

Impact Study: Bukonzo Organic Farmers Co-operatives Union



Image: Bukonzo worker spreading out dry coffee beans outside of their processing facility

"Me, I am proud of Bukonzo, where it got me and where I am now. I say Bukonzo should live forever" ~ Exavious Masereka, coffee farmer and member of Bukonzo

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We would also like to thank photographers Jake Lyell and Stuart Tibaweswa, who captured many of the photos included in this report.

Methodology

The research for this study involved a combination of data collection from existing documentation, a survey and interviews with employees and producers of Bukonzo. A sample of the survey and interview questions can be found in the appendices to this report.

Interviews with Josinta Kabugho, Maureen Namusisi and Douglas Maate were conducted remotely via Zoom. Interviews with Jovia Buligho, Beatrice Biira and Exavious Masereka were conducted in-person during a visit to Bukonzo by Foundation Development Officer, Harriet Urwin. All interviews were conducted in English and recorded to support with the accurate production of the case studies. Consent from each interviewee was obtained prior to the interviews following our ethical content gathering guidelines.

The survey was conducted with a sample of 141 coffee farmers Bukonzo and administered by Field Extension Officers Douglas Maate, Adolf Masali and Ritah Kapuru. The data was collected using ODK, a digital platform that allows the survey to be completed offline via mobile phones.

Why we measure impact

Shared Interest Society is an ethical finance organisation offering lending to producers and buyers across the globe. Since 1990, we have brought over 12,000 individuals together to make a positive difference by contributing to social change. We pool their funds to make a much larger impact than they would be able to achieve individually. Last year, these combined funds totalled £5X.Xm and this enabled us to make disbursements totalling £42.1m to 166 organisations in 47 countries, improving the livelihoods of 416,979 farmers and artisans in some of the world's most disadvantaged communities.

In 2004, Shared Interest Society established a charitable arm, Shared Interest Foundation. The charity delivers technical assistance, business support and climate resilience projects with small-scale producer organisations and community groups across Africa and Latin America.

Our mission is: 'To provide financial services and business support to make livelihoods and living standards better for people as they trade their way out of poverty. We work collaboratively and innovatively with those who share our commitment to fair and just trade. With a community of investors and the support of our donors and volunteers, we seek to contribute to a world where justice is at the heart of trade finance.'

Our monitoring and evaluation process involves portfolio-wide social and financial due diligence, and case studies of the organisations we support. Our regional teams maintain regular contact with the producers, organise producer committees and surveys and undertake annual reviews. In 2015, we began to supplement our social and environmental metrics with deeper studies of selected customers and project beneficiaries to evaluate whether and how these businesses support farmer and artisan livelihoods and offer a justifiable account of our contribution to this.

These case studies are primarily intended to demonstrate two levels of impact: that of our financial support to producer organisations, and wider impacts on the livelihoods of the smallholder farmers or artisans they serve. We support the featured organisations to share their stories of other impacts on their communities, as well as on the surrounding environment. Finally, we situate these impacts within the broader context of the country and commodity value chain, to illustrate how these businesses, their buyers and social lenders like Shared Interest work together to grow rural prosperity for smallholder producers and their communities.

These studies enable us to better understand both levels of impact (enterprise-level and household-level) and provide both Shared Interest and our customers with the information necessary to continuously improve our services. We are grateful to the contributors who share their stories and lived experiences, so that we can understand this impact as fully as possible.

Background – Global coffee production

Globally, the coffee supply chain provides a livelihood for over 100 million people from growing and transporting, to roasting and selling. Smallholder farmers make up 25% of this group (around 25 million people) and are responsible for 80% of global production¹.

The coffee growing belt spans across the equator where the warm tropical climates and fertile soils are optimal conductions for coffee production. Brazil is the largest producer of coffee worldwide with over 27,000 square km of land dedicated for coffee production. (Cafédirect). In 2023, 39% of the world's coffee was produced in Brazil, followed by 17% in Vietnam and 7% in Colombia².

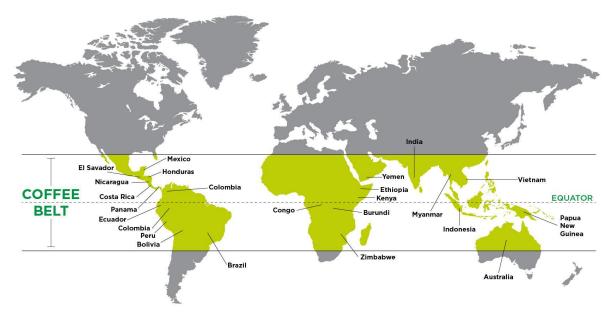


Image: The global coffee growing belt highlighted in yellow Source: https://lvacavliev.medium.com/the-bitter-truth-about-coffee-21299ca93a04

Arabica vs Robusta

The Coffea genus (the botanical name for coffee) has over 131 species, however only two are cultivated on a global scale; Robusta and Arabica (World Coffee Research).

Arabica coffee is typically known to be of higher quality and the beans are widely renowned for their more delicate and interesting flavours. Cultivating Arabica coffee requires meticulous care, as the plants are vulnerable to pests, diseases and changes in climate. They also grow at a slower rate and require shade, and as a result are more labour intensive to produce.

According to the International Coffee Organisation 2023 report³, approximately 57% of global coffee production is from Arabica plants (with Guatemala, Brazil, and Colombia at the forefront of global production), and 43% from Robusta plants. Over 90% of Robusta coffee is produced in Vietnam, Uganda, Brazil, Indonesia and India. Production in Uganda is discussed further on page (7). A global rise in the demand for coffee has increased the popularity of Robusta from buyers as it can be grown in a wider range of altitudes and

¹ International Coffee Organisation 2023

² U.S Department of Agriculture, 2023

³ https://icocoffee.org/documents/cy2023-24/Coffee_Report_and_Outlook_December_2023_ICO.pdf

climates and has more natural resistance to pests and diseases. Robusta coffee is typically sold as instant, or soluble, coffee.

Threats to global coffee production

The coffee sector is incredibly vulnerable to natural shocks, changes in weather, changes in currency and supply and demand, all which impact upon the price paid to farmers, leaving many struggling to cover their cost of production and make a meaningful income. According to Fairtrade Foundation (2023)^{4,} coffee farmers today receive only three per cent of the cost of a cup of coffee. Farmer livelihoods are also compounded by climate change with reductions in fertile farming land, rising temperatures and irregular rainfall leading to a reduction in yield and an increase in pests and diseases, in particular coffee borer beetle and coffee leaf rust.

