



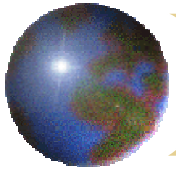
Fair-trade and Cooperatives–The Uganda experience



**Paper Presented by
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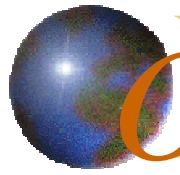
Berlin Germany

January 21, 2005



I will look at

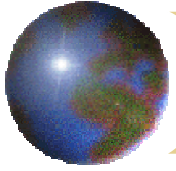
- Over view of Uganda coffee industry
- Fairtrade & Coops – Uganda experience
- Advantages and disadvantages of fairtrade
- Conclusion and Way forward



Overview of Uganda

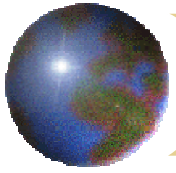
Coffee Industry

- ⊕ Landlocked country crossed by the Equator (2 coffee seasons a year)
- ⊕ Has about 25 million people
- ⊕ About 500,000 small coffee farmer families
- ⊕ Livelihood of over 3.0 m people in value chain.
- ⊕ Approx 30% forex & 70% income for rural farmers.
- ⊕ **Grows both arabica & Robusta in 1:9 ratio**
- ⊕ **Before liberalisation**
 - **Coffee marketed by Cooperatives & Govt CMB**
 - **Small holder farmers sold coffee to primary societies**
 - **Govt controlled prices and provided inputs**
 - **Govt set rules & regulations for coffee sector**
- ⊕ **Post-liberalisation**
 - **No Govt /Coop monopoly to buy coffee**
 - **Coops & CMB disintegrated**
 - **No more hand-outs from Govt**
 - **Farmers left alone to market forces**
- ⊕ **All this led**
- ⊕ **Declining quality and quantity**
- ⊕ Lack of access to inputs
- ⊕ No more extension services
- ⊕ Unprepared-ness on part of the coffee farmer to handle market issues etc etc
- ⊕ **Farmers needs and expectations needed urgent attention:**
- ⊕ **At the farmers' own initiative, NUCAFE was formed to bridge the gap**
- ✓ **Between the Farmer and govt and the market**



NUCAFE Formed in 1995

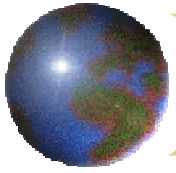
- 80 member associations country-wide;
- Policy and Advocacy for farmers;
- Extension, information and networking
- Market linkages.



Uganda Cooperative Alliance

(UCA)

- ✚ UCA and about four coop societies *refused to die*;
- ✚ Coffee sector continues to see need for organized marketing of coffee thru coops/Associations
- ✚ There4 new Coop policy is being formulated spearheaded by the farmers.
- ✚ These coops are trading in fairtrade coffees I small quantities thru a marketing wing Union Export Service (UNEX).



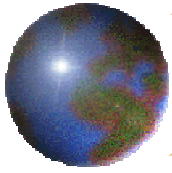
Fair-trade - the Uganda Experience

- ⊕ Fairtrade - a small niche market-not for all...
- ⊕ In Uganda, Some Coop societies still market their coffee through (UNEX)
- ⊕ Farmers are encouraged by a Minimum Price Guarantee (MPG) and premiums offered by fair-trade
- ⊕ Farmers don't know difference btn FT coffee and any other coffee- what matters is the price differential
- ⊕ Farmers know that good price goes with good quality coffee
- ⊕ Farmers then adhere to FT standards b'se of good price
- ⊕ These farmers want to continue enjoying the good price with monopoly
- ⊕ The primary societies tend to remain more organised in production but are small in number
- ⊕ No local promotion of fair-trade coffees
- ⊕ FT is only for the organized farmers and relatively well to do.



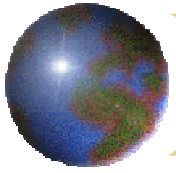
Advantages of Fair-trade

- ✚ Getting better prices guaranteed with a Minimum Price and Fair-trade premium
- ✚ A catalyst to coffee quality improvement, food safety, environment conservation and social security in the communities.
- ✚ Traceability is quite feasible under the fair-trade arrangement
- ✚ Appellation- possible under fair-trade (source of origin for coffees)
- ✚ Transparency and accountability possible
- ✚ Farmer coop strengthening & Empowerment
- ✚ FT creates Consumer confidence



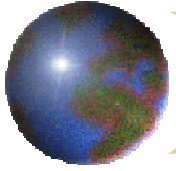
Disadvantages of Fair-trade

- Perceived that as fair-trade is a niche market, it will always remain small -2% globally:
 - Mexico 30%; Guatemala 20%; Peru 13%; Costa Rica 9% and Nicaragua 6%.
 - Out of Africa's 9.5%, Tanzania accounts for 4%, Ethiopia and DR Congo 2% and Uganda only 1%.
- Certification costs high-why? –because local companies not allowed to certify FT coffees
- Fair-trade labeling does not trade in finished products from producing countries but prefers to deal in raw material like green coffee. This deprives cooperatives the opportunity to add value to earn more money.
 - here fair-trade does not seem to be fair



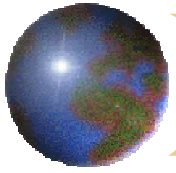
Conclusion

- ✿ Fair-trade is a niche market and it is still small though said to be growing. It has been a very important tool used by civil society to check on the trade imbalance between multinational companies and producing countries.
- ✿ It improves marketing skills and enhances capacity of producer organizations. Fair-trade is also a good system for rural community development
- ✿ It is also a system that improves coffee quality and protects the environment and this has an in-built premium for organic production. However, all these benefits are of semi-processed green beans and not fully processed products phenomena to which partly abject poverty is attributed to in the developing countries.



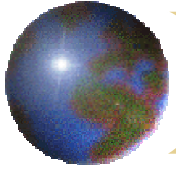
Way forward

Policy changes should be made to strengthen cooperatives/associations at grass-root level because this is where real action takes place (Farmer-level organizations).



Suggested recommendations at the various levels:

- **At Household level**, there is need for more education, sensitization of the Smallholder Coffee farmers on fair-trade issues (who is to do this?)
- **At cooperative/Association level**, there is need to build strong farmers' cooperatives/associations
- **At National level**, deliberate support by home Govts to promote domestic consumption of fair-trade coffee and enabling environment for business
- **At International Level**, **need for** deliberate effort for more consumer awareness about fair-trade for increased market share
- Overall, the entire fairtrade commodity chain –to ensure transparency and accountability for a win-win for all.



Proposed Researchable Areas

✿ Is fair-trade fair -along the chain?

-to the farmer?

-to Processor?

-to the trader?

-to the consumer?

We need a cost-benefit analysis along the
Commodity chain.