

CASA Technical Assistance Facility Inclusive Business Case Study

Sucafina

Company: Sucafina

Sector: Coffee

Country: Tanzania

Investor partner: FMO

Investment: Sucafina has received USD27m debt investments from FMO to support its operations across multiple origin countries including Tanzania

Project date: 2021 - 2024

Company description:

Sucafina is the leading sustainable Farm to Roaster coffee company, with a family tradition in commodities that stretches back to 1905. Today, with more than 1,400 employees in 34 countries, Sucafina helps stakeholders worldwide to find the perfect coffee solutions. Sucafina embeds technology, innovation, and sustainability throughout the supply chain, creating shared value for all by Investing in Farmers, Caring for People, and Protecting Our Planet. The company has maintained a presence in Tanzania for over two decades through its local subsidiaries, Cotacof and Sucastainability (collectively referred to as “Sucafina” in this case study). In 2020, it became the largest buyer of Tanzanian coffee, and in the 2022/23 season it procured approximately 11,000 metric tons (MT) of Robusta and 6,000 MT of Arabica.

Cover photo: Sucafina, Nzove



Commercial Agriculture for Smallholders and Agribusiness

Our approach

The Commercial Agriculture for Smallholders and Agribusiness (CASA) Technical Assistance Facility (TAF) supports agribusinesses that source from smallholder farmers across Africa and Asia. Our approach involves working closely with agribusiness management teams to develop an Inclusive Business Plan (IBP) – a roadmap for the agribusiness to deepen, broaden or strengthen supply chains in a way that delivers value to both smallholders and shareholders.

An Inclusive Business Plan (IBP) is a piece of thorough analysis produced over 3-6 months that:

- Diagnoses smallholder supply chain challenges;
- Identifies or validates the inclusive business growth opportunity, aligned to commercial objectives, identifying opportunities for greater commercial and smallholder impact;
- Quantifies the opportunity in terms of commercial value for the business and impact for smallholder farmers;
- Lays out a strategy to access the opportunity including investment and any partners required;
- Maps out an implementation plan; a linked package of technical assistance and blended finance structure, including required partnerships to support operationalisation of the inclusive business model.

As part of the IBP, we work with agribusinesses to more clearly define specific climate change and environment (CCE) risks and opportunities, all the way from how inputs are being accessed to how product is being delivered to end-markets. A thorough CCE diagnostic helps us to guide businesses to integrate climate mitigation and adaptation strategies into their business models in a commercially viable way and identify opportunities to create sustainable improvements in the livelihoods of the smallholder farmers from whom they source. We also use a gender responsive diagnostic tool to identify areas to expand and deepen inclusion of women. We work towards sustainably increasing economic opportunities for women suppliers through support to agribusinesses to adopt more gender-responsive practices whether that is related to supply chain participation, service delivery or contracting and payments to women suppliers.

Finally, we work alongside investors and the agribusiness to operationalise the IBP.

This case study is one example of our technical assistance provided around a coffee trader in Tanzania; and captures our progress to date.

Main coffee producing areas in Tanzania



Tanzanian Coffee Sector at a glance



The coffee sector in Tanzania is an essential part of the country's economy and agricultural landscape.

19th

In 2020, Tanzania was the 19th largest coffee producer in the world.²

4%

of Tanzania's total exports are from coffee.³



Tanzania is known for producing **high-quality Arabica and Robusta coffee** varieties, with its unique geographical conditions and diverse microclimates contributing to the distinct flavours and characteristics of the beans.¹



Smallholder farmers are at the heart of coffee production in Tanzania, accounting for the majority of the country's coffee output.⁴



AROUND

90%

of the country's coffee produced by small-scale farmers.⁴



0.5-2
HECTARES

Average size of coffee plots



Smallholder coffee farmers rely heavily on traditional farming practices and family labour to produce their coffee beans.⁴

Smallholder coffee growers are required to market their produce through cooperatives, known as Agricultural Marketing Cooperative Societies (AMCOS), which are aimed at addressing some of the key challenges faced by the coffee sector, such as low producer prices, inefficiencies in the supply chain, and inadequate access to agricultural inputs and finance. However, coffee AMCOS in Tanzania face several challenges of their own that affect their performance and overall ability to support smallholder farmers.

