

RESPONSIBLE AGRICULTURAL INVESTMENT  
CASE STUDY

# Tropic Coffee:

A green bean processor  
and trader in Rwanda's  
coffee sector





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## Tropic Coffee: A green bean processor and trader in Rwanda's coffee sector

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Cover: Woman worker near drying tables at coffee washing station.



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Hafiz Mirza and Duncan Pringle were responsible for the case study, including the research methodology, analysis, and finalisation. Duncan Pringle conducted the in-country fieldwork, and Josephine Ndamage provided the field translation services.



## Project Description

The Smallholder Safety Net Upscaling Programme (SSNUP) aims to strengthen smallholder householders' safety nets sustainably. This will be achieved by fostering the adoption of more responsible and sustainable practices among agricultural value chain actors (AVCAs)—i.e., agribusinesses—by co-financing technical assistance projects and supporting the conducting of case studies to analyse AVCA's performance and compliance with the Committee on World Food Security's Principles for Responsible Investment in Agriculture and Food Systems (CFS-RAI).

AVCAs are critical players in achieving the goals of CFS-RAI and include producers (of crops), processors, and traders. For the SSNUP case studies, they also include service providers, for instance, organisations offering technical services to growers or support to vulnerable groups, such as women and youth. AVCAs' investment in the agricultural and food sectors can play a transformative role, enabling the adoption and dissemination of new technologies, building markets and supply chain linkages, and contributing to local economies and communities. Investing responsibly can be enhanced by AVCAs aligning policies, planned operations, and practices with the CFS-RAI.

Translating the CFS-RAI Principles into practical action by agribusinesses requires guidance and tools for stakeholders—such as financial investors and the AVCAs in which they invest—who wish to incorporate them into policies, regulations, and business practices. Case studies are one such source of guidance. They provide examples of AVCAs that have sought to put responsible investment principles and social business conduct into effect through concrete practices and performance and outcome indicators. Such agribusinesses' journeys in doing this (including the problems they face, the solutions they find, and the perspective of farmers, communities and other stakeholders on the results) provide guidance, insight, and lessons to other AVCAs taking the same path to responsible investment.

This case study of Tropic Coffee, a Rwandan small and medium enterprise (SME) green bean processors and exporter in the coffee sector, is one in a series of RAI case studies conducted by IISD for SSNUP, in cooperation with ADA. The cases chosen are drawn from several segments of the agriculture and food sectors and aim to analyse AVCAs' performance and compliance with the CFS-RAI.





## Executive Summary

Agricultural value chain actors (AVCAs)—agribusinesses—are critical players in achieving the goals of the Committee on World Food Security's Principles for Responsible Investment in Agriculture and Food Systems (CFS-RAI), and include producers (of crops), processors, and traders. AVCAs' investment in the agricultural and food sectors can play a transformative role, including enabling the adoption and dissemination of new technologies, building markets and supply chain linkages, and contributing to local economies and communities. Investing responsibly can be enhanced by AVCAs aligning policies, planned operations, and practices with the CFS-RAI (or RAI for short).

Tropic Coffee was selected for this case study jointly with Alterfin, an impact investor participating in the SSNUP programme. The company is representative of a small and medium-sized enterprise (SME) operating in the Rwandan coffee industry value chain as a green bean processor and exporter, selling green beans to specialty coffee roasters. The company was established in 2015 by the husband-and-wife team of Christophe Rugira and Devine Mutuyimana.

The challenges Tropic Coffee faces include difficulty in securing finance with competitive rates and flexibility in repayment, the lack of a direct relationship between bean prices achieved and cherry prices paid to farmers due to market timing differences and market pricing dynamics, not having their own dry mill, and reduced demand for higher-priced organic coffee due to the adverse world economic climate.

The company's mission is to be a leading Rwandan coffee producer by providing the highest-quality specialty coffee aiming to meet international standards while increasing income for local Rwandan farmers.

After initially leasing a coffee washing station (CWS), Tropic Coffee now has three CWSs, established in 2018, 2019, and 2021. The business buys cherry from some 3,000 farmers. Clients are mainly in the United States, the United Kingdom, Europe, Australia, and Japan. Product is sold as "single source," mainly from women farmer groups.

The company is controlled by a board of five (including three women). Two senior managers manage day-to-day operations, the founders as managing director and sales director. There are 20 permanent employees (including senior management) and between 100 to 120 seasonal workers, 80% of whom are women.

The company has some 50% of farmers supplying it certified either through Starbucks' C.A.F.E. Practice, Rainforest Alliance, and organic through EcoCert.

Tropic Coffee's activity in RAI was assessed through both online interviews (primarily with the company) and in-country fieldwork (with the company and many stakeholder groups, such as employees, farmers, women, and youth) using dedicated instruments. Answers from the company and stakeholders were analysed to assess the AVCA's RAI compliance across



seven dimensions.<sup>1</sup> The dimensions are listed in the table below, with the average level of RAI compliance indicated in the right column.

