

Small-scale producers in the development of coffee value-chain partnerships

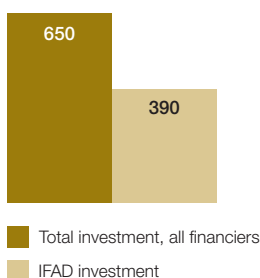


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IFAD and the coffee value chain

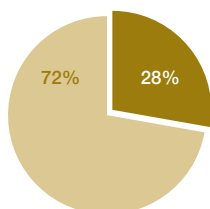
During the period 2002-2012, in an effort to increase the number of partnerships involving the private sector to benefit smallholder farmers, IFAD financed 18 projects with components on coffee value-chain development in 15 countries: Ecuador, Ethiopia, Honduras, Indonesia, Liberia, Mexico, Nicaragua, Papua New Guinea, the Philippines, Rwanda, Sao

Investment in projects with components on coffee value-chain development, 2002-2012 (US\$ million)



Investment amount (total and IFAD) represents total commitment in the selected projects and is not limited to investment in the coffee value chain

Status of sustainable certification schemes in the coffee value chain



2002-2012; 18 projects in the coffee value chain

Tome and Principe, Sierra Leone, the Dominican Republic, Viet Nam and Yemen. The total investment associated with these projects (which did not exclusively support coffee value-chain development but included support to other value chains, as well as to infrastructure development) amounted to US\$650 million, part of which was financed by the national governments and other financial partners. IFAD contributed US\$390 million to the overall investment.

With IFAD support, small-scale producers were able to overcome the constraints related to lack of access to inputs, equipment and rural financial services. In addition, training strengthened smallholder farmers to better engage with other chain stakeholders and to be more fully market-compliant, as well as to improve their farming practices. For example, IFAD's support enabled smallholders to overcome issues such as water scarcity, drought and limited access to information related to pests and diseases, and promoted solutions to overcoming these problems. The negative impact of the volatility of the price of coffee has been softened in recent years through contract management.

Building country-level partnerships

In Rwanda, where coffee and tea are the leading exports, IFAD is investing around

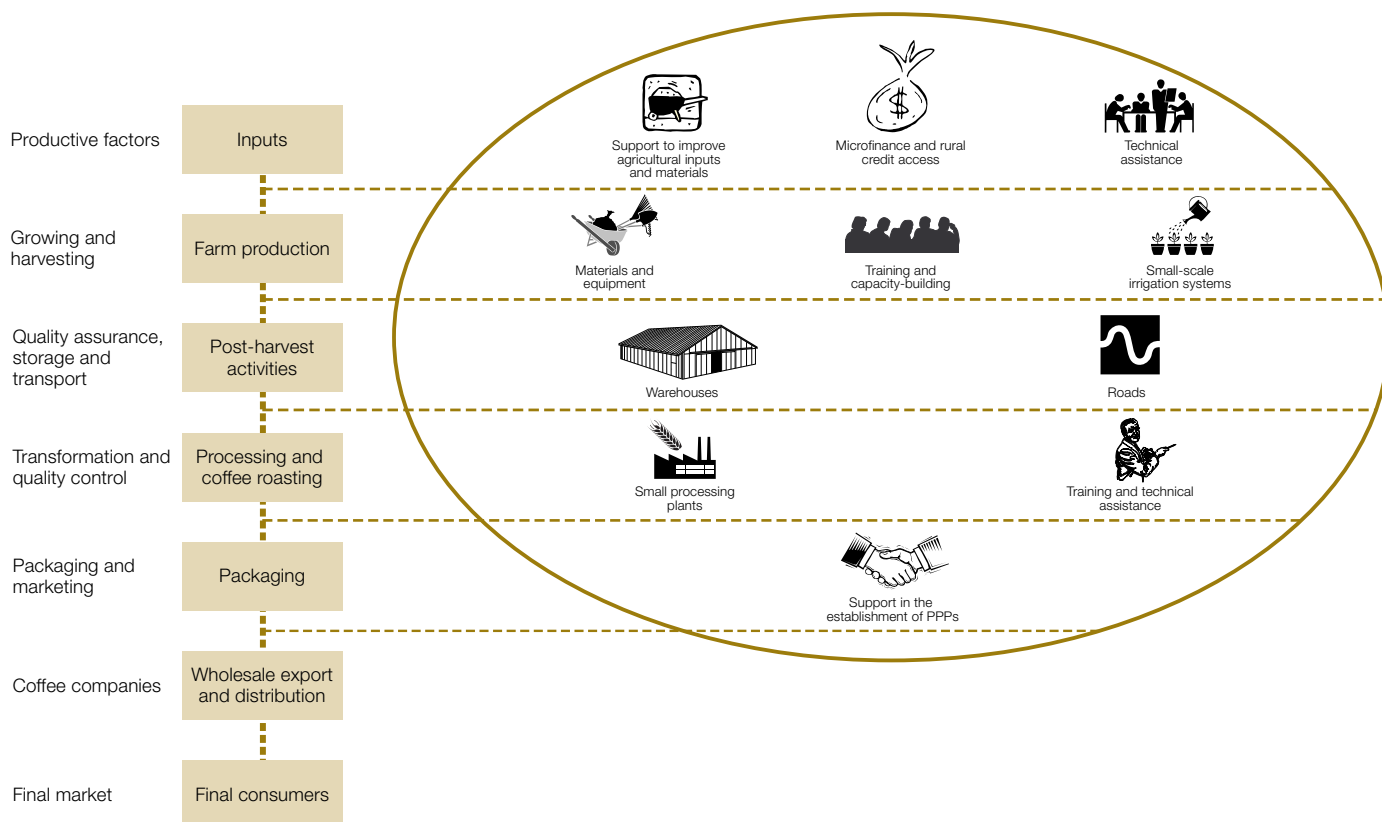
US\$17 million through its Project for Rural Income through Exports (PRICE). Growers can secure better returns through higher marketed volumes and higher prices as a result of increased production and improved quality of fully washed coffee. In this project, started in 2012, newly formed coffee cooperatives will establish 50 coffee-washing stations using both loans provided by participating financial institutions and a performance-based grant provided by the project. The marketing of fully washed coffee produced by IFAD-supported cooperatives is entrusted to MISOZI, which is a cooperative-owned export and marketing company composed of eight member cooperatives representing around 10,359 smallholders. MISOZI signed a contract with CaféDirect for the export of coffee produced by its members in 2006.

