

## INNOVATION LAB FOR FOOD SECURITY POLICY

# Africa Great Lakes Region Coffee Support Program (AGLC) Policy Advocacy Roundtable on Designing Mechanism to Link Coffee Price and Quality in Rwanda's Coffee Sector

Backgrounder 10

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### Guiding Question: How might we create systems that reward farmers for producing high quality coffee?

#### The Challenge

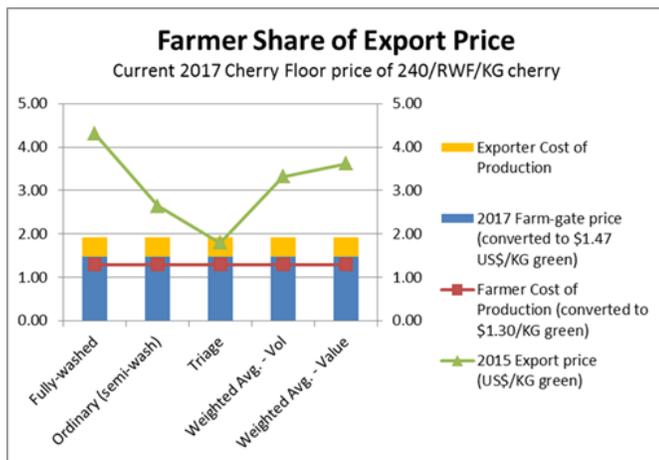
As “the land of a thousand hills,” Rwanda has an exceptional environment for growing specialty Arabica coffee. Rwanda’s “coffee renaissance” started in 2002-2003, making specialty coffee a relatively new phenomenon in Rwanda (only 15 years old). Conversely, other countries have been producing high-quality, fully-washed Arabica since the 1950s. Given the higher prices paid for specialty coffee, the growing demand for fully-washed Arabica coffee, and Rwanda’s own comparative advantage, the country is shifting the focus of its coffee industry away from commodity, low-price coffees (Source: NAEB, Medium Term Strategic Plan, 2013 – 2018, pg. 9).

Unfortunately, some structures and policies are not designed to maximize Rwanda’s potential for quality coffee, and there is room to develop new, beneficial policies. A more cohesive program of policies may effectively reward and encourage those who develop positive, long-term relationships with buyers and suppliers of high-quality coffee. Rwanda’s neighbors, Kenya and Ethiopia, have long-standing, well-known reputations for quality coffee. Thus, Rwanda’s coffee policy may benefit from greater strategy and focus in order to succeed alongside these East African giants (Ethiopia is #5 globally, Kenya is #16 and Rwanda is #30; source: International Coffee Organization.).

Comparing Rwanda to other countries with long-standing traditions in high quality coffee, one observes many potential areas for improvement. One example of these policies concerns quality metrics. Fully-washed coffee is measured and tracked, but unfortunately, coffee that is fully-washed does not necessarily score 80 and above on internationally recognized quality scales (the definition for “specialty coffee”). Thus, there may be a need for clearer metrics on the quality of specialty coffee produced and sold, which can be published nationally.

#### Key Issues

1. The effect of “Potato Taste Defect” (PTD) on quality coffee drives some buyers away from the region, lowering demand and placing downward pressure on prices.
2. Those buyers who continue to work in the region remain wary of the PTD issue, and coffee volumes do not grow as a result.
3. If the Rwanda coffee sector shifts its focus to coffee quality, there might not be a market for more expensive, high-quality coffee.
4. Quality control measures may hurt the relationship between farmers and CWS and weaken farmer loyalty.
5. CWS have limited experience with quality control and supplier education processes in the coffee receiving area. Thus, quality control measures might hurt CWS profits.



Both of these farmers receive the same amount of cash.

## Evidence from the Baseline, Midline, and Qualitative Data

Below is a list of issues that potentially prevent the growth of Rwanda's quality coffee segment:

- A lack of a quality metrics written or reported at the time of cherry reception hinders tracking and improvement.
- CWS “buy everything,” and they buy it all at the same price.
- The amount of ordinary (low-grade) coffee de-pulped at CWS is not measured at the national level.
- Incentivizing farmers with dependable, high prices might improve the availability of high-quality coffee.
- Second payments may not be clearly tied to coffee quality metrics.
- Farmers at high elevations receive higher prices, but sometimes make less money.
- A 20-30% share of the export price may not be enough to incentivize farmers.
- Increased national promotions and marketing of CWS with best practices and quality results may be needed.

One over-arching construct noted throughout AGLC research is that CWS play a critical role in two processes that are important for determining coffee quality: (1) they are the primary node offering training to farmers; and (2) they are the first quality “check-point” for raw coffee product as it enters the processing and export system.

## Key Data and Quotes

- The 2015 cherry floor price was 24% of the export price, meaning processors and exporters received about 74% of the export price.
- “Telling farmers to take home any portion of delivered cherry (rejection based on low quality) is counter-intuitive to the challenge of building farmer loyalty and reaching volume goals.”  
– Key Informant
- “Communication to farmers about any change in our cooperative policies for cherry price is required before those changes are made (such as paying a higher price for higher quality).” – Key Informant
- “Another challenge is fluctuation of the prices. The problem is most of the time you incur high cost of production, then when you bring production, the price is low and you find you are not going to get a profit for all that time.” – Key Informant

**Outputs of Roundtable Discussion:** Facilitators asked participants to discuss the top challenges and potential solutions related to rewarding farmers for producing high-quality coffee. Throughout the discussion, participants converged upon three potential solutions to the challenges involved in connecting coffee price to coffee quality. A synthesis of this conversation is reported below.

### Key solutions for rewarding farmers for producing high quality coffee

- The Rwandan government could adopt a policy that requires CWS to float all cherry and measure “floaters” throughout the collection and sorting processes to separate out low-quality coffee from the value chain. Furthermore, CWS could float cherry more frequently throughout the sorting process to further improve quality.
- High-quality coffee could be compensated at an established fair and stable floor price; while floaters, unripe, and other low-quality cherry could be sold at a lower price set by NAEB or as a free market negotiation between farmers and their CWS.
- Second payments, in which farmers are paid later in the season after their coffee has been sold at market, could be used to “reward” those farmers with high-quality cherry that earns a high price in the market. A policy could be implemented to encourage CWS to pay second payments to these farmers.
- CWS and cooperatives could include quality requirements for site collectors who bring farmers' coffee from the field to the CWS/cooperative. This could include tying site collector pay to the quality of the coffee they bring in.