

**Longitudinal Case Study**  
**Kibinge Coffee Farmers' Co-operative Society Limited**



# Table of Contents

Acknowledgements.....	3
Introduction.....	3
Methodology.....	3
Background .....	4
Kibinge Coffee Farmers' Co-operative Society Limited .....	5
Business growth and sustainability .....	6
Impact of Covid-19 .....	10
Social Impact .....	11
Case study 1 – Farmer .....	12
Case study 2 – Permanent worker .....	13
Case study 3 – Management .....	13
Education .....	14
Transport.....	14
Gender .....	15
Environmental Impact .....	15
Conclusion .....	15

## **Acknowledgements**

Thanks to Daniel Lukwata, Kibinge General Manager for giving permission for this case study and support with data gathering.

We also express our gratitude to producers and employees from Kibinge co-operative and team members from Shared Interest, who made this study possible.

## **Introduction**

Shared Interest annually publishes a selection of longitudinal case studies. Using research carried out over a number of months, the studies follow the customer journey over several years. The objective behind this process is to understand the level of impact Shared Interest finance has on a recipient business and its wider community.

The subject of this case study is Kibinge Coffee Farmers' Co-operative Society Limited, a coffee co-operative based in Central Uganda. Kibinge first received finance from Shared Interest in 2012 and has since received an increase in their Commercial Export Credit Facility (COEC).

The key objectives are:

1. To explore the impact of each financial product individually, to understand how Shared Interest finance has affected Kibinge business operations and describe the change process that has taken place within the organisation.
2. To examine any impact the business finance has had on producers, employees and the local community.
3. To determine the critical success factors involved in the growth and sustainability of Kibinge.

## **Methodology**

In gathering data for the study, we used both quantitative and qualitative methods including mini-surveys, semi-structured interviews and group discussions. The target population for the mini-surveys included 17 coffee producers and eight employees. The semi-structured interviews included two producers and two employees. We also interviewed Kibinge General Manager Daniel Lukwata. In addition, we reviewed all available Shared Interest documentation from 2009 to 2020. This included proposals, annual reviews, field visit reports and financial reports. The quantitative data was analysed using a data analysis software known as the Statistical Package for Social Sciences (SPSS).

## Background

Uganda boasts an ideal climate for coffee production. With the exception of the dry season between June and July, rainfall is moderate throughout the year and temperatures stay steady at around 26C. This combination of sunshine and showers, amidst rich volcanic soils, creates the perfect environment for coffee growers.

Most of the country sits between 2,000 to 6,000 feet above sea level, with areas such as the Rwenzori mountains reaching 16,000 feet. Approximately 80% of Ugandan coffee is from the Robusta bean, grown at a lower elevation than Arabica, which requires altitudes of 6,000 feet upwards. Arabica makes up the remaining 20% of production.

Despite fluctuations in coffee prices worldwide, Uganda has managed to maintain coffee as its flagship product, exporting on average three million 60kg bags per year. It remains Uganda's biggest export and in 2020/2021, the country achieved its highest volume in 30 years.

*'Coffee exports in December 2020 alone amounted to 422,922 60kg bags worth 37.78m US Dollars. This was an increase of 28.06% and 9.42% in quantity and value respectively compared to the same month last year'* **Source: Uganda Coffee Development Authority**

It is thought that a government initiative of providing free coffee seedlings to Ugandan farmers over the past five years has helped in this production boost.

Managing Director of the Uganda Coffee Development Authority (UCDA) Dr. Emmanuel Iyamulemye Niyibigira said: "Part of UCDA's mandate is to ensure that Ugandans appreciate the importance of coffee. Uganda is the eighth largest coffee producer in the world. Our desire is to get to the second or third position where we were a few years ago, and that is why the Government launched the coffee roadmap.

"The roadmap responds to a directive issued by H. E. the President of Uganda in 2014, to accelerate coffee production from the then 3.5 million 60kg bags to 20 million bags of green coffee by the year 2025. In the past, coffee was regarded as any other agricultural crop. However, from some of our historical moments, we realise coffee earnings were a transformation for the country."

Coffee made its name as Uganda's biggest export in 1975 when freak weather conditions hampered the output of Brazilian farmers. Named the Black Frost, freezing temperatures brought ice and snow to the farmers of Paraná in southern Brazil, wiping out entire crops. Buyers turned to alternative countries in order to meet demand - and Uganda had the supply to meet it. Coffee subsequently kept the country's economy buoyant for over a decade, until global coffee prices crashed in 1987.