In Sao Tome and Principe, the local government, the private French company Malongo (which imports organic coffee) and IFAD signed a partnership agreement in March 2010. Since then, Malongo has been providing the coffee producers' cooperative CECAFEB with support and technical assistance with matters such as coffee bean dimension, plantation management, pest control (in particular, coffee berry borer or *broca del cafeto*) and harvest and post-harvest activities. CECAFEB represents six associations, with membership of 230 smallholders, and controls 260 hectares under coffee cultivation. In 2012, 6.6 tons of Arabica coffee were produced and sold directly to Malongo. IFAD is supporting coffee value-chain development in Sao Tome and Principe with an investment of US\$2.5 million.



Enabling poor rural people to overcome poverty

IFAD's support to coffee value-chain development



What are the roles of the various players in a public-private partnership (PPP)?

IFAD is dedicated to helping create the conditions for smallholder farms to thrive as small enterprises and for rural people to improve their livelihoods. By providing funds to local governments, it supports activities aimed at reducing barriers (such as lack of infrastructure, equipment, community services and marketing facilities) and building trust. In addition, it acts as a broker between local government, the private sector and smallholders to build long-term profitable partnerships for the development of the coffee value chain. The role of the private sector is fundamental and involves: ensuring technical assistance and support during coffee production; helping to conduct research, increasing access to inputs and materials and to ensure quality control; and providing market access and funds. Thus, private-sector investment can contribute to pro-poor development by reducing poverty and strengthening food and nutrition security.

What is IFAD looking for in a partner?

IFAD is looking for partners in the coffee sector that have demonstrated adherence to IFAD's principles, and that preferably operate under sustainable certification programmes such as Fairtrade, Organic, UTZ Certified and Rainforest Alliance. Companies certified under these programmes are in compliance with IFAD's core values and principles and thus justify the institution's willingness to partner with private actors. Partnerships with such companies are advantageous for smallholder farmers because these companies satisfy the increasing global demand for sustainable agricultural products. This demand provides new opportunities for smallholders, who by positioning themselves in the 'specialty products' segment of the market, can capture higher prices for their products. Private-sector activities directly involve IFAD's target group, smallholder farmers, in order to provide them with strong business opportunities. Partner companies commit themselves to ethical principles:

- At the economic level, by ensuring farmers fair prices for their products
- At the social level, by guaranteeing rights and social justice to farmers
- At the environmental level, by promoting biodiversity, protection of ecosystems and sustainable use of natural resources.



