

**A FARMER-DRIVEN APPROACH FOR IMPROVED COFFEE QUALITY AND
INCREASED MARKET PRICE SHARE**

**ANNUAL REPORT
SUMMARY OF RESULTS AND RECOMMENDATIONS
FROM JANUARY TO DECEMBER 2006**

SUBMITTED BY

**NUCAFE
(National Union of Coffee Agribusinesses and Farm Enterprises)
P.O.BOX 34967, KAMPALA UGANDA
Tel: +256-414-236199
Mob: +256-772-595030
Email: nucafe@ugandacoffee.org**

To

AGRICORD

Through

**IVA
(Ieder Voor Allen)**

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CHAPTER 1. INTRODUCTION

1.1 Project Title: A farmer-driven approach for improved coffee quality and increased market price share (Yr2).

1.2 Conclusions of the Preceding Project:

The 2005 project had wonderful results as was the first project to launch the beginning of the Farmer Ownership model with support from AGRICORD to NUCAFE. 18,117 farmers were sensitized and trained up from the targeted 5000 farmers (i.e. indicating a 262% increase). There was an increment of 275% in number of quality farmer groups formed from the targeted 160 groups to 600 groups in the same year.

By end of December 2005, 275 Quality farmer Groups were registered (8,250 farmers) where as 222 groups and 10 associations were awaiting registration. There was an increase of 70% in NUCAFE association membership from 60 associations in 2004 to 102 in 2005.

275 quality producer groups (i.e. 8,250 farmers) consisted of 30 farmers per group formed and registered up from the targeted 167 groups indicating an increase of 164%.

There was an increase of 104.9% in the quantity of Fair Average Quality (FAQ) green coffee sold collectively through associations directly to the exporters, from 69 MT in 2004 to 125MT in 2005. Some of the coffee was sold through the warehouse receipt system and the commodity exchange. Major buyers were Kyagalanyi Coffee Ltd, Olam (U) Ltd, Savannah Commodities Ltd, and Ugacof. There was significant improvement of 200% in prices per kg of green coffee earned by Farmers, from Uganda shillings 600 for 2 kg of kiboko (unprocessed coffee) in 2004 to Uganda shillings 1200 in 2005.

Screen size retention for the coffee sold above size 18 was 14% which is the best in Uganda. (Note the higher the screen size the better the quality of coffee that could fetch a premium price). This was the first time farmers to sell their coffee with known quality (screen size), volume (using farmer operated weighing scales) and value (accessing market and price information).

NUCAFE developed working relationship with Warehouse Receipt System Project to sensitize farmers to understand, adopt and use warehouse receipt system as a quality assurance, marketing and financing tool. NUCAFE groups in Bushenyi district marketed 25 tons through the warehouse, commodity exchange systems and direct buyers. NUCAFE Farmer Groups in Kapchorwa, Sironko and Mbale were sensitized and trained and delivered 6 tons through the warehouse system.

The AGRICORD and UCDA funded NUCAFE project gave birth to Utz Kapeh certification project for Kibinge Coffee Farmers Association. The project contract which is worth US\$ 41,384.06 was signed between Kibinge Coffee Farmers Association/NUCAFE and Solidaridad under the Coffee Support Network Project based in Netherlands

Having achieved all that, it was concluded that NUCAFE needed to continue strengthening itself especially in the areas of; Financial management; Monitoring and Evaluation, Coffee Quality and Quantity improvement; Marketing and Promotion and Sustainability. Empowering member associations and farmers in farming is a business, association management and governance are critical to NUCAFE's sustainability and ultimately improving the livelihoods of individual farmers.

The key objectives of 2006 project were as follows:

- To develop the capacity of staff, Farmer association leaders and office
- To improve the quantity and quality of coffee through training of members in quality and quantity enhancing practices
- To improve the local marketing using appropriate information dissemination channels
- To improve the image of Uganda coffee and NUCAFE itself by attending conferences and exhibitions and sharing of coffee samples for cup tasting.
- To ensure farmers operate in a business-oriented way in their groups and associations
- To design the sustainability system for NUCAFE in a participatory manner
- Establishing more partnerships

1.3 Problems experienced during 2006 Project

The most challenging problem experienced in 2006 project was the delay to receive funds from AGRICORD. This seriously affected our performance especially during the April-June coffee harvesting season. We lost the coffee which we would have marketed at better prices for farmers to appreciate and for NUCAFE to be able to obtain market linkage fees (commission) for its own sustainability.

For the coffee harvesting season of October to December, it was also difficult to get coffee well dried. That is to say, the heavy rains during that season also compromised the quality, hence leading to loss in the price premiums that would have been achieved by the farmers. We were also incapacitated on the fundraising strategy we had put in place.