During this time, Arabica plants were beginning to be introduced to the country on a larger scale, as modern agricultural techniques helped protect this more delicate plant from disease. Though still not grown nearly on the same scale as Robusta, Arabica production in Uganda has grown steadily since.

Today, two million households in Uganda depend on coffee for earnings (Source: UCDA). Robusta plants continue to dominate farms, outnumbering Arabica by four to one across the whole country. The majority of beans are grown on farms measuring approximately six acres with beans often being dried in the sun, making this an accessible way to make a living.

One of the challenges Ugandan farmers continue to face is the lack of coffee consumption locally. Dr. Emmanuel has also spoken about UCDA's plans to change this. He said: "Drinking coffee is about culture...At UCDA, we are engaging different stakeholders to help increase local consumption of coffee. We want people to start appreciating the benefits a cup of coffee offers.

"We need to take coffee as food, whether we are exporting or processing it for domestic consumption. If we want to protect our markets, and attract good prices, we have to make sure that we have very good coffee.

"We are sensitising farmers, exporters, traders and everybody involved in the coffee value chain so that we produce a lot of coffee, handle it very well and ultimately export good quality coffee and attract good prices."

## **Kibinge Coffee Farmers' Co-operative Society Limited**

Kibinge Coffee Farmers' Co-operative Society Limited is named after the region in which it is located, within the Bukomansimbi district in Central Uganda, about 150 kilometres from the capital, Kampala. The area is renowned for its high quality Robusta coffee grown at an altitude of 1200-1300 metres above sea level. Its geographic location, just below the equator, provides warm temperatures and a bi-annual rainfall conducive for coffee to be harvested twice a year.

Founded by four coffee farmers in 1995, Kibinge was registered as a coffee farmers' co-operative in 2009, becoming a profit-making enterprise. That same year, Kibinge received a grant from the United States African Development Foundation (USADF) to purchase office equipment, contribute towards administrative costs and provide training to their members. The group received a second grant in 2011 from international network organisation Solidaridad, and USADF to provide training to their members in agri-business skills and increase marketing skills and traceability.

Two years later, Kibinge obtained Fairtrade certification and secured their first fair trade buyers. However, they had no external financing and relied on their own funds to purchase coffee from their members, limiting the volume of coffee they could buy.

This changed in 2012 when Kibinge acquired an export license, which enabled them to sell coffee directly to buyers. The Fairtrade Premium earned since has enabled Kibinge to establish a number of social, educational and health initiatives to support farmers, their families, and the wider community. In September that year, Shared Interest provided Kibinge with a Commercial Export Credit Facility (COEC) of 200k US Dollars, to pre-finance 13 contracts with international fair trade buyers. Then, following an increase in orders, we increased their COEC facility to 400k US Dollars in 2013.

Kibinge currently has a membership of 2,121 farmers (23% women).

## Business growth and sustainability

Before receiving Shared Interest finance, Kibinge relied on support from wealthier members of the co-operative. They applied for finance from another social lender as well as national banks but were unsuccessful, as they did not meet their criteria.

Kibinge Finance Manager Grace Nakachwa commented on the difference made to the business once the Shared Interest COEC was in place. She said: *“We were able to buy more coffee to fulfil the contracts. Once we have the funds (we pay cash on delivery) it's easy for the farmers to sell their produce because they know they will be paid instantly.”*

Kibinge General Manager, David Lukwata said: *“Shared Interest believed in us. We were able to export our first container using Shared Interest funding. We appreciate Shared Interest for believing us when no one wanted to assist us.”*

