

Facilitating social enterprise development through collective marketing: insights from Bukonzo Joint Co-operative Union, Western Uganda

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Abstract

Collective marketing is an avenue through which farmers could receive higher returns from their produce. Bukonzo Joint Co-operative Union exemplifies this: it has obtained both Fairtrade and organic certifications and, by following the Fairtrade ethos and offering farmers a guaranteed (and often) higher price, potentially has a strong role in livelihood improvement, poverty reduction, social inclusion and rural development. In this study, we showcase the role of collective marketing, explore the challenges and analyse the relevance of finance institutions in the development of co-operatives. Our qualitative study shows that collective marketing mixed with the Fairtrade ethos could strongly encourage social enterprise development and could lead to livelihood improvement in marginalised areas. However, one of the most important barriers is limited finances for the production of high-quality coffee, purchasing members' coffee under the Fairtrade label and investment in infrastructure: availability of ethically appropriate, affordable funding options is critical in the development of social enterprises.

Keywords: collective marketing; social enterprise; development finance; SACCO; Fairtrade certification; premium markets; coffee; co-operative; smallholder farmers

Background

Agricultural co-operatives in Uganda date back to 1913 as a response to the disadvantageous terms of trade imposed on smallholder farmers by colonial administrators and middlemen who monopolised both domestic and export markets for coffee and cotton (Kabuga & Kitandwe, 1995; Mugisha, Kiiza, Hyuha, Lwasa, & Katongole, 2005). Prior to 1991, the Ugandan coffee market was centrally controlled by a marketing board. Coffee producers were organised in co-operatives. Through these co-operatives, the marketing board paid farmers a fixed price upon delivery and a premium based on the quality at a later stage (Chiputwa, Spielman, & Qaim, 2015). In such an economic context, forming a farmers' co-operative provided a mechanism for smallholders to collectively bargain for higher output prices, achieve higher margins through economies of scale and engage in value-added activities. Many co-operatives collapsed in the 1970s and 1980s because of political unrest. However, revival is more recent with government creating a conducive environment for collective marketing to improve rural livelihoods and reduce poverty (Kwapong & Korugyendo, 2010). In Uganda and throughout the region, new and economically viable co-operatives have been formed since the late 1990s (Wedig & Wiegratz, 2017). Collective marketing simply refers to a scenario where a number of growers work together to sell their produce in bulk. This may require additional storage, processing or packaging, with the costs shared by all – benefitting small farmers who could otherwise not access urban markets or the processing industry (Ton, 2010). However, a social enterprise can be defined as 'a business with primary and social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners' (British Council, 2015).

Co-operatives are predominantly visible within the coffee sub-sector (Cramer, Johnston, Oya, & Sender, 2014), one of the leading sources of foreign income for Uganda (Jassogne, van Asten, Wanyama, & Baret, 2013; Solidaridad, 2014; Wang et al., 2015). Arabica coffee is mainly grown on highlands, especially Mount Rwenzori (where this study was conducted) and Mount Elgon, whereas Robusta coffee is mainly grown on lowlands, especially in the Buganda and Ankole regions. Uganda is one of the top coffee producers in Africa, accounting for approximately 2.5% of global coffee production (Chiputwa et al., 2015). In the past, smallholders in Uganda mainly marketed conventional coffee as individuals, however, due to the recent high demand for specialty coffee, smallholders have started to wash their coffee as one way of improving its quality and are increasingly getting organised in producer organisations where they can easily get certified and market their coffee in premium markets such as the Fairtrade and organic markets for a better price. Coffee certification in East Africa is rather recent but has been rapidly expanding, representing 26% of the world's sustainable certified coffee supply (Rijsbergen, Elbers, Ruben, & Njuguna, 2015).

The idea of Fairtrade originated in the 1960s – coined at a United Nations conference on Trade and Development (UNTAD) as an alternative to aid – as a response to the unequal terms of trade imposed upon the developing countries in the Global South (Rice, 2002). In many Western countries, this led to a new social movement with the aim of alleviating poverty in the Global South by building direct sustainable relationships with disadvantaged producers and providing fair access to markets in the Global North (Develtere & Pollet, 2005). The idea of Fairtrade has its roots in initiatives aimed at ethical trade practices initially conceptualised as 'alternative' trade, necessary to create an entrepreneurial culture in rural communities (Lundy, Ostertag & Best, 2002; Young, 2003, p. 4). Certification of coffee producers is frequently suggested as a useful strategy for improving the position of smallholder farmers in the market (Rijsbergen et al., 2015). This has placed renewed attention on institutions of collective action, such as farmer groups, as an efficient mechanism for enhancing marketing performance (Kariuki & Place, 2005, quoted in Barham & Chitemi, 2009).