¹ International Trade Centre. (2011). The Coffee Exporter's Guide.

² FAO (2020). Coffee value chain development in Tanzania.

³ USAID (2021). Tanzania coffee value chain analysis.

⁴ TechnoServe. (2018). Strengthening the Coffee Value Chain in Tanzania.

Inclusive Growth Opportunity

Sucafina's entities have invested a significant amount of capital into the coffee sector in Tanzania, acquiring coffee through the auction system, parchment purchases and direct export purchases. However, Sucafina's goal is to increase its certified and sustainable coffee purchases from 11% to 44% by 2025 to meet the growing demand from roasters. Additionally, in a market where securing additional market share is challenging, Sucafina aims to grow by increasing the margin of the coffee it purchases through quality improvements, certification premiums, and sustainability guarantees.

To achieve this goal, Sucafina must forge and maintain long-term direct relationships with AMCOS, and invest in enhancing coffee quality, volume, and sustainability. However, Sucafina has faced challenges in expanding its sustainability initiatives in Tanzania due to the unpredictable regulatory environment and the complexities of working with AMCOS instead of directly with farmers. Some of the key difficulties include:



Management and governance issues that inhibit AMCOS' ability to provide effective support to smallholder farmers and negotiate better prices in the market.⁵



Challenges in meeting certification standards: AMCOS face difficulties in meeting sustainability and quality certification requirements due to a lack of resources, knowledge, and capacity to implement required practices and standards.⁶



Limited access to finance: Many AMCOS struggle to secure financing for their operations and for providing necessary resources to their members, such as agricultural inputs, training, and equipment.⁷



Inadequate infrastructure and processing facilities: Some AMCOS lack the necessary infrastructure for proper coffee processing, storage, and transportation, leading to reduced coffee quality and increased post-harvest losses.⁸

Despite these obstacles, Sucafina remains committed to increasing its sustainable coffee procurement and supporting Tanzanian coffee cooperatives. To grow scale and impact while minimising commercial risk, Sucafina will need to invest progressively in AMCOS sourcing, maximising share capture and investing in AMCOS to increase marketability, quality and productivity, as illustrated in the figure on the following page.

⁵ The World Bank. (2018). United Republic of Tanzania: Public Expenditure Review.

⁶ Ibid

⁷ International Trade Centre. (2011). The Coffee Exporter's Guide - Third Edition

⁸ TechnoServe. (2018). Strengthening the Coffee Value Chain in Tanzania.