**Figure 1 – Volume (kg) of coffee exported by Kibinge**

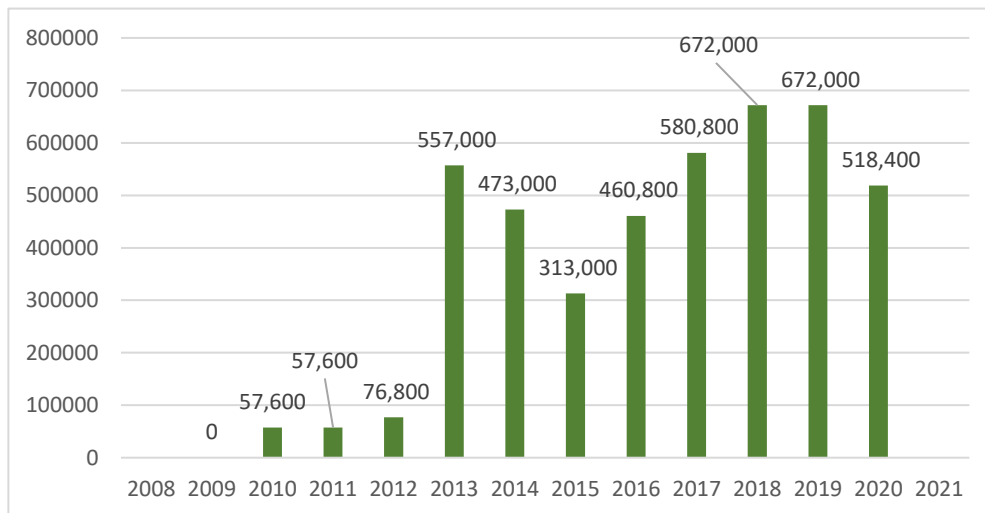


Figure 1 shows how the volume of coffee exported by Kibinge significantly increased from an average of 64,000kg between 2010 and 2012, to 557,000kg in 2013, the year after they received support from Shared Interest.

Grace also explained the need for the COEC facility increase, saying: *“The EC (Export Credit) was increased because we were buying coffee throughout the year and we had received more contracts which needed financing. It brought in a lot of coffee and we were able to meet the shipping schedules of the contract thus maintaining our buyers.”*

As their profit increased, the co-operative purchased land for an office and processing facility as well as a truck to transport the coffee.

In 2014, there was a period of drought, which affected coffee quality and production. This was compounded by changes in global coffee prices. Sales decreased from 1.3m US Dollars in 2013 to 950k US Dollars in 2014. In 2016, Kibinge provided farmers with coffee farming inputs, which resulted in increased production the following year (represented in Figure 2) and an increase in sales (represented in Figure 3). Then to maintain these higher production volumes, Kibinge introduced a continuous training programme for their members to encourage the farmers to implement modern agricultural methods including agroforestry and irrigation techniques.

**Figure 2 – Volume (kg) of coffee produced**

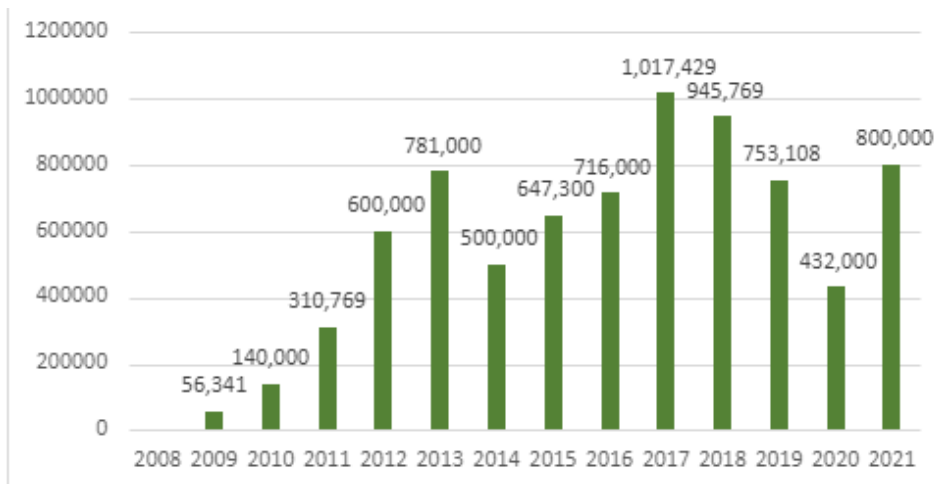
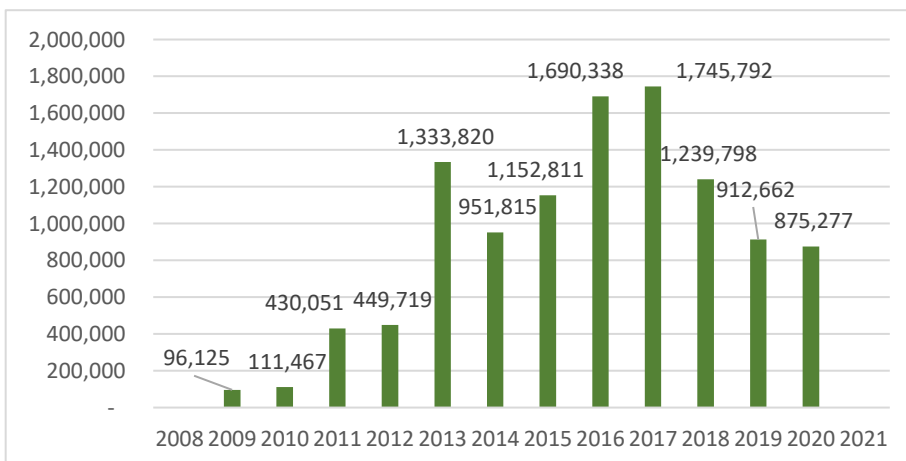


