

1 A COFFEE COOPERATIVE TRIPLES ITS TURNOVER: THE CASE OF COCAMU IN KIREHE DISTRICT, RWANDA

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Country: Rwanda

Sector: Agriculture (coffee)

CHALLENGE

This case study aims to describe the transformation of COCAMU from being a donor driven association to a business oriented cooperative operating on the market and making profit.

CLIENTS

COCAMU is a coffee growers cooperative located in the district of Kirehe in the eastern province of Rwanda and intervenes in three administrative sectors; Musaza , Kigarama and Gatore. COCAMU's mission is to contribute to a positive change in the livelihoods of its members through the improvement of the quality and the quantity of their coffee production and access to better markets. It started its activities in 2003 as a small coffee farmers association called "Association des caféiculteurs de Musaza" with 40 members of which 10 were women.

Several public and private organizations have been involved in the capacity building of COCAMU. OCIR Café has provided extension services, agricultural techniques and inputs supply while Technoserve and Rwanda Development Bank have given loans for equipment and working capital needed to run properly a coffee washing station. The local administrative authorities have strongly supported the registration and recognition of COCAMU as a legal cooperative; active in the area of poverty reduction

SNV Rwanda has been providing capacity development services with the support of INADES. SNV mainly supported the implementation of the Rwandan coffee policy adopted in March 1998 with the objective of increasing production, improving quality and increasing the fair distribution of the incomes generated by the coffee industry. The active participation of coffee growers' cooperatives plays an important role in reaching these objectives, as in the case with COCAMU.

2. Rationale

The partnership between SNV Rwanda and COCAMU started in November 2005 and was formalized through the signature of a Memorandum of Understanding in January 2006. The aim was mainly to strengthen the organizational and institutional capacities of COCAMU in the coffee industry, in order to increase production and quality while ensuring fair distribution of revenues.

The combination of three factors described below has made the collaboration very effective:

- The high level of motivation and the commitment of COCAMU leaders to make a difference in the coffee industry through capacity development services offered by SNV Rwanda;
- COCAMU's demand was in line with the SNV mission and approach to contribute to the increase of production and income of coffee grower cooperatives and employment creation through capacity development services;
- The potential of COCAMU to bring about change in the livelihood of coffee growers in Kirehe District given the high level of coffee production as well as the enabling environment in the area (water availability, good roads, etc.)

METHOD / SNV INTERVENTION

SNV provided advisory service aimed at changing the COCAMU cooperative to become more business oriented. Their capacities have been strengthened in different areas such as leadership and cooperative management, accounting and financial management, gender mainstreaming and social inclusion including advice on Fair Trade Labeling Organization (FLO) standards requirements and networking skills.

Additionally, COCAMU leaders and all staff members have received several specialized trainings on how to run properly a coffee washing station and good practices in pulp and water waste management.

Furthermore, SNV Rwanda has linked COCAMU to Technoserve and Rwanda Development Bank to access to medium and long term credit that allowed the cooperative to build its own coffee washing station, hence to upgrade its activities in producing coffee of better quality.

Finally, COCAMU has benefited from a study tour to more advanced cooperatives such as ABAKUNDAKAWA in Gakenke district in order to learn from their experiences, especially those linked to FLO requirements.

"We owe SNV for our visibility and evolution to the SNV advisory support. In the beginning, we wondered whether there could be any added value without direct financing, but for the three years we worked with SNV advisors, we can now assertively confirm that good advice is the foundation of our development. Without SNV, we would not be where we are today", says the Chairman of the COCAMU Co-operative, Mr. Juvenal Bamurabako"

OUTCOME

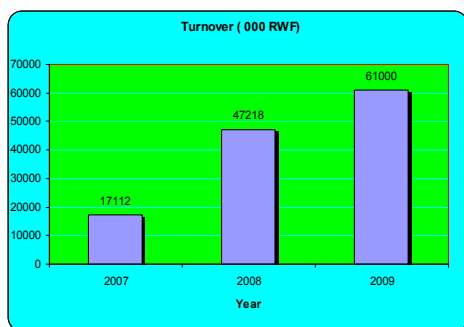
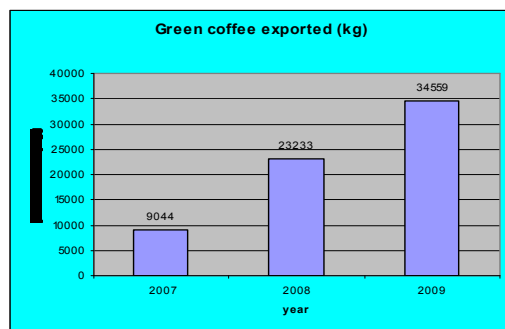
COCAMU has become more business oriented and operates as a profitable company on the coffee market.

