Location:
IPAR
Secretariat,
Kigali

May 17, 2016
9:00 AM

USAID Feed the Future African Great Lakes Region Coffee Support Program (AGLC)

Policy Advocacy Roundtable on Farmer Investments in Coffee

Guiding Question: How might we motivate coffee growers to invest more in their plantations?

Key Issues

1. Paradox: Coffee productivity in Rwanda is among the lowest in the world, yet international buyers consistently rate its coffees among the very best in the world, easily on par, or even above, coffees produced elsewhere in the East Africa region.

2. How much does it cost farmers in Rwanda to produce their coffee (cost of production -- CoP)?

   The cost of production in Rwanda, including household and wage labor, inputs and equipment, totals 177 RWF/Kg of cherry.

3. At 177 RWF/Kg the cost of production is high relative to what farmers are paid for their cherry, so a large proportion of growers suffer net losses in coffee (over one third in 2015).

   These farmers would make more working as agricultural wage laborers on the farms of other, more productive farms.

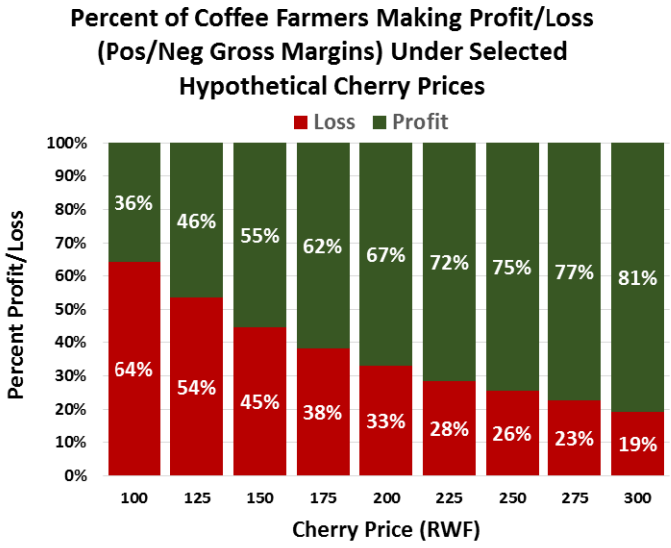
The Challenge

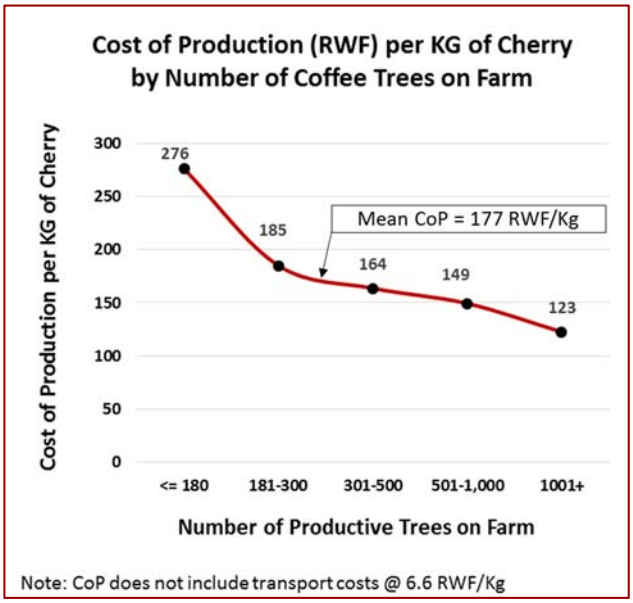
Stakeholders throughout Rwanda's coffee value chain agree that the long-term success of the sector depends on growth in coffee production and productivity. Regrettably, Rwanda has seen a gradual decline and, more recently, stagnation in production over the past 25 years—a source of concern for virtually all in the coffee value chain. Seemingly, a paradox lies within: coffee productivity in Rwanda is among the lowest in the world, yet international buyers consistently rate its coffees among the very best in the world, easily on par, or even above, coffees produced elsewhere in the East Africa region. Other countries in the region, notably Ethiopia and Uganda, have experienced steady growth in their coffee sectors over the past two decades, while Rwanda has not.

One notes also that Rwanda's strategic objectives are consistently in line with the expressed need to raise the productivity and quality of coffee, as well as to increase to 100 percent the share of coffee produced through the fully-washed channel, eventually eliminating the production of "ordinary" or "commodity" coffee in favor of higher paying "specialty" coffee.

A critical piece of the solution lies in the Rwandan coffee producers' *capacity* and *incentives* to invest in their coffee. Capacity, in terms of land, labor, cash/capital and knowledge (technical and entrepreneurial), are constrained for many of the country's producers. At the same time, it is well established that adequate farmer capacity will not result in the desired improvements in productivity unless coupled with proper incentives to produce. Farmer motivation to invest in coffee is a serious threat to reaching Rwanda's goals of a more productive, vibrant and sustainable coffee sector.

FEED THE FUTURE
The U.S. Government's Global Hunger & Food Security Initiative





Evidence from the Baseline

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

- Farmers see coffee as central to their livelihoods and as the most important source of cash to their household economy.
- Farmers that have both the capacity to invest and the incentive to invest have the highest productivity and highest profits (per tree); these are farmers with mid-range numbers of trees.
- Cost of production in Rwanda, including household and wage labor, inputs and equipment, totals 177 RWF/Kg of cherry.
- At 177 RWF/Kg the cost of production is high relative to what farmers are paid for their cherry, so a large proportion of growers suffer net losses in coffee (over one third in 2015). These farmers would make more working as agricultural wage laborers on the farms of other, more productive farms.
- Cherry prices, access to inputs, more trees and receipt of inputs all affect productivity and incomes.

Changes in the policy environment can help to ensure needed incentives to smallholder producers to invest (inputs, labor and eventually more land) in their coffee plantations for improved productivity and control of control of antestia/PTD.

Key Statistics:

In 2015 over 33% of coffee producers were unprofitable (incurred net losses)

300 RWF is the median cherry price at which farmers say they will invest more of their labor, cash and land in their coffee.

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.