Figure 2 shows how production increased between 2011 and 2013 after Kibinge began providing pre-finance to buyers. Grace explains: *“Payment methods (cash on delivery) were improved and the confidence of the members increased. The productivity increased because of the assured market.”*

Drought in 2014 severely impacted coffee production which declined from 781k kg in 2013 to 500k kg in 2014. Kibinge was able to recover well from this and in 2015, production increased. From 2019 – 2020, production and sales decreased (represented in Figures 2 and 3) following a drop in market price, coupled with a fall in demand due to an increase in cheaper coffee available from Brazil and Vietnam. Kibinge forecasts an increase in production volumes for 2021/21 (Figure 2) due to a good harvest following the implementation of two support projects for farmers. This included the supply of high quality seedlings and the implementation and monitoring of good farming practices.

The international coffee market is characterised by wide fluctuations in price, meaning that producers may struggle to predict their income for the coming season and subsequently plan for the needs of their farms. As Kibinge sells the majority of their coffee to fair trade buyers (78% in 2020), this provides them with some protection through the Fairtrade Minimum Price guarantee. However, global coffee prices have brought challenges to the co-operative. As shown in Figure 3, sales increased sharply from an average of 271,840 US Dollars between 2009 and 2012, to over 1.3 million US Dollars in 2013. This was due to an increase in orders from international buyers, and it is suggested that Kibinge’s Shared Interest facility enabled the co-operative to purchase more coffee from their members.



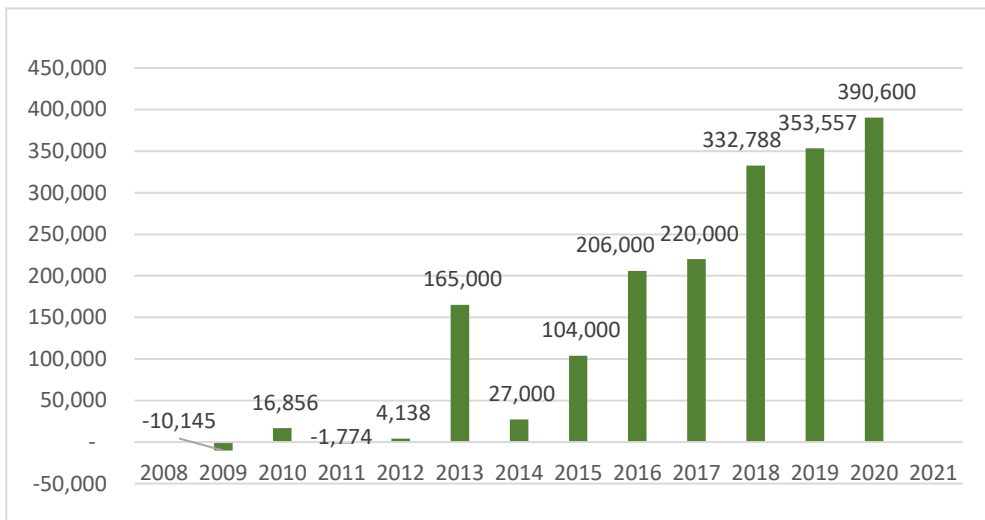
**Figure 3 – Value (USD) of coffee sales**

*“It helped us strengthen our bargaining power for quality assurance. It facilitated the continuous purchase [of coffee] all through the year. This propelled us to look for new buyers to consume the increased coffee purchased.” (Grace Nakachwa)*

Whilst Kibinge’s gross profit has consistently increased since 2012 (when the co-operative also received finance from Shared Interest), in 2014 it dropped sharply from 165k US Dollars to 27,000 US Dollars (Figure 4). This was caused by a decrease in production and sales due to the drought in 2014 and an increase in the price of coffee resulting in Kibinge offering a higher price to farmers, to avoid them selling to intermediaries.