Voluntary coffee certifications, such as Fairtrade and Rainforest Alliance, have attempted to mitigate the effects of fluctuating coffee prices. Fairtrade is mainly associated with a higher sales price, greater sales and more revenues (Dragusanu & Nunn, 2018; Muradian & Pelupessy, 2005). Certifications are established with a broad goal of creating a segment of the coffee speciality market (Daviron & Ponte, 2005)

in which social economic and environmental practices that promote sustainable agriculture are verified and incentivised (Rice, 2015). Consumers have indicated willingness to pay a premium for Fairtrade and other certifications, with an assumption that higher prices could stimulate the implementation of sustainable practices (Arnot, Boxall, & Cash, 2006; Basu & Hicks, 2008). Democratic governance (participation, transparency, accountability, following guiding rules, equitable and inclusive, consensus-oriented decision-making) is emphasised under the Fairtrade ethos (Blowfield & Dolan, 2010) to contribute to socio-economic development of the members and their communities, a principle that the Bukonzo Joint Co-operative Union draws on.

The Bukonzo Joint Co-operative Union has consistently demonstrated the concept of doing farming as business in the past few years, inspiring many people in the community and bringing a ray of hope to coffee farmers in the Rwenzori region. The Co-operative is Fairtrade and organic certified and has for the last 10 years exported washed, processed coffee to markets in the United States, Asia and the European Union. Being 83% owned by women, the Co-operative is an indicative model for farmer enterprise development and rural transformation. Furthermore, as a social enterprise, the Co-operative has empowered women in their access to land and equal sharing of benefits and helped reduce gender discrimination and unemployment, with many women active and recognised as key actors along the coffee value chain (Lecoutere, 2017; Meier zu Selhausen & Stam, 2013). In this article, our main aim is to show how collective marketing is critical for social enterprise development. In particular, we interrogate how collective marketing has contributed to the development of the Bukonzo Joint Co-operative Union, the challenges faced, and how development finance institutions have supported the establishment of the Bukonzo Joint Co-operative Union.

Context

The *Ujamaa* philosophy developed and implemented by the founding post-independence president of Tanzania (Julius Mwalimu Nyerere) in the 1960s (Otunnu, 2015) could help us better understand the concept of collective marketing. *Ujamaa* was a socialist system of village co-operatives based on equality of opportunity and self-help (Ibhawoh & Dibia, 2003; Otunnu, 2015). Nyerere stated that 'Group ownership of the means of production is the only way in which the exploitation of man by man can be prevented' (Cornelli, 2012). He argued that this communal ownership can be through the state, which represents every citizen, or through some other institution that is controlled by those involved, such as a co-operative or a local authority (Cornelli, 2012). The idea of working together is the underlying principle on which the co-operative movement is based, but in its technical sense, the word 'co-operative' is narrowed down to mean a formal, legally established organisation with a continuing existence based on the principle of working together (National Planning Authority, 2018).

There is increasing evidence from both research and practice that one way for smallholders to overcome market imperfections and effectively participate in the market lies in organising into farmer groups or producer organisations (Lecoutere, 2017; Markelova, Dick, Hellin & Dohrn, 2008). Smallholder farmers in developing countries are often encouraged to get organised into co-operatives mainly to overcome production and marketing constraints that usually hinder the improvement of their livelihoods (Mojo, Fischer & Degefa, 2017). Furthermore, acting collectively, smallholders may be in a better position to reduce transaction costs for their market exchanges, obtain the necessary market information, secure access to new technologies, benefit from economies of scale, raise their bargaining power, be able to present their needs very clearly, counter the pressures of those who exploit them, obtain collateral and enforce financial discipline for repayments, and tap into the higher-value markets (Wanyama, Markelova, Poulton & Dutilly, 2015). Most Ugandan coffee farmers work on comparatively small plots of land and cannot, therefore, produce large volumes for sale. Their inability to produce larger volumes of crops means that they receive much lower prices from traders who would pay for bigger quantities (Robbins et al., 2004). It therefore makes sense for them to join social enterprises.

