

OROMIA COFFEE FARMERS COOPERATIVE UNION (OCFCU)

**(Providing Banking and a Range of Supporting
Services to Its Member Cooperatives)**

Presented

By

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Outline

- 1. An Overview of the Financial sector in Ethiopia**
- 2. Efforts of Financing the Agricultural Sector**
- 3. ‘Unique’ problems associated with farmers’ access to finance**
- 4. Efforts to Finance the Cooperative Sector**
- 5. Objectives and Organizational Structure of OCFCU**
- 6. The Coffee Value Chain**
- 7. OCFCU’s Performance in the Last Decade**
- 8. OCFUC’s Support to Farmers**
- 9. OCFCU’s Plan (Immediate – Short-term)**

1. An Overview of the Financial sector in Ethiopia

- Formal Financial Sectors
 - Commercial Banks
 - Micro Finance Institutions (MFIs)
 - Insurance Companies
- Semi-formal Financial Sectors
 - Cooperative Financing
 - Saving and Credits (SACCOs)
- Informal Financial sectors
 - *Iddir* – Burial associations with some financial functions
 - *Iqqub* – Rotating savings club

2. Efforts of Financing the Agricultural Sector

- Government Banks
 - The loan is advanced by guarantee of Regional Governments
 - Guarantee is 100% in the case defaults
- Micro Finance Institutions (MFIs)
 - Newly established system to mitigate risk of default
 - The farmer is provided with voucher and receive agricultural inputs from co-ops,
 - The cooperatives collect their money from MFIs

Cont'd

- Financial Inclusion
 - Ethiopian Financial Inclusion Project (EFIP)
 - Financial Inclusion Support Unit (FISU)
- Warehouse Receipt Financing
 - Agreement is made between ECX and Commercial Banks to finance 60% of the value of commodity

3. 'Unique' Problems Associated with Farmers' Access to Finance

Agriculture is a less attractive field of business to the established financial institutions:

- Agricultural sector is considered as high risk
- Perishable products and collateral issues
- High transaction costs (for banks)
 - Small farm size
 - Geographically dispersed clients
- Poor Financial management