In 2019/20, sales dropped further because of reduced international orders due to an increased in the supply of cheaper coffee from Brazil and Vietnam.

**Figure 4 – Gross profit (USD) of Kibinge**



To reduce their vulnerability to coffee price fluctuations, in 2018, Kibinge diversified into coffee roasting as an additional source of income and began selling farming supplies to members. They also continued to grow their Savings and Credit Co-operative (SACCO), which was established in 2013, to offer financial support to farmers.

Finance Manager Grace Nakachwa comments on the impact of the SACCO on Kibinge members: *“It has helped them meet their financial needs through giving them low interest loans and savings; they have acquired assets, paid school fees. Target savings has proved to be helpful in meeting their strategic plans.”*



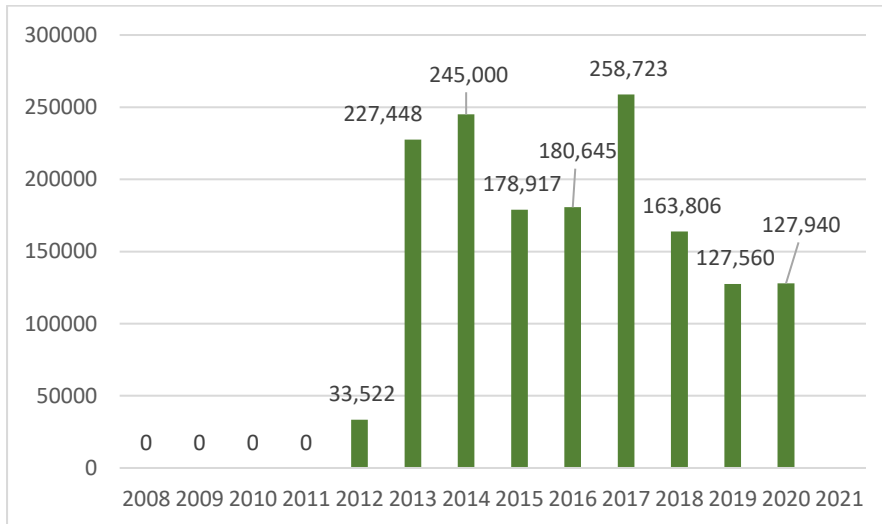
*Kibinge coffee farm supply shop and SACCO*



Through diversifying into coffee roasting, Kibinge has generated additional sources of income to increase their sustainability.

In 2012, they received their first Fairtrade Premium payment of 33,522 US Dollars. This increased significantly in 2013 to 227,448 US Dollars and was the start of Kibinge implementing a variety of community development initiatives. (Listed in the Social Impact section of this report).

**Figure 6 – Fairtrade Premium earned (USD)**



Kibinge General Manager Lukwata David said: *“We ventured into value addition as a means of ensuring that we were everywhere in the entire coffee value chain, from what you would call seed stage to cup stage.*

*“We of course encountered a number of challenges as we went into value addition. Some of the challenges were: Ugandans do not drink coffee so finding a market for coffee was not very easy. The technical know-how of how to make coffee and add value to it was very challenging. The processing equipment was another challenge.*

*“We trained and keep on training by way of promoting domestic consumption of coffee. And that is how we started, slowly by selling the coffee to locals. Gradually, we evolved and started selling everywhere in Uganda.*

*“The other strategy was to train our technical team on value addition and how to process coffee using different coffee academies in the country.*

*“We have also tried our best in sourcing funds to acquire the equipment that is required to process the coffee.*