"It's predicted that by 2050, 50 per cent of the global surface area currently being used for coffee farming will no longer be suitable for growing coffee due to climate change" – Fairtrade Foundation, 2023

In response to the severity of the challenges facing smallholder coffee farmers, co-operatives, producer groups and other supporting agencies have placed building climate resilience at the centre of their support strategies to mitigate the impact on farmers and ensure the sustainability of the sector. This is explored in more detail on page (23).



Image: Coffee farmer holds freshly harvested berries.

⁴ <u>https://www.fairtrade.org.uk/media-centre/blog/four-threats-to-</u> coffee/#:~:text=lt's%20predicted%20that%20by%202050,coffee%20due%20to%20climate%20change.

Coffee production in Uganda

Uganda is Africa's second largest coffee producer behind Ethiopia and in 2023 ranked sixth in the world, producing 4% of total global production⁵.

World Coffee Research (2023) estimates that 14% of the world's smallholder coffee farmers are in Uganda and 20% of the population earn all or the majority of their household income from coffee (Uganda Coffee Federation).

"In Uganda, coffee is a critical part of the economy and its importance is growing. Over 1.8 million households grow coffee, and coffee contributes nearly a third of the country's export earnings, paying for critical infrastructure like roads, hospitals, and schools." – World Coffee Research, 2023

Farmers in Uganda produce both Robusta and Arabica coffee grown across five different regions. Each region has a different harvest period meaning Uganda produces coffee year-round. Even within a single region, the harvest period for coffee grown at low altitude occurs weeks before the coffee grown on the mountains.

Robusta coffee is indigenous to Uganda. The original variety can still be found in the country's rainforests and is considered one of the rarest examples of naturally occurring coffee trees in the world (Uganda Coffee Federation). Robusta is the leading variety in Uganda due to its resilience to harsh climates and low altitudes and is more cost effective to produce due to the farms requiring less maintenance.

Arabica coffee was introduced to Uganda at the start of the 1900's from Malawi. It is grown in the western region of Uganda at high-altitude where there is high rainfall and fertile soils.

Coffee in Uganda is predominantly grown on rain-fed plots less than one acre in size. Farmers will often intercrop their coffee trees with bananas and other food crops. These trees provide important shade to coffee trees to increase yield, a source of household food and an additional source of income as supplementary crops are sold on the local market.

The coffee sector in Uganda is governed by the Uganda Coffee Development Authority (UCDA) which was established in 1991. The UCDA's mandate is to regulate, promote and oversee all aspects of the coffee sector in Uganda. To support sustainable coffee production in 2020/2021 the UCDA distributed over 42 million coffee seedlings to 79,564 farmers and established a coffee rehabilitation programme benefitting over 62,000 farmers (UCDA Annual Report 2020/21).

In 2017 the UCDA launched Uganda's Coffee Roadmap⁶ which aims to transform the country's economy and reduce poverty by increasing coffee production from 5.2 million bags in 2016 to 20 million bags per year by 2025-2030. This will improve the livelihoods of 1.7 million small-scale farmers and generate export earnings of USD 2 billion per year. The project will develop a more sustainable and inclusive coffee sector that will generate income for coffee-farming communities, including youth and women, reducing poverty among small-scale coffee farmers, while providing resources for the sustainable economic growth of the country.

⁵ U.S Department of Agriculture, 2023

⁶ <u>https://ugandacoffee.go.ug/coffee-roadmap</u>

Liberal market

In 1992 the Ugandan coffee market became fully liberalised allowing private traders to purchase coffee from either producer organisations or directly from farmers for onward processing and export. Prior to this, coffee marketing was the responsibility of the government. As a result of this liberalisation, the sector has attracted significant private investment, and most international coffee trading companies are locally represented.

The liberalised market approach has increased opportunities for international buyers to purchase coffee and increased Uganda's access to market. It also means that the price paid to producers is market-driven rather than being set by a regulatory body. Co-operatives and producer organisations often determine their farm gate price (the price they pay to coffee farmers per kg of coffee produced) based on the contracts they hold with buyers. However, competition for the coffee from international buyers and coffee agents offering higher prices than the co-operatives can afford can lead to them being priced out and unable to fulfil orders, or forces them to increase their price and operate at a loss. Bukonzo's experiences of this are shared on page 18.

Domestic coffee consumption

Currently only 5% of Uganda's total annual production of coffee is consumed domestically, with the remainder exported as processed green beans, which has been washed, dried and graded to meet international standards⁷. This is something the Ugandan government is aiming to change to increase local consumption, retain more profit in-country and enable coffee farmers to increase their income through value addition. The UCDA, together with other local partners, are supporting the establishment of Ugandan based coffee processing factories. Uganda's Coffee Roadmap includes a target to create a single Ugandan coffee brand which would raise consumer awareness of Uganda as a producer of quality coffee and encourage more domestic consumption.



Image: BOCU coffee farmer Medius Masereka, tends to her coffee trees.

⁷ The Africa Report 2023

Bukonzo Organic Farmers Co-operative Union (Bukonzo)

Bukonzo is a second level co-operative managing 13 primary co-operatives (these are small community level co-operatives who sell their washed coffee to Bukonzo). The leadership of the union is made up of representatives from each of the primary co-operatives so there is a *"voice from the farmers to know the issues of the different co-operatives"* (Josinta Kabugho, Bukonzo General Manager).

Bukonzo are located in the Rwenzori Region of western Uganda in the district of Kasese, 230 miles from the capital city Kampala. Their members span across the whole district (indicated by the red line on the map below), with many farmers growing their coffee on the slopes of the Rwenzori mountain range which separates Uganda and the Democratic Republic of Congo.

This mountain range contains six of Africa's highest peaks and is commonly referred to as 'Mountains of the Moon', a name given by locals over 2,000 years ago due to their snow-capped peaks.



Image: Red area indicates the spread of Bukonzo's membership

Bukonzo started in 2006 as a consortium of six local NGO's who were all involved in sustainable organic coffee production. The NGO's were supporting 550 farmers with training in sustainable production, organic farming and environmental protection. However, the farmers felt they were not getting a good price for their product, despite the added labour requirements of organic production. Following a consultation exercise, the farmers elected to form a co-operative union to explore certification and market access. Bukonzo was officially registered as a co-operative in 2009.

Bukonzo is one of the few co-operatives in the country managed by a woman. Josinta Kabugho (*pictured below*) has been the General Manager of Bukonzo since 2009 and in her own words has *"grown with the union"*.

Over the past 18 years Bukonzo have increased their membership from 550 up to 4,102 (2023). Their farmers produce washed, Arabica coffee which is grown at high altitudes.



Image: Josinta Kabugho, General Manager of Bukonzo

Bukonzo business overview

Bukonzo is a double certified coffee co-operative holding organic certification since 2009 and Fairtrade certification since 2011.