**Table ES1.** Summary findings

Dimension	Level of compliance
Strategy and accountability on responsible agriculture	The level of RAI compliance is relatively low in this dimension. While the company does not have a documented business strategy, its operations are aligned with national development policy and compliant with regulations.
Inclusive and transparent structure	The level of RAI compliance is high in this dimension. For instance, the company holds regular consultations with farmers and community leaders, before and after the season, to plan and review results and outcomes.
Safe and responsible agriculture and food systems and operations	The level of RAI compliance is high in this dimension. In addition to employment created and income generated through the company's operations, it also contributes to food security and nutrition in other ways. For example, it provides free fruit tree seedlings as shade trees for coffee and offers technical support as well as specific programmes supporting the empowerment of women with support to creating savings and credit groups.
Environmentally sustainable processes and products	The level of RAI compliance is moderately high in this dimension. The company does not have a formal environmental scanning and evaluation system, but the company agronomist does encourage environmentally sustainable production systems, with some 925 farmers Rainforest Alliance certified and 625 farmers as C.A.F.E. Practices certified.
Responsible treatment of stakeholders	The organisation score is high in this dimension. The company respects tenure rights and cultural heritage, and whilst it does not have formal contracting with suppliers, it does attempt to have fair pricing for cherry based on what niche markets are prepared to pay.

<sup>1</sup> These dimensions—reflected in the principal research instrument used for the AVCA interviews—were chosen to (broadly) correlate with primary business functions (strategy, finance, human resources etc.). In other words, the questions were directly intelligible for businesses. At the same time, the actual questions asked (e.g., practices referred to) were carefully mapped to specific CFS-RAI principles. For example, the strategy and accountability dimension mainly relates to issues covered in CFS-RAI Principle 10: “assess and address impacts and promote accountability.” Similarly, the dimension on safe and responsible agriculture and food systems and operations encompasses issues under CFS-RAI Principle 1 (“contribute to food security and nutrition”) and Principle 8 (“promote safe and healthy agriculture and food systems”). Of course, there is no one-to-one correspondence between dimensions and CFS-RAI principles.



Dimension	Level of compliance
Responsible human resource development	The level of RAI compliance is relatively high in this dimension, but this varies between subcategories. The company complies with the Labour Act and pays well above the minimum wage prescribed in law. The company has a high level of participation of women (45% of permanent and 80% of seasonal staff). Human resource development remains insufficient, with no professional management training in place.
Financial transparency and benefit sharing	The level of RAI compliance is moderate in this dimension. As a private company with two shareholders, there is no requirement in law for the company results to be publicly declared. However, the company does provide support within available financial resources to farmers through working capital loans and carrying the cost of producing free fruit trees.

Source: Authors.

The company's moderately high level of compliance with responsible business conduct is a function of the variability in compliance across the different dimensions and offers an opportunity to improve. The founders have made driving women's empowerment a priority by creating market access opportunities at improved prices, enabling better revenue flows back to women and helping them establish savings groups as institutions to further support their economic empowerment.

While RAI alignment is good, the board should nevertheless more fully inform itself of CFS-RAI Principles and implications (and responsible business conduct more generally) and consider how this guidance could assist in developing a clearer strategy and accountability processes and procedures.



## Abbreviations and Acronyms

<b>AVCA</b>	agricultural value chain actor
<b>CFS</b>	Committee for Food Security
<b>CFS-RAI</b>	Committee for Food Security Principles for Responsible Investment in Agriculture and Food Systems
<b>CWS</b>	coffee washing station
<b>GPS</b>	global positioning system
<b>ha</b>	Hectare
<b>kg</b>	kilogram
<b>mt</b>	metric tonne, 1,000kg
<b>NAEB</b>	National Agricultural Export Development Board
<b>RAI</b>	Responsible Agricultural Investment
<b>RWF</b>	Rwandan franc
<b>SME</b>	small and medium-sized enterprise
<b>SSNUP</b>	Smallholder Safety Net Upscaling Programme
<b>UK</b>	United Kingdom
<b>USD</b>	United States dollar. In this report, USD 1.00 = RWF 1,200





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# Introduction to the RAI Case Studies and Methodology

The Smallholder Safety Net Upscaling Programme (SSNUP) includes many impact investors, such as AgDevCo, Alterfin, Bamboo, Grameen Crédit Agricole Foundation, Incofin, Oikocredit, ReponsAbility, SIDI, and Symbiotics. The SSNUP aims to strengthen smallholder householders' safety nets sustainably. This will be achieved by fostering the adoption of more responsible and sustainable practices among agricultural value chain actors (AVCAs) by co-financing technical assistance projects and supporting the conducting of the RAI case studies to analyse their performance and compliance with the Committee on World Food Security's Principles for Responsible Investment in Agriculture and Food Systems (CFS-RAI).<sup>2</sup>

AVCAs are critical players in achieving the goals of CFS-RAI, and include producers (of crops), processors, and traders. For the SSNUP case studies, they also include service providers, for instance, offering technical services to growers or support to vulnerable groups, such as women and youth. AVCAs' investment in the agricultural and food sectors can play a transformative role, including enabling the adoption and dissemination of new technologies, building markets and supply chain linkages, and potentially contributing to local economies and communities (e.g., through employment and income generation). Investing responsibly can be enhanced by AVCAs aligning policies, planned operations, and practices with the CFS-RAI.

This case study is part of a series of cases on AVCAs, drawn from various segments of the agriculture and food sectors, aimed at analysing their performance and compliance with the CFS-RAI. Translating the CFS-RAI Principles into action requires practical guides and tools for stakeholders—such as financial investors and AVCAs in which they invest—who wish to incorporate them into policies, regulations, and business practices. One aim of the case studies is to help provide or improve these tools, such as the RAI Tool for Agribusiness (Box 1).

The methodology for the case study process comprised four phases:

## Phase I. Pre-fieldwork information collection

This involved online meetings with relevant members of the management team to collect

- background information on the AVCA. This comprised general characteristics, such as location of operations, value chain segment/activities, scale of operations, ownership, operational structure etc.
- information on the AVCAs key management and operational priorities and practices, especially those related to CFS-RAI. A set of outcome indicators were also collected.