1.4 Most striking results of 2006 project

- **Market linkage**

In 2006 AGRICORD continued to provide funding to NUCAFE in partnership with UCDA. Although there was delay in disbursement of funds by AGRICORD until June 2006, NUCAFE registered success at different fronts especially through consolidating the achievements made in 2005. The notable ones being marketing of 331 Metric Tonnes as compared to 125 Metric Tonnes marketed during 2005 making a percentage increase of 164.8%. However, in real terms and as compared to the national output of 120,000 Metric tonnes, there is still a long way to go and it needs to more than double efforts for NUCAFE to capture at least 40% of national production. This will better position the small scale coffee farmers and be influential in policy advocacy and improvement of livelihoods. This calls for timely release and increased funding and devising ways towards NUCAFE system sustainability.

- **Partnerships**

NUCAFE continued to forge strong partnerships with the National Agricultural Advisory Services (NAADS), Coffee Research Institute (CORI) and Uganda Coffee Development Authority (UCDA). NUCAFE also acquired new partnership with CAFÉ AFRICA which is spearheading the campaign towards increased coffee production with a vision to achieve a national production output of 4 million 60kg bags (i.e. 240,000 Metric Tonnes) of green coffee. As a strategy, NUCAFE was charged with the responsibility of forming and strengthening farmer organisations and officially recognised as the only national coffee farmers organisation in Uganda. UCDA is the developing arm of the campaign as well as regulating the sector on behalf of government of Uganda, NAADS is in charge of extension and advisory services and UNADA in charge of inputs making sure farmers get access to genuine inputs at affordable prices. The campaign is envisaged to intensify its work in 2007.

With the NUCAFE-NAADS partnership, NUCAFE started with 2 Districts during 2006 and a Memorandum of Understanding (MOU) with NAADS was signed on 21st June 2006. The total value of the partnership contract was Uganda Shillings 92,192,600 where NAADS committed itself to a tune of Uganda Shillings 53,839,400, NUCAFE contribution in kind amounting to Uganda Shillings 34,103,200 and Farmers' in kind contribution amounting to Uganda Shillings 4,250,000. NUCAFE did a commendable job in Kanungu district where 2.3 million coffee seedlings were raised by farmers themselves without material support demonstrating that NUCAFE's model is the most sustainable model compared to what existed before. In 2007, the programme will be intensified to consolidate the achievements that will lead to overall replication and expansion in other districts.

NUCAFE continued to collaborate with CORI on management and control of coffee wilt disease (CWD) where nine hundred thirty five farmers were trained from four sub counties in Mpigi district.

- **Exhibition in Italy**

NUCFE was able to obtain sponsorship for Kibinge Coffee Farmers Association Chairman and Business Manager to participate in the 6 days Terra Madre Food exhibition and conference in Turin Italy organized by the Slow Food Foundation which provided them an opportunity to witness for themselves how coffee is being consumed, met with consumer representatives and able to promote their coffee with consumers. The farmers were also able to sell their samples and other materials they carried with them and fetched € 10 per 40grams of green robusta coffee making € 300 in total which is an indication that exhibitions could finance for themselves if adequate and good samples are sent out for sale. The farmers were accompanied by the Senior Business Manager, NUCAFE. NUCAFE has been promised another 10 slots for the bi-annual event for year 2008. We believe this could be used as an avenue for promotion and for farmers to build capacity as they continue participating in such events.

- **Advocacy and Networking**

NUCAFE continued with its effort on advocacy, market research and networking; the Executive Director attended Fair Trade meetings in Belgium during the third quarter, made contacts with a number of buyers including EFICO and Oxfam Belgium, thanks to Ieder Voor Allen for sponsoring the trip. One of the outcomes of the trip is that NUCAFE was identified as one of the African small scale coffee farmer organisation that would participate in conference in April 2007 where African coffee farmers would meet together for the first time in Ghent, Belgium to deliberate on issues affecting them. NUCAFE provided lists of farmer cooperatives and associations from Africa to Oxfam Belgium to ensure that the meeting is successful.

- **Know Your Coffee Cup Road Show**

In collaboration with the East African Fine Coffees Association and Swedish Chamber of Commerce, NUCAFE actively participated in the “Know Your Coffee Cup” events which demonstrate to farmers how coffee is roasted and prepared. It involves analysing cup quality attributes and how farmers’ actions affect or improve quality. This was one of its kind in the history of Uganda which was highly appreciated by farmers. The event was carried out in three districts which were Mbale, Mukono and Masaka and Bushenyi and was guided and coordinated by the NUCAFE Executive Director.

- **Election of NUCAFE as the Focal Point Coordination of Smallholder coffee farmers in Africa**

During the Fairtrade workshop in Moshi Tanzania, NUCAFE was also selected by the smallholder coffee farmer organisations in Africa to be the coordinating focal point of the Global Alliance of Coffee and other Commodities (GLACC) on the African continent. GLACC is now the world body that brings together smallholder coffee farmers from all over coffee producing countries. Its headquarters are currently in Honduras in Latin America and is currently being supported by Oxfam to grow. The selection of NUCAFE as the GLACC focal point in Africa is an effort towards more organisation of smallholder coffee farmers in Africa who later combine with GLACC Latin America and GLACC Asia for a strong advocacy voice wherever coffee issues are being discussed at continental and international level especially with the International Coffee Organisation (ICO) and also the Common Code for Coffee Community (CCCC).