In 2012 Bukonzo joined Twin Trading's⁸ Joint Marketing Initiative (JMI) which supported coffee producers in Uganda and Tanzania to access markets and build long-term relationships with buyers.

In 2012, they exported their first container of mixed Fairtrade and conventional (non-Fairtrade) coffee. Today they have increased to nine containers of Fairtrade & Organic coffee. Since establishing, Bukonzo have been able to reinvest in their staff and infrastructure, including the development of a new office site, contributing towards their growth. Their staff team has increased from two up to 24 (12 office staff and 12 Field Extension Officers). They also employ 40 seasonal workers (all women) who are responsible for hand-sorting the coffee beans before they are packed for export *(image below)*.



Image: Coffee beans are hand sorted by seasonal workers and packed ready for export

Bukonzo places partnership at the centre of their growth. Grants from international organisations have supported the expansion of their infrastructure and enabled Bukonzo to deliver training and social impact activities to their members (page 21).

"Our success in the market is that strong relationship with our partners that has enabled us to continue and improve on the sales and volumes of Bukonzo. We have our own offices, we have our own processing unit, we have our own storage facility which we have achieved in the course of the years and we have succeeded to grow our membership" (Josinta Kabugho).

They have also established 46 micro washing stations, each Fairtrade certified, spread across their areas of operation which are jointly owned by the surrounding farmers and Bukonzo. The farmers bring their handpicked coffee cherries to their community washing station where they are quality checked, pulped, washed and then dried. Over time, Bukonzo secured funding to upgrade the original hand-operated pulpers, to equip each micro washing station with a motorised pulper. Once processed the parchment is delivered to a centralised dry mill located at Bukonzo's main premises close to Kasese where the parchment is hulled, sorted and stored before export.

⁸ Twin is an ethical trade organisation working with over 43 producer organisations representing over 300,000 coffee, cocoa and nut producers in 17 countries across Latin America, Africa and Asia. They trade and partner with like-minded businesses in Europe, Asia and the USA to grow the market for ethically sourced products.



Images: (Clockwise) Red coffee cherries harvested by hand, dried coffee parchment at the micro washing station, a motorised coffee pulper provided to the micro washing stations by Bukonzo, coffee parchment being hulled and graded at Bukonzo's dry mill.

In 2018 they established a Cupping Laboratory (*pictured below*) and recruited a qualified cupper to evaluate the quality of their coffee before it is sent to their buyers.



Image: Bukonzo's qualified Coffee Cuppers test the coffee prior to shipment in their laboratory. This process is called Coffee Cupping

Support from Shared Interest

Shared Interest were first introduced to Bukonzo in 2013 when they participated in Shared Interest Foundation's Improving Access to Finance project funded by Comic Relief. This project supported organisations across East and West Africa to become investment ready. Participation in this project helped Bukonzo to prepare their application for finance which they submitted to Shared Interest in 2014.

Summary of Shared Interest finance facilities provided to Bukonzo

Bukonzo became a customer of Shared Interest in 2014 when they received an Export Credit (COEC) facility of USD 150k to pre-finance their coffee harvest. This facility was provided to finance the processing costs Bukonzo would incur from harvest to shipment including the export license, transportation, and processing.

Shared Interest were the first international lender to work with Bukonzo. Previously, the organisation had relied on the commission paid from buyers to purchase coffee, but this limited their production capacity and growth.

Shared Interest facilities			
2014	2015	2020	
Export Credit USD 150k	<i>Facility adjusted</i> Stock Facility USD 50k	Stock Facility USD 100k	
	Export Credit USD 100k	Export Credit USD 200k	

General Manager Josinta Kabugho explains the challenges Bukonzo experienced;

"Before we got in touch with Shared Interest who was our first lender, we worked to get a buyer and we worked on commission. We would get 40 UGX per kg (£0.0083) So it depended on how much coffee you could send to the buyer and you were paid commission but it was small. And they were not respecting the Organic premium."

As a result of the lack of capital finance, Bukonzo was only able to purchase a small proportion of their members' product meaning many farmers had to also sell their coffee on the local market. Josinta continued;

"Farmers were selling on the local market and before the prices of coffee were not like today, the prices were low so they were getting that low, low price with no additional amount of money for their effort for the Organic, for the Fairtrade, with little money to reinvest into their farms."

The Export Credit facility enabled Bukonzo to start planning ahead knowing how much coffee they could purchase now that they were no longer dependant on commission from buyers which was irregular and hard to predict;

"When we got pre-finance from Shared Interest that is when we began to have our own money, we give it to the co-operatives to buy coffee, bag the coffee and be able to get the Organic premium which is 30 cents per pound. That money we were losing before. So, when we got that we got an advantage to actually be empowered and get what is required to be realised Organic and Fairtrade." Josinta Kabugho However, despite having access to finance, Bukonzo was not able to utilise the facility in 2014 as they had not collected sufficient coffee from the previous harvest to enable them to negotiate contracts with buyers. After discussions between Bukonzo and Shared Interest, it was agreed that the facility be revised to a USD 50k Stock Facility to enable them to purchase coffee at the start of the season, and USD 100k Export Credit facility.

This Stock Facility enabled Bukonzo to purchase coffee in time during the 2016 season. Finance and Administration Manager Maureen Namusisi commented on the importance of the flexibility provided by Shared Interest;

"The good thing about Shared Interest was that Bukonzo is a small business and there was the provision of having a Stock Facility. Now with a co-operative like ours we didn't have collateral to give to the local banks to give us a lot of money, so Shared Interest came in and gave us this Stock Facility which helped us to stock coffee".

In 2020, their Export Credit facility was increased further from USD 100k to USD 200k to prefinance contracts with buyers. The increased limit also gave them a chance to negotiate higher volumes with buyers. Something they could not initially achieve when the limit was just USD 100K. Their Stock Facility also increased from USD 50k to USD 100k to prefinance the coffee harvest and ensure they had stock to meet the orders from the buyers.

"Without these facilities Bukonzo really wouldn't be in business" (Maureen Namusisi)



Image: L-R Josinta Kabugho (General Manager of Bukonzo), Kennedy Mwasi (Shared Interest's East Africa Lending Officer) & Maureen Namusisi (Finance and Administration Manager of Bukonzo) attending the African Fine Coffees Conference in Ethiopia in 2024. In recent years, Bukonzo have also benefitted from the support of Shared Interest Foundation.

In 2018 Bukonzo participated in Shared Interest Foundation's Governance and Finance training programme receiving a combination of group training sessions and focussed mentoring to increase the capacity of their staff team and improve the sustainability of the organisation.

