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**Value Chains in agricultural Microfinance
Supply and demand- the case of coffee
growers in Colombia**

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Introduction

- 1.4 billions farmers worldwide
- Microfinance : great expectations that innovations would allow to reach rural areas and farmers
- Mainstream microfinance has failed to provide a coverage in rural areas and for agricultural activities
 - In 2013 number of clients worldwide has increased (204 millions) but decrease of the poorest
- Agriculture : risky and more and more risky (climate change)
- Farming activities : not enough to make a living
- All these challenges have to be fixed by market driven solutions ? Credit and insurance?



Source: microcredit summit campaign 2013

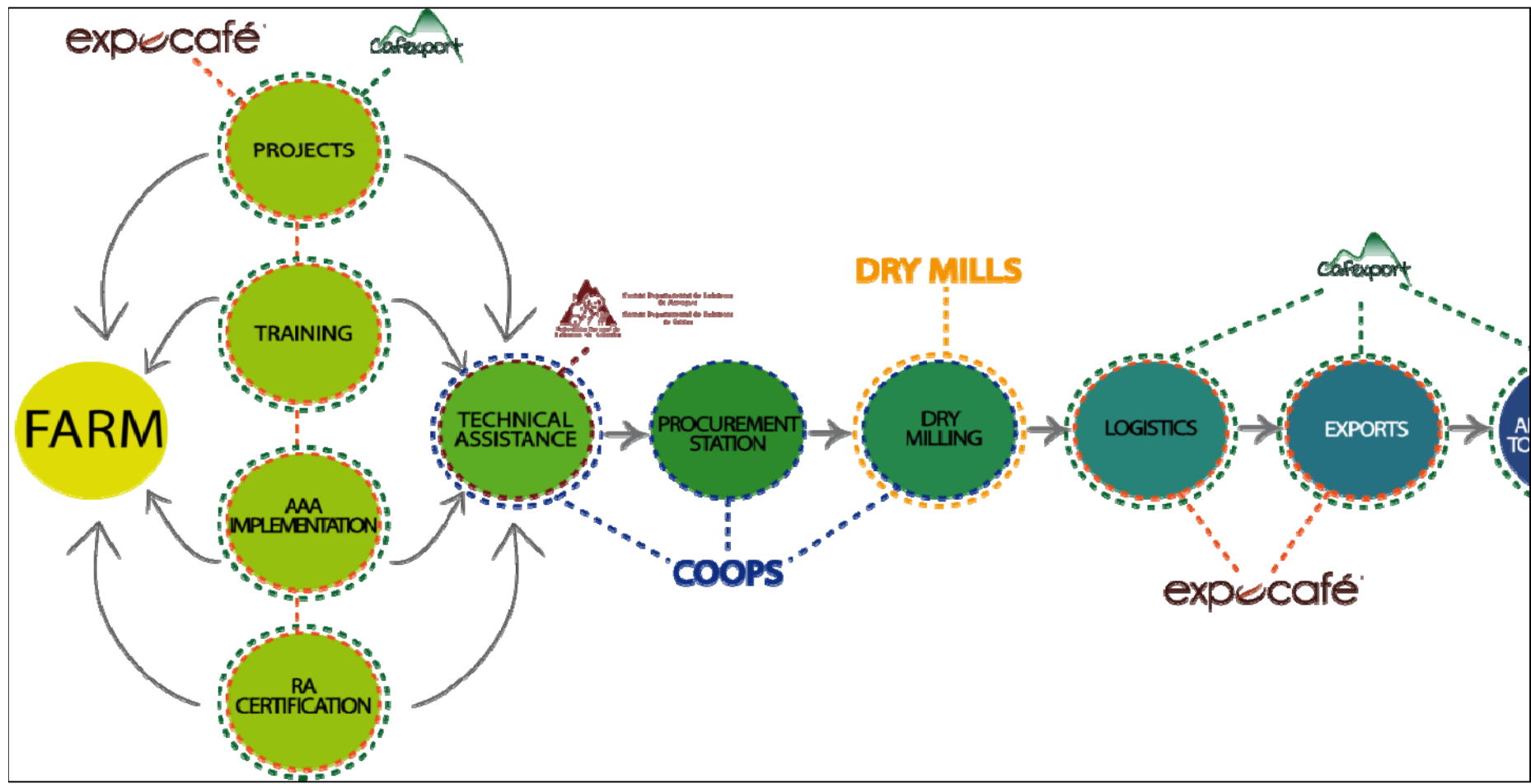


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- Agriculture : risky and more and more risky (climate change)
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- All these challenges have to be fixed by market driven solutions ? Credit, insurance, etc. ?

