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**Development of the coffee chain in Cameroon
through a cooperation framework with Brazil**

**Report of the Mission of the
Delegation of Cameroon to Brazil
15 – 20 September 2013**

1. At its 108th Session held in March 2012, the International Coffee Council approved a Memorandum of Understanding between the Government of the Federative Republic of Brazil, specifically the Brazilian Agency for Cooperation (ABC), and the International Coffee Organization (ICO), for the promotion of triangular technical cooperation in coffee producing countries. In accordance with the framework for implementation of this Memorandum of Understanding the Government of Cameroon requested the assistance of Brazil and the ICO to support its development strategy for the country's coffee chain aimed at improving the performance of the sector. In order to identify the precise areas for this cooperation a Mission comprising the Delegation of Cameroon, supported by a staff member of the International Coffee Organization, carried out an exploratory visit to a number of institutions and organisations involved in the Brazilian coffee production chain during the period from 15 to 20 September 2013. The Mission was composed of the following members:

- Mr Sylvestre Messanga Essono, Deputy Director of Trade, Ministry of Trade (Head of Delegation).
- Mr Omer Maledy, Executive Secretary of the Cocoa and Coffee Inter-professional Council (CICC).
- Mr Valentin Foketchian, General Secretary of the SIC CACAOS, Barry Callebaut Group and Vice-Chairman of the CICC.
- Mr Olivier Ngwe, Assistant Director General, KeL Export, Member of the CICC.
- Dr Denis O. Seudieu, Chief Economist of the International Coffee Organization.

2. During the 111th Session of the International Coffee Council held from 9 to 12 September 2013 in Belo Horizonte, the Mission held a preparatory meeting with Ambassador Marcos Pinta Gama, Permanent Representative of Brazil to International Organizations and Mr Marconni Sobreira, General Coordinator of the Coffee Fund. The detailed programme of the visit was established in the course of this meeting.

3. The Mission travelled to the Patrocínio and Guaxupé regions in the State of Minas Gerais, which is the biggest coffee-producing State in Brazil. Subsequently, it visited the region of Espírito Santo do Pinhal in the State of São Paulo, which houses the headquarters of the Pinhalense enterprise, specializing in the manufacture of agricultural equipment. The Mission expressed its thanks to Ambassador Pinta Gama, to the Council of Associations of Coffee Producers in Cerrado (CACCCER) to the director of the Cooperative of Coffee farmers of Cerrado (EXPOCACCER), to the director of the Regional Cooperative of Coffee farmers in Guaxupé (COOXUPÉ) and to the P&A International Marketing company for their assistance and hospitality accorded to members of the Mission. Special thanks were expressed to Mr Caio César Furtado, Head of the new Business Development Department of the Federation of Coffee Producers of Cerrado, Mr Lázaro Ribeiro de Oliveira, Chairman of the Executive Board of EXPOCACCER, Mr Jorge Ribeiro Neto, Communications and Marketing Director of COOXUPÉ and Mr Carlos Alberto Paulino da Costa, President of COOXUPÉ. Thanks are also due to all coffee producers in the coffee regions visited, who enthusiastically agreed to make themselves available to the Mission despite their heavy commitments. The Mission is grateful for the warm welcome it received from Mr Carlos Brando, Director of the P&A International Marketing agency, and his team.

4. The aim of the Mission, which relates to the first stage of the Memorandum of Understanding, was to establish relevant contacts with actors in the Brazilian coffee chain and to explore technical cooperation opportunities to support the revival of coffee farming in Cameroon, particularly the organization of coffee producers, their equipment levels, the organisation of marketing and domestic consumption, and the relations between coffee chain actors and the State. The Mission also sought to gain a better understanding of the functioning of the coffee sector in Brazil. The following points were highlighted by the Mission:

A. Extension services for producers

5. The State does not intervene directly in the operations of the Brazilian coffee chain but their relationship can be observed through the activities of the National Coffee Council (CNC) of the Ministry of Agriculture and the Brazilian Service of Support for Micro and Small Enterprises (SEBRAE). Extension services and research activities are provided by the Federation or producer cooperatives themselves. In other words, producer cooperatives and associations are responsible for providing their own extension services for members.