In May 2020, following devastating flooding which displaced 40% of Bukonzo's producers living in lowland areas, Shared Interest Foundation was able to provide them with a grant to purchase food, medicine and other emergency relief items through their Livelihood Security Fund. In total 1,200 people benefitted.

In 2021, Shared Interest Foundation secured a two-year grant to deliver a project with Bukonzo supporting 365 of their coffee farmers to diversify into passion fruit production alongside their coffee production for additional income. And in 2024, after securing two further grants, Shared Interest Foundation expanded its' Bees for Business project into East Africa directly supporting 141 farmers at Bukonzo to establish beekeeping enterprises to increase household income. Both projects are discussed in more detail on page 24.



Image: Participants of the passion fruit project receive training in innovative basket composting methods to improve coffee and passion fruit production

Business growth and sustainability

Production and sales

280,816 300000 258.076 250000 205.384 Production volume (per quintal / 46.5kg) 200000 134,088 144,991 150000 94,409 100000 72,860 58,065 58,268 24,083 87,004 50000 38,664 0 2012 2013 2014 2015 2016 2017 2018 2019 2020 2022 2023 2021 Stock Facility and Export Stock Credit Facility Export Credit (ongoing) (increased)

Graph 1: Bukonzo coffee production (kg) between 2012 and 2023

Since their inception, Bukonzo have been able to significantly increase their coffee production from 24.08 MT in 2012 to 280.8 MT in 2023 (an increase of 1,066%).

This growth can be attributed to a number of factors.

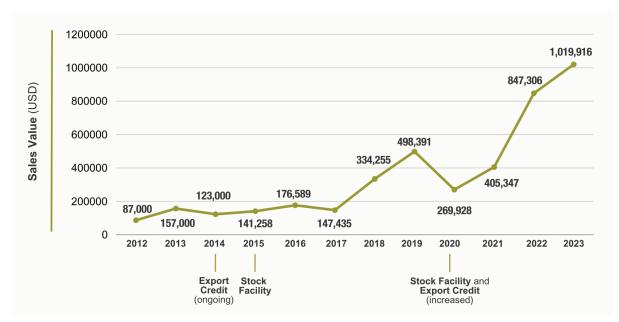
Following receipt of the Export Credit facility from Shared Interest in 2014 (and the revision into a partial Stock Facility in 2015), Bukonzo were able to increase the volume of coffee they purchased from their members and the volume processed and sold. Between 2014 and 2015 their production volume increased by 88% from 38.6 MT to 72.8 MT.

Maureen comments on the impact of receiving this finance on this growth; "With this financial facility we were able to sell and buy coffee. As Bukonzo we did not have the finance on our own to buy the coffee."

Throughout 2015 and 2016 Bukonzo received grants to expand their storage facility and improve the coffee factory, and deliver training to their farmers in Good Agricultural Practices. They also expanded their number of micro-coffee washing stations and increased their membership from 1,975 to 3,000.

This further increased the coffee yield of their members and Bukonzo's capacity to increase the amount they purchased. Between 2016 and 2019 they observed steady growth in production volumes. However, in 2020 the impact of Covid-19, in particular the restrictions on movement, lead to a significant decrease in production volume. Farmers were unable to visit their farms during the harvest season or conduct farm maintenance which lead to drastic reductions in yield. This compounded by cautious buyers meant they produced only four containers against a budget of 12.

However, Bukonzo have been able to make a strong recovery following Covid-19. In 2020, following the increase of their Stock Facility and Export Credit from Shared Interest, they were able to secure larger buyer contracts and purchase and process a greater volume of coffee. Subsequently in 2021 they achieved a record high production of 206 MT as a result of increased orders. They have continued this trend with sustained production growth up to 2023, however the production rate slowed between 2022 and 2023 due to prolonged drought.



Graph 2: Bukonzo sales (USD) from coffee between 2012 and 2023

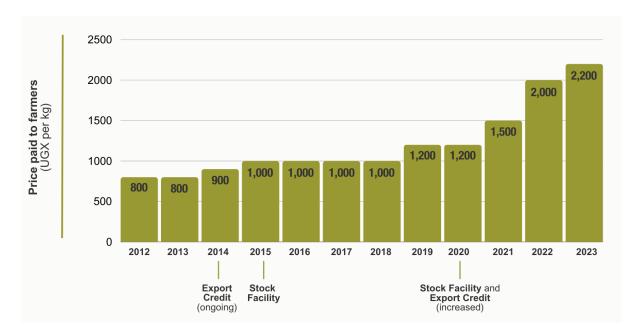
Bukonzo's sales follow a similar trend to their production volume. In 2016, sales increased by 44% from USD 123k in 2014 to USD 176k in 2016 as a result of the increase in production noted in Graph 1.

In 2016, a prolonged drought lead to a reduction in the quality of coffee produced. As a result, in 2017 sales reduced from USD 176k in 2016 to USD 147k in 2017 as Bukonzo had to sell a higher proportion of coffee locally at a lower cost as it did not meet the quality standards of their export buyers.

Bukonzo's sales reduced significantly in 2020 as a result of the economic impacts of Covid-19 with no contracts placed in 2020. Furthermore, during the harvest season their Organic certification expired and field audits could be conducted for its renewal due to lockdown restrictions. This further limited their negotiations with buyers.

However, the increase in available financing in 2020 from Shared Interest and another lender enabled a substantial growth in sales in 2021, 2022 and 2023. Sales in 2022 significantly increased because of increased orders from three of their buyers. In 2023 Bukonzo achieved sales of over USD 1m, a significant milestone for the organisation.

Price paid to farmer Graph 3: Price paid by Bukonzo to farmers per kg of coffee (Ugandan Shillings UGX)



As discussed on page 8, Uganda operates a liberal market and there is no regulated coffee farm gate price. The price Bukonzo pays their farmers for their coffee is largely determined by the contracts they have fixed with their buyers, which helps them to establish their profit margin.

However, due to the high competition from multi-national buyers who purchase directly from farmers, Bukonzo also consider the local price on the ground when setting their farm gate price. Private buyers present a significant challenge to Bukonzo as they are able to offer higher prices as they incur no farm preparation costs (extension services). Bukonzo General Manager, Josinta Kabugho, commented on the impact of this;

"...these buyers come down to our farmers and pay higher prices where we are not able to compete with them. It is affecting us because we have invested in the farmers, we have trained them, they are producing very good quality coffee, but some buyer will come with a very high price and we are out completed in the market. It is a challenge for us because it affects our volume, it affects our target. And a challenge for the farmer because the farmer is selling the certified coffee at a normal price and the buyer will not come back to give the farmer their premium".