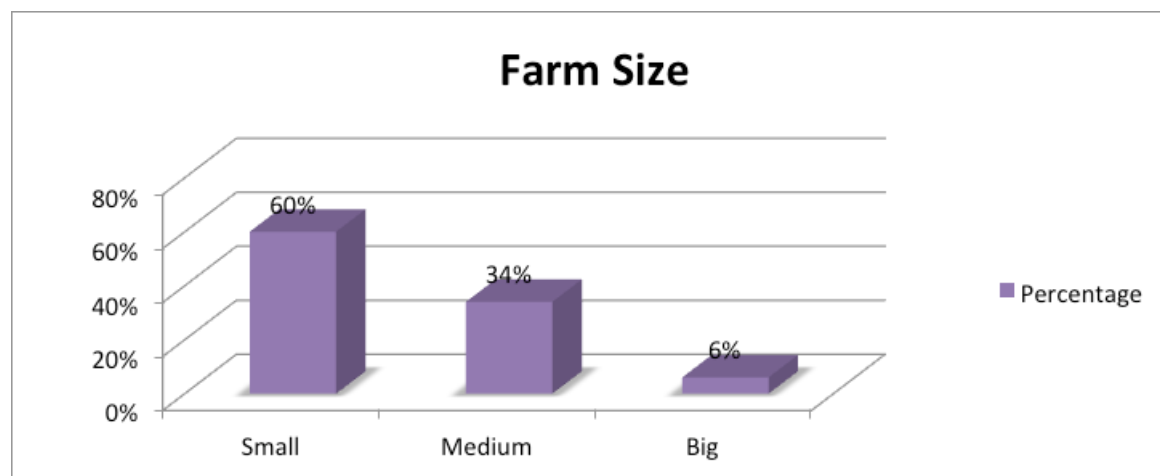
Context

- A specific value chain: coffee growers
- Coffee production in Colombia:
 - ^ Share of coffee has been declining
 - ^ Producers mainly < 5Ha (96% of producers) = 70% of the total production
- 50 interviews with farmers and interviews with cooperative employees
- farmers part of a « cluster » : coffee standard allow them to sell to an international roaster
- Two questions :
 - ^ Short term survival of farmers and sustainability of coffee production
 - ^ Long term sustainability : future generations ?