COCAMU has demonstrated tremendous achievements in becoming more business oriented through the advice and support from SNV and others partners.

Firstly, COCAMU organs are operational and functioning according to their status as well as the new law governing cooperatives in Rwanda. The commitment of the cooperative leaders who have taken a leading role in the development process of their cooperative has been crucial in achieving this.

Secondly, COCAMU has built its own coffee washing station in order to improve the quality of coffee production and therefore, increase the income of its members. COCAMU has been able to sell its product to the international market. In 2006 COCAMU sold 234 tons of cherries (at that time COCAMU did not have a coffee washing station and was only supplying coffee cherries to a private coffee exporter company called Etablissement NKUBILI Alfred and sons "ENAS") while they were selling 35 tons of green coffee in 2009. Consequently, the members have increased their revenue from 820 000 Rwandan Francs (1 000 EUR) in 2006 to 61 million Rwandan Francs (76 000 EUR) in 2009. The COCAMU gross margin has also increased from 652 456 Rwandan Francs (815 EUR) in 2006 to 18 million Rwandan Francs (22 000 EUR) in 2009.

(source: COCAMU 2008 Financial statement).



Production and turnover of COCAMU from 2007 to 2009. Source: COCAMU reports.

Thirdly, the finance and administrative system of COCAMU has improved. All the business transactions are registered correctly and on time and the financial statements are prepared according to national law and standards. The cooperative is now able to monitor its operational costs in order to maximise the profit. Most importantly, the cooperative has attained a high level of transparency and accountability to the extent that it has accepted to submit its financial statements to an external audit mission. The report of this audit has acknowledged the improvement made by COCAMU in financial management.

Finally, COCAMU has been able to give a second payment valued at 6,2 million Rwandan Francs (7 750 EUR) to all members in order to encourage their efforts and their ownership. Furthermore in 2009, the cooperative paid a health insurance for all members and their families. As a consequence, the membership increased from 195 in 2007 to 265 in June 2009. All these facts have contributed to the increase of COCAMU's credibility and recognition in the whole district as a key actor in the coffee industry and also as an excellent cooperative. The COCAMU high performance has been officially recognized by The Rwanda Cooperative Agency who gave a special price of excellence to COCAMU.

All these achievements have been possible because of the commitment of the cooperative leaders and their willingness to apply governance principles and values in their daily activities. In addition to that, they have been keen to take into consideration the advisory services offered to them by SNV in collaboration with Inades Formation Rwanda and OCIR Café.



The Chairman of COCAMU Mr. Bamurabako Juvenal, on the left, talking to SNV evaluators.

Photo Sihimbiro François, November 2008

IMPACT

In a relatively short time, COCAMU has become a business oriented cooperative instead of a small association dependent on donor money.

The member's coffee production is now sold directly abroad, avoiding the trade with middlemen that had reduced significantly their profit margin for many years.

COCAMU is a well known cooperative in Kirehe district and has transformed the life of 1700 small farmers. The cooperative members have considerably increased their incomes and have changed their life style thanks to new technology introduced by the cooperative.

LESSONS LEARNED

Good leadership practices and ownership of cooperative members are crucial in the business development.

It is imperative to have good relationships with financial institutions and key partners in the coffee industry in order to ensure the sustainability of a cooperative involved in international trade.

SNV has sensitized COCAMU leaders to involve women in all activities of the coffee industry and in particular to include them in the decision-making organs. Currently there are 4 women out of 9 in the Board of Directors and 1 woman out of 3 persons in the Supervisory committee.

Concerning the environmental sustainability, COCAMU is encouraged to apply the standards in water management and solid waste treatment to avoid pollution.

It is important to start small and grow slowly. COCAMU has made a big change in production capacity. The cooperative started by a small pulper machine with a capacity of 500 Kg per hour and only when this capacity showed to be insufficient acquired a bigger one of 1500 Kg per hour.

The good state of roads, the soil fertility, the climate and the good environment in the area where it operates create good conditions for COCAMU to increase production.

Recommendation:

In order to further professionalize COCAMU should concentrate its efforts in the following areas in the coming years:

1. Development of a computerized management information system for accounting practices and other communication purposes such as internet facilities.
2. Reinforcement of its staff composition by recruiting two more technicians well qualified in coffee washing station management.
3. Designing a project that will help COCAMU members to diversify their income and avoid relying on one seasonal crop whose price is often volatile.
4. Improvement of networking within the coffee industry actors to be informed about new developments in the coffee sector and to share best practices and learn from other's experiences.
5. Increase the total number of women in the cooperative, ensure that there is equal participation and opportunity for both men and women and more equity in revenue distribution among its members.

The role of SNV will decrease considerably on the profit of Inades Formation who will be playing more and more the role of coaching of COCAMU.