

Enveritas

An analysis of the role of middlemen in coffee supply chains

Prepared for:
IDH - The Sustainable Trade Initiative

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FOREWORD

IDH commissioned Enveritas to conduct a study of middlemen in four coffee supply chains. A “middleman” is a colloquial term for a small-scale or informal trader that buys and sells raw agricultural products. A more specific definition of a “middleman” is provided for each country in the study. The study focused on the following countries and regions/coffee types:

- Uganda (Greater Masaka area, Robusta)
- Colombia (Antioquia and Huila, Arabica)
- Vietnam (Central Highlands, Robusta)
- Indonesia (Sumatra, Arabica and Robusta)

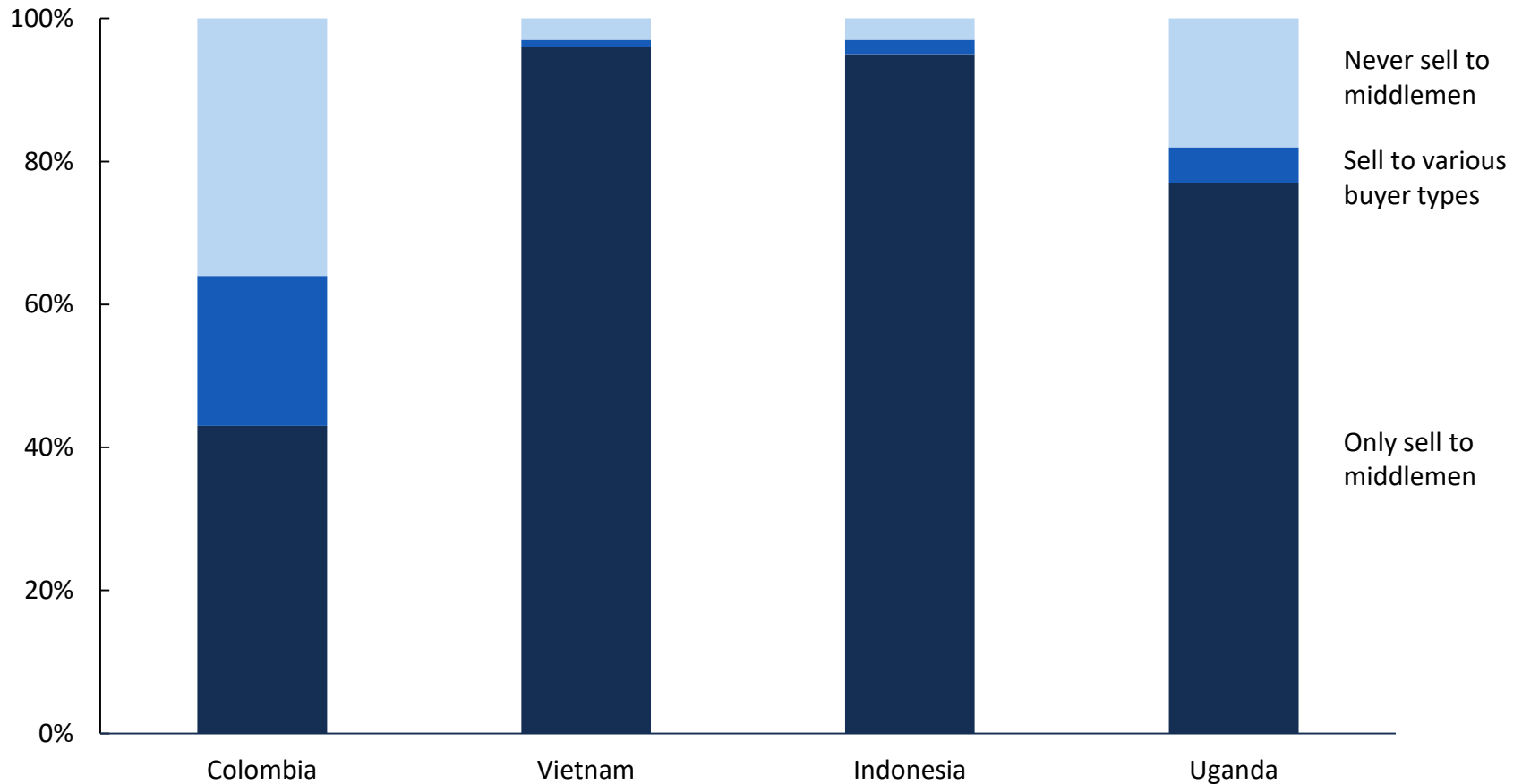
The results are based on more than 170 middlemen interviews conducted by Enveritas between October 2019 and January 2020. Enveritas also spoke with representatives from the coffee sector, including traders, exporters, farmer associations, researchers, and public sector organizations, to shed light on middlemen dynamics and better understand their business challenges. Finally, Enveritas added further insights to this work by drawing on its smallholder-level surveys, which were conducted independently by Enveritas with over 47,000 smallholder coffee farmers during the 2018/19 and 2019/20 crop harvests.