CHAPTER 2. ACTIVITIES AND RESULTS

There were various types of activities carried out in 2006. These, among others, included training of different categories of participants; NUCAFE Board members, staff, Association and group leaders and farmers. These various categories of trainees were trained by different trainers including NUCAFE secretariat staff, Business Managers, group leaders and volunteer consultant in relation to the general objectives of the AGRICORD funded project and other partners.

Activities performed according to general objectives of the AGRICORD-UCDA funded project:

2.1 Development of staff, FAs leaders and office Capacity - Training in different aspects

- **Training in Management for staff, Association leaders and office capacity development:**

Training of farmer leaders in effective governance and leadership was carried out very successfully where 45 leaders that included 9 NUCAFE Board members, 4 NUCAFE secretariat staff and 32 Association chairpersons was delivered by the renown international consultant Ms. Laurel Druben from the USAID SCOPE project. Ms. Laurel Druben voluntarily delivered the training at no cost. The training was conducted basing on the fact that effective governance and leadership are key to the success, growth and strengthening the organisation of smallholder coffee farmers. The main objectives of the training were:

1. Training the NUCAFE Board in leadership skills and Governance
2. Training Association leaders (Chairpersons) in leadership skills, leadership roles and responsibilities.

As a result of the training, there was increased capacity in associations and groups. Thus, by end 2006, there was improvement in attending Board meetings, 25 activity plans by associations in place, 15 associations had submitted farmer and group registration forms with farmer details hence leading to development of the database.

Further more the year was marked with promotion and marketing activities in conferences and exhibitions. 4 presentations were made; 2 of which by the senior Business Manager, 2 by the Executive Director and 2 by the Chairman. This was possible because of the capacity developed in the office where an LCD projector, 3 computers and printer were purchased to enhance staff performance. It also enhanced the timely submission of both narrative and financial reports as was scheduled and required. However, we always experienced electricity cut offs leading to regular computer crash but we managed to work through such challenge.

- **Governance and Leadership manual preparation and production**

A Manual on farmer organisation governance, leadership and management was developed by the Executive Director. This was so instrumental during the training of association leaders in their roles and responsibilities as Board members. This strengthened the associations and led to having regular meetings and submission of reports by 9 associations to Business Managers for consolidation.

- **Training on different farmer organisation models**

A total of 250 farmers were sensitized on the Concept of ownership, alternatives avenues for legal registration i.e. the cooperative or association merits and demerits of the applicable laws of the two alternatives and on group formation in Mukono. Training was facilitated by NUCAFE Executive Director, Senior Business manager and Market Development manager.

- **Monitoring and Evaluation**

The management took the Board members to 3 regions to monitor and evaluate NUCAFE activities. The prominent observation was that there had been slackening in the volume of work and activities due to infrequent presence by NUCAFE secretariat staff resulting from delayed disbursement of funds from AGRICORD.

During the mission of AGRICORD to Uganda represented by Mr. Patrick Eeckloo in December 2006, the programme was evaluated leading to development of programme for 2007.

- **NUCAFE Board Meetings**

The NUCAFE Board met six times and appraised the NUCAFE activities. The meeting centred on policies needed for proper management of organisational programmes. Various committees such as the management committee, membership development committee and the constitutional review committee met whenever it was needed to handle issues related to policy guidelines.

- **Training of Business Managers**

A total of 29 participants of which 10 Business managers were involved in the participatory planning and management training. The workshop centred on planning for proper management of NUCAFE system activities and sustainability. Documentation system for fundraising, financial management and value addition brought by NUCAFE were key aspects of the training. A separate activity report is available for details. Certificates of participation were awarded to the participants.

2.2 Improve Quality and Quantity

- **Training materials preparation, production and training of farmers**

A Manual on Good Agricultural Practices was developed by the Executive Director and the Business managers and association leaders are using it for training farmers. The Business Managers trained a total of 6500 farmers in good agricultural practices, post harvest handling and elements needed for marketing of their coffee. As a result, there has been quality improvement with moisture content not more than 13% for at least coffee marketed from 12 associations. However, there were two associations which delivered coffee of 15% moisture content and these were penalised by paying them a lower price of only Uganda shillings 2450 per kg compared to Uganda shillings 2800 per kg. To motivate members and promote NUCAFE, 100 T-shirts and 200 Caps bearing the NUCAFE, AGRICORD, IVA and UCDA logos were printed for distribution to best performing farmers in terms of coffee quality improvement and Business Managers and leaders of associations in terms of their overall performance. All Awards that include bicycles, radios and branded NUCAFE pens will be awarded in March 2007 during the competition prize awarding ceremony.