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<sup>2</sup> RAI refers to the [Principles for Responsible Investment in Agriculture and Food Systems](#) (CFS-RAI), which were endorsed by the Committee on World Food Security (CFS) in 2014. It is a comprehensive framework on what constitutes a “responsible investment” in agribusiness.



Guided self-assessment, utilising the RAI Tool for Agribusiness (Box 1), was applied to collect this information during a series of interviews.

## Phase II. Fieldwork

The research team visited the AVCA, including selected operations and the local community, for 5–6 days. This involved further clarifying key relevant management and operational practices and priorities, as well as assessing the AVCA's performance vis-à-vis stated practices/measures (primarily those related to CFS-RAI and sustainability). Interviews with other stakeholders, e.g., farmers, local business owners, financiers, informal traders, etc., were also conducted to cross-check information gained from the AVCA and assess the wider impact of the AVCA's activity using dedicated semi-structured questionnaires developed to collect information from the various stakeholders. Prior to the fieldwork, AVCAs were provided a list of categories of interviewees, and the AVCA made arrangements for interviews, which were a mix of groups and one-on-one interviews using a structured questionnaire.

## Phase III. Data analysis

The research team analysed the data and information gained from the interviews and fieldwork, compiled the principal findings, drafted the report, and discussed the findings with the AVCA and the investor.

## Phase IV

An initial case study was drafted to test with the company. After discussion with the company, including clarifications and other feedback, a more “advanced” version (this one) was drafted for publication.

### Box 1. The RAI Tool for Agribusiness

Gathering information for the case studies was conducted using the RAI Tool. As specified by the CFS, the RAI principles remain generic and high level, making it difficult for AVCAs to translate them into their daily management and operations.

The objective of the RAI Tool is to provide a set of specific and measurable indicators that assess whether an agribusiness's management of its operations, practices, and procedures are compliant or consistent with the CFS-RAI Principles. The RAI Tool integrates RAI principles into the management and operational structure of AVCAs (decision making, actions, procedures, and processes). This makes RAI principles easier for AVCAs to understand and apply and may ultimately ease the mainstreaming of RAI key performance indicators into business management and performance systems.

The tool is composed of four main parts:

- **ID card and scoping:** These two parts are completed with information on the agribusiness' profile and characteristics. This facilitates a filtering process so that businesses are only required to respond to relevant questions on their practices



and outcome measures.

- **Practices:** This part comprises a detailed set of indicators, overall grouped by seven “dimensions” that broadly reflect business functions. Answers may be Yes/No/Partially/Not Applicable, which need to be explained or validated. To make the tool (and data collected) helpful for analysis, decision making, and progress, detailed information on the concrete practices implemented by the AVCA is requested.
- **Outcomes:** This part comprises a limited set of outputs and outcomes indicators on topics such as governance, employment, suppliers, and a company's environmental and climate-impact footprint.

In addition, the tool also provides dashboards showing how agribusinesses score in terms of their practices and outcomes in graphical form.

The aim of this approach is to create a reference tool that can be used by AVCAs, financial investors, and others to assess agribusinesses' compliance with RAI; and thereby foster more responsible and sustainable practices in the agricultural and food sectors. The latest version of the tool is available online (<https://www.iisd.org/publications/guide/responsible-agricultural-investment-tool-agribusiness>).

Since 2021, the tool has been developed by the International Institute for Sustainable Development (IISD) in collaboration with the Comité d'échange, de réflexion et d'information sur les systèmes d'épargne-crédit (Cerise+SPTF). IISD is an independent think tank working to accelerate solutions for a stable climate, sustainable resource management, and fair economies. Cerise+SPTF is a pioneer in social performance management, developing many well-known social audit tools to help financial service providers, social businesses, and impact investors achieve their social mission. IISD is leading the case study research, analysis, and drafting of outputs. The non-governmental organisation Appui au Développement Autonome (ADA) coordinates SSNUP, including technical assistance projects and knowledge management activities, such as these case studies.

*Source: IISD.*



# 1.0 Background and Context

Tropic Coffee<sup>3</sup> was chosen for this case study jointly with Alterfin, an impact investor participating in the SSNUP programme. It is representative of locally owned Rwandan small and medium enterprise (SME) green bean processors and exporters in the coffee sector. Such SMEs typically face several challenges and constraints, the most pressing being the impact of the Rwandan cherry pricing framework. Farmers' minimum prices are set before the harvest season through industry consultation, with the farmer receiving this and better prices on delivery, while the processor carries the full risk of any downside in the marketing of the green bean, some 4 to 6 months after the harvest season.<sup>4</sup> Other challenges Tropic Coffee faces are the need to construct its own offices and central warehouses (rather than lease) and have more control over the dry milling process of producing green beans with its own mill. Currently, Tropic Coffee relies on a third-party dry mill facility on a fee-for-service basis.

This section provides salient background on the industry and business environment in which the AVCA in this case study operates.

## The Coffee Industry in Rwanda

Farmers produce coffee cherry, which is processed at coffee washing stations (CWSs) or wet mills, with the removal of the mucilage and sun drying to produce parchment; the husk is then removed at a dry mill to produce the green bean. Sorting for quality takes place both at the CWSs and after the dry milling process. There are roughly 400,000 farmers on about 42,000 ha (National Agricultural Export Promotion Board [NAEB], 2023) supplying 316 registered CWSs, producing 16,000–21,000 mt of green beans annually.