To reach small-scale (coffee) farmers, the Fairtrade Labelling Organisation (FLO) works with democratically organised producer co-operatives that are viewed as 'able to contribute to the social and

economic development of their members and their communities' (FLO, April 2002). A key goal of Fairtrade advocates is to empower marginalised producers by supporting their organisation into producer groups and to reduce their vulnerability by guaranteeing payment of a minimum price (Elliott, 2012). In this context, the Bukonzo Joint Co-operative Union positions itself in compliance with the standard: it has a constitution and an elected board in place that oversees the general operations of the Co-operative and reports to the Annual General Assembly. The producers (farmers) do not pay for being registered with the FLO, but the licensees (in this case the Bukonzo Joint Co-operative Union) pay for using the Fairtrade label (confirmed during our interviews). The fee is paid to the Fairtrade national initiative in the consumer country. Other than that, the main features of the Fairtrade labelling system are direct access to the market, a guaranteed minimum price, a sound certification system, unambiguous criteria and monitoring (Milford, 2004). Fairtrade has come a long way since its early days in the solidarity economy, taking an increasingly instrumental approach driven by concern with reputation, brand and shareholder value (Fisher, 2017).

Collective marketing helped the Bukonzo Joint Co-operative Union to register all its groups as primary societies and attain co-operative union status under the overriding authority of the Co-operative Societies Act Cap 112 and Co-operative Regulations 1993 of the Republic of Uganda. The Bukonzo Joint Co-operative Union is therefore classified as a tertiary co-operative. It is comprised of about eleven primary co-operatives, five of which are located in Kasese. All its farmers centrally process their coffee to maintain one standard of all coffee produced. Coffee quality also affects the price paid to producers and certified markets have increasingly demanded higher quality coffee (Weber, 2011). To strengthen itself along that line, the Co-operative mobilised and trained its farmers on how to produce wet processed coffee centrally and maintain one standard. The Co-operative mobilised resources and managed to set up micro-stations where coffee could be processed, manned by locally hired and trained personnel. In addition, the Bukonzo Joint Co-operative Union has been receiving financial and technical assistance in the form of grants, and members have benefitted from multiple training efforts aimed at building and strengthening their capacity in various aspects of commercial agriculture, including, but not limited to, sustainable agriculture, financial management and internal control, leadership skills, post-harvest handling, good agronomic practices, Village Savings and Lending Associations (VSLA), record-keeping, gender mainstreaming and food security. This training has been offered with support from international organisations such as Solidaridad, Twin UK, the Embassy of Japan, BTC, Trickle Up, Oxfam Novib and the African Development Foundation.

The Bukonzo Joint Co-operative Union contributed 70% towards rural electrification in partnership with the Belgian Technical Cooperation (BTC; Co-operative website). Electric power is essential in the processing of coffee so as to add value before it is exported to the international market. The Bukonzo Joint Co-operative Union has in stock coffee processing machines that hull, sort and grade coffee. For these machines to run, the Co-operative needs a full-time power supply, which is also important for security reasons (Co-operative website and office reports). The community benefitted from the process of connecting the Bukonzo Joint Co-operative Union to the electricity supply as they were able to extend power to their homes from the electrical poles connecting the Bukonzo Joint Co-operative Union facilities. This had a spin-off benefit for the local business community (shops, schools, churches, bars, restaurants, etc.). In the next section, we elaborate on how the study was conducted.

Methodology

The study was carried out on smallholders organised in the Bukonzo Joint Co-operative Union, located on the slopes of Mount Rwenzori in Kyalhumba Sub-county, Kasese District, South Western Uganda, between October 2016 and June 2017 (see Figure 1). The research mainly focused on joint marketing of coffee as a major cash crop grown by smallholder farmers living adjacent to the Rwenzori Mountain ranges and who are registered members of the Union.