- **Training and mapping of farmers' fields according to the Utz kapeh code of Conduct for certification of Kibinge Coffee Farmers Association**

After the training of 45 group leaders in Kibinge Coffee Farmers Association, then NUCAFE secretariat staff moved with the trained group leaders and together trained 450 farmers in good agricultural practices, and post harvest handling and the basic requirements of the Utz Kapeh code of conduct. Then the group leaders were left to continue with the training of other farmers making follow up with the assistance of the Business manager. The second activity carried out was the mapping of 450 farmers' fields.

- **Training of farmers in west Nile and Northern region**

722 farmers (633 males) and (89 females) in Nebbi (Nile Highland Arabica Coffee Framers Association), Arua (Arua District Union of Coffee Agribusinesses and Farm Enterprises, West Nile Women's Association) and Gulu (Gulu Coffee Growers Association) districts were sensitized, trained and educated on why and how they should be organized and adopt the ownership model. These districts were directly and indirectly affected by the 20 year war waged by insurgents (Lord Resistance Army) and the main objective was to prepare the ground for integration of the people in the northern part of Uganda most of them in camps to get settled once the peace is back in the area. The people from the camps need a long term perennial crop such as coffee to bring them together and build lasting livelihood relationships. These districts are very fertile, have adequate rainfall and have a long history of growing coffee. Sudan which is one of the biggest

African country importers of Uganda coffee (20%) provides Uganda with the best market second to EU and it seems that creating a hub of the northern and West Nile of Uganda to serve this market more competitively makes a good business sense.

- **Training of Farmers on Control Of Coffee Wilt Disease (CWD)**

Using resources from the Coffee Research Institute (CORI) 935 farmers in Mpigi district were trained in the management and control of coffee wilt disease. The successful training carried out by the Executive Director, Senior Business Manager, Market Development Manager has showed NUCAFE potential and was appreciated by the Common Fund for Commodities (CFC) who are the funding source of the Coffee Wilt Disease Management and Control Project through CAB International and Coffee Research Institute (CORI).

2.3 Local marketing improvement

- **Information dissemination**

To improve the marketing of coffee, the Market Development Manager developed and disseminated information on how farmers' could receive and send information to farmers using mobile phone. The Executive Director NUCAFE in partnership with UCDA also continued to disseminate market information on radio. Farmers' experiential learning was also shared with a provision of phoning in. As a result, there was increased transparency by buyers leading to marketing of 331 Metric tonnes by the NUCAFE system from 125 MT in 2005 and increased prices of good quality green coffee marketed through the NUCAFE system, majority of which was of 13%. However, some farmers complained that the time allocated for the radio programme was too short for them to have an effective interaction with presenters. They requested that more time should be allocated from a mere 15-minute programme to at least 30 minutes.

The Market Development manager also continued to solicit for coffee samples for promotion to various buyers, conferences and exhibitions.

- **Training of farmer groups in Bushenyi district**

A total of 204 quality farmer group leaders in Kigarama, Kyangyenyi, Kabwohe, Kagango and Kyabugimbi associations' in Bushenyi district were trained by the Secretariat staff on how to effectively work with their groups in the preparation, implementation of their vision based business plans and reporting. The training helped the Group leaders to understand their roles, roles of their members and what they are supposed to do to provide effective and efficient services. The leaders embraced the idea of fund raising and paying market linkage fees and agreed to provide at least 5 kg of dried kiboko per farmer for fund raising and Ug Shs 20.00 per kg of green coffee as market linkage fee during 2007.

- **Training of farmer groups in Masaka and Rakai**

A total of 152 quality farmer groups in Rakai and Masaka District were trained by the Secretariat staff on group organization, management, and how to develop and implement their vision based business plans, open bank accounts and effectively collect, process their coffee for marketing. As it was in Bushenyi, the farmers accepted the idea of fundraising and payment of market linkage fees starting 2007.

- **Training of farmers for Warehouse Receipt transaction**

The NUCAFE Senior Business Manager spent sometime in Bushenyi district while working with the Business manager and associations' leaders trying to train and prepare farmers to sell their coffee through the warehouse receipt system. A total of 540 farmers from 5 NUCAFE member associations were sensitized about the benefits of the system including; access to affordable finance against their coffee as collateral, quality assurance by an independent quality Assurance company, Cotecna. The preparing of the farmers involved assessment of how farmers were organised at that time, the production forecasts, processing capacity and generally the logistical arrangements that were required.

1.0 Better Image of Uganda Coffee and NUCAFE

Internet installation to prepare for website development and completion was carried out and would be finalised when the server is purchased in 2007.

Participation in the exhibitions and conferences promoted Uganda coffee and the orders received after sending of samples is an indication of effort towards building better image of Uganda coffee.

The “know your coffee cup road show” cupping event which was carried in Mbale, Mukono, Masaka and Bushenyi contributed to farmers appreciating their coffee which promoted the internal image of Uganda coffee. Among the coffees exhibited in Italy, a 500g sample bag of green robusta coffee was sold at € 10.