The Rwandan coffee sector has evolved from being of “commodity quality” to one focused on “specialty” varieties that generally receive a higher price.<sup>5</sup> Exports of green beans were the preserve of a state-owned company prior to 2000. Since liberalisation, a strong private sector in exporting has emerged, with local investors, co-operatives, and multinational enterprises (MNEs) entering the market. Over time, the sector has become more concentrated and by 2018, 70% of exports were controlled by just six firms (Gerard, 2020). Local SMEs face competition from vertically integrated MNEs with supply chains stretching from CWSs to Europe-based roasters and distributors.

The situation was recently discussed at the World Coffee Producers Forum held in Kigali, Rwanda, on February 13–14, 2023. Significant issues highlighted by presenters and participants included the following (Xinhua, 2023):

- the need for AVCAs in the sector to ensure increased revenue for, and welfare of, smallholder cherry producers

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<sup>3</sup> <https://tropiccoffeeltd.com>

<sup>4</sup> At this time, any adverse demand and price movements caused by international supply and demand conditions can play havoc with financial sustainability.

<sup>5</sup> This requires the production of specific arabica bean varieties. See, Gerard (2020).





- revisiting the government's important role in providing access to improved trees, inputs, and the fostering of public-private partnerships
- ensuring poverty alleviation and food security while encouraging sustainable agriculture and mitigation of climate change
- recognising that the sustainability of the whole coffee value chain requires all actors to take co-responsibility.

## Green Bean Processing in Rwanda

There are some 96 coffee exporters registered with the NAEB. Estimates are that six companies control about 70% of export volumes (Gerard, 2020). The biggest processors in Rwanda are RTC, a subsidiary of Westrock Coffee Company (United States), and Rwacoff, with 30 CWSs alone, a subsidiary of Sucafina (Switzerland).

To acquire land for establishing a CWS, a processor undertakes a preliminary scoping and consultation exercise with local stakeholders, including the district administration and farmers, to determine opportunities available within the district. These options are then narrowed to a few potential sites with good water and slope to facilitate drainage, sufficient space for the washing station and drying racks, water treatment facilities, and parchment storage. NAEB then undertakes an inspection and approves the best site, after which the processor negotiates a land sale transaction with the owner. When the sale is concluded, the land title is transferred to the new owner.

From 2017 to July 2023, NAEB established zones around each CWS to which farmers within a zone were expected to deliver. The zoning policy was abolished in July 2023. Farmers are now free to sell to any CWS, but field interviews indicated this opportunity was not well known among farmers, who still referred to their respective zoning areas. Reports also indicate that NAEB will not be issuing any new CWS licenses because the coffee growing areas are deemed to be fully serviced by the current 316 CWSs. It is expected these developments will result in competition between CWS for farmers' cherry, which will intensify in times when the crop is lower than average. This competition will play out in terms of price, incentives, and services offered to farmers. It is predicted that the current practice of not having formal contractual supply agreements between CWSs and farmers will have to change for CWSs to protect their supply of cherry.

## The Role of the National Agricultural Export Development Board

NAEB was established in 2017 (Law No 13/2017 of 14/04/2017) as a commercial public institution with the responsibility of providing market intelligence, advice, and business tools to assist Rwandan companies in accessing export markets. The focus is on tea, coffee, and horticulture. The board reports to the Ministry of Agriculture and has several operational units on value chain development and regulation, export services (cold rooms, warehousing, packhouse, laboratory), planning, and financial control. Specific coffee sector responsibilities include the following:



1. Support to the coffee production sector by providing technical assistance and planting material to farmers (coffee seedlings are provided free). NAEB also provides farmers with free fertiliser, which is delivered through processors.
2. Support to the coffee processing sector.
3. Promotion, marketing, and export of Rwanda coffee.
4. Participation in the development of policy and strategies governing the sector and ensuring the implementation of relevant policies as they affect production, processing, marketing research, and training in the sector.

Regulations pertaining to the coffee sector administered by NAEB include export licensing and issuance of certificates of origin with quality certification, vetting and approval of CWS sites, annual approval of CWS compliance to commence processing, and regular checks during the season.

NAEB uses a digitised database system, “SMART Kungahara,” which has a record of every registered farmer, number of trees, and production history. The system is being enhanced to include the property UTI (i.e., title deed reference, which also contains the GPS location and farm boundary.) This information is used to determine fertiliser requirements.



## 2.0 Profile of the Company

### General Information

Tropic Coffee is a Rwandan specialty Arabica coffee processing and export company. The company produces and sells 100% Bourbon specialty coffee with cupping scores over 87. The company works with 3,000 coffee farmers (approximately 50% of them women) to grow, buy, process, and export high-quality coffee from three different regions in Rwanda, each at different altitudes, with varying climate, soil, and rainfall. The composition and variety of the coffees are rich and complex. Tropic Coffee produces fully washed, honey, natural, and anaerobic coffees.

As a processor of cherry and exporter of green beans, Tropic Coffee occupies a critical link of functions within the coffee value chain between farmers and roasters. Tropic Coffee's vision is "To be a leading Rwandan coffee producer by providing the highest-quality specialty coffee. We aim to meet international standards while increasing income for local Rwandan farmers" (Tropic Coffee CEO, fieldwork interview).

A husband and wife established the company in 2015. A wet mill CWS was initially leased, and the company's first fully owned one was established in 2018. A further two fully owned CWSs were set up in 2019 and 2021.