-- The Enveritas Team, February 2020

MIDDLEMEN ARE THE PRIMARY BUYER FOR SMALLHOLDER COFFEE FARMERS IN THREE OF THE FOUR COUNTRIES

Coffee buyers

% of farmers surveyed



Note: Other coffee buyers may include: exporters, farmer organizations, private mills, and direct trade

WHILE SCALE AND EXPERIENCE VARIES, MIDDLEMEN TEND TO OPERATE ON LOW MARGINS IN ALL COUNTRIES

	Colombia (Arabica)	Vietnam (Robusta)	Indonesia (Mixed)	Uganda (Robusta)
Est. smallholder farmer population	554,500	600,500	1,340,000	1,800,000
Est. middleman population	500	3,000	4,000	10,000
% Male	95%	57%	81%	>99%
% with Post-Secondary Education	35%	28%	41%	9%
Years of experience	17	18	10	11
Annual volume (low range) - GBE	1 ton	181 tons	10 tons	1 ton
Annual volume (high range) - GBE	1,600 tons	30,000 tons	2,150 tons	1,200 tons
Average operating margin (US\$/ton GBE)	~\$80	~\$3	~\$80	~\$15
Most common mode of transportation	Trucks	Trucks	Trucks	Motorbikes



MIDDLEMEN PROVIDE SOME SERVICES TO FARMERS, MOST COMMONLY, LOANS (FINANCING)

Services middlemen are willing to offer farmers and share of farmers who receive those services from middlemen

Share of each population surveyed

		Colombia (Arabica)	Vietnam (Robusta)	Indonesia (Mixed)	Uganda (Robusta)
Loans	% middlemen offering	60	74	68	64
	% farmers receiving	18	11	19	29
Inputs	% middlemen offering	9	72	23	51
	% farmers receiving	6	75	1	5
Training	% middlemen offering	28	51	4	0
	% farmers receiving	0	4	0	0
Other services	% middlemen offering	0	23	9	0
	% farmers receiving	0	10	2	0

ACCESS TO GOODS AND SERVICES VARY BY COUNTRY

Overall access to services and inputs by country

Share of farmers surveyed

	Colombia (Arabica)	Vietnam (Robusta)	Indonesia (Mixed)	Uganda (Robusta)
Have mobile phone	Very high	Very high	High	Very high
Use fertilizer	Very high	Very high	Very high	Medium
Have loan(s)	High	Medium	Low	Low
Earn some price incentive for quality	High	Low	Medium	Low
Get receipt from their buyer	High	Low	Low	Very low
Receive some form of ongoing training(s)	Medium	Low	Very low	Low
Are planting improved seedlings	High	Low	Very low	Very low
Pre-sell portion of crop to buyer	Very low	Very low	Very low	Very low

Source: Enveritas farmer surveys, 2018/19

FARMERS WHO ONLY SELL TO MIDDLEMEN GENERALLY REPORT LOWER ACCESS TO GOODS AND SERVICES

Difference between farmers who *only sell to middlemen* and those who *never sell to middlemen*, by country

Values are absolute percent changes

	Colombia (Arabica)	Vietnam (Robusta)	Indonesia (Mixed)	Uganda (Robusta)
Have mobile phone	-3	0	-12	+7
Use fertilizer	-3	+4	-3	-15
Have loan(s)	-6	+9	-12	-10
Earn some price incentive for quality	-18	-32	-16	-20
Get receipt from their buyer	-31	-29	-16	-53
Receive some form of ongoing training(s)	-24	-28	-40	-27
Are planting improved seedlings	-13	-11	-19	-1
Pre-sell portion of crop to buyer	-1	-1	-2	0

Source: Enveritas farmer surveys, 2018/19

THE FOLLOWING ACTIVITIES ARE RECOMMENDED TO IMPROVE AND EXPAND THE SERVICES OFFERED BY MIDDLEMEN IN EACH MARKET

	Colombia (Arabica)	Vietnam (Robusta)	Indonesia (Mixed)	Uganda
Business and finance training for middlemen	✓	✓	✓	✓
Digitize record keeping and traceability systems	✓			
Expand services portfolio			✓	✓
Help formalize lending to farmers	✓	✓		✓
Improve end-market information	✓		✓	
Improve fertilizer delivery for farmers		✓		✓
Increase availability of capital for middlemen			✓	✓
Launch seedling delivery for farmers		✓		
Make receipts and quality grading more transparent		✓	✓	✓
Optimize cost structure	✓		✓	
Promote quality through cupping	✓			

Source: Enveritas middlemen surveys, 2019/20