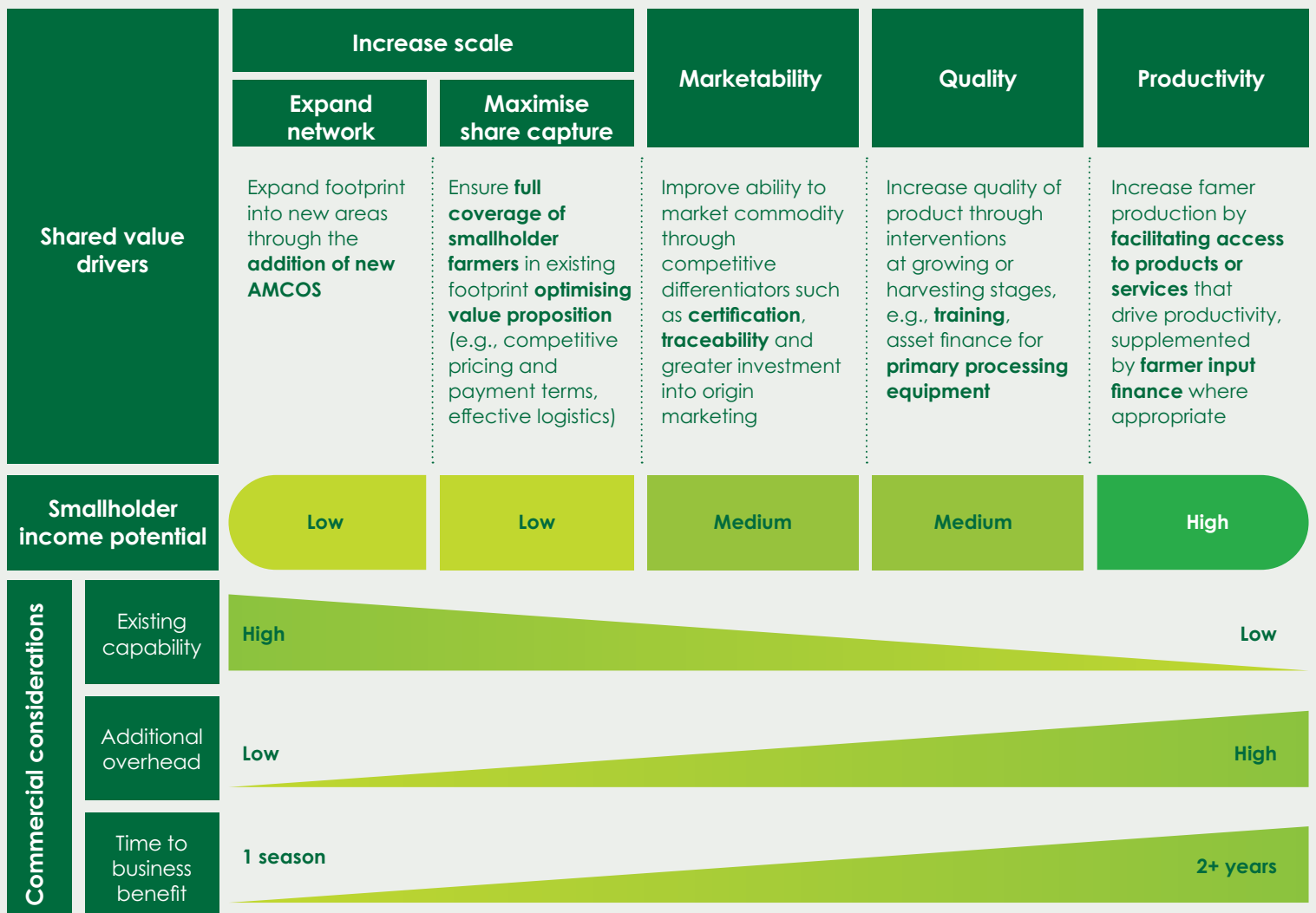






Photo: Sucafina, Kibo farm

CASA TAF identified an opportunity for Sucafina to invest in a smallholder loyalty programme that strategically selects and supports a group of reliable AMCOS partners - progressively investing in dependable partners whilst limiting investment in those identified as higher risk. A core principle of this strategy is to demonstrate value to farmers while simultaneously incentivising good governance, robust AMCOS leadership, and capacity development. In other words, for more reliable partners, Sucafina will commit to deeper investments, ensuring that farmers experience the tangible benefits of the company's support. Consequently, all stakeholders will have a vested interest in increasing both volume and quality, while also sharing risk.

Specifically, CASA TAF developed a tiered Sucafina AMCOS loyalty programme whereby AMCOS can progress through various tiers based on their accomplishments in areas such as financial health, output market engagement, governance, operational efficiency, and loyalty. This advancement unlocks additional benefits and rewards, motivating AMCOS to continually enhance their performance.