There were 3 media articles ran in the main news papers to promote NUCAFE project activities and also the importance of coffee consumption and its health benefits to human beings. The Executive Director, NUCAFE made 3 presentations; 2 of which were on the health benefits of coffee consumption to UCDA field officers, NUCAFE staff and another one to Medium Term Competitiveness Strategy within the Ministry of Finance. As a result, offices started serving coffee and coffee consumption is on increase.

For further dissemination of NUCAFE activities, video documentary, CDs and cassette tapes with coffee promotion songs were produced. Furthermore, 4 quarterly newsletters were distributed both in hard copies to farmers and stakeholders.

There was continued work on Utz kapeh certification project in Kibinge Coffee Farmers Association. However, there was delay in implementation of some activities and this led to delayed certification. Certification was envisaged to take place in March 2007 when all other activities are done.

Two NUCAFE staff representatives; Mr. Robert Musenze and Mr. Ronald Buule attended a one week training on fair-trade and Utz kapeh. The workshop was organised by the National Organic Agriculture Movement of Uganda (NOGAMU) and was facilitated by FLO CERT representative in Africa. Expected out of the workshop is the commencement of fair-trade certification and continuation and replication of Utz Kapeh to other NUCAFE member associations.

The Executive Director continued to prepare and make presentations on local radio station sensitizing farmers on market information and implementation of project activities.

2.5 Farmers Operate as Business

29 participants involved in training on record keeping and simple accounting documents delivered by the NUCAFE Accountant. 34 farmer group have bank accounts, maintaining cash books and 7 groups started savings and credit associations. Farmers' ability to shorten the chain, appreciate the need of keeping records, adding value and negotiating prices. More training of farmers to understand the cost, output, sales and profits were emphasised during the trainings.

2.6 Sustainability System for NUCAFE

Meetings on the sustainability of the NUCAFE system were held at various levels; NUCAFE Board where it was approved after management submitted a paper, association level and Business managers' level. They all agreed that it was an important strategy to take. There were basically two elements in the paper; Market linkage fees and fundraising.

Fund raising by end of December 2006 amounted to Shs 262,800. It was not possible to collect market linkage fees due to loss of a main season in April – June 2006 as project resources were received late in June. Secondly the Season October – December 2006 was disrupted by heavy rains that coffee could not properly dry and quality was to a greater extent compromised. Otherwise, NUCAFE is hopeful to have a positive change on this matter during 2007 *ceteris paribus*. Members' subscriptions amounted to Ug Shs 1,550,000.

2.7 Activities not performed because of being impossible, not useful or postponed to a latter stage.

- Purchase of the car engine did not take place instead a motorcycle was considered. This was after technical guidance that a new engine would shatter the old car body.
- The website development did not come to completion because a server had not been budgeted for. This is envisaged to be dealt with and complete it in the first quarter of 2007 under 2007 project.
- Awarding of prizes to winners of coffee quality competitions did not take place as scheduled due to the squeezed activities and planning for 2007. It will be carried out in 2007.

2.8 Activities that have been performed but did have unsatisfying results and the causes

Market linkage fees collection was supposed to be a very important activity to launch the NUCAFE system sustainability but unfortunately did not take place as planned just because of delayed receipt of funds from AGRICORD because it required a lot of attitudinal change process directly with farmer leaders and farmers. Secondly, the second season was interrupted by heavy rains and farther posted drying of coffee. Hence, the coffee quality was comprised.

2.9 Unforeseen activities that were performed eventually made possible by third parties.

- **Inputs and Credit**

Farmers of Kibinge Coffee Farmers Association with Coffee Support Network funding under Utz kapeh project were linked to suppliers of relatively affordable tarpaulins, moisture meter, weighing scale, bicycles, Overall Gear, First aid kits, Gum boots, Gloves and processing plant of green coffee linked to and support for refurbishing was earmarked. Also through networking with the USAID Prime West project, Bugangari Coffee Farmers Association obtained a wet processing pulper. However, we encountered challenges in associations that did not have access to external support like the Utz kapeh project. But it was important to note that demand for inputs was seriously on increase if productivity and quality of coffee were to be addressed. NUCAFE also encouraged farmers to take advantage of organic manure which is at their disposal and is environmentally friendly.

- **National Coffee Production Campaign**

Through collaborative efforts with stakeholders; UCDA, Café Africa, UCTF and Uganda National Agro inputs Association (UNADA), a strategic paper was written to begin a national campaign for enabling coffee farmers through the NUCAFE member associations to access inputs to enhance and boost the productivity of coffee trees in Uganda. A serious challenge that NUCAFE faced was the high demand for coffee planting materials from farmers. NUCAFE shared the challenge with UCDA and plans were under way to ensure that farmers get access to seedlings under the national coffee programme campaign, although bureaucracy seemed to take long.