B. Financing

6. Credit for coffee producers, like credit for the country's agricultural sector as a whole, is provided by commercial/private banks at interest rates ranging from 4 – 8% p.a., depending on the size of the producer concerned. For micro producers or family farms where labour is provided mainly by the family itself, interest rates are less than 5%, or sometimes even 2% p.a. Specifically, financial support by the Government is provided through the CNC, which manages a coffee reserve fund made available to 26 private banks responsible for granting production and export credits at an interest rate of 5.5% p.a. On the basis of this fund, banks provide credit of 50% for individual producers, 20% for cooperatives and 30% for industries and exporters. Although they receive funds from the CNC for financing coffee production, marketing and processing activities, banks are solely responsible for any risks entailed. It should be noted that debt recovery rates in the coffee sector are the highest of any industry in Brazil.

C. Supply of inputs

7. The acquisition of inputs such as fertilizers is undertaken through group purchasing by cooperatives to reduce costs and ensure good quality. Producers buy their plants from homologous and certified nurseries.

D. Price to producers

8. There are no guaranteed prices to producers. Cooperatives receive coffee from their members and are responsible for storing it in their warehouses and keeping members informed of daily prices on the reference markets, particularly the New York futures market. Producers give their cooperatives orders to sell when prices are considered suitable. Sales slow down when the market prices shows a persistent downward trend, as in the case of the current situation. Production from crop year 2013/14, which commenced in Brazil in July 2013, will be sold off gradually until the new crop year begins, in response to market developments. Although there are no guaranteed prices to coffee farmers, the Government frequently comes to their aid through a programme for subsidised auction sales known as 'PEPRO', which guarantees a minimum price when the market situation is difficult. Through this system producers are given the option of selling their coffee to Government agencies at an established minimum price or selling it on the open market. Government– subsidised auctions provide for a total capacity of 3 million bags, to be sold when market conditions permit.

E. Organization of coffee farmers

- ***Producers in the Cerrado Mineiro region***

9. In this region, covering 55 districts, coffee production is highly mechanized, with large farms organized as entrepreneurial enterprises. Topographical conditions are favourable to intensive mechanization, making it possible to cut down on labour costs. Coffee is grown at altitudes ranging from 800 – 1300 metres above sea level. The region has around 4,500 coffee farmers, covering a total area of 170,000 hectares. The average farm size is 200 hectares. Some producers have farms as large as 3,000 hectares. Yields per hectare average 40 bags of 60 kg, or 2.4 tonnes. For instance, the Federation of the region's coffee grower cooperatives and associations known as EXPOCACCER produces an average of 5 million bags a year. This region produces high-quality coffee, which has a geographical origin appellation. The Federation comprises nine producer cooperatives and seven associations as well as a foundation. Part of their coffee production is exported to niche markets under certification labels. EXPOCACCER has warehouses with a storage capacity for 420,000 bags. In case of a larger volume of production the Federation hires warehouses for storing coffee awaiting sale. In addition to the domestic market, EXPOCACCER supplies 40 roasters and 1,500 coffee bars in China (Shanghai).

10. Most of the coffee farmers in this region came from the Paraná region in the mid-1970s to escape from poor climatic conditions, which occasioned frosts in the region, causing heavy crop losses.

11. The Federation is governed by an Administrative Council whose current Chairman is Mr Lázaro Ribeiro de Oliveira. The heads of each of the Federation's nine cooperatives and seven associations serve on the Administrative Council. An Executive Committee is responsible for the management of the Federation's operational activities.

- ***Regional Cooperative of coffee farmers in Guaxupé (COOXUPÉ)***

12. COOXUPÉ is the world's biggest coffee producers cooperative, with over 11,500 associations of small coffee farmers in the States of Minas Gerais and São Paulo. The Cooperative has a membership of small-scale, medium and large producers, with an average farm size of 30 hectares per producer. The average production of a small-scale producer is 500 bags of 60 kg p.a., or 30 tonnes. Established in 1932 by 24 producers the Cooperative now employs 1,903 members of staff, comprising 417 women and 1,486 men. It has representations in many regions of Brazil.

13. Farms are not very mechanized, mainly on account of the topographical layout of the terrain. Small-scale producers use family labour (family farms) and have relatively low production costs. Large farms use mechanization where the topography is favourable, enabling them to control their production costs. Medium-size farms have relatively high production costs.