Sucafina AMCOS loyalty programme

	Aim	Rationale	Investments
DE 	Establish connection with AMCOS, purchase higher quality coffee	<ul style="list-style-type: none"> DE enables purchase of higher quality coffee Build picture of AMCOS management ahead of investment 	<ul style="list-style-type: none"> Direct purchase of coffee via AMCOS (vs via auction)
Bronze 	Build relationship, expand farmer network and access key clients	<ul style="list-style-type: none"> Pay-to-play requirements for serving priority clients Short term investments – payback within same season Higher certainty on coffee purchase due to certification premium 	<ul style="list-style-type: none"> Certification Data collection and farmer registration via CropIn Provide AMCOS data and guarantee off-take for banks to reduce working capital loan interest rates
Silver 	Improve quality to create shared value for farmers and Sucafina with lower-risk partners	<ul style="list-style-type: none"> Delivery of benefits for AMCOS and Sucafina within one season Potential to recover pulper if AMCOS default Trust needed due to longer repayment period 	<ul style="list-style-type: none"> Access to revolving fund for wet mill financing, repayment within 3 years Support with wet mill management and operations Laptop for data management at washing station
Gold 	Tailored longer term investments to improve yield and quality	<ul style="list-style-type: none"> Increase volumes of washed, certified coffee Initial investment is non-recoverable, recouped after several years, so strong relationship required 	<ul style="list-style-type: none"> Yield enhancing activities Financing of inputs (e.g. in partnership with supplier) and soil testing Allocation of field officers and agronomy support for regenerative agriculture

Each tier needs to be **commercially viable at the level of the individual AMCOS** to justify Sucafina investment, with potential for TA co-funding to mitigate start-up risks.

Crisis support

Rapidly increasing food, fuel, and fertiliser prices, exacerbated by the recent conflict in Ukraine, have had knock-on effects on Tanzania's economy, particularly considering high import dependency on wheat and edible oils. Fertiliser price shocks in particular present real risks for coffee smallholder farmers, including that they:

1



Reduce their use of fertiliser, leading to a drop in production

2



Are not able to cover the costs of fertiliser and experience a disproportionate rise in costs compared to the expected increase in coffee prices, resulting in income losses in the next buying season.

To mitigate these risks, CASA TAF is supporting Sucafina to leverage soil analysis and expert coffee agronomy advisory to design more customised recommendations to help farmers withstand these shocks, optimise their use of inputs and production practices to improve soil health, reduce reliance on chemical fertiliser, improve coffee quality and drive more sustainable production.

The Bronze tier focuses on certification: Sucafina will certify AMCOS and record their production using the CropIn data system. This data will help improve AMCOS' access to bank financing and guide extension efforts to ensure compliance with social and environmental standards.

The Silver tier aims to improve quality: in addition to Bronze benefits, AMCOS will be eligible to access a revolving fund for purchasing pulpers, and technical support to manage wet mill operations effectively, thereby increasing the quantity of higher-value CPU-processed coffee they produce.

The Gold tier concentrates on driving yield growth: Gold tier AMCOS, already certified and producing a high proportion of CPU-processed coffee, will benefit from additional yield development programmes to increase the volumes of their higher-margin coffee. For Gold AMCOS, interventions will be tailored to specific needs, identifying primary levers for increasing yield.

To achieve a management goal of 44% certified Arabica, Sucafina must continue expanding its direct export partners alongside the pilot to identify suitable AMCOS for future partnerships.

CASA TAF is supporting the implementation of this loyalty programme through a pilot, with assistance from embedded technical experts and senior agronomy advisors.

CASA TAF supported activities

- Selecting and establishing partnerships with high-potential AMCOS
- Designing & operationalising bronze, silver & gold tier packages. Assessing results, challenges & lessons for future adaptation and scale.
- Developing field team operating models, systems and processes to support execution at the field and AMCOS level
- Technical assistance to design and implement specific interventions for each tier e.g. wet mill financing & management skills (Silver); stumping assessments, incentives, training & verification (Gold); support to structure partnerships and schemes to unlock input access for farmers (e.g. for new planting); extension curriculum optimisation to increase adoption of good and sustainable agricultural practices.

Additionally, CASA TAF will carry out an in-depth Climate and Environment (CCE) Diagnostic to evaluate opportunities for climate and environmental interventions identified during the IBP process. A gender diagnostic is also underway to pinpoint and assess opportunities that could drive greater inclusion and benefits to women within Sucafina's supply chain.