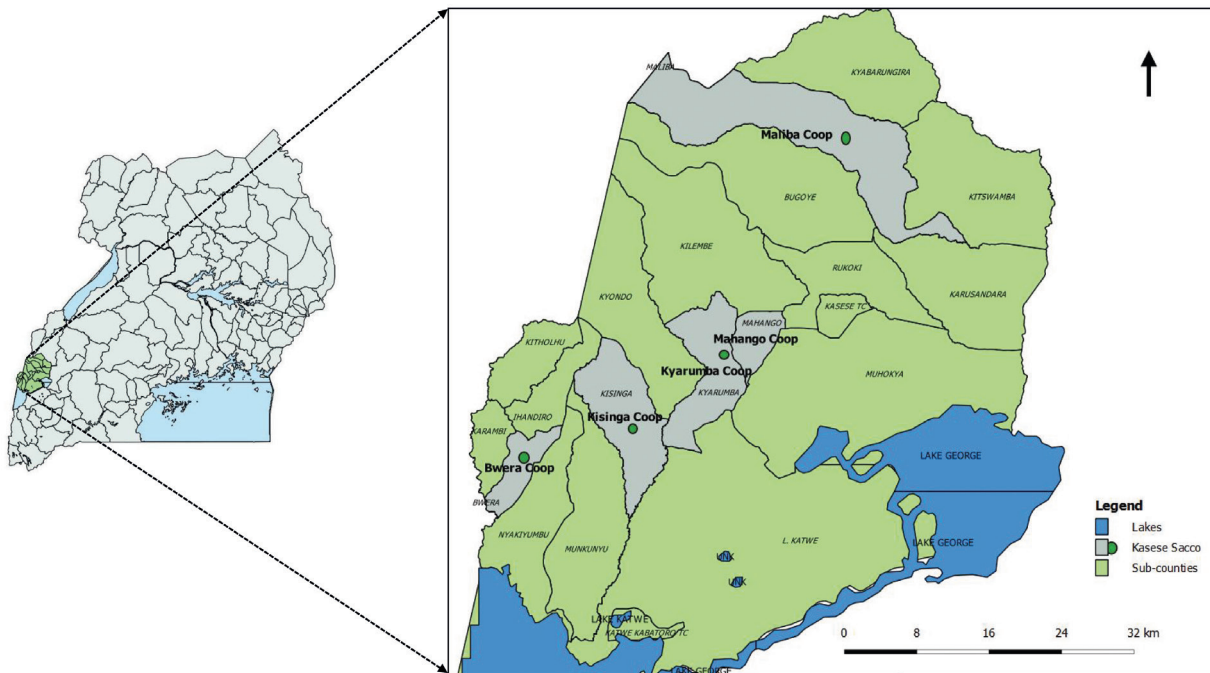


Figure 1 A map of Kasere showing the location of the co-operatives that make up the Bukonzo Joint Co-operative Union (study was conducted in Kyarumba)

Our study is qualitative in nature. We aimed at documenting pertinent collective marketing issues in the Bukonzo Joint Co-operative Union using three methods, namely, interviews, observation and review of literature. To bring out participants' views and opinions and for the purpose of this study, fifty-two coffee farmers and members of the Bukonzo Joint Co-operative Union participated in this study (14 male, 38 female). Of these, twenty-two were key informants while thirty participated in Focus Group Discussions (FGDs). Our sampling was purposeful. The selection criteria used for participation in FGDs were that participants should be members of the Bukonzo Joint Co-operative Union and should be actively involved in the activities of the Co-operative through bulk marketing and attending Co-operative meetings. All participants satisfied these criteria.

We conducted three FGDs, each comprised of ten members. Two of the FGDs were dominated by women (women:men ratio is 6:4 and 7:3, respectively) whereas the third FGD was largely composed of men (men:women ratio is 6:4). The discussion sought information on how the farmers have benefitted from being members of the Union and the challenges they face in collective marketing.

To obtain information that could not be obtained from the FGDs (as well as to triangulate data from FGDs), we conducted key informant interviews with twenty-one individual coffee farmers of the Co-operative and the Secretary Manager of the Bukonzo Joint Co-operative, a total of twenty-two interviews. The key informants were selected to participate in the study due to their vast knowledge of the Bukonzo Joint Co-operative Union. Observation supplemented both FGDs and interviews with key informants. We observed, for instance, coffee storage facilities, some negotiations during coffee sales and expressions and behaviour during the interviews. Secondary data were obtained through a desk review of information obtained from academic journals, project reports, articles and published textbooks. Our interviews and literature review sought information on the role of collective marketing in the development of agricultural co-operatives, the challenges faced in collective marketing and agribusiness and the contribution of financial institutions to the development of agricultural co-operatives. Validation of qualitative data was achieved through triangulation. The 'accuracy' of the information was tested by mixing techniques, both FGDs and key informant interviews. Both secondary

and primary data were analysed by means of content analysis using Atlas.ti software. This was to extract themes according to the study objectives. Content analysis emphasises pinpointing, examining and recording patterns (or themes) within data.

