

Public and private partners working together to add value to coffee from North Kivu (DR Congo)



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in cooperation with:



Introduction

Most coffee produced in the hill regions of North Kivu (DRC) is sold as standard commercial coffee without quality certification and/or regional branding. However, improved gross revenues and net margins on coffee farming and processing can be realised if the coffee sector in North Kivu would target high value niche markets with specialty and sustainable coffees. This requires the production and processing in accordance with the certified standards like 'Utz Certified', 'Rainforest Alliance', 'Organic', in combination with branding according to *geographic origin*. The North Kivu region is very suitable for the cultivation of high quality Arabica and Robusta coffees on which such certification and branding could successfully be applied.

However, the region has suffered greatly from outbursts of violence, displacement of people, political instability and poor management of the country's economy, leading to negligence of coffee plantations by smallholders and poor institutional arrangements in the coffee supply chains. Weak

Schluter SA is a family company founded in 1858, which specialises in African coffees, with a particular focus on the gourmet sector. Schluter's trading office is based just outside Geneva in Switzerland. The company is now run by the sixth generation of the family. Having been involved in the coffee sector from the onset of the commercial production development in Africa, Schluter values the principles of tradition, experience, sustained relationship and cooperation. Schluter trades in a socially responsible and ethical manner, and is able to supply various certified and traceable coffees from across the African continent.

institutional arrangements in the local coffee supply chains, especially in Kivu (DRC), and limited organizational capacity of key public and private players in the sector restrict the possibilities to capitalise on opportunities to sell the coffee at a premium price.

The smallholders in the North Kivu region find themselves in a vicious circle referred to as the "low quality-low quantity loop", a downward spiral which the coffee producers and traders are unable to turn around by themselves. In order for the smallholders to reverse this trend, the quality of

coffee must be improved alongside certification and improved market linkages. Good agronomic practises and better processing techniques are the key to produce better quality coffee.

Schluter SA has been involved in the coffee sector of DR Congo since the 1970's, but activities were scaled down due to the outbursts of violence and political situation over the past years. Having started a small project 2 years ago to register coffee smallholders and start to improve agricultural and processing practices, Schluter and Solidaridad have proved that the potential is enormous. The quality has vastly improved, leading to better prices for the producers, showing that with greater investment the reputation for the coffees from the region as a whole can be vastly enhanced. Based on these pilot experiences Schluter is interested to invest again in coffee processing, certification projects, and marketing facilities in North Kivu in order to scale up its value adding and trade operations in the Kivu coffee sector. Together the partner organisations would develop a business plan (see annex) in order to (a) outline the operational details and responsibilities; (b) ascertain the economic feasibility; and (c) have a document for approaching possible financing organisations.

Capacity of the partner organisations

Schluter SA is specialised in the trading and processing of African speciality coffee. The company was founded in 1858 and holds a long time experience and knowledge of coffee processing and setting up businesses in Africa. The company started trading coffee beans in Kenya in 1931 and has since then built up an extensive network in the continent with established partners in 11 African countries. The head office is located in Switzerland with one additional European office in the United Kingdom, Liverpool. The family business started operating in Congo in 1970. At present Schluter is still one of the main buyers of Arabica and Robusta coffee in the Kivu area. In Kivu

Schluter operates in cooperation with two local trade companies. Schluter plans to invest in a central coffee processing facility and small coffee pulping units to be issued to groups of small-scale coffee growers. This will enable farmers to improve the post-harvest handling of the coffee, which is necessary for quality certification and obtaining a premium price for the Arabica and high quality Robusta coffees. In addition Schluter will assist groups of coffee farmers with the process of certification and the pre-financing of coffee marketing operations



Cooperation with the field staff and trainers deployed by **Solidaridad** is essential for Schluter to succeed in its business strategy. Solidaridad will assist with (a) the development of local capacity for improved coffee cultivation (based on certifiable Good Agricultural Standards), (b) organisational development and cooperation between coffee growers in processing and marketing operations and (c) assisting with the establishment of administrative systems necessary for traceability and certification. Solidaridad has been involved in some initial training for

farmers in Southern Kivu, and has already negotiated some of the hurdles to effective implementation of a project in North Kivu. With several visits to the region over the last 2 years, Solidaridad know the local landscape well, and are bringing to bear their vast experience of operating certification projects across the East African region. Through the cooperation with Schluter Solidaridad and its local partner organisation will be able to expand their operations to the North Kivu region.

Stichting Solidaridad is an international network organization that assists with the innovation and promotion in the field of sustainable economic development and fair trade as a means to structural poverty reduction in developing countries. Active since the 1970's Solidaridad assists with chain development, producer and organizational development support, marketing, certification and financing of coffee and other important commodities. The organisation is experienced with managing international and complex programmes and projects aimed at developing sustainable supply chains in which grassroot organisations, producers' organisations and private sector players are involved. Solidaridad has been involved in around 120 different project and programmes in Africa, Latin America and Asia

Schluter and Solidaridad will look for the active support and involvement of the **Office National de Café (ONC)** is a public sector organization looking after the interests of the DRC coffee sector. The ONC has its representative offices in the Kivu region and there are Provincial Agricultural Officers with responsibility for working with farmers to provide extension services.

Contribution to the PPC concept

Cooperation between Schluter, Solidaridad and ONC would contribute to the revitalization of the coffee sector in North Kivu. The current coffee production volume in the North East region of DRC is estimated at around 4,000 tonnes annually. However, no reliable statistics are available as much of production is smuggled across Lake Kivu to Rwanda, where it is bartered (a practice known as "troc") for animals and food supplies. This activity is undertaken at night in small boats and is very hazardous due to the winds and sudden storms on Lake Kivu.

The public and private partner organisations provide complementary services and value to coffee sector in the Kivu region:



- § Schluter's reputation, involvement and investments are essential for access to high value international market, improved processing, handling and quality certification
- § Solidaridad and its local partner organisation provide essential capacity building services in the field of improved coffee production, organisational development and certification
- § Support from the ONC's could help provide the necessary continuity and public sector support (in the form of local trainers and extension staff) for the continued growth of the coffee sector. They can also assist in export quality control and documentation.

Coffee in the North Kivu region accounts for 65% of the households' incomes, and is often the only source of cash income. An increase in the income of coffee through improvement in quality and production capacity and access to international markets therefore directly contributes to the development of the rural livelihoods.

Feasibility

The International market demand for top quality certified coffee is greater than the supply. Through the investment in improved coffee processing facilities, quality certification and the development of capacity among coffee growers, Schluter aims to secure a more stable supply of quality Robusta and Arabica coffees. Schluter maintains good relations with the ONC for support from the DRC authorities. Solidaridad and Schluter can build on an existing cooperation. They have been working together for two years in the region on an Utz Certified Coffee project. These well established working relations provide the PPC cooperation with a reliable basis for joint operations.

The acquisition of financing for the implementation of the public-private investment plan is part of the business planning assignment. In addition to direct investments by Schluter SA, co-funding from development related funds will be investigated. Tentatively a number of potential funding sources have been identified already (e.g. Private Sector Investment Programme, African Enterprise Challenge Fund, BMZ Public Private Partnership Programme). Realisation of such a subsidy could double the total invested capital and therefore increase the positive influence upon economic development in the North Kivu area.

For the execution of the business planning process Schluter has secured the support of Advance Consulting, a business advisory company with broad international experience in preparing joint venture agreements, business plans, risk assessments, technical assistance and project proposals for grant financing.