- **Credit and Savings**

For credit and savings, it was interesting to note that 8 farmer groups/associations opened accounts with Savings and Credit Organizations (SACCOs) where they started to save their money and from which they could obtain credit for their immediate needs and be able to sell their coffee at good prices.

- **NUCAFE Participation in the Scientific Coffee Conference in France**

The NUCAFE Executive Director was invited to attend the International Conference on Coffee Science in France from 11th – 16th September 2006. The conference deliberated on the new discoveries concerning the beneficial effects of coffee on human health. By end of 2006, the NUCAFE Executive Director had made two presentations to UCDA workers and NUCAFE Business Managers about the beneficial effects of coffee on human health. He had also run two articles in the two main news papers in Uganda about the same. The beneficial effects of coffee on human health include the effect on asthma, diabetes, cancer of colon and liver, Parkinson's disease and also coffee caffeine's effect on alertness and dealing with fatigue.

- **Round Table on Commodity Development in Africa**

The Senior Business Manager, NUCAFE was invited to make a presentation at the Common Funds for Commodities (CFC) Regional Round Table Meeting on Commodity Development in Africa. The theme of presentation was "Empowering farmers to Create Wealth through the Ownership Model" which was well received and CFC agreed to test the model in three projects. CFC agreed to extend the Coffee Wilt Disease Management and Control Project. During the discussion with the CFC Managing Director, Ambassador Ali Mchumo, Chief Operations Officer Mr. Guy Sneyers and Senior Projects Manager, Mr. Caleb Dengu CFC showed a serious interest to replicate the model in other commodities. The Cocoa, Sugar and Cotton sector representatives indicated their willingness to adopt the ownership model.

- **Utz Kapeh Project**

12 Farmer groups consisting of 450 farmers were trained about the Utz Kapeh code of conduct requirements in Kibinge Coffee Farmers Association in Masaka district for 10 days. The training included 7 days of training on the code theory and 3 days of practical training on application of the code in selected practices. The training was conducted by the NUCAFE Secretariat staff; Executive Director, Senior Business manager and the market Development Manager.

The Executive Director with the Kibinge Coffee Farmers Association attended a three day training International Workshop by Utz Kapeh and Coffee Support Network in Nairobi. The objective of the workshop was to review the Utz kapeh projects that were being implemented in 2006 and also update the Utz kapeh code of conduct with proposals according to conditions in Africa.

- **Advocacy workshop by UNFFE**

Mr. David Muwonge, NUCAFE's Market Development Manager and Mr. Robert Musenze, NUCAFE's Information/Business Manager attended the advocacy workshop organised by UNFFE and sponsored by DANIDA. UNFFE promised to send the proceedings of the workshop to all participants.

- **Know Your Cup Road Show Workshops**

The know your cup road show workshop was successfully carried out in 8 associations and over 200 farmers participated in collaboration with EAFCA and the Swedish chamber of Commerce headed by the NUCAFE Executive Director.

- **Warehouse Receipt System**

The Senior Business Manager spent 6 days in Bushenyi district working with the Warehouse Receipt System to promote the use of the system by the farmers. Five stakeholders' sensitization meetings were conducted in which a total of 540 farmers attended and promised to use the warehouse system for the little remaining coffee. However, farmers had sold most of their coffee to the traders in advance due to lack of effective follow up resulting from the delay of funds to effectively guide the farmers on what they were supposed to do.

- **Coffee safari**

In partnership with Bulansuku Coffee Estates Ltd and 1000 Cups Ltd, NUCAFE participated in the coffee safari represented by its Market Development Manager. This is envisaged to help NUCAFE to enter into joint ventures with local roasters in order to enter into value addition for increased incomes and sustainability to farmers and NUCAFE as an organisation.

- **African Fair Trade Network and GLACC workshop in Moshi Tanzania**

The workshop of the Africa Fair-trade Network was held in Moshi, Tanzania. The workshop which focused on fair-trade standards and certification and returns to smallholder farmers drew participants from all over Africa covering crops; coffee, tea, cotton, flowers, bananas. It was also heavily attended by facilitators and participants from Germany, Netherlands, Switzerland, Canada, USA, Asia, Caribbean and Latin America. Over 50 participants attended the workshop. Objectives of the workshop:

- To review the process of setting of the fair-trade standards and prices for various commodities
- To discuss and clarify how new farmers associations of all types can get fair-trade certification
- To lay strategies on how smallholder farmers would be facilitated to comply with fair-trade standards
- To elect the Board and Delegates of the African Fair-trade Network
- To elect the coordinating organization for smallholder coffee farmers for Africa within the Global Alliance for Coffee and other Commodities (GLACC), the African chapter.