Results and Discussion

The role of collective marketing and the Fairtrade ethos in the development of the Bukonzo Joint Co-operative Union

Our interviews revealed that, through collective marketing, the Bukonzo Joint Co-operative Union has benefitted from gender mainstreaming through, for instance, female involvement and gender training. 'We have a Gender Action Learning System aimed at ending gender-based violence and domestic violence' (FGD, June 2017). This has 'created harmony and peace among households and in the community' (FGD, June 2017) – a key ingredient of the Fairtrade ethos. The approach has 'increased the participation of women within the coffee value chain' (interview with Secretary Manager of the Bukonzo Joint Co-operative Union, June 2017). Across the globe, the expansion of production for the global market has been associated with increases in women's employment in the agricultural sector. Alongside this is a growing realisation of the important role played by gender in shaping the outcomes of participation within the coffee value chain (Allsopp & Tallontire, 2014). 'The Bukonzo Joint Co-operative Union is 83% female dominated, women have acquired leadership skills and have assumed leadership positions within the Co-operative' (interview with Secretary Manager of the Bukonzo Joint Co-operative Union, June 2017). For example, the board of the Bukonzo Joint Co-operative Union is made up of four women and three men. In addition, quotas on leadership positions were introduced, which required that 'three out of five committee members and six out of nine executive board members must be female members of the Co-operative' (interview with Secretary Manager of the Bukonzo Joint Co-operative Union, June 2017). The benefits were perceived to have infiltrated to household level: 'At household level, women plan together with their husbands and children on how to make use of their coffee proceeds. In families where there are Bukonzo Joint farmers, there is an improved level of planning and budgeting' (FGD, June 2017). The role of the Bukonzo Joint Co-operative Union in promoting gender-based equity has received international recognition: 'In 2015, the Co-operative won the Specialty Coffee Association of America Sustainability Award for its pioneering approach to gender justice' (interview with Secretary Manager of the Bukonzo Joint Co-operative Union, June 2017).

Community involvement in socio-economic activities that increase ownership of the projects is emphasised in the Co-operative: 'In 2013 the Co-operative, in partnership with BTC, worked with local communities to build water pipelines that extend straight to the Bukonzo Joint Co-operative Union's micro-washing stations' (FGD, June 2017). The aim was to improve the quality of coffee and farmers' income through production of parchment coffee – a speciality coffee that has a better price in the Fairtrade and organic markets. As a result, communities built their own community taps from these pipelines, reducing the burden placed on women and children to fetch water for domestic use. This is what Fairtrade is all about – causing positive change in the lives of people and the communities in which they live (Mauthofer, Schneider, Vãth, & Cölln, 2018).

Within the Bukonzo Joint Co-operative Union there is a micro-finance institution (called Bukonzo Joint Savings and Credit Co-operative Organization [SACCO]) that supports farmers to grow their enterprises: 'Bukonzo SACCO has enabled me to quickly access credit to meet my household demands, while using part of the money to sustain and expand my coffee farming business' (interview respondent, June 2017). The financing is thought to have enabled members to 'actively participate in the social economic development of Kyarumba Trading Centre through local trading in other commodities' (FGD, June 2017). Similarly, the

existence of the SACCO has increased financial literacy within this remote area. 'Farmers are able to acquire credit from the SACCO and use it for a purpose with full understanding of the loan' (FGD/interview with key informants, June 2017).

As a result of collective marketing, 'coffee production had increased substantially, from 13 MT in 2005 to more than 250 MT in 2016' (interview with Secretary Manager of the Bukonzo Joint Co-operative Union, June 2017). Increasing coffee production has attracted business opportunities in supplying plantlets: 'In 2012, with the support of Hima Cement, the Bukonzo Joint Co-operative Union began managing coffee nursery beds in Bukonzo east, Kasese District, to ensure distribution of quality coffee to its members and the distribution of new seedlings which grow faster and improve yields' (interview with Secretary Manager of the Bukonzo Joint Co-operative Union, June 2017).

Farmers of the Bukonzo Joint Co-operative Union have had opportunities to meet and discuss and bargain with buyers about many issues, including price. 'When we sell together, we have an opportunity to bargain with the buyer directly without passing through any other person', a farmer said (interview, June 2017). During fieldwork, we observed that buyers prefer working with farmers organised in groups and co-operatives. The Secretary Manager of the Union attributed this to the fact that 'traders are able to trace where the product is coming from'. Participation in Fairtrade networks reduces exposure to price variations (farmers are protected from exploitation by middlemen), mitigates risk aversion, enhances investment attitudes and supports the marketing initiatives of the co-operative (Rijsbergen et al., 2015). The potential of smallholders to increase their agricultural incomes increasingly depends on their ability to access output markets (Beuchelt & Zeller, 2012). 'There is a Fairtrade minimum price, and price bonuses are awarded that serve as a safety net to farmers from feeling the burden of fluctuating prices' (interview with Secretary Manager of the Bukonzo Joint Co-operative Union, June 2017). Therefore, it is plausible to believe that a household's involvement in the Co-operative has positive effects on its agricultural income, and hence on living conditions. Some farmers discussed the financial benefits associated with the Fairtrade arrangement: 'Compared to farmers that are not part of the Co-operative, we generally get a much better price [the Fairtrade minimum price and price bonus] per kilogram of coffee per season' (FGD, June 2017). In addition, farmers mentioned during an FGD that they received additional income from the Fairtrade arrangement long after the coffee sales: 'We always receive a second payment called price bonus from premium markets that comes after calculating the difference between the buying price and the selling price at the international market and how much one receives depends on how many kilograms of coffee one supplied.'

