

VALUE CHAINS FOR RURAL DEVELOPMENT



Public-Private Partnerships That Are Changing the World

The Darden School of Business' Institute for Business in Society partners with Concordia and the U.S. Department of State Secretary's Office of Global Partnerships to present the annual [P3 Impact Award](#), which recognizes leading public-private partnerships that improve communities around the world. This year's award will be presented at the Concordia Annual Summit XXX September 2019.

The Partnership: Value Chains for Rural Development

The Partners:

- Atlas Coffee Importers
- Behind the Leaf Coffee
- Coffee Quality Institute
- Indigo Mountain Coffee Company
- Mandalay Coffee Group
- Shwe Taung Thu
- Ywangan Amayar Coffee Ltd.
- U.S. Agency for International Development (USAID)
- Winrock International

The Social Challenge: Economic Development

Most of the world's commercial-grade coffee farmers are not paid enough to sustain profitable farms, prompting them to cut down coffee trees. This was the case in Myanmar, which lacked a cohesive coffee value chain to promote coffee globally or within the country, and where there was little knowledge of end-market requirements for quality, consistency, traceability and other criteria that would help producers increase incomes.

The Idea and the Action:

Winrock International's Value Chains for Rural Development project, funded by and co-designed with USAID, formed in late 2014 to address market transformation in Myanmar's agriculture sector. In the case of coffee, the goal was to elevate Myanmar from a producer of low-grade commodity coffee to a producer of high-value specialty coffee sold for premium prices in the global and domestic market, boosting profitability for smallholder farmers and other actors across the value chain. What followed was a set of technical assistance and market facilitation activities over a nearly five-year period that created cross-sector partnerships among extension agents, farmers, industry leaders and private-sector processors.

On the agronomic side, the project rolled out training for farmers to improve practices, using local trainers and Coffee Quality Institute materials adapted for local conditions. Before these trainings, most coffee cherries were picked before they ripened and were dried on the ground. Farmers were shown how to pick the cherries at peak ripeness and properly dry, store, label and package the product. And the training wasn't limited to farming best practices; train-the-trainer sessions were offered, as well as coffee grading courses for industry-accepted certification in the professional assessment of coffees.

To continue supporting quality production and processing, the Value Chains for Rural Development project provided grants to three local processors to increase local capacity to mill specialty coffee with state-of-the-art equipment. It also supported the nascent Myanmar Coffee Association, providing intensive organizational development assistance that helped it become stronger, develop its first bylaws, and transparently elect an inclusive board of directors that represents all coffee clusters, as well as women in leadership positions.

People are passionate about exceptional coffee. Engaging in the craft of specialty coffee production offers more than income: It inspires partnerships, collaboration, experimentation, innovation, artistry, learning, pride and adventure.

The Impact:

To date, 10,423 people have been trained in all aspects of coffee production, processing, marketing, export, quality standards and association strengthening, including 17 certified coffee quality graders able to evaluate coffee quality — a capability that did not exist in Myanmar prior to project interventions.

Since 2016, 464 metric tons of specialty coffee have been exported to 16 countries, valued approximately at \$3 million. Before 2016, Myanmar coffee had never been exported. And international coffee buyers are willing to pay premium prices for it — as much as \$3.30–4.30 per pound for single-origin, dry natural processed coffee, which is triple the price paid before project interventions.

The growth in the coffee sector also required financing for small- and medium-sized agricultural enterprises. Yoma Bank provided the first non-collateralized loan for a small agricultural enterprise to a coffee processor, which set a significant precedent for access to finance in the agriculture sector and opened the door for other lenders to connect to processors and farmers in subsequent seasons.

The rise of the specialty coffee sector in Myanmar created opportunities for women to rise to leadership roles in their communities and as business owners. The International Women's Coffee Alliance—Myanmar Chapter was registered in September 2018, with 52 female members from all sectors of the market, including farmers, roasters, processors, exporters, traders and baristas.

The Myanmar Coffee Association has become an industry leader, with 10 coffee clusters representing ethnic groups and zones across the country. It provides mechanisms for member engagement and consultation on production, processing and marketing issues for both commercial and specialty-grade coffee. Importantly, the association now hosts nationwide competitions and other large-scale events that expose more coffee stakeholders to quality standards and attract international coffee buyers and high-end hospitality representatives.

The Faculty Insight:

Markets need political stability, property rights, information and low barriers to entry — things that have been in short supply in the agriculture sector of Myanmar. The nation has been under military rule or suffering from armed conflict for over half a century, impeding the ability for markets to form. Even though elections have occurred for almost a decade, democratic and economic reforms take time, leaving Myanmar with insufficient government institutions to provide the conditions necessary for markets to prosper, especially in rural areas. However, nongovernmental institutions can foster markets by creating business norms, providing information channels, and reducing transaction costs.

Enter Value Chains for Rural Development (VCRD). It supported the development of institutions to facilitate the creation of business norms, the exchange of technical information and the financing necessary to increase capacity. While providing assistance to improve the efficiency and quality of coffee might be seen by some organizations as helpful enough, VCRD recognized those efforts only address the supply side of the market. Being more efficient producers of premium coffee is pointless if there are no consumers for the product. An increase in supply without a larger increase in demand will send prices downward. To facilitate the demand side of the market, VCRD exposed new consumers to Myanmar's premium coffee by including buyers in the partnership, then increasing competition among buyers by exposing the product through competitions.

Finally, small farmers can suffer if their bargaining power with new buyers is limited. Because of the education and information flow generated by VCRD, communities are now forming their own associations to protect the interest of their smallholder farmers' interests.

While the creation of the international market for Myanmar coffee increased prices for these farmers, it also exposes them to price volatility when buyers leave or competition increases. This summer, the price for Arabica coffee hit a 10-year low. What is promising is that VCRD didn't stop with the win in an up market. It is now educating new market participants about price risk management to prepare them for the downside of being part of a market.

About the Faculty

MARY MARGARET FRANK

Frank's expertise is in the integration of business and public policy, including cross-sector collaborations. She is a former board member of the Female Health Company, which works with public-private partnerships that empower women to fight HIV globally, especially in Africa.

Her additional expertise is in regulated disclosure focusing on tax, financial accounting and patent reporting. Her most recent research examines international tax settings. More broadly, her research focuses on the effects of regulated disclosure on corporate management, investors and entrepreneurs.