

SUCAFINA FARMER HUB

Sucafina innovates in East Africa to help coffee farmers increase their income from more than just coffee.

Nicolas Tamari, CEO:

“Our two most valuable assets don’t show up on the balance sheet: our staff and our network of coffee farmers. This project is about unlocking the creativity of our staff to create year-round, whole-farm, maybe even whole-life relationships with farmers. This intense focus on the needs of coffee farmers reveals new opportunities for both farmers and our business.”

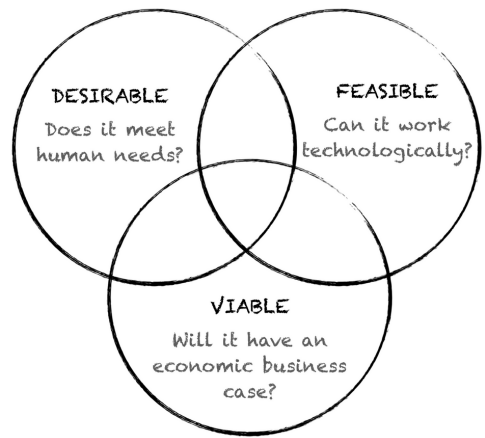
► SUMMARY

Sucafina will invest US\$5 million over the next three years in innovation projects to develop its new Farmer Hub concept in Kenya, Rwanda, Burundi, and Uganda. This will create year-round relationships with farmers that will help them diversify their farms, and enable them to access banking services and finance. With the Farmer Hub, Sucafina re-invents the role of the merchant to focus on serving the broader needs of farmers and capture business opportunities that go beyond coffee.

The Farmer Hub harnesses the new possibilities of digitalization in the rural environment. By looking beyond coffee, Sucafina has identified opportunities to source other crops from farmers and get them better prices, provide new digital banking services that pave the way for credit, and provide inputs and other goods tailored to farmer needs.



The innovation process was structured, by following the design thinking principles of researching whether it is desirable – meeting the needs of the farmer clients, whether it is technically feasible in the local context and looking at the business viability, in an ongoing design process.



► WHY

Coffee farmers in East Africa produce some of the world's finest coffees but are also among the poorest in the world. As coffee prices deteriorated again in recent years, coffee farmers suffered significant declines in income. Sucafina's efforts to improve coffee productivity were simply not enough for farmers to make up for lost coffee income.

The biggest threat to the diversity of coffee is that in times of extremely low prices, farmers will cut down coffee trees and switch to other crops that provide better short-term returns—but it is unlikely that those trees will ever be replanted. The potential loss of unique coffees from East Africa would diminish the broader coffee industry and pose a threat to Sucafina's long-term business in East Africa.

Starting from a place of deep concern for farmers, combined with a rigorous business focus, Sucafina set out to revisit its offerings to farmers and better utilise its extensive upcountry assets. Despite—or because of—the poor market outlook for East African coffee, and with new technical possibilities becoming available, it set out to create additional profit centers that will be good for business and better for farmers.

► WHAT

Better Future was asked to design and guide a process to engage management, and navigate from problem to opportunity to implementation.

The Better Future team, consisting of David Rosenberg and Daria Ofman, brought together experience in coffee supply chains, expertise in facilitating human-centered design and innovation, and a broad network of relevant contacts in the development space. They co-designed together with Sucafina's East Africa COO, Justin Archer, a pathway, where we are now entering the pilot phase, followed by implementation and finally scaling.



► HOW

1. THE URGENCY: ASSESSING THE THREAT TO COFFEE FARMING & OPPORTUNITIES FOR BUSINESS IMPROVEMENT IN EAST AFRICA

The senior leadership team convened to review past efforts, assess the future, and define a new vision for the local operating companies. The business analysis highlighted the under-utilization of both tangible and intangible assets. This created an awareness and an opening for new approaches to better utilize those assets. While embracing a vision for a whole-farm, whole-year relationship with farmers, the leadership team recognized from the outset that each East African country would have its own unique needs and opportunities. Four key areas were identified that would require attention in this project: skills and mindset, business modelling and analytics, corporate support functions, and new partnerships.





2. THE INNOVATION PROCESS: OPEN AND TRANSPARENT CO-CREATION

Nicolas Tamari, CEO, travelled to the region and met with the individual country managers to share his vision: that this new focus would unlock significant business opportunities. Each manager was challenged and supported to develop areas for innovation that fit the local realities of their country.

