

Case Study

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Kivubelt – Teuscher – Private

“I heard what a washing station was doing to win the Cup of Excellence. They were sorting so carefully and floating the cherry and sorting again and again. I was very impressed. And then I thought, ‘why aren’t they processing cherry that way all the time?’ This is the question Claudine Kantengwa¹ asked in the early days of establishing Kivubelt Coffee, the private coffee production firm for which she is now managing director. Kivubelt is owned by Teuscher Invest, which is controlled by a Rwandan and Swiss couple, Furaha Umwizeye Teuscher and Peter Teuscher. It was Furaha who had the vision to create a business in Rwanda that would allow her to use her economics and business training, and be productively engaged in the development of her homeland. At first she thought she would just own and operate a washing station. But as she was toured around the country, looking at the options, she started asking questions about the cherry supply. She realized the cherry supply was the key to the plan to have *high quality* green coffee that would fetch top prices. So she decided to invest in planting 80,000 coffee trees. Thus in 2012 Kivubelt planted all those seedlings and she became one of Rwanda’s largest coffee farmers!

Although Kivubelt was growing 80,000 coffee trees, the business plan required starting up with coffee cherry purchased from farmers neighboring their washing station in the Gihombo sector, Nyamasheke district. Even after the Kivubelt plantations began producing in 2016, the company continued to buy from farmers and still does.

Innovations and Out-of-the-Box Thinking:

Lean training: While Kivubelt’s leadership and management in Kigali understood the need for quality, bringing that message to the workers and the farmers at the washing station (4 – 5 hours away by car) required training. Kivubelt elected to bring “Lean training” to their staff. Lean is a total quality management system practiced by production firms in many industrialized countries. It focuses on training everyone from top leadership to frontline workers to eliminate waste. Initial areas for improvement identified by Claudine for the “practice” Lean projects were speed of hand-sorting on the raised tables, safety in the machine area, and most important, quality control at reception. Through the training, more rigorous, quality enhancing programs in each area were devised.

¹ Ms. Kantengwa is also a board member of the International Womens Coffee Alliance (IWCA) Rwanda chapter.

In the cherry reception area, the team of employees decided on several changes. They demonstrated their ideas with makeshift “props” at the end of the training. They had posted signs to inform the farmers of the new sorting rules. They had designated paths that ran from the raised beds for sorting cherry, over to the weighing area where lines were drawn on the cement so that order could be kept even during the peak season when many farmers come at once. Farmers would be required to take home the cherry they sorted out while at the raised beds and they would have to float cherry in a basin. A staff person at the scales would check the bag of cherries again for color and send the farmer back to the tables if he/she did not pass visual inspection.

Cherry price: Since Kivubelt’s business plan is to focus only on the high-end buyers of Rwandan coffee, they have known all along they would be paying more than the floor price set by NAEB. This would be necessary also because their washing station, Murondo, is in a competitive region of Nyamasheke. We regularly passed other washing stations and their staff as we would drive to and from Murondo. In January 2017, Claudine could see on the one hand how sending farmers home with the poor quality cherry would support the company strategy. “I will send the farmer home with the cherry that is floated out by the floatation process or sorted out on the reception sorting tables,” she told me. But on the other hand, she knew that this would mean a smaller volume of coffee that would have to sell at a high price to make the numbers the business needed. “I have to think about the cost of sending the farmers away with the poor quality. Because then I have less volume. I will have to do much marketing to get those customers who will pay the high costs of the high quality cherry.”

The quality implications of a high cherry price were made much clearer to Claudine and her team after the 2016 price of 272 RWF/KG cherry was announced. This was a sharp increase over the 170 RWF/KG cherry floor price the year before. They had been thinking they could pay 250 and be “above everyone else.” Now they would have to pay 300 RWF/KG cherry. As they started doing this, the detrimental impact of every KG of *poor* quality cherry they purchased became obvious. As a business, they simply couldn’t afford to pay 300 Rwf/KG for poor quality. It was critical that the fledgling company reach breakeven in this, its fourth year, and its second year of harvesting cherry.

Siphon for Floating: At the beginning of the 2017 season (January) Kivubelt finished installation of a new “Siphon” machine for floatation and sorting of cherry. There are only about a dozen washing stations in Rwanda which have these machines, so Kivubelt is now one of the few. The Siphon is a silo-shaped column that fits between the cherry reception area and a MacKinnon de-pulping machine. Water runs into the top of the column along with cherries from a holding tank where farmers have loaded their cherries. The machine circulates the cherries in the water inside the column in such a way as to push the “floaters” out the top of the silo, and it then delivers the good quality, “sinkers” to the depulping machine directly. Kivubelt had heard from others that this relatively low cost “attachment” to the de-pulper had drastically reduced incidents of potato taste defect.

Challenges:

Farmer loyalty: as a “young” washing station and new company in the area, Kivubelt is conscious of the need to develop strong and positive relationships with the farmers and other neighbors in the remote area of the washing station. It is about 10km (6.2 miles) “in” from the paved road. This, combined with the new zoning policy, makes them reluctant to implement a system of rejecting any cherry. Since other Ws in the area do not do this, they feel such a move would be seen as unfriendly to farmers. Because of zoning, they would be unable to ‘cast a wider net’ to find enough farmers who are willing to sort at home and bring only cherry that meets Kivubelt’s high quality standard.

Coffee Berry Borer: Kivubelt unfortunately was hit with a large infestation of coffee berry borer on their own trees in 2017. Finding the right pesticides to battle the problem took a long time and so did importing the liquid and applying it. In the end, they estimated they will lose 17% of their crop in this, the 2nd harvest. This puts them further behind in terms of reaching profitability as a company. It means some ideas had to be put on hold, such as further training for the staff at the washing station and sensitization of the farmers about Kivubelt’s long term commitment to the community.

Climate change: After facing the lack of rain (longer dry season than usual) when the rain does come, it comes hard. Hail damages the trees. The problem of lack of rain means a lot of floaters. With the sorting at the tables and with basin floating before buying, they could separate out the floaters and send them home with the farmer. But either way climate change means lower volumes of high quality cherry.