Between 2012 and 2020 the average price paid per kg of double certified coffee (Fairtrade and Organic) was 989 UGX (\pounds 0.21) and increased by only 400 UGX per kg (\pounds 0.085) as a result of low prices offered by buyers.

In 2022, Bukonzo significantly increased the farm game price to 2,000 UGX per kg (£0.42) This was due to increased competition from international buyers who established subsidiary companies in Uganda who were offering farmers a higher price. To ensure farmers sold to Bukonzo and they had stock to meet buyer demands, Bukonzo had to increase their price paid to farmers which affected their profit margins.

Membership

Bukonzo's membership has increased from 550 farmers in 2012 to 4,102 in 2023. Maureen Namusisi credits Bukonzo's double certification status and farmer focussed activities as key factors in their growth: "...*it is both the certification and the activities we do with our farmers. The certification comes with some premiums which is additional money which goes to the farmers*".

There are many primary co-operatives who want to affiliate themselves with Bukonzo. Josinta explained the criteria they must meet to join the union

"1. They must be members doing coffee farming, 2. They should be able to adopt to technologies and innovations, 3. They should be in Kasese district, 4. They must be implementing right governance systems – when not promoting good governance they may disorganise the union, and the co-operative may not be sustainable after Bukonzo invests resources".

In the competitive liberal market, member retention and loyalty is key to the continued growth and success of Bukonzo. Extension services and community development projects are central in retaining this loyalty and are explored in section two of this study.

To overcome the challenges of the liberal market "...we try to make sure that our farmers understand the other services that we give them as Bukonzo. It is a liberal market so this is something we cannot do much about so we only have to encourage our farmers to stay with us and we give them better services" (Maureen Namusisi)

Buyers, certifications and premiums

Bukonzo have consistently increased their buyers from one in 2012 up to nine in 2023. Access to finance from Shared Interest in 2014 and 2020 enabled Bukonzo to purchase larger volumes of coffee and to negotiate with buyers to secure both Fairtrade and Organic contracts ensuring a premium is paid to their members.

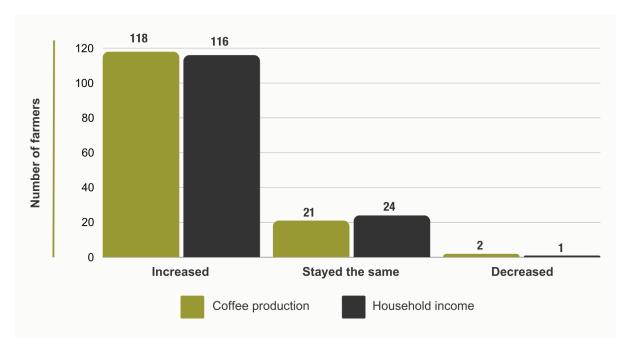
"Farmers were selling on the local market and before the prices of coffee were not like today, the prices were low so they were getting that low, low price with no additional amount of money for their effort for the Organic, for the Fairtrade. Today they are getting premium, Organic, Fairtrade and the coffee quality has improved from increased access to extension services from Bukonzo" (Josinta Kabugho).

The premium is also supporting the growth and sustainability of Bukonzo as 20% of the premium received is saved by the union to establish their own capital base and 5% is invested in a staff saving and lending scheme which is supporting staff retention, key for the stability of the business.

Despite being double certified, Bukonzo has experienced recent challenges in selling their coffee on the Fairtrade market. In 2023, the Fairtrade Minimum Price for Arabica coffee increased by 29% from \$1.40 per pound to \$1.80 per pound (Fairtrade Foundation 2023). As a result, Bukonzo struggled to secure new Fairtrade orders with buyers preferencing cheaper, Organic coffee.

Maureen Namusisi commented on the changing buyer landscape; "From 2012 we had one, two, three buyers but then when it came to 2023 Fairtrade revised their terms and increased the minimum price and when the prices went high the buyers started withdrawing. Our prayers is that they buyers should understand that the Fairtrade Premium is very important to the institutions and we need a lot of advocacy about it". The impact of this premium is explored in the **Social Impact** section of this study.

FARMER SURVEY: In March 2024, a survey (appendix 1) was conducted with a sample of 141 members of Bukonzo (30% women) to provide an indicator of changes in production and income at the farmer level. On average, these farmers have been a member of Bukonzo for nine years.



Graph 4: Changes in coffee production and household income of coffee farmers since becoming a member of Bukonzo

Since becoming a member of Bukonzo, 84% of farmers surveyed reported an increase in their coffee production and 82% reported an increase in household income.

"Today they are getting premiums from Organic and Fairtrade and coffee quality has improved from increased access to extension services from Bukonzo" (Josinta Kabugho).

Social impact

As highlighted in the membership section of this study, member retention is key to the success and growth of Bukonzo.

Bukonzo have used the premium received from the sales of their Fairtrade coffee to implement social impact projects to support their employees, coffee farmers and wider communities.

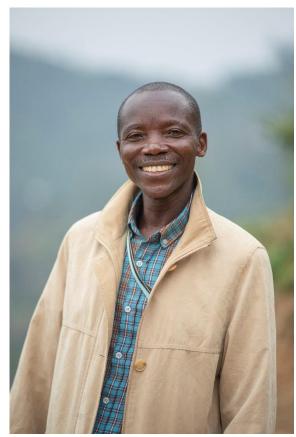
"Farmers are attracted to Bukonzo because of other activities; tree planting, passion fruit farming, and water harvesting tanks. Farmers hopeful they will also benefit. Hope keeps members at Bukonzo." Maureen Namusisi.

Bukonzo's growth includes the expansion of their staff and field officers who work directly with farmers to provide them with advice and guidance to build climate resilience, support income diversification, and improve their livelihoods.

Douglas Maate (pictured right) is a Field Extension Officer at Bukonzo and is responsible for providing extension services and training to 305 farmers from two of Bukonzo's member co-operatives; "...my training to farmers is always hands on training. I talk and do what I say so that farmers can easily learn from what I am doing. And then we set targets after we have trained them."

Douglas also monitors the functionality of the micro coffee washing stations conducting internal inspections and supporting the station managers to write records.

Douglas has worked at Bukonzo since 2017 and has observed its growth *"I see how Bukonzo is involved in community mobilisation and Bukonzo has supported establishment and equipping of micro washing stations. There is construction of drying sheds and they have supported micro washing stations with pulpers and other accessories that help the farmers meet the quality standards of coffee. And also Bukonzo has supported training of*



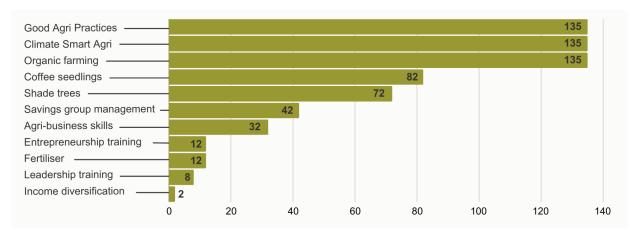
farmers how they can manage coffee quality right from the field to the micro washing station."