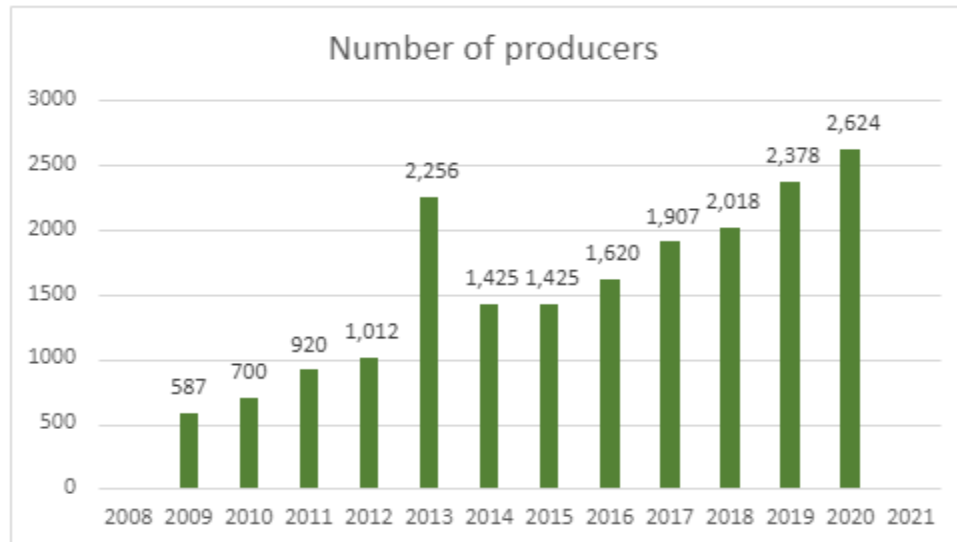
*“I would advise other producer organisations to also venture into value addition because that is the way to go. This is the best way we can maximise on the economic benefits, increase return on investment, create jobs for our youth, make farmers’ lives happier, increase our visibility, promote domestic consumption, and create a local market for our product: coffee.”*

Their efforts were recognised during the Africa Fairtrade Convention in July 2021 when they won two Fairtrade Africa Impact Recognition (FAIR) Ngoma Awards for Most Enterprising Youth and Best Value Addition to Products.

In addition to finance provided by Shared Interest, Kibinge also received a number of grants from international NGO’s. These grants were used for the recruitment and retention of staff, as well as new marketing initiatives.

The COEC facility provided by Shared Interest in 2012 enabled Kibinge to pre-finance contracts with their international buyers. This gave them capacity to purchase more coffee and provide a sustainable income for farmers. As a result, their membership grew significantly from 1,012 in 2012 to 2,256 in 2013 (Figure 5). They have maintained this level of membership and currently have over 2,121 members.

**Figure 5 – Number of producers at Kibinge**



## Impact of Covid-19

Dr. Emmanuel Iyamulemye Managing Director of UCDA talks about the impact of Covid-19 on the UCDA website. He said: *“The pandemic has had an impact on the coffee value chain, affecting farmers, processors, exporters, baristas, roasters, coffee shops and beyond. We have mixed results in Uganda. In the months of March to June, we saw a rise in exports. For the first time, we had the highest exports since 1991 when Uganda liberalised the economy.*

*“At the same time, between March and April, we had an unprecedented increase in prices because most of the roasters abroad were rushing to buy as much coffee as possible to stock in their coffee houses. And of course Ugandan coffee was on high demand because it is highly competitive, of good quality and a little bit cheaper than some of the branded coffees on the market.*

*“In the months of July to September, Uganda registered an unprecedented increase in monthly coffee exports surpassing the 500,000 60 kg bags in a single month for the first time in three decades.*

*“At the local level, we had several challenges. We were in the production season and because of the restrictions introduced to curb the spread of the coronavirus, farmers struggled to harvest coffee and transport it to processing factories. In addition, the limitations on meetings and requirements for social distancing made it difficult for our staff to provide extension services.*

*“On the export side, we had a challenge of few containers to load coffee in. This was because cargo trucks were being delayed at the borders as drivers were being tested for*

*Covid-19. Despite these challenges though, volumes continued moving as exporters kept their coffee at their facilities.”*

Kibinge reported that they did encounter challenges in shipping their product from the port in Mombasa, Kenya, in April 2020 when the impact of Covid-19 was growing in the East Africa region. At that time, there was a shortage of shipping containers, which resulted in stock remaining at the port in Mombasa for longer and an increase in charges for the buyer. This was quickly resolved and the order was achieved.