Better Future guided the process by bringing the country managers together for face-to-face design workshops, and providing bi-monthly follow up assignments and coaching by phone. Key partners—FMO (the Dutch Development Bank) and IDH (Sustainable Trade Initiative)—were involved in each of the workshops, enabling rich knowledge exchange and clear communication.

In the months following the initial 'incubation week', a mindset shift became visible in the country teams, from a coffee trading mentality to a truly 'agripreneurial' mindset. A final step of the activation process was exposing the country teams to 'a marketplace of agri-tech possibilities', ranging from tech-driven management platforms, IT infrastructures, farmer and partner communication models. Seeing how most agri-tech companies struggle finding access to real clients boosted the confidence of the country teams that they have a unique position; having direct access to their agri-clients.

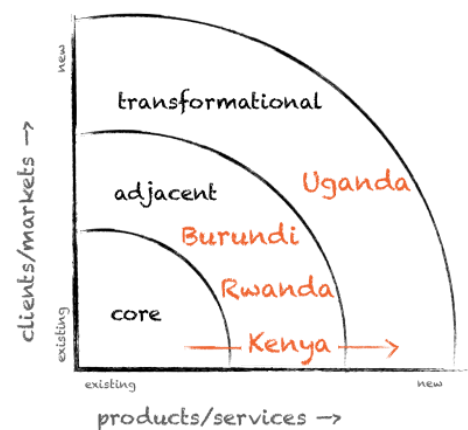
3. EMERGING BUSINESS MODELS: TAILORED TO LOCAL NEEDS

Each country set out to research the needs and realities of farmers. A critical source of insight was to segment the farmers in distinct target groups with unique needs. With deeper understanding of farmer needs, new approaches were explored in each country together with potential partners.

New business models are now emerging and being piloted. In Rwanda, Rwacof is preparing to procure maize from its coffee farmers, together with Africa Improved Foods. It is also partnering with Equity Bank to use its wet mills as locations for banking agents. If maize proves successful, Rwacof envisions leveraging its wet mills and logistics expertise to other products and other non-coffee farmers in its mill catchment area. In Uganda, Ugacof is exploring possibilities to add value to banana crops from coffee farmers, and partnering with Equity Bank to offer banking services and credit to key farmers.

In Kenya, Kenyacof is exploring new farmer segmentation for its fertilizer distribution and training models. It is also exploring a service delivery model for small scale estates who are not in traditional cooperative structures. And in Burundi, one of the poorest countries in the world, Sucafina's subsidiaries are working with partners to leverage its wet mills and central dry mill to provide access to retail goods, access to bicycles and foodstuffs that are simply not available in rural Burundi.

All East African country teams have set up an innovation strategy that fits the local environment, its farmer needs and technical feasibilities. Thereby the models differ in terms of fitting into the existing infrastructure, being adjacent to it, or coming up with a model that is new all together, either in the market and clients it serves or the products and services it offers.




4. THE BENEFITS: BETTER FOR FARMERS, GOOD FOR BUSINESS

The Farmer Hub concept is already having a positive impact. The country teams are inspired and motivated by the opportunity to refocus attention to improving the lives of farmers. It is unlocking creativity and energy in the local staff. New partnerships with local banks, off-takers, and input suppliers are emerging, showcasing the potential to transform the business. Donor partners have seen the developmental relevance of the Farmer Hub concept and have shown that they are eager to contribute both intellectually and financially.


Senior management is keen to see the Farmer Hub concept leverage under-utilized assets—as well as immense but unquantified intangible assets—to create new sources of competitive advantage. At the end of the day, Sucafina is a coffee company. The year-round and more direct involvement with growers will allow Sucafina to influence the quality of coffee produced. This is good for everyone in the coffee industry, and it provides new and meaningful opportunities to link roasters to this unique innovation at the farm.


5. COMMENTS ON THE DEVELOPMENT PROCESS


 "I couldn't have imagined in January that we would be here in June talking about maize, bananas and bicycles! This journey has unlocked the creativity, energy and business potential that we had hoped for."


 "We started with a simple vision, it became more complex, then we were able to bring it back to earth, simple and clear."

 "It is not my usual style to embark on a path of not knowing, but it has been valuable"

 "I really value the opportunity to come together as a regional team, to spend time together learning from each other in and outside of the meetings."

 "There was value in seeing the companies outside our day-to-day business. I will keep that as a habit in my weekly agenda"

 "I gained confidence from seeing the tech companies--I now see more clearly the unique value in our direct relationships with farmers that they lack"

 "Now is the time to just do it, and to learn from the doing. We are ready to roll".



For more information

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