Productive partnerships in Papua New Guinea

In 2010, IFAD, the International Development Association (IDA), the Government of Papua New Guinea through the National Department of Agriculture and Livestock, the Papua New Guinea Cocoa Board and the Coffee Industry Corporation Limited (CIC) started the six-year Productive Partnerships in Agriculture Project, with the aim to promote the establishment of result-oriented partnerships for the provision of technologies and services in cocoa- and coffee-growing areas. The objective is to improve the profitability, quality and sustainability of smallholders' production. By 2012, six partnership contracts had been signed with the private sector, involving around 6,250 smallholders.

Private-sector activities implemented in partnership with farmers

Each private partner is involved in the implementation of programmes in partnership with one or more farmers' organizations. The programmes aim at providing members of the farmers' organizations with technical support in production and marketing.

Pacific Agriculture Management Services Limited (lead partner), and Konts Pacific Limited and Bangei Plantation Limited (joint partners)

- Rehabilitating areas under coffee plantation.
- Improving the quality of coffee and procuring Rainforest Alliance certification for coffee.
- Training on all aspects of production.

Kosem Limited

- Rehabilitating areas under coffee plantation.
- Supplying seedlings for in-filling and modestly expanding the area planted in coffee.
- Improving the quality of coffee. All smallholders will be certified with Rainforest Alliance.
- Training on agronomic practices, harvesting and processing, and financial and group management.

Kongo Coffee Limited

- Promoting and expanding the production of Elimbari Coffee through a marketing arrangement with smallholders.

Monpi Sustainable Services Inc.

- Trained 2,180 smallholders in coffee husbandry, employing environmental and social practices to enable certification to various international standards.
- Developed model gardens and demonstration blocks, which are being used for training. A 50 per cent increase in coffee production is expected by 2015.

PNG Coffee Exports

- Improving productivity through the rehabilitation of areas under coffee plantation.
- In-filling and replacing old, non-productive trees.
- Improving the quality of coffee through the adoption of best practices in post-harvest management and by constructing raised beds for drying.
- Developing market access, including provision of facilities and transport and assistance with certification.

Government's activities (with IFAD financing)

- Finance ad hoc technical assistance provided by the private partners to collectively organize farmers.
- Providing infrastructure facilities such as roads, warehouses and drinking water systems in each community.
- Ensuring access to inputs (seedlings, fertilizers, tools for tree maintenance, pest control tools and equipment) and to rural credit.
- Exercising overall responsibility for performance monitoring.
- Responsibility for programme implementation rests with the Coffee Industry Corporation Limited through the establishment of local input mechanisms such as committees.

IFAD's activities

- Investing around US\$14 million in the country, of which an estimated US\$3 million is being invested in coffee value-chain development, and ensuring the timely availability of financing.
- Providing supervision and implementation support for enhanced project performance.
- Supporting farmers' organizations in the establishment of partnerships with the private sector.
- Supporting the coffee certification process.
- Verifying that the treatment of farmers' organizations by coffee purchasers meets PPP principles.
- Acting as mediator between the government, the private partners and the farmers' organizations.
- Supporting the Fairtrade Promotion Project in Papua New Guinea (implemented by Fairtrade Australia and New Zealand with a grant of US\$500,000).

Mapping of IFAD's projects supporting coffee value-chain development (2002-2012)



About IFAD. The International Fund for Agricultural Development (IFAD) is an international financial institution and specialized United Nations agency dedicated to eradicating rural poverty. Based in Rome, with offices in developing countries around the world, IFAD focuses on country-specific solutions, which often involve increasing poor rural peoples' access to financial services, markets, technology, land and other natural resources. IFAD works with governments to develop and finance programmes and projects that enable poor rural people to overcome poverty themselves.

How IFAD works. IFAD's main funding instrument is the provision of loans and grants to governments, which finance agricultural and rural development projects designed to reduce poverty. Most of these initiatives are managed by semi-autonomous Project Coordination Units established by governments. IFAD also provides smaller grants directly to NGOs, research institutions and some private partners, to increase knowledge-sharing and technical support for smallholder farmers and rural poor people.

Supporting small-scale producers of certified sustainable products.

The rapid growth in consumer demand for sustainable agricultural products represents an enormous opportunity for small-scale farmers and producers in developing countries. To help them seize this and other opportunities, IFAD funds a range of projects in rural areas. A growing number of projects support smallholder production of commodities that are certified under programmes such as Fairtrade, Organic, UTZ Certified and Rainforest Alliance.

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