## **Social Impact**

With the support of the Fairtrade Premium, Kibinge has implemented the following community development projects.

### **2012**

- Provided hydroelectricity to the local Health Centre

### **2013**

- Established a Savings and Credit Cooperative (SACCO) to support farmers
- Opened a farm supply shop to provide the farmers with farm inputs including equipment and seed at an affordable rate

### **2014**

- Constructed a toilet block for a local school, which supports children with physical disabilities
- Distributed seedlings to members to grow to provide important shade to coffee bushes to increase yield

### **2015**

- Began to repair feeder roads to enable better access for surrounding communities
- Organised producer training workshops on coffee quality and certifications

### **2017**

- Established a scholarship programme to pay school fees for employees and children in the local communities

### **2019**

- Constructed six wells to provide water for local communities

### **2020**

- Began to provide electricity to local schools and the surrounding communities

Our Lending Officer for East Africa conducted interviews with a producer and two employees at Kibinge to gain further insight into the impact of our support.

## Case study 1 – Farmer

Aisha Najuma is married with three children. She lives with her husband and two granddaughters and is financially responsible for two of her nieces. She is 54 years old and has been a farmer since she was 18 years old. She began farming with a small banana plantation (three hectares) and started a small coffee farm (two hectares) in 2000. Aisha joined Kibinge in 2003.

Initially, her coffee production was low at eight bags per harvest, earning UGX 28,000 (£8). Her coffee had quality issues and she was unable to negotiate a higher price. This income enabled her to meet only the very basic needs of her household and she was unable to make any savings to cover health or household emergencies. She also struggled to pay the school fees of her children and depended on financial support from friends and family.

In 2012, Kibinge was able to offer Aisha a better price for her coffee if she attended training on good agricultural practices, which she applied to improve the quality of her crop. Now her coffee is considered high quality and her production has increased from eight bags per harvest to 30 bags per harvest, each valued at over 75 US Dollars (£55). Kibinge continues to support Aisha by providing coffee seedlings as well as farm monitoring, and training in financial skills and farm management.

In recent years, Aisha's farm has been affected by climate change, particularly during the dry periods of June to July and August to January. To reduce the impact of climate change, Aisha planted banana trees to provide shade to her coffee trees and to increase water retention in the soil. The bananas also provide her with an additional source of income.

Since 2012, Aisha has recorded a steady increase in her income. In 2019, she was earning UGX 50,000 per day (£10.80) but in 2020-21, this increased to UGX 200,000 per day (£44) after she began rearing poultry for an additional source of income. With her increase in income, Aisha has been able to purchase an additional two hectares of land to expand her coffee farm, increase production and improve her income further.

*“Without Kibinge, I would not have been where I am now. I have bought land which I plant coffee. I have provided employment to others in the community and managed to educate my late brothers’ children” (Aisha Najuma)*



*Aisha Najuma*

## Case study 2 – Permanent worker



Stella Nondago is 31 years old and married with one child. She has worked at Kibinge since 2013 in the role of Assistant Accountant. She describes the working conditions at Kibinge as favorable as they provide medical cover, sick and maternity leave, two meals per day and allowances for work conducted off site. In 2017, Stella was given the opportunity by Kibinge to go back to school and study accounting through their scholarship programme. She also received additional training from Kibinge in finance skills, SACCO management, gender awareness and governance skills and was recently appointed the Gender Officer, as she is passionate about empowering women in her community.

*“Since Kibinge started the scholarship program using the Fairtrade Premium, I have managed to take myself back to school. With my salary, I have managed to buy land. I have coffee trees and a banana plantation, which earn me extra income” (Stella Nondago)*

Stella has noticed changes at Kibinge since they received finance from Shared Interest. When she started, she was one of seven employees, now there are over 40 employees. Initially Kibinge were renting their premises but now they have their own office built on land purchased by their Fairtrade Premium. They have also increased their business transport from one van and one motorbike to three cars and six motorbikes.

## Case study 3 - Management

Grace Nakachwa is 31 years old and married with two children. Grace joined Kibinge in 2013 as a cashier at the SACCO and now works as the Finance Manager. Grace told us that when she joined Kibinge, the co-operative had cash flow challenges and struggled to access working capital. This changed in 2012 when production and sales began to increase and their membership has quadrupled.