The administration of the Co-operative was discussed in favourable terms: 'Quality management has been streamlined; farmers uniformly process their coffee from the established micro-stations for washing coffee in order to guarantee quality, since washed coffee has a better price at the international market' (FGD, June 2017). One of the key respondents during the interview said that 'Bukonzo Joint Co-operative Union coffee cupping for the 2012–2013 season achieved 85% from Atlas coffee importers in Seattle, USA'. Figure 2 shows the Co-operative's cupping laboratory. Since 2005, the union has managed to export coffee to international markets and especially premium markets, such as the Fairtrade and organic markets. Speciality coffee is considered to include all coffees that are differentiated, which means they are able to earn a premium.

Collective marketing creates and promotes togetherness and builds democracy from the bottom. This creates competition and knowledge-sharing on good quality. Democratic producer organisations facilitate farmer participation, including the participation of women (Milford et al., 2004, quoted in Elder, Zerriffi & Billion, 2012). It was evident from our fieldwork that the Bukonzo Joint Co-operative Union provided spaces for learning and practising values of democracy, solidarity, participation, inclusion, responsibility and accountability. Grassroots involvement and democratic

participation as a function of co-operatives has the spin-off effect of creating social capital (understood to mean trust, norms and networks). Social capital directed at practical ends, such as common marketing, brings people together in the first instance, then through the empowerment of co-ordinated action, networks are formed, people start trusting each other more and participation becomes the norm.

The Bukonzo Joint Co-operative Union has created employment and income generation for both men and women, working as permanent staff and casual workers: 'The Co-operative employs up to 400 casual workers in their hulling and sorting factory and twenty management and technical staff' (interview with Secretary Manager of the Bukonzo Joint Co-operative Union, June 2017). Figure 3 shows women sorting coffee. Besides, there is also income generation on the side of farmers since they sell their produce and earn money. In this case, employment can help to foster women's power within, which helps them to imagine new ways of being and doing and in turn helps them to exercise power in their households, more especially, in decision-making (McEwan & Bek, 2006, quoted in Allsopp & Tallontire, 2014).

Collective marketing has enabled the Bukonzo Joint Co-operative Union to achieve Fairtrade and organic certifications as a producer organisation. The Bukonzo Joint Co-operative Union is currently double-certified for Fairtrade by FLO-CERT and organic by IMO. To the best of our knowledge, double certification means more premium funds and price bonuses coming to the Co-operative and the farmers as there is high demand for Fairtrade organic-certified coffee on the international market. We do, however, lack local and global scale data to substantiate this. Several studies have shown that certification contributes to significant farm income gains through price premiums, reduced production risks and productivity increases (Ssebunya, Morawetz, Schader, Stolze & Schmid, 2018). For example, in 2016 'the Bukonzo Joint Co-operative Union received a premium of over \$550,000 from Fairtrade, meant to be spent on community development and Co-operative overhead costs in line with the Fairtrade development plan' (interview with Secretary Manager of the Bukonzo Joint Co-operative Union, June 2017). This expenditure plan must be in place before money is received and spent (this is a Fairtrade certification standard):

Since the Bukonzo Joint Co-operative Union is also organic-certified, farmers for the last five years have been receiving price bonuses ranging between 20–27 cents per dollar for each kilogram, which is additional payment that is directly paid to the farmer depending on how much coffee he/she sold under this standard. (Interview with Secretary Manager of the Bukonzo Joint Co-operative Union, June 2017)

Therefore, certification of coffee producers is frequently suggested as a useful strategy for improving the position of smallholders in the market (Rijsbergen, 2015).