14. The Cooperative provides extension services for its members, with an average of six visits a year to individual producers. Monitoring is carried out by 160 technicians. The Cooperative also acts as intermediary with financial organizations to secure credit for equipment and inputs for producers. Loans are made in kind, in the form of a direct supply of equipment or inputs, provided through its own outlet for sales of agricultural equipment and inputs. It should be noted that the Cooperative originally established a bank which granted loans to its members, but this bank has become a commercial bank with counters open to the public, and now operates on the same conditions as other commercial banks in Brazil.

15. The Cooperative is responsible for marketing coffee for its members. On average it markets a volume of 10 million bags a year, of which around 5 million bags belongs to its members, representing around 6,000 bags a month. The coffee is delivered to the Cooperative warehouses and stored on behalf of producers pending sale. Producers issue orders to sell their coffee when they consider that the international price suits them. They do not benefit from guaranteed prices. In the event of sharp falls in international coffee market prices producers who have high production costs find themselves in difficulties.

16. The Cooperative runs a physical analysis and tasting centre, which receives coffee samples from producers for analysis prior to classification. It had a turnover of US\$1.1 billion in 2012 with a US\$17.3 million operating profit.

17. It should also be noted that each Cooperative is responsible for ensuring the traceability of its members' coffee from farm to international market.

F. Agricultural processing and roasting industry

18. The Pinhalense Company is Brazil's leading manufacturing industry for agricultural machinery and processing equipment. The agency responsible for international marketing of this machinery and equipment is the P&A Agri-Consulting Services company. This company is very active in East Africa, where it organises sales of Pinhalense equipment for coffee pulping centres. Pinhalense is represented in Nairobi (Kenya) by the BrazAfric Enterprise. It does not yet have any representative in Central and West Africa. The Mission visited the Pinhalense factory and a complete installation on a coffee farm.

G. Conclusion and recommendations

19. The Mission enabled the delegation to gain a complete overview of the organization of activities related to the coffee economy, from farm to final consumption, including exports. A number of important points should be borne in mind and will be the object of considerations relevant to the revival of coffee farming in Cameroon. These are:

- Organization of producers in cooperatives.
- Extension services provided by the cooperatives.
- The State does not intervene directly in the coffee chain but takes incentive measures to support the industry (relatively low interest rates, financial support for cooperatives to ensure extension services for their members, etc.).
- Intervention of the Central Bank to encourage commercial banks to finance production and marketing activities.
- Concept of cooperatives as economic units or agro-businesses.
- Credit facility for processing equipment when terrains are less damaged in order to reduce labour costs.
- Traceability of coffee produced by individual members thanks to a quality control and physical and sensory analysis laboratory with coffee sample tasting.
- Warehousing of coffee in cooperative warehouses on behalf of producers and organisation of progressive sales both on the domestic market and for export.
- Existence of commercial relations between some multinational companies and the cooperatives, against a background of geographical indications.
- Possibility of gaining access to profitable niche markets.

20. The Mission noted that sustainable coffee farming will necessarily depend on effective organization of producers in cooperatives and associations. Such organizations could enable producers to reduce the number of intermediaries and receive market signals directly. Moreover, when mechanization is possible, it helps to reduce labour costs, which are one of the constraints on developing coffee farming in Africa.

21. The Mission made the following recommendations:

- (a) A second exploratory visit organized at the level of the relevant ministerial authorities (Trade, Agriculture and Finance) as well as producer representatives, to gain a better knowledge of the realities of sustainable coffee growing. From this viewpoint the visit could begin with an exposition of coffee policy by the Coffee Department in the Ministry of Agriculture (Brasilia) before carrying out the field visit to see the organization of producers and cooperatives.

- (b) This high-level visit would enable Cameroon to improve its strategy for the revival of both coffee farming and cocoa farming.
- (c) Explore the possibility of opening a regional representation of the Pinhalense agricultural machinery manufacturing company.
- (d) Establish a partnership between Cameroonian and Brazilian roasters to develop domestic consumption as a factor for supporting prices to producers.
- (e) Explore the possibility of obtaining agricultural equipment credits through the Brazilian Agency for Cooperation (ABC).

22. In conclusion, the visit of a Brazilian delegation to Cameroon, in accordance with the conditions established in the Memorandum of Understanding, could be organized during the first quarter of 2014 in order to determine the exact areas of cooperation with Brazil.