The company is governed by a board of five people (three of whom are women), including two non-executive directors and two managing directors, one of whom is the managing director, and the other is the sales director. The business has grown to employ 20 full-time staff today, seven of whom are at the head office in Kigali, as well as between 100–120 daily paid seasonal workers at each of the three CWSs (80% of the seasonal workers are women).

The offices in Kigali are leased, but, in the view of the managing director, they do not project a good image to clients due to their condition. Tropic Coffee has acquired land in an industrial estate but needs capital to develop its own offices, warehouse, and even a dry mill, if feasible. Dry milling to produce Tropic Coffee's green beans for export is contracted out to mills in Kigali. The company is also reliant on the NAEB central warehouse in Kigali to store product until it is exported, at a cost of RWF 30/kg per annum. Clients include a range of specialty coffee roasters and importers in the United States, Europe, Australia, the United Kingdom, and Japan.

Most farmers from whom the company purchases are members of the three farmer co-operatives (one per CWS). Additionally, there are several women's groups (co-operatives and associations), facilitated by the company, whose product is marketed as single source and that act as savings groups for members.

The company also employs an agronomist who, together with the certification officer, provides training and supports technology transfer on improved coffee agronomic practices to farmers. The company also distributes fertilisers and chemicals supplied by the NAEB, as well as coffee



and shade tree seedlings supplied by NAEB and cultivated by itself. The latter include fruit trees, which add to household food security.

## Operational Structure

Operations have grown considerably over the years, and the company currently operates in three districts: Ruhango (Gisanga CWS), Nyamasheke (Cyato CWS), and Ngorerero (Kabyiniro CWS).

The head office is in Kigali and hosts senior management functions (managing director, sales, finance and human resources), quality control, certification, and monitoring and evaluation.

Each CWS is controlled by a CWS manager, who is assisted by an accountant and an agronomist responsible for the coffee and shade tree nursery.

## Certification

Farmers are encouraged to get certified under one of the certification schemes run by the Rainforest Alliance (previously UTZ), Organic (EcoCert) Fairtrade, or Starbucks.

## Challenges

The main challenges confronting the industry and the AVCA, according to management, are

- difficulty in securing finance with competitive rates and flexibility in repayment terms (for when market conditions change).
- base-level coffee prices of cherries are set before the season and are not directly linked to fluctuating world market prices, which evolve as the season progresses. This carries a risk.
- the challenges of small green bean producers unable to have their own dry mills because of a lack of resources.
- prior to the COVID-19 pandemic, there was strong demand for organic coffee at a premium price. Post COVID, with the world economy under strain, organic coffees are not attracting premiums as customers often go for the cheapest product available.

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**“Coffee processing is a good business, but it is very costly to do, and SME processors need financial support to cover costs.”**

**SENIOR MANAGER**



## 3.0 Assessment of Tropic Coffee's Business Practices Alignment With CFS-RAI and Impact on Local Stakeholders

The RAI Tool assesses the operational practices of an AVCA across seven business functions or dimensions, namely:

1. Strategy and accountability on responsible agriculture
2. Inclusive and transparent structure
3. Safe and responsible agriculture and food systems and operations
4. Environmentally sustainable processes and products
5. Responsible treatment of stakeholders
6. Responsible human resource development
7. Financial transparency and benefit sharing

These dimensions are further divided according to clusters of business practices. For example, Dimension 4, pertaining to the environment, is subdivided into “identifying and managing risk” and “implementing and promoting environmentally sustainable practices.” The specific practices or indicators under each dimension (and further subcategories) are the ultimate unit of analysis.

Although practices are expressed in the language of business, the RAI Tool maps each onto a particular CFS-RAI Principle (or sub-principle), so scoring AVCA responses permits an assessment of the degree to which it complies with relevant RAI principles<sup>6</sup> at each level of categorisation (from practice to dimension). There is no one-to-one correspondence between dimensions and principles. For example, because dimensions cover a wide but related set of practices, they may reflect aspects of more than one CFS-RAI Principle. The principles with which each dimension overlaps are indicated during the analysis below.

Of course, any assessment of AVCA RAI compliance, including the scoring, reflects companies' perceptions of their operations, processes and practices. However, during the testing of the tool, they were not asked to validate their responses in a concrete way<sup>7</sup> (e.g., by providing documentary proof of a claimed practice or a performance measure) while completing the tool. Nevertheless, companies did often provide copies of specific policies, e.g., their human resources policy. Even during this testing phase, whilst the assessment/scoring is

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<sup>6</sup> Moreover, in order to not reinvent the wheel, each practice is also mapped to other principles and guidelines, such as the UN's Sustainable Development Goals and Association of Southeast Asian Nations-RAI, including concrete indicators already tested by other organisations. Indeed, the wording of many practices/indicators is taken from existing, tried, and tested ones from other organisations and systems. (For details, see the [RAI Tool](#).)

<sup>7</sup> After the piloting phase, when the tool is fully operational and in use by/with AVCAs, agribusinesses that participate in an assessment should be asked to validate their responses concretely. This will enable structured guidance on specific areas of policy, procedure, and guidance.





indicative, it is nevertheless a valuable management tool to assess performance and set goals for improvement (Box 2).

## The AVCA's Compliance by Dimension

Tropic Coffee is a small processor and exporter of green coffee beans. Reflecting responses in the RAI Tool, especially on its practices, Tropic Coffee's overall RAI compliance is moderately high, though there is a considerable variance between dimensions (see below). For instance, Tropic Coffee's score is high on "safe and responsible agriculture and food systems and operation," "responsible treatment of stakeholders," and "inclusive and transparent structure." On the other hand, Tropic Coffee is weaker in its level of compliance in terms of a "strategy and accountability on responsible agriculture," "financial transparency and benefit sharing," and "environmentally sustainable processes, products and services."