4. Efforts to Finance the Cooperative Sector

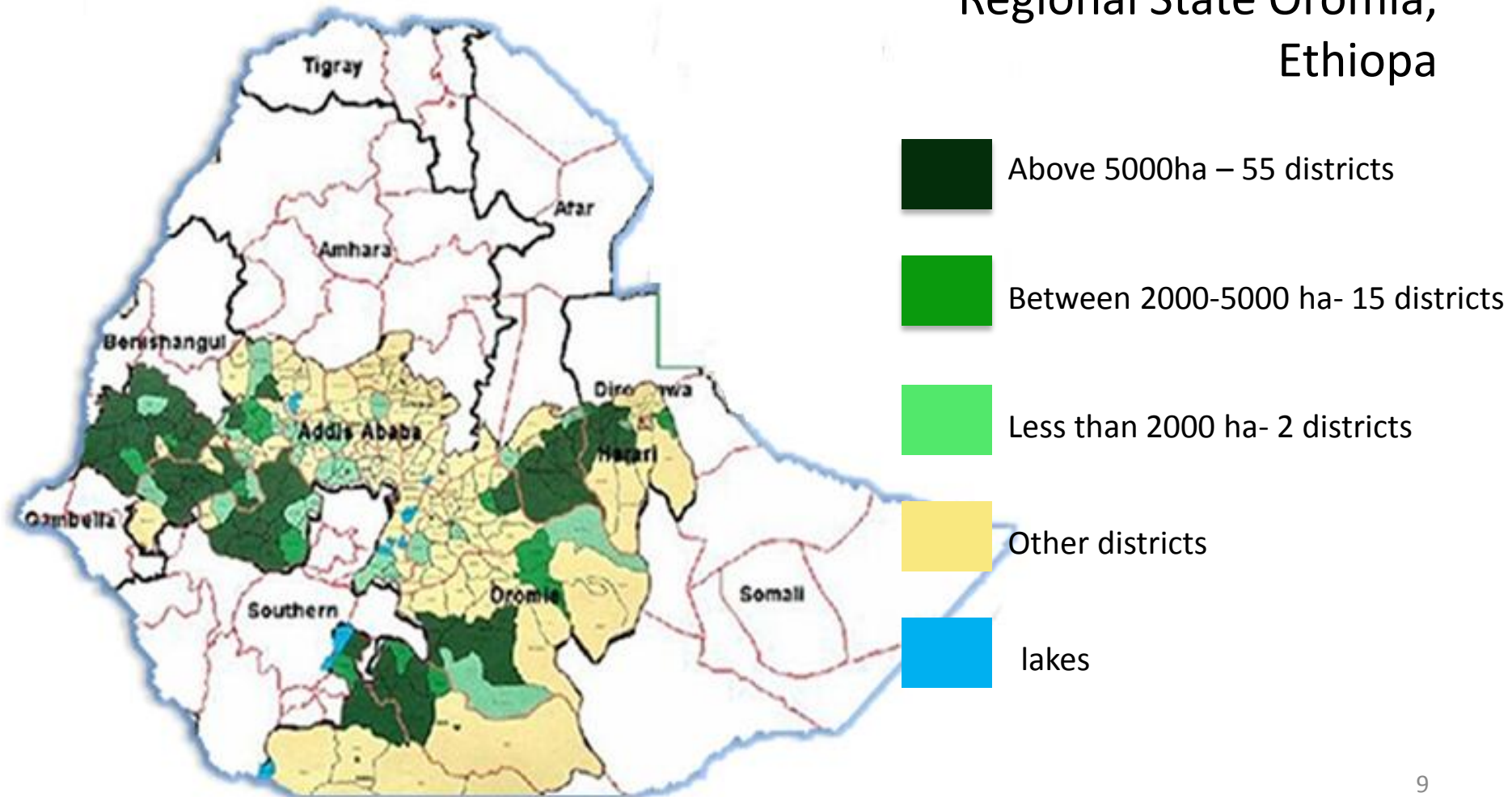
- Establishment of Cooperative Bank of Oromia (CBO)
 - Oromia Coffee Farmers Cooperative Union (OCFCU):
 - Initiated the establishment of CBO
 - Is a major share holder,
 - is represented in the corporate governance of CBO

■ **CBO's financing Priority:**

- Agriculture and agro-processing
- Cooperatives business activities
- Export oriented activities
- Coops' Loan = 27- 30% of loan portfolio