Presentations and discussions

The presentations involved the following topics under consideration:

- Review of the small farmer definition
- Sharing of fair-trade benefits
- Democracy, participation and transparency
- Hired labour at small farmer organization and member level
- Outgrowers and tenants

The presenters made it clear that in order to improve the current small holder farmer organization standards, the Standards Unit of the Fair-trade labeling Organization (FLO) depends on feed back from farmers themselves. It was also clarified that they are the producers who know best what is feasible to achieve with the standards. It was important therefore, for the Fair-trade Standards Unit (SU) to gather views and concerns, examples and suggestions on how generic standards function in reality. The workshop intended to facilitate discussion and dialogue on small farmer organization standards issues among African stakeholders and include feedback in review process. In that workshop NUCAFE was represented by its Executive Director, Mr. Joseph Nkandu and Senior Business Manager, Mr. Herment Mrema. The following below were the outcome of the workshop:

- ✓ Small farmer organizations which are not yet Fair-trade compliant should be supported to go through the certification process.

- ✓ NUCAFE was unanimously appointed as the Africa Global Alliance on Coffee and other Commodities (GLACC) coordinating focal point. GLACC is the new world body for smallholder coffee farmers and other commodities.
- ✓ Exploring cooperation with other certification system was proposed in order to reduce on costs
- ✓ A new Fee System “Cost Based System” was recommended to undertaken in consultations
- ✓ Umbrella organizations of small farmers are eligible to apply for certification.
- ✓ Pursue a study to ascertain whether growth in fair-traded products is translated into improvement of small farmer standards of living.
- ✓ Multinationals were critically analyzed and participants proposed that there should be limitations to them because one of the original principles of fair-trade was to assist only small farmers. However, the secretariat of FLO clearly indicated that it is not possible to eliminate the multinationals from fair-trade but proposed they should operate within recommended limits.
- ✓ The fair-trade system is not yet clear on enabling small farmers to add value to their commodities. This raises a question whether fair-trade is fair? Farmers urged FLO secretariat to open up towards value added fair-trade products.

- **Government of Uganda (GOU) Plan for Modernisation of Agriculture (PMA) and USAID SCOPE Project half day workshop**

The half day workshop was organised by the Plan for Modernisation of Agriculture in conjunction with the USAID Strengthening Competitiveness of Private Enterprise (SCOPE). The meeting drew key participants from three agricultural sectors including Coffee, cotton and fish. The objective of the workshop was to present competitive models that could be adopted by Government of Uganda for consolidation and replication. For the coffee sector, the NUCAFE Ownership model was selected and presented by Mr. Jack Bigirwa, the NUCAFE Chairman. Present also from NUCAFE in the same meeting was its Executive Director, Mr. Joseph Nkandu.

- **CAFÉ Africa and Uganda Coffee Development Authority (UCDA workshops**

During the period under reporting, NUCAFE participated in two stakeholders' workshops where it made presentations. The two workshop objective was to look into the declining Uganda's coffee production levels. Mr. Jack Bigirwa on behalf of NUCAFE presented a paper on the root causes of the declining production and these are; lack of ownership by the farmers over coffee and programmes that come with coffee and the international coffee trade imbalance.

- **Presentation of NUCAFE 2005 program and its Future plans to UCDA and SCOPE Project**

NUCAFE made two presentations about its 2005 programme performance and 2006 plan to Uganda Coffee Development Authority (UCDA) and the USAID SCOPE as channels for sharing information and as a duty to UCDA for its support. NUCAFE received vote of thanks for that kind of performance and UCDA and SCOPE provided office equipment.

- **Feasibility study report on the wet processing unit for Robusta coffee**

NUCAFE received the feasibility study report of the wet processing unit. The study was carried out by two Masters Students from the European University College Brussels who were commissioned to NUCAFE by Ieder Voor Allen (IVA). The study had been carried out between November and December 2005. The study indicates that wet processing is generally a high cost project for robusta coffee.

- **NUCAFE Partnership with NAADS**

In 2006 NUCAFE signed the partnership contract with the National Agricultural Advisory Services (NAADS) which is the Government of Uganda agency responsible for agricultural advisory services in Uganda. The partnership is worth ninety two million one hundred ninety two thousand six hundred Uganda shillings (92,192,600/=). Of this 34,103,200/= is NUCAFE in-kind contribution 4,250,000/= is farmers' in-kind contribution and 53,839,400/= is NAADS contribution. This partnership came as a result of NUCAFE successful performance of 2005 AGRICORD funded NUCAFE programme where NUCAFE managed to demonstrate that farmers with some support they can cause a positive change by themselves.

So far over 2.3 million coffee seedlings are being planted and others will be ready the March – April 2007 rains.

- **World Farmers Congress**

The NUCAFE Chairman participated in the 37th World Farmers Congress in South Korea where he made a presentation on behalf of ICO Executive Director. Thanks to the IFAP for funding the trip. In the same congress, IVA and AGRICORD presented the NUCAFE performance program of 2005. Thereafter, a second contract for 2006 was signed between NUCAFE and AGRICORD. IVA on behalf of NUCAFE presented the NUCAFE 2005 programme results and 2006 plan at the 37th World farmers' Congress in South Korea.