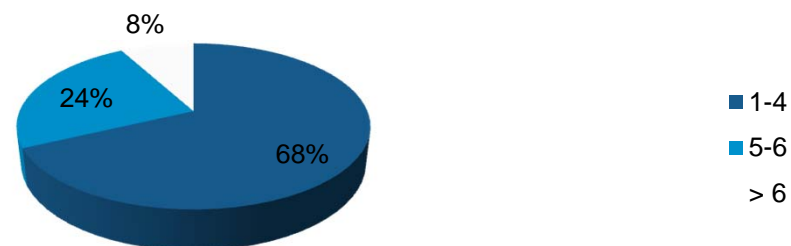
The sample

- Ownership: 94% own the plot of land
- Farm Size



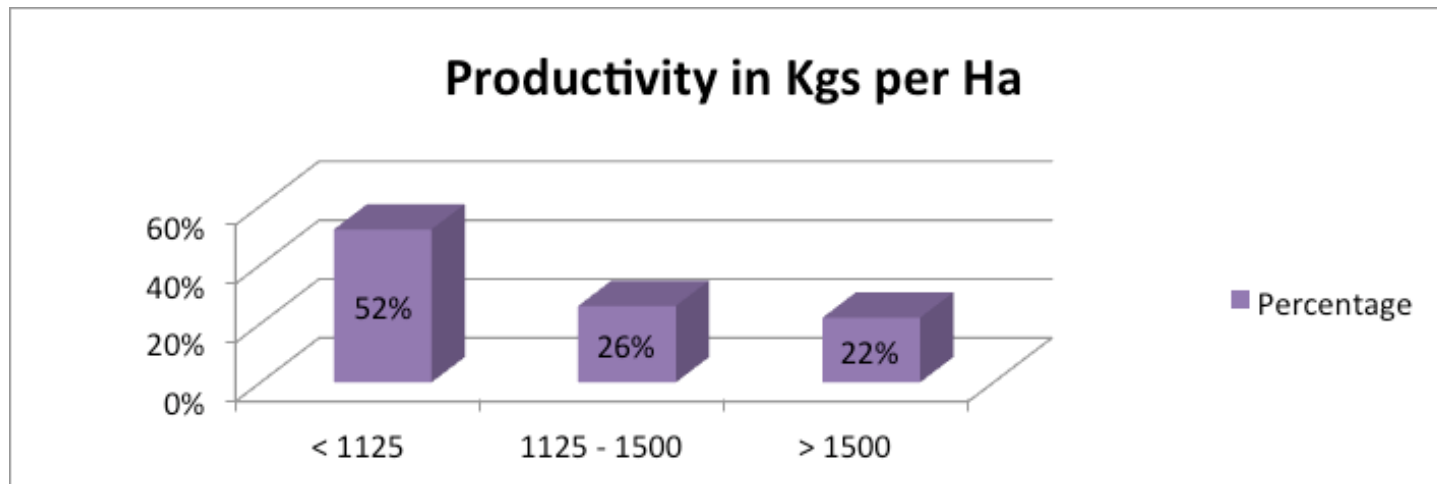
- Family Size

N. people living in the farm



The Sample

- Productivity : 52% of the farmers of the Cluster below the « normal » productivity



- Other income sources: 40% exclusively rely on coffee growing

Farmers economic situation and the sustainability of the production

- Labor costs : $> \frac{1}{2}$ of the production costs
- Fertilizers' prices : strong increase $>$ selling prices
 - ^ Chemical inputs : $\frac{1}{3}$ the input price
- Low international prices
- 2013 : average production cost per kilo = 0.27 USD and selling price 0.24
 - The State had to subsidize the production
- Not anymore attractive for future generations
 - who will take care of the production in the future ?

Financial needs but not only

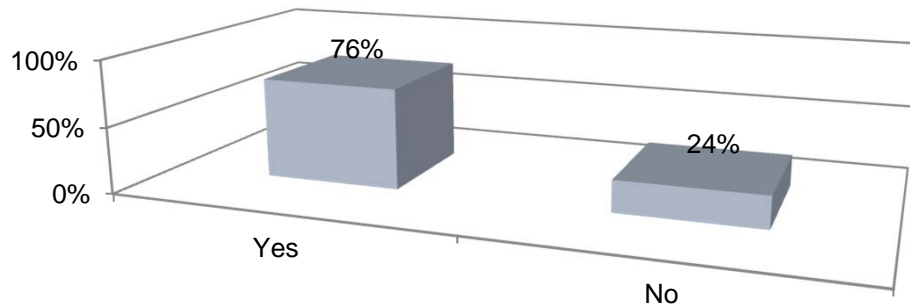
- Beyond all the problems faced by farmers, access to credit is one important aspect but not the only one
- Financial needs:
 - ^ Maintain the production: current production costs
 - ^ Increase productivity in order to produce more and rise the income
 - Renew old coffee plants
 - Add plants to produce more per hectar
 - Improved fertilizer (?!)
 - ^ Household expenses (education, health, housing)

Characteristics of credit providers

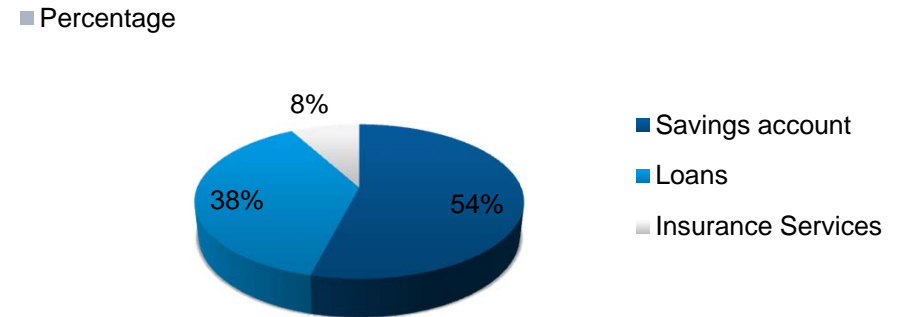
	Coffee Growers' Cooperative	MFIs	Agrarian Bank	Informal Lenders
Interest Rate	6% - 15% yearly	33% yearly	18% - 28% yearly	60% yearly
Average Loan Amount	1000 USD	2000 USD	5250 USD	500 to 1000 USD
Credit Length	One year	6 to 36 months	12 to 60 months	Indefinite as long as interests are being paid
Required Warranty	Individual capital at the cooperative	Cosigner	Cosigner or Land warranty	Cosigner