Figure 2 The coffee cupping laboratory at the Bukonzo Joint Co-operative Union



Figure 3 Women hand-sorting coffee on wire mesh beds

The Bukonzo Joint Co-operative Union has secured ready markets for members' coffee in Europe, the United States and South Africa. We conducted a key informant interview with the Secretary Manager, who explained how the Co-operative sells to both organic and Fairtrade buyers and that the readiness of the market has been made possible by good marketing strategy from the marketing team at the Bukonzo Joint Co-operative Union. He further listed the buyers who currently buy Bukonzo Joint Co-operative Union coffee on contract, such as Atlas Coffee Importers in the United States, I. & M. Smith (Pty) Ltd. in South Africa, Cotton On in Australia and Twin Trading UK. Similarly, if the Co-operative becomes part of a larger national or international co-operative network, there is a greater chance to avoid the so-called Fairtrade trap, that is, being dependent on just one Northern buyer. Many southern producer co-operatives sell their products on the international market through both the Fairtrade network and through traditional intermediaries simultaneously. This plurality of outlets gives them negotiation power and a competitive edge.

Challenges faced by the Bukonzo Joint Co-operative Union

The challenges noted during our fieldwork include limited working capital, farmers' double loyalty (sometimes selling to competitors), price fluctuations on the global market and difficult terrain that hampered transportation of coffee. These challenges manifest themselves as follows.

Working capital is insufficient to purchase the coffee of more than 5,000 farmers spread across the Rwenzori Mountain, even though the Co-operative has been receiving trading finance from Rabobank to trade and buy members' coffee. 'Sometimes trading capital is not sufficient to enable the Co-operative to purchase all the members' coffee to raise the necessary volumes required by the buyer and this delays contract signing and price fixation, rendering the Co-operative prone to the effects of changes in price on the international market', the Bukonzo Joint Co-operative Union's Secretary Manager said (June, 2017).

During the FGDs, farmers reported that heavy rainfalls precipitated by deforestation had presented a big challenge to crop growth and transportation from the farmers' gardens and collection centres to the union warehouse, since heavy rainfall has sometimes led to landslides and the breakdown of the feeder road networks, including bridges. The rains of 2013 and 2014 severely affected the movement of coffee from the primary societies to the Co-operative since all the bridges in Bukonzo East, Kasese District were destroyed:

The need for better farming practices to promote sustainability of the environment is an issue that the Bukonzo Joint Co-operative Union is prioritising in the Adapt Now programme with Twin UK, for coffee farmers to be able to adapt to climate change such that there is continued supply of the coffee value chain. (Interview with Secretary Manager of the Bukonzo Joint Co-operative Union, June 2017)

Producers' participation in Fairtrade can increase their adaptive capacity and make them more resilient to climate change (Borsky & Spata, 2017).

The difficult terrain was mentioned (during FGDs) as a big hindrance to transport and communication. This sometimes precludes farmers' transportation of their coffee to the washing stations and warehouses for final processing before export. With the Rwenzori region being mountainous and Arabica coffee being grown at a higher altitude, farmers bear the burden of carrying the coffee on their back to deliver it to micro-stations. The primary societies also find it challenging to move the coffee to its stores, as does the Bukonzo Joint Co-operative Union. The roads available in the mountains are not easily accessible by heavy trucks, hence motorcycles carry the coffee in smaller quantities to the bulking centres (from our observation during fieldwork).

Price fluctuations at international level are not uncommon. This in turn affects farmers' incomes – a concern expressed by leaders of the Co-operative. The associated risk is that, in the end, if coffee consumption does not increase and prices remain relatively stable, some producers will have to withdraw from the coffee market and switch to other crops or economic activities (Kolk, 2005). While the market for certified coffee is growing, there is still a gap between the production of certified compliant coffee and the sales of certified coffee (Sick, 2008, quoted in Snider, Gutierrez, Sibelet & Faure, 2016). In other words, not all certified coffee produced is bought as Fairtrade. This requires intensive market research to secure contracts from reliable and potentially Fairtrade buyers.

During the FGDs, it was also mentioned that, whereas farmers try to jointly sell their coffee, they face a lot of pressure from middlemen whose actions are not regulated by policy. Middlemen sometimes take the advantage of money scarcity in homes and convince farmers by means of small advances. In turn, farmers are compelled to sell their coffee before it is ready for harvest, compromising its quality. Coffee quality also affects the prices paid to growers. Certified markets have increasingly demanded higher quality coffee – people like coffee that has a good taste (Weber, 2011). The ripple effect is that 'the amount of coffee that the Co-operative is able to export under better terms for the benefit of farmers and the community reduces' (interview with Secretary Manager of the Bukonzo Joint Co-operative Union, June 2017).