The company evinces a strong social ethic, especially in terms of creating meaningful development and empowerment opportunities for women by giving them access to specialty markets, and it is willing to pay a premium for their coffee. The board should nevertheless more fully inform itself of CFS-RAI Principles and implications (and responsible business conduct more generally) and consider how this guidance could assist in developing a clearer strategy along with accountability processes and procedures.

### Box 2. Use of ordinal scores in this case study

While cardinal (numeric) scores for RAI compliance by business dimension (and subcategories) were generated from piloting the RAI Tool with LIMBUA and used in an internal assessment and recommendations for the company's decision-makers, it was decided to adopt cardinal scoring for this case study.

The use of ordinal scoring, i.e., indication of positioning such as "very low score," "low score," "high score," and "very high score" (both overall and for a particular business dimension or practice) in this case study was chosen for two principal reasons:

First, The RAI Tool is still being piloted, including the way in which the scores are generated. While the cardinal results obtained are sufficient for understanding a company's level and pattern of RAI compliance—including where the main gaps are, key issues that should be prioritised, etc.—numeric scoring in the case study at this stage may indicate false precision. Moreover, because the tool is intended for use by various types of agribusinesses (e.g., firms in different value chain segments), it may also be necessary to consider and implement company-type-appropriate scoring. At a later point, after the tool has been more thoroughly used and tested, it will be safer (and it is intended) to provide numeric scores or categories of compliance based on scores.

Secondly, The CFS-RAI Principles were only introduced in 2014. While several companies (and investors) have moved toward reflecting these principles in their operations and practices, this process is still ongoing, especially because the CFS-RAI is "high level," and appropriate metrics and indicators are still in the process of being developed (and implemented). Pilot testing of the RAI Tool has, for the most part, been with companies



that aim for responsible investment and social business conduct, but specific practices and metrics—even between roughly similar companies—can differ markedly. While broad ordinal comparisons are not unreasonable, further work is required to refine cardinal scoring so that comparisons are made on a robust basis.

## Dimension 1: Strategy and accountability on responsible agriculture

The RAI Tool Dimension 1 mostly relates to the issues covered by the CFS-RAI Principle 10: “assess and address impacts and promote accountability.” Both subcategories of this dimension, “the organisation has a strategy on responsible business conduct and systems in place to implement it” and “the organisation assesses and manages its impacts,” score very highly.

While Tropic Coffee's compliance in this dimension is low—much weaker than in other dimensions—with little difference between the two subcategories (“The organisation has a strategy on responsible business conduct and systems in place to implement it” and “The organisation assesses and manages its impacts”), there is evidence that the company is aware of the relevant issues and is able to boost its performance on strategy and accountability.

For instance, although Tropic Coffee does not have a formal, documented strategy on responsible business conduct in important RAI-relevant areas—such as food security and nutrition, sustainable and inclusive economic development, gender equality and women empowerment, or rural youth empowerment—it is aware of pertinent national policy and regulations and follows them. The company has a Policies and Procedures manual that follows Rwandan Law No. 66/2018 regulating labour and the relationship between employer and employee.

The company staff are attending training offered by government and other international organisations such as the International Trade Centre to educate themselves on salient regulations, including on environment, employment, economic development, empowerment of women, and youth development. Additionally, inspections are conducted by the government to confirm compliance with regulations, including workers' conditions of employment.

The company has a social and environmental policy that emphasises the need for children to go to school and supports this in a practical way by providing off-season loans to farmers to pay for school fees. The company also promotes the establishment of savings groups, especially among women.

The setting of targets, with relevant indicators to measure the organisation's progress, is partly achieved through the farmer certification process, for which standards are set and audited annually. Another target that has been set and is being met is that of providing at least three shade trees to each farmer free of charge.

The company mentions that it is wary of setting targets because of financial resources: for example, a target of training 1,000 farmers within a year is not affordable for the company.



However, this issue might better be considered one of setting realistic targets, informed by overall strategy, an aspect which requires further effort on the part of Tropic Coffee.

The company says that with only 20 employees, it has not undertaken any employee satisfaction surveys, as its small size allows for direct personal contact between management and staff. While this might be broadly true, an independent review can be revealing and helpful.

## Dimension 2: Inclusive and transparent structure

Dimension 2 mostly relates to the issues covered by the CFS-RAI Principle 9, “incorporate inclusive and transparent governance structures, processes, and grievance mechanisms.” Mahembe scores highly on all three sub-components of this dimension, namely the organisation “communicates in a transparent way,” “consults its stakeholders to inform decision making,” and “receives and resolves stakeholders’ grievances.”

In contrast to the first dimension, Tropic Coffee’s scores very highly on inclusive and transparent structure and practices. This holds true across all subcategories: “the organisation communicates in a transparent way,” “the organization consults its stakeholders to inform decision-making,” and “the organisation receives and resolves stakeholders’ grievances.”

Holding consultations and regular meetings with stakeholders or their representatives (e.g., farmers, local chiefs) means that the organisation can receive and resolve stakeholder’s grievance in a timely manner.

The owners of the business visit the three washing stations regularly and use the time to consult with staff, farmers, and the local community. In the consultations with the farmers, they share information about the company’s performance over the past season, highlighting challenges and hearing from farmers what can be done to improve the quality of cherry delivered. Challenges the farmers may have had are also discussed to jointly search for solutions and agree actions. The consultations are also backed up by more regular visits by the quality manager, who spends considerable time at the CWSs during the season, with regular grower contact.

