

INNOVATION LAB FOR FOOD SECURITY POLICY

African Great Lakes Region Coffee Support Program (AGLC) Policy Advocacy Roundtable on Farmer's Access to Premiums

Backgrounder 1

May 2016

Guiding Question: How might we ensure that producers are rewarded for producing high quality coffee through access to premium payments?

The Challenge

Coffee is the most valuable source of foreign exchange for twelve countries in the world. In Rwanda, coffee remains the most important cash crop, followed by tea, though there are ongoing efforts to diversify toward non-traditional export crops such as horticulture. Coffee provides an option for cash income, especially for resource poor farmers and those with few non-farm sources of income.

Many farmers are paid premiums for their cherry, an important incentive for producing higher quality coffee and for selling to the local coffee washing station, the access point for fully washed, specialty coffee.

But not all producers have access to those premiums and often it is reported by farmers that the premiums paid by the buyers are not, in turn, passed on to the producers who supply the washing stations.

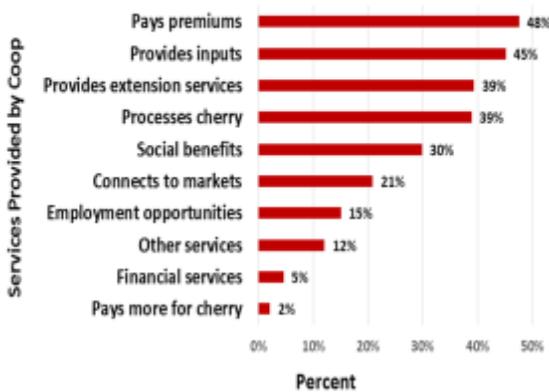
One of the strategic objectives of the Rwanda coffee sector is to intensify coffee production and to improve its quality to ensure that it fetches a premium price on the international market. The provision of extension services and farmer capacity development are often considered the most important strategic actions to reach that goal. Building capacity clearly is needed for improving coffee quality; it is a necessary supply-side condition for consistently producing more and better cherry and for rapidly transporting it to the CWS (within six hours).

But building capacity is not a sufficient condition for achieving these goals. The flip side of the issue lies in the provision of incentives that will compensate farmers for the additional costs they incur in helping their cooperatives and other private sector buyers to meet the higher standards and volumes they strive for. That is where the premium payments, and how they equitably they are distributed to farmers, become especially critical to a successful coffee value chain.

Key Issues

- 1- **Do premiums serve as a mechanism for improving the quality of coffee in Rwanda and the percentage of coffee that goes through the fully washed, specialty**
- 2- **Who receives premiums among coffee farmers? Do all farmers have fair and equitable access? Does the distribution maximize coffee productivity and quality?**
- 3- **Buyer premiums are often attached to the quality of coffee supplied, not just the quantity. Are there ways in which premium payments can be linked more directly to quality of coffee rather than quantity? This may open the door for more equitable distribution of premiums - coffee market channel?**

Primary Services Provided by Cooperatives Identified by Coffee Growing Households



Percent of Households Receiving Premiums		Source of Premiums Paid	
Premiums received?	Percent	Coop/Private CWS	Percent
Yes	29%	Coop CWS	67%
No	71%	Private CWS	33%
Total	100%	Total	100%
N	1,024	N	302

Evidence from the Baseline

Findings from the AGLC Baseline Survey of 1,024 coffee producing households in Rwanda confirm that:

- Farmers identify premiums as one of the most important services provided by the cooperatives and are seen as an incentive to supply coffee to the Coffee Washing Stations. Yet, only 29% receive premiums compared to 71% who do not.
- The mean premium per Kg received by farmers is FRW 16.
- Access to premiums positively affects productivity (Kg/tree). Those receiving premiums produce 26.2% more per tree than those who do not receive premiums.
- Farms at higher elevations are more likely to receive premiums than those at lower elevations. This difference may be explained by the higher quality coffee that tends to come from higher elevations and the willingness of international buyers to pay a premium for such coffees.
- Coffee farmers with less than 200 productive trees are the least likely to receive premiums. The cause of this discrepancy is likely due to the fact that this is a disadvantaged group that is less likely to be a member of the CWS cooperative, the source of the majority of premiums paid.

Key Statistics

Only 29% of farmers receive premiums.

67% of those who received premium are from cooperatively managed CWSs

On average, farmers receive FRW 16 per Kg of cherry supplied

Background on AGLC:

International experts and consumers alike recognize Rwandan and Burundian specialty coffees for their exquisite flavor. With support from government, private sector, and international partners, specialty coffee in Rwanda and Burundi has seen substantial growth over the past decade. Coffee provides millions of smallholder families in Africa's Great Lakes region with their primary source of income. Despite this growth, the region's coffee yields remain low compared to those of international competitors; these yields are further threatened by a "potato taste defect" (PTD) caused by rampant antestia bug infestations. Low productivity and PTD greatly reduce the potential incomes of the smallholder families that grow coffee in Rwanda and Burundi.

To address this issue, USAID supported the African Great Lakes Region Coffee Support Program (AGLC), a collaborative initiative led by Michigan State University (MSU) that integrates applied research, farmer capacity building, and policy engagement. The program's goal is to dramatically reduce the effects of antestia/PTD and to raise farm-level productivity, both of which will improve smallholder farmer incomes and help to sustain the Africa Great Lakes region's reputation for producing some of the highest quality coffees in the world. This program will forge enduring ties between the public, private, and university sectors, all of which are necessary for building sustainable regional capacity in research, extension/ outreach, and policy analysis and formulation, ultimately equipping policy makers with the research necessary to develop informed policies that address PTD and low coffee yields.