Grace told us that since 2012, Kibinge has increased the support they provide to their members and built trust with their buyers and farmers.

*“Farmers trust Kibinge staff. The weight of coffee collected at the collection centre does not change when it is delivered at the factory.” farmer (Grace Nakachwa)*



## Health, Water and Sanitation

One of the first activities Kibinge implemented using the Fairtrade Premium was to extend hydroelectricity to a community Health Centre. Prior to this, the Centre was only able to operate during the daytime and treat simple cases. It was not adequately equipped to support pregnant women and as a result, the maternal death rate was high. Now the Centre provides support to 7,500 people from neighbouring communities. Pregnant women can safely and confidentially visit the facility, increasing the number of women accessing prenatal care.



Kibinge extended hydroelectricity to Mirambi Health Centre

In 2014, the Premium funded the construction of an accessible toilet block at a local school, which supports children with physical disabilities.

In 2019, a clean water project was launched, which involved the construction of a shallow well in each of six local communities. Before the construction of the wells, the communities shared contaminated water, which was also used by animals. Other members walked long distances to access clean water. Since the construction of the wells, instances of waterborne diseases such as Typhoid have reduced.

## Education

In 2017, Kibinge started to provide scholarships to their employees and children in their community. They also supplied electricity to a local secondary school in 2020. The school relied on two small solar panels but this was not enough to provide adequate light to the boarding students to enable them to study and revise after dark. In the recent exams, students received better grades than those from the previous year who did not have access to electricity.

## Transport

Since 2015, Kibinge has supported the restoration of roads to provide improved transport links and access to local communities and to support economic development. Previously, many of the small roads were impassable. Now farmers are able to transport their coffee from even the most remote villages. Additionally, the improved roads have reduced the transportation costs from 4,000 UGX (£0.82) to 2,000 UGX (£0.41) per bag of dried coffee cherries. These roads are repaired annually with funding from the Fairtrade Premium.



## Gender

Kibinge has implemented a number of initiatives to support the inclusion of women in coffee farming and reduce the barriers they face in accessing finance. These have included providing fertiliser and seeds, as well as loans to purchase tools and equipment.

Kibinge also developed a gender policy to support their members and benefit the wider community. A volunteer was assigned by Kibinge to manage the implementation of this policy and provide support to the women.

In 2018, Kibinge launched a project called Women in Coffee. This project supports women to manage their own coffee trees, the proceeds of which go directly to them. Through participating in this project, women have accessed training and received practical support to increase productivity as well as improving the quality of their coffee. The women are currently selling small quantities of coffee and are targeting the speciality Fairtrade market. They hope to grow and brand the coffee 'Grown by Women.'

*"The project has helped me acquire an acre of land planted with coffee. When I joined the project, I did not have a coffee garden and the inputs I received were applied in my husband's garden. I started participating in the farm activities from the knowledge I had received from the trainings. My husband was pleased with the skills and gave me a portion from his farm which I managed and then helped me to buy my own garden." (Stella Nandago, project participant)*

## Environmental Impact

In 2014, Kibinge distributed shade trees to their members to support the productivity of their coffee farms, increase soil fertility and decrease soil erosion. Members have also received training in a variety of Climate Smart Agriculture techniques. These include training on techniques such as mulching, which locks moisture into the soil and increases resilience to drought. The co-operative also launched an initiative to collect household rubbish from their local communities using their truck to improve the sanitation of their local area. Kibinge then dispose of the waste at a designated government site.

Each year at their Annual General Meeting, Kibinge awards prizes to the best performing farmers for farm maintenance, environmentally friendly farming practices and household sanitation.

## Conclusion

Like many of the co-operatives Shared Interest supports with finance, Kibinge has faced many challenges from droughts, fluctuating international coffee prices and Covid-19. Despite this, the co-operative has made a significant impact in their community and to the lives of their employees and members. The Fairtrade Premium has led to improved road infrastructure and facilitated the extension of hydroelectricity to a health centre, together with improved water supply and sanitation, which have directly impacted the health provision in the community. There have also been initiatives to improve gender equality and implement Climate Smart Agriculture techniques. From our research, we believe that Shared Interest's finance has supported these developments as it has enabled the co-operative to access international markets, increasing its sales and production levels as well as profitability and resilience.