For community development projects and initiatives (e.g., the initiative to encourage the establishment of savings groups), before implementation, there are meetings held with farmer and community representatives to explain the project, receive input, and agree on the implementation modality.

Another example of a transparent structure is an instance of some adverse quality findings during cupping in the laboratory; instead of trying to hide the problem, an external consultant was bought in. Staff were found to be following incorrect procedures, which the company addressed.

Before fertiliser distribution, Tropic Coffee participates in a Coffee Task Force meeting held at the district level. All coffee stakeholders, i.e., growers, CWS, and non-governmental organisations, attend this meeting. Tropic Coffee then has follow-up meetings with farmers at the community level (i.e., sectors and villages). These meetings address the planning and



execution of delivery, allowing Tropic Coffee to report monthly to the Coffee Task Force on issues facing farmers.

“Pre-season, the owners go to the villages and talk to the farmers and get to understand the problems. This allows the team to figure out what assistance is needed and what can be provided, depending on financial availability.” Tropic Coffee staff member.

### Dimension 3: Safe and responsible agriculture and food systems and operations

Dimension 3 mostly relates to the issues encompassed under CFS-RAI Principle 1, “contribute to food security and nutrition,” and Principle 8, “promote safe and healthy agriculture and food systems.”

Tropic Coffee's RAI compliance is very high in this dimension. It has a perfect score on “the organization promotes safe and healthy agricultural and food systems” and is also high on “the organization contributes to food security and nutrition.”

#### Contribution to Food Security and Nutrition

##### Direct Contribution Through Employment and Income Generation

Employment and incomes created by the company and its operation, internally and externally, contribute to food security and nutrition in the areas in which it operates.

“Every year, there has been an increase in the number of people employed. In 2020, when I joined, there were only five people at head office and a single person at a CWS; in 2023, there are 20 permanent staff and 3–5 permanents at the CWSs.” Staff member

It is estimated that a farmer can manage about 1,000 trees with an average level of available household labour, but any more trees require the employment of additional labour, thereby creating jobs. Tropic Coffee's operations are supporting farmer's ability to do this.

“Before I couldn't get enough money to plant our field, but now I can pay a worker to work in our field where we grow beans and maize, because I'm working so don't have time. I employ four workers depending on the season.” Nursery employee, Gisanga CWS.

The structure of Tropic Coffee operations at the ground level means that the number of people directly affected is large in any district. Tropic Coffee has created employment and income opportunities for about 3,000 farmers. These 3,000 farmers are paid [a total of] about USD 690,000 annually at an average of USD 230 each, or ~RWF 276,000. This impacts positively on food security for their families (and has a multiplier impact across the community).

“I became a farmer after primary school, and when I was a student, I had a small field. At that time there was no Tropic Coffee and so I had to sell cherry to other people at RWF 150/kg. Tropic helps us get a good price, and they help us get good quality. Depending on the season, we get between RWF 450/kg and RWF 700 /kg.” Young farmer, Mbuye zone



“The community are better off and have improved financially as they receive a better amount of cash to build better homes, pay for school fees and have a better level of health.” Staff member

“The income I receive from the company from my seasonal employment helps to pay school fees [and] medical insurance and cover my basic needs.” Casual employee and small coffee farmer, Mbuye zone

### Indirect Impacts

The company contributes indirectly to food security and nutrition through the provision of shade fruit-bearing trees such as avocado and mango.

“The situation of farmers has improved. Their living standards are improving, and they are healthier with better nutrition. Many did not know how to prepare meals for a balanced diet. Their clothes are better.” Staff member

Jobs have also been created in other services linked to the company or connected to and sustained by the coffee value chain, such as food vendors and small and micro businesses in trading, such as transport, accommodation, fuel, vehicle repairs, and so on. Additionally, the connection of the CWSs to the electricity grid has also created opportunities for nearby villages to get connected.

The local transport contractors benefit in the amount of about USD 6,000 for cherry collection and about USD 5,000 for fertiliser delivery.

### Improved Living Standards (Poverty Alleviation)

Respondents referred to improved living standards, either because of better prices received for cherry due to the presence of Tropic Coffee, the income earned through wages, or better access to electricity at nearby villages because of the presence of Tropic Coffee.

“There are more small shops in the nearby three villages around the CWSs, and money transactions are happening. Farmers are using cash and mobile money through Airtel and MTN MoMo.” Tropic Coffee staff member

“In the surrounding area, there has been an increase in shops, restaurants, and bars. In April, more incomes increase because every farmer has a lot of money from selling their cherry.” Casual employee and small coffee farmer, Mbuye zone

“One of our CWSs in the south is being supplied with electricity, and this brings electricity to the local community.” Staff member

Women seem to have particularly benefited through the facilitation and support given by Tropic Coffee to the creation of women's groups.

“I have become an independent woman and can buy clothes for myself. Before, I wasn't able to afford medical insurance; now I can.” Casual employee and small coffee farmer, Mbuye zone





## Support for Agricultural Activities and Food Systems

Farmers and local communities are supported in various ways.

### Assistance With Inputs

NAEB subsidises fertilisers and chemicals to coffee growers. These inputs are offered free and supplied to CWSs, which, in turn, deliver to farmers.

Many farmers did, however, complain that they did not receive enough for all their tree requirements. This we understand is a consequence of high international fertiliser prices because of the Russia–Ukraine war. NAEB does not have sufficient budget to fund the increase in costs.