- **Internet – Email Connectivity**

All our Business Managers are connected to internet and they are submitting their reports via e-mails which has made our work much more easier, more effective, less expensive and reduce paper work considerably. This could be the building foundation for computerization of the Coffee Farmers Associations in the near future.

CHAPTER 3. CONCLUSIONS

- ✓ It is already evident that within such a small time and with even inefficiencies resulting from lack of timely and inadequate resources NUCAFE could still manage to achieve such results in terms of green coffee market linkage based on strengthened member associations. Therefore, NUCAFE is already a formidable force causing a revolution not only in the coffee sector but also in other sectors. The shift of the farmers away from selling flowers or kiboko to F.A.Q is a clear signal that there is value in what NUCAFE is doing with the farmers.
- ✓ Sustainability is key to leverage effective and efficient NUCAFE service system to its members.
- ✓ The election of NUCAFE to be the focal point coordinating body for smallholder coffee farmers in Africa (GLACC AFRICA) is another way of demonstrating that the NUCAFE Ownership model is worth replicating to other African coffee producing countries.
- ✓ Shortening the chain, quality improvement and value addition have opened the eyes of the farmers to realize the price differential and the value of quality enhancement along the chain as they are related to premium price paid for their coffees.

CHAPTER 4. RECOMMENDATIONS

- For sustainability of NUCAFE system to take place, there is an investment period with outside resources for at least three years from 2007 that is required to focus and deepen the NUCAFE service delivery among members.
- Organisational and human resource strengthening is still required for NUCAFE to deliver services and products to members and stakeholders. Financial and management training of staff and association leaders should be seriously addressed in the coming two years.
- A holistic approach which means doing business differently from usual is recommended. NUCAFE's approach to achieve its vision of farmers profitably own their coffee should be addressed in such a way that research, production, processing, marketing and policy advocacy are handled in tandem.
- Timely disbursement of funds by early January is critical in achieving major results for sustaining NUCAFE
- Enhance partnerships with CORI, NAADS, Café Africa, CIRAD.
- Additionally in the medium to long term, NUCAFE needs to have the necessary infrastructure especially its own secretariat building (office premises) because currently it is squeezed in only two cubicles of 6m by 5m for six (6) staff. Also a warehouse is also critical as NUCAFE looks forward to creating its own auction and exporting by directly to roasters by member associations.

CHAPTER 5. ACTIVITY PLAN FOR 2007

- Strengthen financial, Governance and management of NUCAFE
- Capacity building aspects (technical and organisational). Continue with sensitization and training of associations in the formation and development of quality farmer groups and Associations and quality and productivity enhancement).
- Enhance market linkage fee collection and added funding for sustainability
- Innovatively implement a replanting programme
- Establish credit and inputs linkages with farmer groups and providers
- Continue information management and dissemination
- Strategize advocacy activities.
- Continue with partnership programmes
- Strategic planning and development

CHAPTER 6. FINANCIAL REPORT

- **Compare the original budget and the actual expenditures:**

The actual expenditures on average exceeded the budgeted items.

- **Explanation of actual expenditures:**

The actual expenditures exceeded the actual budget because of the inflation rate which led to the instability of the local currency, and hence the increase in costs for most items on the market.

There was real under budgeting on some of the budget line items resulting from the need to take a holistic approach and include more activities that would give more impact. Unfortunately, that was not realistic.

- **Eventual contributions of other donors / partners that have made possible the realization of the activities. Who made a financial contribution and for which part of the project has it been used.**

Other donors that contributed to the realization of activities include; Uganda Coffee Development Authority (U.C.D.A), National Agricultural Advisory services (NAADS).

Funds that were got from U.C.D.A were for salaries for the Secretary, top up for the Executive Director, office rent, media programs, and utilities such as electricity and water.

Funds got from NAADS were used to promote the quality and quantity of coffee, farmer group sensitization, formation and perdiems of facilitators in Kanungu districts.

- **Remarks with regards to the financial report, why have items in the budget been exceeded (refer to general report), why has less than planned been spent. (If needed, refer to an approved budget change by Agricord)**

Some items of expenditures were exceeded because of the instability of our local currency which shot prices of the items up. For example under travel and transport, fuel prices leading to higher expenditures compared to what had envisaged in the budget. Furthermore, repairs and maintenance of motor vehicles due to frequent breakdowns because the cars were too old. Road license and insurance charges were high because the government increased the taxes for license charges. Fuel for NUCAFE secretariat under office secretariat costs was under budgeted.

In some budget line items, less was spent compared to what was budgeted for because we received the money late. Therefore there was less expenditure on some items, such as the daily news papers for office, and packets of markers. Bank charges was under spent

because we received the money late, so the charges also reduced because there was little money to be charged. Website designing and development was under spent because the work is still in progress, assumed to be finished by March 2007.

Expenses such as those in farmers operate as a business and sustainability system for Nucafe was under spent because, we received money late, so the balance from it was used in other budgeted items whose actual expenses was high.