

INNOVATION LAB FOR FOOD SECURITY POLICY

Africa Great Lakes Region Coffee Support Program (AGLC) Policy Advocacy Roundtable on Pathways to Sustainable Growth in Rwanda's Coffee Sector

Backgrounder 6

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Guiding Question: How might we promote long-term sustainability in Rwanda's coffee sector?

The Challenge

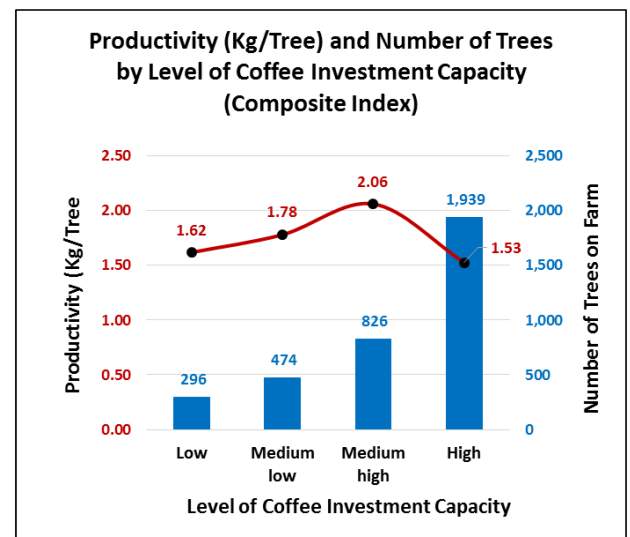
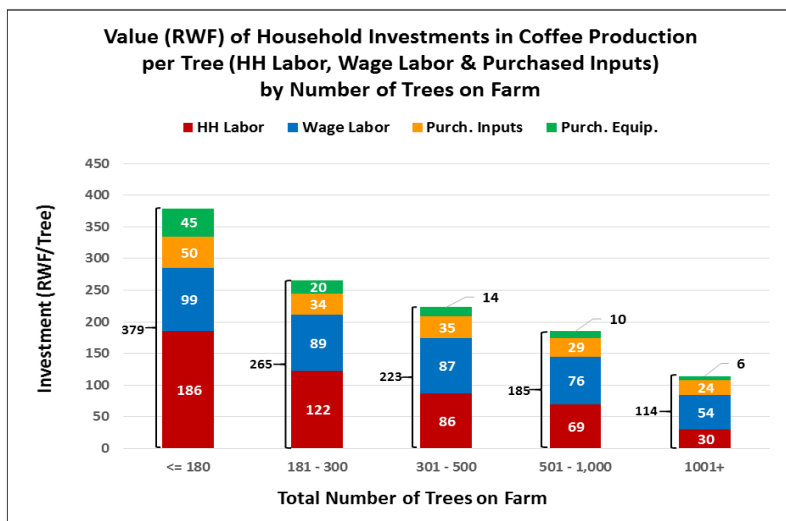
Low and stagnating production has placed Rwanda's coffee sector in a vulnerable state. Perennially low coffee prices have discouraged farmers from investing in their plantations. Many farmers complain that losses in coffee have driven them to abandon their coffee trees and to increasingly uproot them in favor of other, more profitable crops. Young farmers are choosing not to enter the coffee sector at all for the same reasons, seeing clearly how their parents struggle to make a living in coffee. This troubling development is a serious threat to the long-term sustainability of the country's flagship sector. Simply put, farmers have been left out of Rwanda's "coffee renaissance" over the past 15 years, and the consequences are now more apparent than ever.

To restore sustainable growth to Rwanda's coffee sector, two changes will be required. First, there needs to be a commitment from all stakeholders in the value chain to ensure that producers are compensated fairly, with cherry prices commensurate with those paid elsewhere in East Africa. Producer prices in Rwanda lag behind others in the region by an average of 25-30 percent (International Coffee Organization and NAEB figures).

Second, the government should give high priority to restoring coffee as a pillar of rural economic growth in Rwanda. Why? Because global specialty coffee markets continue to grow; Rwanda has a remarkable comparative advantage in high quality specialty coffee, an advantage not shared by any other high-priority crops such as maize, bean, rice, wheat, and cassava; and coffee grows well on steep hillsides, protecting against devastating soil erosion and eliminating the need for high-cost terrace construction and maintenance otherwise needed to make the fragile slopes productive.

Key Issues

1. What changes will be required to raise and stabilize producer prices so that coffee farmers will invest in their coffee plantations in ways that increase productivity and bring sustainability to the sector?
2. Restoring coffee as a pillar for rural economic growth will require a major commitment from both public and private stakeholders in the coffee sector. What steps can be taken by stakeholders to bring back coffee as a flagship export crop?
3. There is a need to experiment with alternative cherry pricing schemes that reward coffee farmers with higher prices for high quality cherry. Currently, most washing stations do not offer quality-based pricing, so farmers have little incentive to adopt practices that yield better cherry.



Evidence from the Baseline, Midline, and Qualitative Data

Findings from the AGLC surveys of coffee-producing households and interviews with stakeholders and focus groups show that:

- Long-term success of the coffee sector depends on growth in production and productivity.
- Persistent low profits to farmers are a major disincentive to their investment in higher production and productivity.
- Rwanda's coffee sector is stagnant and vulnerable, but has high potential for long-term growth and sustainability due to:
 - Positive trends in specialty coffee markets, which are growing and becoming detached from the New York "C" (NYC) price.
 - Rwanda's comparative advantage based on its ideal agro-ecology, abundant labor, reputation for quality, and market appeal of smallholder producers.
 - Coffee is fit for steep slopes, which protects against soil erosion (lowest erosivity of all crops) and does not require costly terrace construction & maintenance.
 - Improved food security as a result of cash from coffee sales.
 - Lower risk to farmers compared to several other priority crops, notably maize and bean.
- Despite its vulnerability and its potential, coffee has not received the level of policy attention needed for long-term growth.

Key Data

- In 2016, coffee was unprofitable for the majority of producers (they incurred net losses).
- When coffee prices are low, high-capacity and large-holder farmers invest the least in their coffee plantations and have the lowest productivity of all (1.53 Kg/tree).

Outputs of Roundtable Discussion: Roundtable participants discussed how Rwanda could prioritize coffee and boost investment. The top ideas for prioritizing national coffee investment and improving farmer investment can be found below.

Prioritizing coffee

- Emphasize environmental (e.g., soil conservation, biodiversity) and food security (e.g., income, intercropping) benefits.
- Define the contexts in which coffee should be prioritized. Integrate coffee in Ministry of Agriculture analyses of which soils are best for coffee and what new agricultural land can be used for coffee.

Motivating farmer investment

- **Financial incentives:** Improve farm-gate prices, stabilize prices year-to-year, and differentiate price for quality through tiered pricing. Other ideas include improving access to credit and holding international/regional coffee competitions.
- **Information sharing:** Share price information early so the coffee sector can plan; use media to share information across the sector; and gather more information from farmers about their needs.
- **Farmer support and capacity building:** Get exporters involved in supporting farmers; inform farmers about how price floors are set; and support farmers in improved plantation management.