Use of financial services

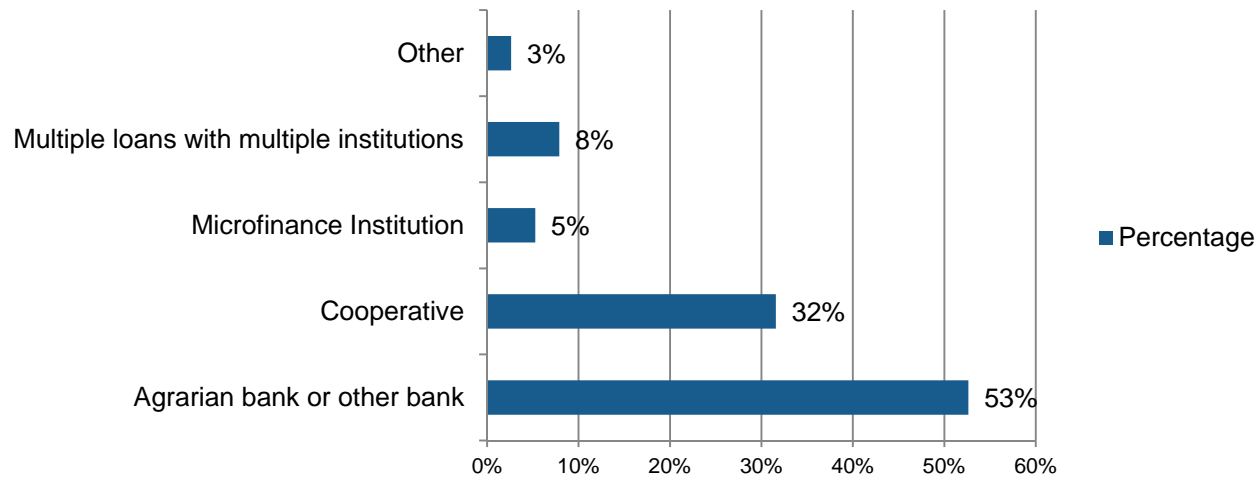
Loan from a financial institution in the past year