Through his role, Douglas has seen first-hand the impact of climate change on the production of the farmers he supports; *"Farmers have experienced high temperatures during the past two years and this has affected the coffee farmers. You find coffee plants dying off and with high temperatures you find pest and disease occur".*

Douglas acknowledges the important role of the Field Officers both in ensuring the loyalty of the farmers and also improving the quality of coffee;

"We want to encourage farmers to ensure that they utilise the knowledge Bukonzo is providing to them. And Bukonzo has tried to empower the Field Officers to make sure they monitor quality from the coffee farm field right to the coffee washing stations and make follow up on the corrective actions that were identified in the inspection exercise".

FARMER SURVEY: A sample of 141 farmers were asked about the type of support they had received from Bukonzo. The responses are shared in the graph below.



Graph 5: Training and support farmers received from Bukonzo

All farmers surveyed reported receiving extension services and support from Bukonzo. Training in Good Agricultural Practices, Climate Smart Agriculture and Organic Production methods were received by 96% (135) of farmers surveyed. Coffee seedlings were the most common inputs provided to 58% (82) of farmers followed by shade trees received by 51% (72) of farmers. Farmers were also supported to establish and manage savings groups (VSLA's) and gain skills in agri-business management.

This support is explored further in the stories of Beatrice and Exavious.

Climate resilience

Many farmers at Bukonzo farm on the hillside and are particularly vulnerable to the effects of climate change. To support these farmers to build climate resilience, Bukonzo launched an agroforestry scheme distributing shade trees to be planted on the coffee farms to increase soil stability, reduce top-soil run off during periods of heavy rain, and protect coffee trees from increasingly long period of sun. In 2023 they distributed 250,000 shade trees and this year will distribute a further 40,000 trees alongside training in Climate Smart Agriculture.



Image left: A farmer tends to their shade tree planted among their coffee trees.

In 2021 Bukonzo also distributed clean energy cook stoves to 3,000 farmers to reduce the rate of deforestation for firewood and protect farmer health.

Changes in the climate have exasperated the instances of new pests and diseases.

"The problem now we have is the prolonged dry weather. During the dry weather our coffee does not do well. That is a very big challenge. And we have some pests that when we use the organic pesticide they don't work at times and we don't know what to do as we can't use pesticide from shops". (Exavious Masereka, coffee farmer at Bukonzo)

In response to this, alongside training in pest management, Bukonzo has developed an innovate liquated pesticide made using an enzyme and locally available products. This was originally developed as part of the passion fruit project with Shared Interest Foundation and Bukonzo now want to scale up the production across their full membership.

"During the passion fruit project, we trained the farmers in how they can make their own pesticide and this knowledge has been transferred to other micro washing stations. This is being done continuously to make sure pests and diseases are controlled". (Douglas Maate, Field Extension Officer and co-ordinator of passion fruit project)

Image left: Farmers add wood ash to the liquid organic pesticide during training

Youth development

Bukonzo recognise the importance of investing in the next generation of coffee farmers to ensure sustainability of the organisation and have delivered several youth-focussed initiatives. Each micro washing station now employs a number of young people who have received support from Field Extension Officers to gain experience in buying coffee. As a result, Bukonzo have seen an improvement in record management from the washing stations, key in ensuring traceability.

Bukonzo also supported 10 young people to be trained in pest and disease management and organic pesticide production. This was part of a funded programme in partnership with Makerere University and Agribusiness Initiative Trust (aBi). These youth now provide training to Bukonzo's farmers who pay for this support and have created employment for themselves through the establishment of informational clinics.

Income diversification – support from Shared Interest Foundation (SIF)

Bukonzo recognised that many of their farmers relied on a single crop (coffee) for the majority of their household income leading to financial insecurity.

To support some farmers to establish a second source of income, in April 2021 SIF partnered with Bukonzo to deliver a two-year project supporting 356 coffee farmers to diversify into passion fruit production. Over 18,500 passion fruit seedlings were distributed (50 per farmer) to be intercropped with their coffee trees, and training delivered in Good Agricultural Practices to support coffee growth and innovative liquid organic compost production. Following the first year of production, the group made collective sales of over £96k (average of £263 per farmer).



Image: Bukonzo member and passion fruit project participant Joel Bwambale Njike tends to his passion fruit. His farm in located 2,000 metres above sea level on the top of the Rwenzori Mountain's foothills

Following the success of this project, in March 2024 SIF launched a second income diversification focussed on beekeeping. This Bees for Business project is supporting 141 farmers to establish a beekeeping enterprise providing them each with five modern beekieves, honey harvesting equipment and training in modern beekeeping skills.

"We want to strengthen the production and processing of honey for marketing to ensure that we have the farmers trained, produce quality honey for processing and look for market when the farmers are united into a co-operative" (Douglas Maate).

Community development

The Fairtrade Premium has contributed towards the establishment of community development initiatives and improved support for farmers.

Using the premium, Bukonzo has supported the construction of washrooms for primary schools benefitting the children of their members. Through establishing water harvesting tanks at the community level coffee washing stations, they have also extended water into these communities benefitting households irrespective if they are a member of Bukonzo.

"The farmers are benefiting more from the Fairtrade Premium as they are establishing projects that are causing a positive impact on the community which means the efforts of Bukonzo will now be felt more in the community. When you put up a well it is felt it is an effort of Bukonzo selling Fairtrade coffee." (Josinta Kabugho)



Image: One of the community water tanks funded by Bukonzo with support from another Social Lender.

My Story: Beatrice Biira, Lead coffee farmer at

Bukonzo

Sixty-three year old farmer Beatrice Biira (pictured below) lives in the coffee growing community of Kamughobe. She is a widow and lives with her young grandchildren who she financially supports with costs including school fees.



Image: Beatrice stands among her coffee trees

Beatrice manages a two-acre coffee farm which she first established in 1986 with her late husband. She became a member of Bukonzo in 2003. She explained her reasoning for joining the co-operative: *"I wanted to know much about agriculture so that they can train me and know how to improve my farm. Before Bukonzo I sold to middle men who were passing by. At Bukonzo we are selling together"*

Alongside coffee she also grows bananas which she sells on the local market to supplement her income, and yam for home consumption. She also has hens which provide her with eggs, and a small apiary which she established with support from Bukonzo.