Relevance of development finance institutions to the Bukonzo Joint Co-operative Union

Our interviews revealed that the Bukonzo Joint Co-operative Union has been acquiring financial support in the form of credit from Rabobank to raise sufficient funds to buy coffee from over 5,000 members in the Rwenzori region: 'As a result of the technical and financial support given by Rabobank, the Bukonzo Joint Co-operative Union has been able to develop into a professional organisation over the past few years' (key informant, June 2017). Banks and micro-finance institutions (MFIs) are much more likely to lend money to groups of farmers than to individuals. For example, the total assets of the group may be enough to cover the loan, and a binding agreement between the bank and a group of farmers is seen as a satisfactory assurance that any loans will be repaid (Robbins et al., 2004):

With an investment loan from Rabobank, the Bukonzo Joint Co-operative Union procured a coffee grading machine and constructed and operated micro-stations for coffee wet processing. At the end of a three-year project, sixty-four micro and mini-stations had been constructed with the capacity to process 1,000 tonnes of green coffee. As a result,

the Co-operative has improved its cupping scores, achieving up to 90%, which is regarded as speciality grade. This adds significant value to the crop. (Interview with Secretary Manager of the Bukonzo Joint Co-operative Union, June 2017).

All the trade finance with which Rabobank supports the Bukonzo Joint Co-operative Union is channelled into the SACCO to pre-finance the primary societies so that they have sufficient funds to purchase members' coffee, which is taken to the washing stations to be turned into parchment. SACCOs were reported to be handling large amounts of funding 'ranging between \$400,000 and \$600,000' (key informant, June 2017). This enables the Co-operative to manage and utilise large amounts of money, which can be used as evidence by the Co-operative when it is applying for funds from other lenders (e.g. 'Alterfin, with whom they are in negotiations already' [Secretary Manager of the Bukonzo Joint Co-operative Union, June 2017]).

Role of Bukonzo Joint Co-operative Union's SACCO

Our respondents reported that the Bukonzo Joint Co-operative Union is self-sufficient and that 'members were borrowing from their own SACCOs, not elsewhere' (FGD, June 2017). SACCOs are increasingly becoming a major source of finance, invested in by members to create employment opportunities and increase household income (Robbins et al., 2004).

'Rabobank was reported to be one of the financiers of the Bukonzo Joint Savings and Credit Co-operative Organization at a low interest rate of 9% per annum, which then finances the SACCOs' (Secretary Manager of the Bukonzo Joint Co-operative Union, 2017). Farmers explained that they have acquired loans from the SACCOs at 'an annual interest rate of 24%, to pay school fees for their school-going children in primary, secondary and tertiary institutions; to construct decent houses; to start other income-generating projects; to pay medical bills; and to reinvest the balance in coffee production' (FGD, June 2017). This was reported to have 'significantly improved the lives of its members' (interview with key informant, June 2017).

Conclusion

In this study, we showcase the role of collective marketing, enhanced by Fairtrade and organic certifications, in promoting social enterprise development, with insights from the Bukonzo Joint Co-operative Union. Furthermore, we demonstrate the role of financing in supporting capital-intensive social ventures, one of the main challenges in setting up enterprises of this nature. The Bukonzo Joint Co-operative Union presents an alternative to the majority of smallholder farmers still practising conventional farming. The farmers and the community at large have benefitted greatly from a range of socio-economic services accruing from the existence of the Co-operative that subscribes to the Fairtrade ethos. These include female empowerment, access to better markets, forward and backward market linkages, capacity building, value addition and good governance. While the market for certified coffee is growing, there is still a gap between the production of standard compliant coffee and the sales of certified coffee, which calls for quick action in terms of widening the speciality market search among Fairtrade buyers, especially in the Global North.

Financing can be a key limitation for the development of large social enterprises. Rabobank is the most reliable financier of Bukonzo Joint Co-operative Union activities through the provision of both investment loans and pre-finance, with a social objective of changing lives and communities, which must be reflected in how loans are used. This has enabled the Co-operative to register commendable strides in achieving its goal through the purchase of valuable coffee, upgrading machines and purchase of coffee from more than 5,000 coffee farmers, which requires huge and readily available trade capital. The SACCO has been providing friendly loans to members to meet their specific needs. This has helped to demonstrate that the Bukonzo Joint Co-operative Union is financially stable, with sound financial and

management systems that give the Co-operative an advantage to receive financial support from other institutions (such as Alterfin in Belgium – with whom talks are still ongoing). Future work could interrogate individual farmer/household-level benefits from the social enterprise and Fairtrade arrangement, while clarifying how livelihood transformation has been achieved (as claimed by the majority of our respondents) – or what is perceived as a positive transformation in such a marginalised landscape and in similar regions in Uganda.

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