Services in Financial Institutions

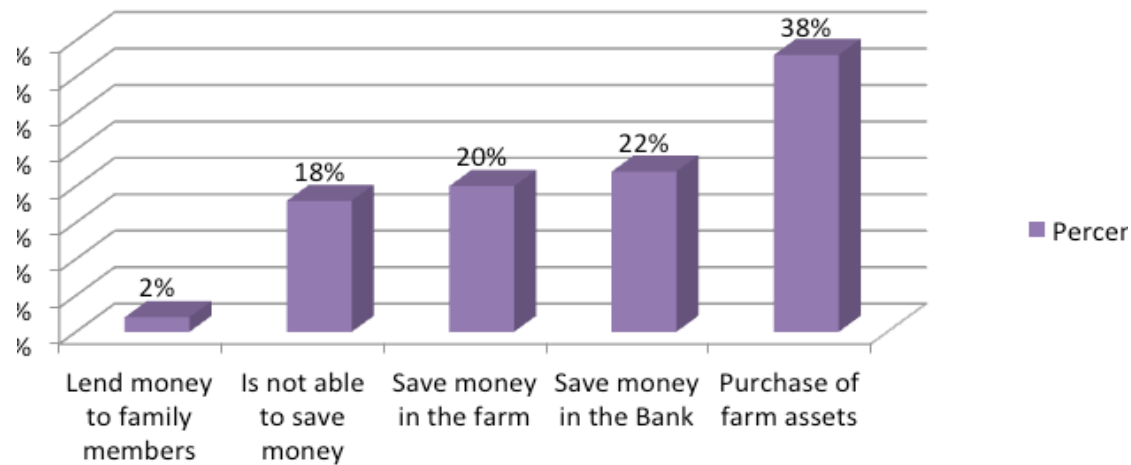


Institution where loan was made

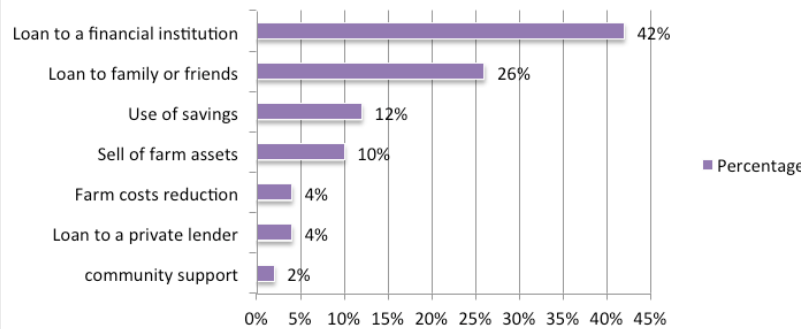


Savings patterns & unexpected events

Saving Patterns

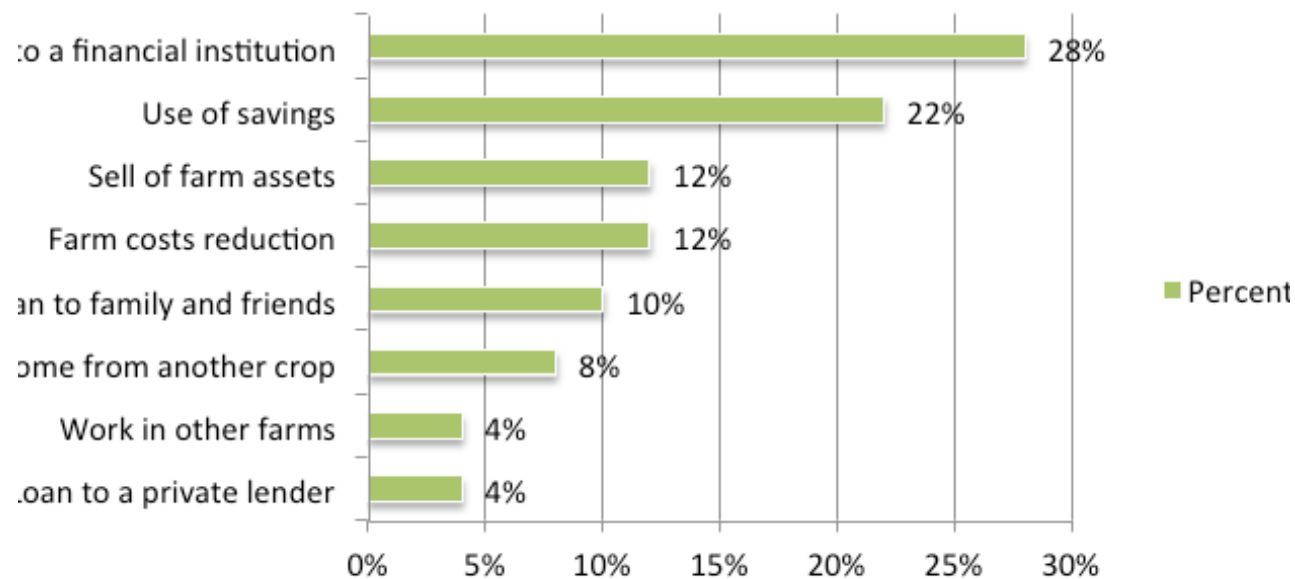


Financial sources if unexpected expenses



Dealing with low incomes

Financial sources when low coffee income

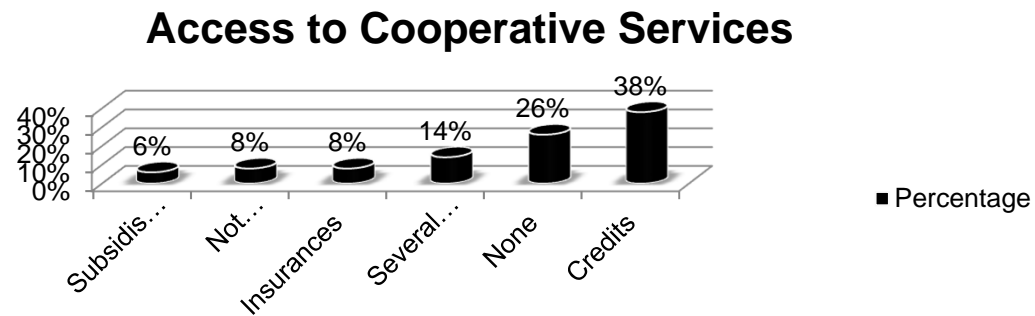


Supply of financial services by cooperatives

- Cooperative provide a large range of services
- Non-financial services:
 - ^ Related to coffee production
 - ^ Social services
- Financial services
 - ^ credit and subsidies : materials, fertilizers, coffee seeds and agrochemicals → but only one year
 - ^ Shared investment
 - ^ Insurance (life, funeral)

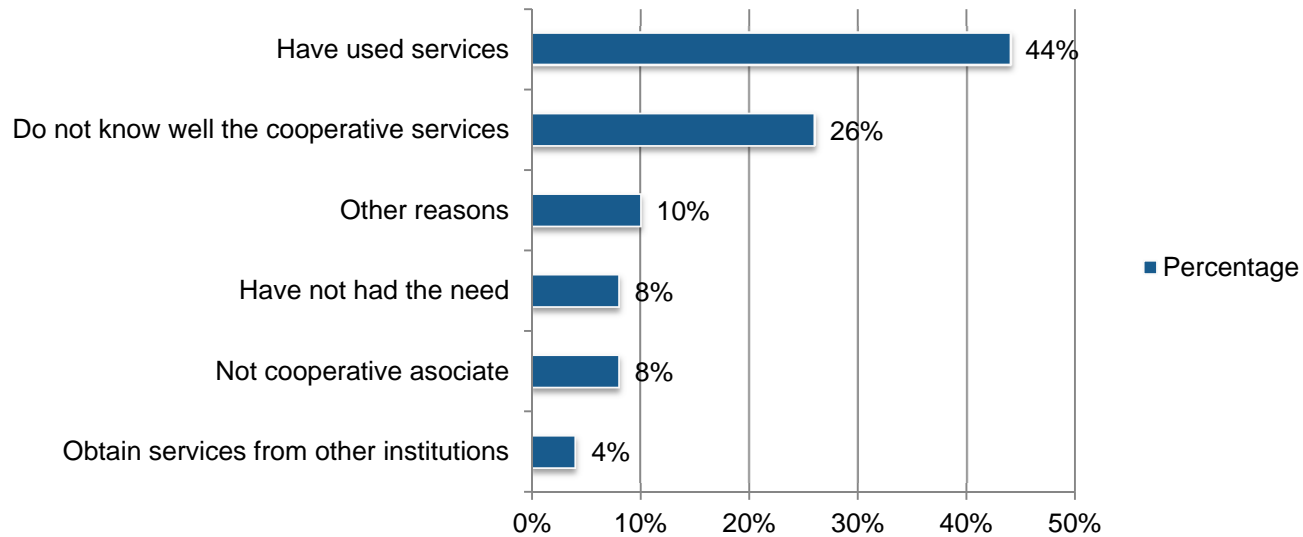
Supply of financial services by cooperatives

- 26% of farmers do not use the financial services provided by the cooperative



Supply of financial services by cooperatives

Reasons for not using cooperative services



Conclusion

- Coffee growers: those part of a VC face adverse context but at least the VC cares about sustainability of the coffee production (+ other actors of the VC)
- Credit is an aspect but savings, production costs, technical assistance, etc.
- Mainstream microfinance is not competitive and interested in serving this population
 - ^ Organizational innovations are needed: partnerships with farmers' cooperatives and other actors of the VC
- International prices remain a main obstacle: solution : more and more specilization and segmentation (added value)
- Long term sustainability of VC : all actors are concerned: State, customers, international brands and companies, cooperatives, farmers...