Through Bukonzo, Beatrice received training in both agriculture and social development; "*I* studied agroforestry from Bukonzo, smart agriculture from Bukonzo, even I have learned much about gender and domestic violence from Bukonzo and I can train other farmers".

Following this training, Beatrice started to implement good farming practices across her coffee farm including digging trenches, terraces and mulching all of which have contributed towards increased environmental resilience and improved production: *"When the sun comes the coffee trees can dry and leaves go yellow, but when you are with the knowledge, you try to put on your farm what you have learned so there can be a change. If you don't have these trenches on your farm, the water can come and take your soil. But when you have these trenches the water passes through the trenches and keeps the soil on the land".*

To support her organic production, Beatrice also received training in organic compost production *"it is easy because Bukonzo trains us, I have my own compost basket on the farm".*

To make the compost basket Beatrice digs a hole and lines the sides with sticks. She fills the hole with household waste items including banana peels, poultry manure, wood ash and water which decompose and become compost *"There comes a change when you do that, the coffee trees are now fertile, they look very green".*



Images: (Left) Beatrice stands within one of her coffee trenches. (Right) Beatrice demonstrates her compost basket

In 2008, Beatrice was recognised by Bukonzo for her ability to adapt and willingness to learn new farming techniques and supported her to become a lead farmer. She uses her extensive knowledge of Good Agricultural Practices and Climate Smart Agriculture to provide training to other farmers in her local area. For this service she is paid by Bukonzo. "We women are created to be teachers so when you teach these men and women they feel comfortable. Even at times they will call me and say come and teach us".

Beatrice told us that when she first became a farmer, women faced challenges accessing land but *"nowadays it is not a challenge because people are trained a lot and they know each and everything. It is a new world".*

Beatrice credits coffee production with enabling her to educate her children and cites her daughter earning a diploma in business studies as one of her greatest achievements; "on my farm, when I harvest the coffee, I sell that coffee and that managed to take my daughter to school and she completed school. Now she has a job".

Beatrice is hopeful about her future and the future of her grandchildren; "My hopes for the future coming, I know I am growing old so when I am teaching the small ones [grandchildren] they are capturing from me so they live doing my work as I have been doing. They will be remembering Bukonzo for the very big work they have done for them by training me, Bukonzo have enabled me to help my children to grow up".

My story: Exavious Masereka, coffee farmer,

Bukonzo

Exavious Masereka (pictured below standing among his coffee trees) lives in the community of Kaghorwe. He started growing coffee in 1996 but despite having four acres of land, he was only able to plant one acre but said he was "*not using it wisely*".

He became a member of Bukonzo in 2007 after being visited by an Extension Officer:

"I joined because my land had not been productive. I would plant coffee it wouldn't yield, it would dry up. When I was visited by Bukonzo I told them 'my land is useless to me, what can I do?' And they said ok you are the right person to be with us. I became a member because I saw they were doing good things."



Through Bukonzo, Exavious received training in Good Agricultural Practices and organic pesticide production along with farming tools including secateurs and a wheelbarrow and he was able to make changes in the way he managed his farm.

"The first thing they told me is I should have ridges in my coffee. Secondly, they told me I should be pruning my coffee. Thirdly they said I should mulch because I had a very big land, and all that I did."

"Now my land changed completely. Before I was not even picking 10 kg from the whole of an acre. But after I did what they told me to do, now I can pick 200kg per season. I became a man who is proud of Bukonzo Organics."

Image left: Exavious stands among his coffee trees

In addition to the challenge of low production, before joining Bukonzo Exavious also experienced challenges in selling his coffee;

"Before Bukonzo I would pick any type of coffee, green coffee, red coffee and mix together and dry in the sunshine and then we sell to the public buyers (middlemen)"

"There were so many challenges. Someone would come and say 'give me that coffee and I will pay you later', he goes and disappears. But now with Bukonzo they told us to pick the red cherries and brought us some pulpers and they introduced the micro washing stations. Now you pick the coffee today and the very day you take it to the pulper, they pulp it, they measure, they give you the money and you go."

Bukonzo have supported the development of Exavious' community through the establishment of a micro washing station, provision of motorised coffee pulpers and a 10,000 litre water tank for use at the washing station and by the wider community. Bukonzo also provided Exavious and other farmers with solar panels to provide a source of household electricity.

To increase his financial stability, Exavious has diversified into growing cocoa and mangoes which he sells and he also has a small apiary of 15 hives which he received from Bukonzo. He sells some honey and also uses some for medicine for his grandchildren.

The income from coffee and these other activities has enabled Exavious to financially support his ten children through school with three gaining diplomas and one a degree. He has also been able to make improvements to his home "With income from coffee I have been able to buy a small TV, now I am looking at the world from inside my home".

Exavious has also been able to buy a plot of land at the town centre which he hopes to develop over the coming year.

Image right: Exavious standing outside of his home



"What I am planning on doing next season if I get coffee well, is to buy a water pump to start pumping water from the river to my gardens. And I wish to develop my plot at the town and construct a good house for rent for income."

"Me I am proud of Bukonzo – where it got me and where I am now. I say Bukonzo should live forever".

My Story: Jovia Buligho, Chairperson of Bukonzo

Jovia Buligho (pictured right) is a member of one of Bukonzo's primary co-operatives, Rwenzori Farmers Marketing Co-operative Society, and Chairperson of Bukonzo elected by the delegates from the primary co-operatives.

On being a member of Bukonzo, Jovia commented "I appreciate being a Bukonzo farmer because before I was not even knowing the prices of coffee, the importance of coffee, now I am proud of being a farmer of Bukonzo Organics".

Jovia joined Bukonzo in 2016. She was initially on the Premium Committee for two years before becoming the Treasurer of the co-operative and then the Chairperson.

As Chairperson, Jovia shares her key responsibilities; "I make sure that the resources at Bukonzo are available on time, I make sure that the board meetings are held quarterly and start on time, I make sure we shall fulfil the contracts, we should maintain our projects and make sure we follow the co-operative bylaws and work in hand with the government".



Jovia works to ensure Bukonzo operates in the best interest of the farmers "*I make sure that our farmers are satisfied with us*"

During her time with Bukonzo, Jovia has observed several changes;

"At Bukonzo I am seeing growth. One thing is the farmers were not knowing the market, they were always selling their coffee to local people and they gave them low prices for their coffee to pay school fees for their children. But now they are getting good prices and market for their coffee, they are trying to pay school fees for their children. And now Bukonzo are training farmers up in the mountains on good agricultural practices and how to handle their coffee"

"Like me as a farmer I was a lady who could not even stand in front of people and talk to the congregation. But now I can that is a success to me. We have the widows who joined the cooperative and they have changed their livelihood income. We have learned how we can handle the business and our own homestead, how to handle our services at home. There is growth at Bukonzo".

