

MANUFACTURING AFRICA



Manufacturing Africa aims to reduce poverty in Africa by attracting £1.2 billion of foreign direct investment into manufacturing and creating 90,000 jobs over 7 years (2019-2026). The programme is funded by the UK government through the Foreign, Commonwealth & Development Office (FCDO).

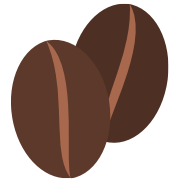


Boosting Ugandan Smallholder Coffee Farmers

National Union of Coffee Agribusinesses and Farm Enterprises (NUCAFE) is a national umbrella organisation for coffee farmers. It has a membership of more than 213 cooperatives and about 1.3 million smallholder farmers. It is estimated that more than 50% of their members are women. It employs 304 staff members who are departmentalised into secretariat level (55 staff) and field/ extension level (249 staff).

NUCAFE was established in 2003 as a not-for-profit organisation to enable farmers to take ownership of the coffee value chain and earn more than they would by selling their coffee through the traditional middleman model

NUCAFE is an aggregator that negotiates contracts with international buyers and provides a 60% advance payment to farmers against delivery of coffee while the remaining 40% is disbursed upon payment by the international client. Prior to exporting, NUCAFE carries out some value addition on the coffee beans which includes hulling, processing, and grading of the coffee to fetch better prices in the global market.



5 million bags
of coffee exported by
Uganda annually

Currently only 1% of NUCAFE members benefit from the model due to lack of a smallholder financing mechanism to fund advance payments to farmers. The farming community consequently loses millions of dollars annually because of selling unprocessed coffee.

The organisation is therefore seeking to convert to a for-profit model to raise funds mainly for its smallholder financing and take advantage of its clear differentiation to capture an uncontested market space.



Top importers of Ugandan coffee

 Italy 25%

 Germany 15.2%

 Sudan 11%


\$494 million
revenue generated from coffee Industry



55% of smallholder coffee farmers in Uganda are women

THE CHALLENGE

NUCAFE is looking to raise \$10 million (\$5.9 million Debt / \$3.3 million Equity / \$0.8 million Grants) to fund its smallholder financing and capital expenses (CAPEX). The smallholder financing will enable NUCAFE to activate and serve more of its members by offering advance payments and the capex will be used to expand its processing capacity to meet the resulting increase in demand, which is expected to be sharp, given the financial benefit to farmers.





Financial model review

The MA team reviewed NUCAFE's capital structure and proposed the right type of structure and sources of financing suitable for their operations.



Proof of Concept

MA provided a third-party review of the organisation's social enterprise plan and validated the proposed Farmer Ownership Model (FOM) approach which enables smallholder producers own their product along the respective value chains by reducing the role of traditional middlemen and encouraging value addition using process facilitators so that the farmer gets the best value for their produce.



Investor Mapping

MA provided a list of potential sources of capital and proceeded to introduce NUCAFE to various potential investors that the organization is currently engaging.



Impact enhancement

Through a collaborative process, MA created a GESI Action Plan that includes both short and long term GESI mainstreaming entry points and requirements of gender lens investors to reach a wider set of impact investors e.g., DFIs and other signatories to the 2X Challenge.



DIRECT IMPACT



Increased revenues for farmers as a result of the validation of the feasibility of NUCAFE's Farmer Ownership Model (FOM) which they had started to consider abandoning for a more traditional model that resembles a middleman model.



Direct Jobs: 991 new direct jobs will be created in the first 3 years of the project and 48% are anticipated to be women.



Gender Inclusion: NUCAFE could be a very attractive prospect for gender lens investors (GLI) given its membership based organisation is composed of more than 50% women and women also make up a large part of their supply chain. That being said, prior to MA support they did not have formalised GESI policies and processes that investors would be requiring. Through MA, we supported them to develop relevant social safeguarding policies that conform both with national requirements as well as international best practice.



Investee Preparedness: As a result of MA's intervention, NUCAFE has a clear business case with which they are confidently engaging potential investors. Discussions are ongoing and the company expects to access capital within the next 12 months.



Increased Revenues: Increased revenues and better livelihood for farmers is expected once the Farmer Ownership Model (FOM) is applied because it removes the middleman who takes some of their margin for his services.



“As a result of MA support, we are now in a better position to approach and engage potential investors as we now have a clear business strategy that is ready for operationalisation. With MA's support, we are looking forward to helping more farmers capture better value from their coffee.”

Joseph Nkandu, Executive Director, NUCAFE

This programme is funded by UK aid from the UK government; however, the views expressed do not necessarily express the UK government's official policies.

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