Photo: Sucafina, Mbinga

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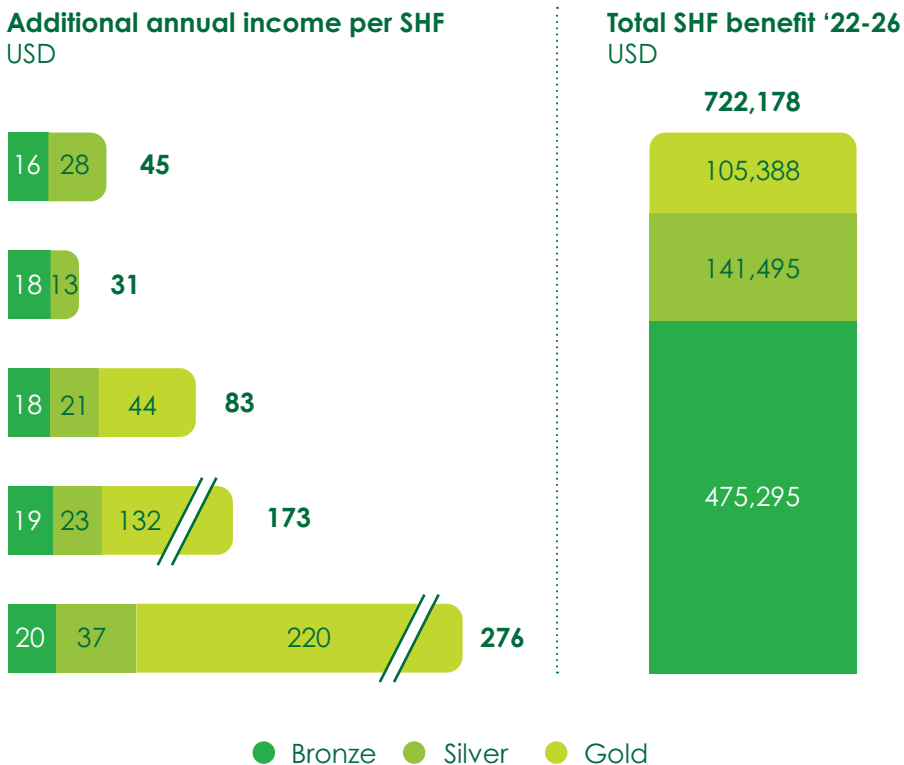
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technical-assistance/](http://www.casaprogramme.com/technical-assistance/)

Expected Results & Impact

This initiative is anticipated to benefit more than 15,000 beneficiaries through working with 30 to 40 AMCOS by 2026. The average net income benefit for farmers is projected to be up to USD 276 per annum for smallholder farmers in Gold AMCOS. These significant benefits arising from the Gold tier may take longer to materialise, as illustrated in the figure below:



The CASA Technical Assistance Facility (TAF) is an £8M Foreign Commonwealth & Development Office (FCDO)-funded programme implemented by TechnoServe. CASA TAF was established in 2019 and forms a part of FCDO's Inclusive Green Growth Centre of Expertise (COE). CASA TAF aims to support a climate resilient and inclusive global agriculture sector through technical assistance to a variety of stakeholders including impact investors, agribusinesses and FCDO country missions. Technical assistance ultimately aims to change how investors, donors, and governments view and invest in agribusinesses that build smallholder resilient supply chains. CASA TAF partners with investors with development interests to increase the smallholder impact of existing investments. We design, co-fund, and manage delivery of inclusive technical assistance (TA) projects at selected agribusinesses that can drive commercial and social impact by strengthening, deepening, or broadening inclusive supply chains.

Over its five-year life cycle, the CASA TAF will collect data on the impact of inclusive technical assistance, not only at the farmer level, but also at the portfolio company and investment fund level. The objective is to learn and to influence investors and development practitioners on the significance of generating compelling evidence to track commercial and development impact metrics, thus demonstrating the value of inclusive TA.