OCFCU: established – 01 June 1999

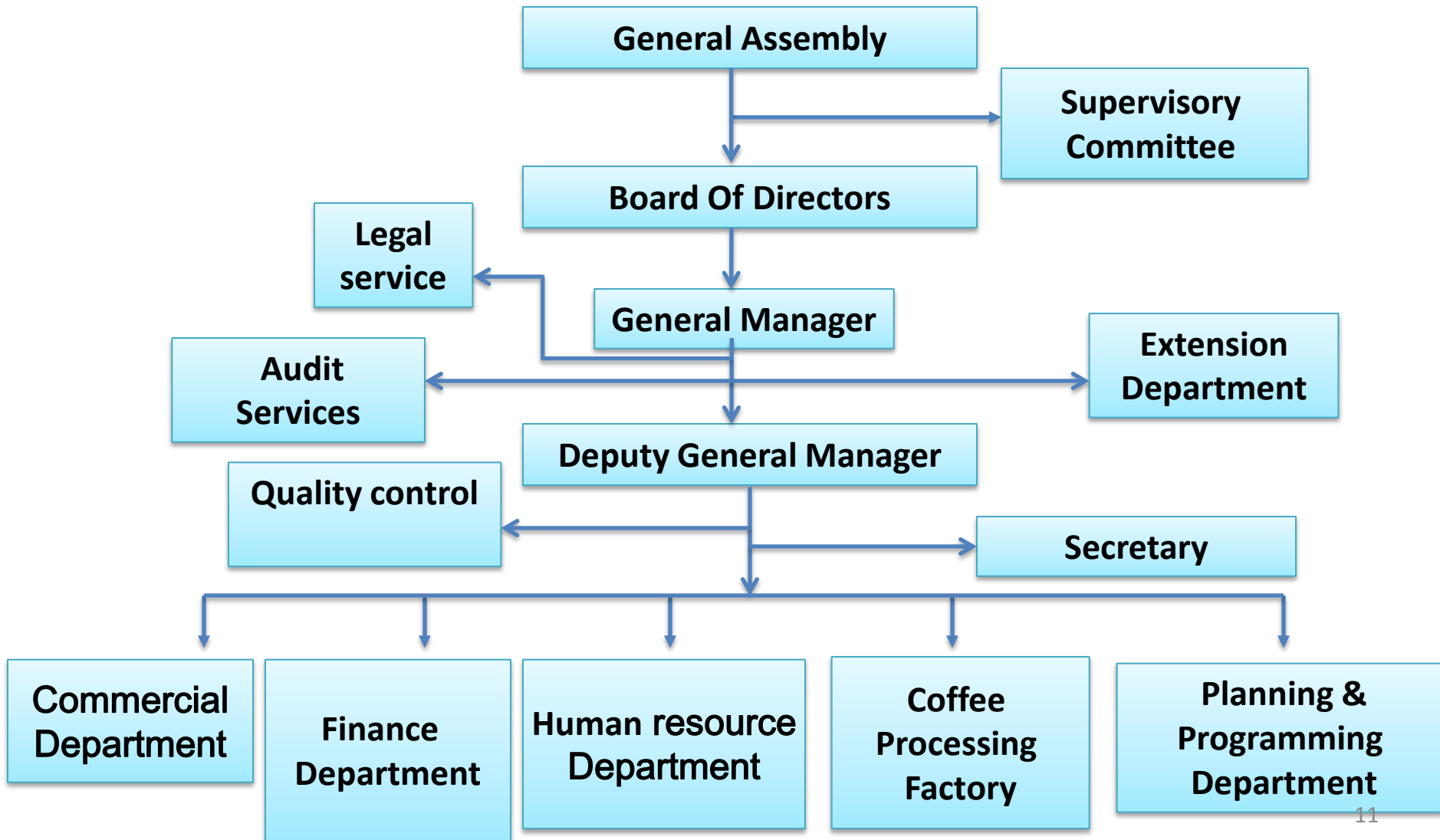
Regional State Oromia, Ethiopia



5. Objectives of OCFCU

- To Provide market information to Co-op societies about coffee price at local and international market
- To sell their coffee product at better price at local and international market,
- To improve and maintain the quality, productivity and sustainability of coffee production
- To provide coffee farmers with social services
- To facilitate and provide cooperatives with credit,
- To represent the coffee farmers at national and International forums,