Looking ahead

Over the next five years, Bukonzo has ambition to establish a roastery to enable them to add value to their coffee beans and increase income through selling roasted coffee on the local market to increase domestic consumption.

General Manager Josinta commented "we realise there are opportunities that have not been explore, we are near the national park and there are many hotels around. We realised we are losing more by selling green and we want to go into roasting and sell roasted beans and ground coffee".

Bukonzo have purchased the land for the roastery and are currently soliciting funds for the construction.

They also want to contribute toward an increase in domestic consumption and make coffee accessible for coffee farmers and growing communities; *"farmers produce coffee to sell and they don't taste what they produce. So why don't they taste the coffee so that they are able to maintain the coffee quality and understand how coffee should taste. They should be able to understand better and maintain the quality more if they can taste their own coffee".*

Bukonzo also want to look for new ways to strengthen their governance system which they recognise as being key to the growth of the institution and have set a target of increasing their membership to 5,000 farmers.

They have also set a target to increase the volume of containers they produce by three each year "we hope to do more sales to increase to 24 containers, make more profit, make sure we work efficiently to improve profit and stability we hope in the next five years to bring two or three buyers on board in addition to the current buyers that we have right now" (Maureen Namusisi)

"We have been there today and we will be there tomorrow with our partners like Shared Interest and other partners that have come on board" (Josinta Kabugho)

Conclusion

Since their formal establishment in 2009, this study demonstrates how Bukonzo have developed into a productive and dynamic organisation focussed on improving the livelihoods of coffee farmers and their communities.

The finance provided by Shared Interest has clearly contributed towards this growth enabling them to process and sell greater volumes of coffee, increasing market access and supporting reinvestment into the organisation.

Despite the challenging operational environment, Bukonzo have continued to adapt and look for innovative ways to increase the loyalty of their members including the development of organic pesticides and income diversification projects. Bukonzo have been a key delivery partner for Shared Interest Foundation and members of the team were impressed by their organisation and proactiveness during project visits in 2022 and 2024.

Bukonzo have ambitious plans for the next five years which include exploring the domestic market and coffee value addition to continue improving the lives of their members and supporting the development of their region.

"We have continued to be there, we have continued to grow and not be static." (Josinta Kabugho)



Image: Coffee farmer transports freshly picked coffee cherries from their farm to the micro washing station

Glossary

Agroforestry: Agroforestry is a land management approach with multiple benefits. Planting trees and shrubs on farms can give healthier soil, reduce pests and give higher yields – not to mention creating vital homes for wildlife.

Climate Smart Agriculture: An integrated approach to managing landscapes that addresses the interlinked challenges of food security and climate change.

Coffee cupping: A method of evaluating different characteristics of a particular coffee bean. It is the practice of observing the tastes and aromas of brewed coffee.

Diversification: Diversification is a corporate strategy to enter into or start new product outputs or product lines, new services or new markets.

Export Credit: Financial product designed for producer organisations to provide them with sufficient working capital or harvest finance to complete and deliver new orders or contracts.

Facility: A facility is the customers account with a borrowing limit.

Fairtrade: Fairtrade is used to denote the product certification system operated by Fairtrade International. When a product carries the FAIRTRADE Mark it means the producers and traders have met Fairtrade Standards.

Fair trade: Fair trade is a trading partnership, based on dialogue, transparency and respect that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalised producers and workers.

Fairtrade International/FLO: The organisation that co-ordinates Fairtrade labelling at an international level (formerly known as FLO). Fairtrade's mission is 'to connect disadvantaged producers and consumers, promote fairer trading conditions and empower producers to combat poverty, strengthen their position and take more control over their lives.'

Fairtrade Premium: An extra sum of money paid on top of the selling price that farmers or workers invest in projects of their choice.

Good Agricultural Practices (GAP): A set of standards for the safe and sustainable production of crops. The standards help farmers to maximise yields whilst minimising production costs and environmental impact.

Parchment: The thin, parchment parchment-like skin of the coffee cherry. A very thin layer that protects the coffee bean. It is part of several layers that surround a coffee bean and are removed in various ways before roasting.

Prefinance: Prefinance takes place when Shared Interest advances funds to a customer based on proven orders from buyers. The customer usually requires the funding in order to produce and supply the goods. One of the key reasons for prefinance is so that the customer has sufficient working capital to enable them to complete and deliver new orders or contracts.

Stock Facility: A type of loan from Shared Interest to secure stock when harvests are unpredictable and contracts have not been finalised.

Supply chain: A system of organisations, people, activities, information and resources involved in producing and moving goods or services.

Technical Assistance: The process of providing targeted support to an organisation with a development need or problem, which is typically delivered over an extended period of time by Shared Interest Foundation.

Value chain: This is the full lifecycle of a product or process, including material sourcing, production, consumption and disposal/recycling processes.

Washing station / micro washing station: A building or structure where coffee cherries are received to remove the coffee bean from the skin and dry out the bean in preparation for hulling and export.

Yield: The harvested production of a crop.

Appendices

1. Farmer survey

- 1. Since joining Bukonzo, has your coffee production:
 - a. increased
 - b. stayed the same
 - c. decreased
- 2. Since joining Bukonzo, has your household income:
 - a. increased
 - b. stayed the same
 - c. decreased
- 3. Since joining Bukonzo, have you:
- a. Received training or agri-inputs? Yes / No
 - If yes, what type of training or inputs? (please tick all that apply)
 - Good Agricultural Practices training
 - Climate Smart Agriculture training
 - Agri-business training
 - Leadership training
 - Entrepreneurship training
 - Savings group management
 - Coffee seedlings
 - Shade trees / agro-forestry trees
 - Fertiliser
 - Other
- b. Benefitted from any community projects?

Yes / No

If yes, which project have you, your family or your community benefitted from? (please tick all that apply)

- Income diversification projects (e.g. poultry project)
- Access to electricity / solar power
- Drilling of borehole / Access to water
- School refurbishment
- Payment of school fees of children
- Refurbishment of medical centre
- Other
- 4. Before joining Bukonzo did you:
 - a. own the land you farm
 - b. rent the land you farm
 - c. farm land on behalf of someone else (sharecropping)

5. Do you currently:

- a.
- b.
- own the land you farm on rent the land you farm on farm land on behalf of someone else (sharecropping) c.
- 6. Since joining Bukonzo, has the size of your coffee farm:
 - increased a.
 - b. stayed the same
 - decreased C.