working but brings makes added value to the farmers.

The farmer ownership model has a lot to do with mind-set change for it to work. This means that reasonable resources and time must be invested during the initiation and adoption stages and patience is the first achievement on the part of the facilitator, farmer and one who provides resources. Failure for any of the three to have patience, then attitudinal change on other aspects may not occur. In other words, patience is the first achievement within the development cycle of the farmer ownership model. NUCAFE has been developing the model since 2003 and progress has been made.

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 moved more coffee to farmers and farmers 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 2700 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 2600 per kilogram of arabica parchment in 2007.

The most striking result of NUCAFE performance in 2007 was the achievement in its overall market linkage service where 630 metric tonnes of F.A.Q coffee was linked through the NUCAFE system down from only 331MT in 2006 indicating a percentage increase of 90%. This achievement resulted into increased 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 their associations and the NUCAFE system as a whole. 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.

NUCAFE successfully continued to engage itself in partnerships to increase the impact of its highly effective farmer empowerment model, which provides farmers with knowledge, capacity for attitudinal change and skills that they themselves can control their future and build sustainable businesses within the coffee value chain. NUCAFE's partnerships with NAADS supported farmers technically in Kanungu district and raised 2.3 million coffee seedlings on their own in their farmer groups and were all planted in 2007.

However, it was not all rosy NUCAFE faced a number of challenges during the year including infiltration by those people who have been thriving on ignorance of the farmers and also greed of some elements of leaders in the farmer groups who would still want to deny framers their ownership. The solution to this will be for NUCAFE to intensify and popularize the farmer ownership model principles and putting emphasis on the code of conduct values during 2008 and in the subsequent years. Another challenge has been that NUCAFE implements its programmes on very limited budgets and staff and has not been able to cover all coffee growing districts effectively. Therefore, not all coffee farmers in Uganda are served adequately. Therefore, given the results and impact that the model can do, I call upon more stakeholders to join hands with NUCAFE in empowering farmers in deepening, consolidating and replicating the model in other coffee growing districts. Otherwise, I would like to extend my since that to key organizations that have supported development of this model for the last four years; AGRICORD, Agriterra, UCDA, NAADS, the NARO Coffee Research Centre (COREC), USAID and Oxfam International.

For information to develop the farmer ownership model, a manual is available and you can contact the author, Joseph Nkandu, Executive Director NUCAFE on joseph.nkandu@nucafe.org or jnkandu@yahoo.com and Tel: 0772595030.