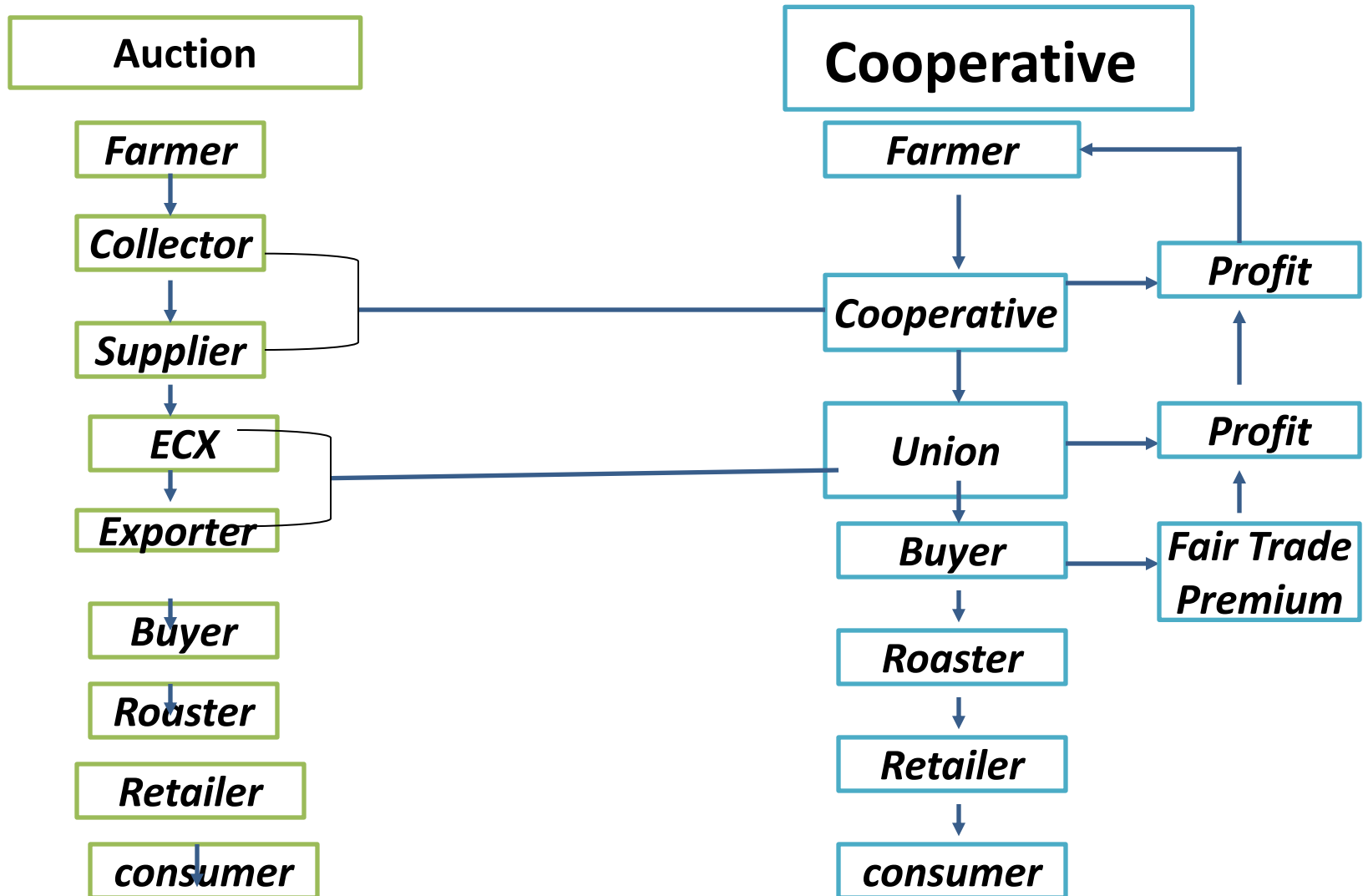
Organizational Structure Of Oromia Coffee Farmers Cooperatives Union



Different Certifications

- Organic
- Fair trade
- Rainforest Alliance
- UTZ
- Tracibility

6. The Coffee Value Chain



7. OCFCU's Performance in the Last Decade

- Membership (coops) : 34—311
 - Farming households: 22,500—288,201
- Coffee sales (volume): 126 tons --9000 tons
- Profit generated: \$ 24,000— \$ 6.7 million
- Dividend paid to members : \$22,000—\$ 3.4 million
- Fair Trade premium : \$74,000---\$ 1.6 million
- Capital: \$90,000 - \$15.5 million

Projects Undertaken by the Fair trade Premium

No	Sectors	Name of Project	Number of project Accomplished	Number of beneficiaries
1	Education	schools	70	28260
		Kinder garden	3	884
		Library & laboratory	3	586
		Teachers' residence	2	22
		Staff office	3	47
2	Health	Health Post	13	93,000
		Dry latrine	7	4250
3	Water Development	Potable water development	89	41,112
4	Transport sector	road	5	27,000
		Bridge	9	21,000
5	Coffee Processing	Coffee processing mills	34	2580
6	Agro-industry	Flour mills	5	5,000
7	Warehouse	Office and Store	46	4600
8	Museum	Coffee museum	1	
Total			<u>291</u>	<u>228,341</u>

8. OCFUC's Support to Farmers

- Loan advancement to members
- Capacity building (including extension & advisory services)
- Provision of marketing services
- Supply of small farm tools, beehives, etc
- Establishing and supporting savings and credit associations
- Energy efficient cooking stoves
- Job creation (thousands of seasonal and permanent employees)
- Value chain supporting facilities

Value chain supporting facilities

- 127 wet mills
- 26 dry coffee hullers
- 2 coffee Processing and Grading Machines
- 11 Trucks
- 9 vehicles
- 5 Buses (services)





9. OCFCU's Plan (Immediate – Short-term)

- Coffee roasting industry establishment
- Honey processing industry,
- Expansion of processing plant
- Coffee complex construction
- Expansion of income generating projects

Thank You!