“NAEB gives fertiliser to farmers. They provide it to Tropic, who then pass it on to farmers. NAEB comes to inspect when they give fertiliser. We should get 50 kg per 100 trees, but this year have only received 25 kg per 500 trees. We can't buy for ourselves as there is no supply, but we do produce our own compost. There is no label on the fertiliser bag.” Young farmer, Mbuye zone

### Farmer Development and Support Programmes

The company pays particular attention to developing and empowering women. This is a passion of the owners, especially the female marketing director, who is sensitive to the need to undertake initiatives that empower women to play a more central role in the coffee sector, from growing right through the value chain. Initiatives have included facilitating the establishment of women's savings groups, which assist women farmers with access to funds to pursue not only coffee farming but to address other short-term household funding needs. Further illustrations of how women have been empowered through market segmentation of their coffee for better prices follow in the next few citations from interviews undertaken with local stakeholders.

“We initiated strategies to empower women to form groups to be able to market their coffee. This allows us to pay a premium of USD 0.50/kg of green bean. This is paid to them at USD 0.30/kg cash and USD 0.20/kg in kind (Tropic pays the premium for the family's health insurance to a maximum of three family members). One group sells 6 mt of green bean and receive a premium of USD 1,800 in cash. Through the bonus women receive, they can do savings and can invest in livestock, better clothes, schooling for children, and, at the household level, there is improvement in food security. Women are more empowered and independent with their own financial resources to make decisions.” Senior manager

“Before Tropic, I had 2,500 trees but have now grown to 4,000 trees on 7 ha of land. I bought land piece by piece with the money I made. For an average quality land, you can pay RWF 2 m for 1 ha and if it a good piece, up to RWF 4 m. I also borrowed from Tropic to buy the land with interest, but that was before. Now, there is no interest on the loans.” Young farmer, Mbuye zone

“Before Tropic came here, I was jobless, and farming was difficult. Now, I have 3,000 trees; my yield has increased, and they have trained and advised women to be independent. They



give coffee seedlings and shade trees for improvement for women, they distribute fertiliser and give confidence to be a farmer. Before, we thought coffee farming was man's business but now, we can farm, and Tropic helped women form groups for saving." Representative of a women's group, Mbuye zone

### Access to Technical Information, Education, Training, and Extension

Training of farmers is focussed on those practices that can boost yield and produce high-quality cherries. Currently, the company has the financial resources (but not yet sufficient) and capacity to train annually about 640 of the 3,000 farmers that supply to the company.

"I help farmers with their farm development. I prepare courses with the material that Rainforest Alliance provides us, and we work as a team with staff and farmers. We select a farm that is well managed as an example to demonstrate the correct techniques, such as pruning. In the training, we present how to undertake the practices, and then the farmer gets to practice it to get it right." Senior staff member

"Farmers are producing better quality cherry as harvesting practices have improved. They used to just pick a mix of green and red cherry but now are picking only red cherry. There was previously too much green cherry being harvested because farmers were just looking to harvest quantity, whilst red cherry has higher density due to mucilage content and, therefore, more weight. We run an annual campaign on the correct harvesting practices and do a practical demonstration of the weight difference between red and green cherry." Staff member

"We provide training on cherry collection and general practices to look after and manage the farm. This includes the removal of old trees and replacement with new ones. We provide financial training and on how to save and how to apply finance. We also provide training for women in non-farming skills like basket making and the making of decorations as a possible business." Staff member

"Farmers learn quickly and apply what they have been taught, but training needs to be repeated to reinforce the learning for both young and old." Staff member

### Provision of Services to Strengthen the Value Chain

#### System of Traceability of Products

As a strategy to penetrate specialty niche markets, the company batch processes cherry from specified geographic locations and women's groups. This gives them coffees of origin which are exclusive to a single buyer, thus providing a system of traceability to buyers.

"We sell many micro lots of specific-origin coffee, anything from 5–50 bags of 60 kg each. Each order is identified on custom-printed bags. Each location from where cherry comes from has its own lot identifier to reflect differences in quality and flavour. Buyers have exclusivity of a brand and lot. Buyers are specific about the attributes and origin they want." Executive manager

"NAEB's digital data system SMART Kungahara has a log-in portal for each processor and all CWSs, which are registered on the system. Data on the farmer (name, tree count). From 2024, the system will have land title UPI (unique parcel identifier) details added, which



will provide a farm diagram with GPS coordinates, and CWS results, exports, and sales are entered into the system. It is the CWS's responsibility to record farmer details and register these with NAEB. The agronomist and CWS manage update these figures annually through farm visits." Executive manager

### Access to Finance

The company does consider assistance to farmers on request for loans. These are interest free and the amount advanced depends on both a recommendation by the farmer co-operative leadership and an assessment of repayment capability based on crop estimate. In total, the company pays out about USD 20,000 annually in loans, but for each borrower, the amount lent is never more than 80% of the assessed repayment capability.

"There are three women sub-groups of the co-operative, which allows us to each work separately. Men have their own sub-group within the co-op. Although the co-op has men and women, we don't mix men and women in a co-op sub-group because of the gender balance issue and hence have only sub-groups for women. Before, it wasn't easy for women as everything from the farm went to my husband, but now, I can improve myself. Our group has regular monthly meetings where we save a fixed amount, and we can borrow after 1 year. Some savings can't be touched. We received the advice on how to save from Tropic." Women's group member, Mbuye zone

## Dimension 4: Environmentally sustainable processes and products

Dimension 4 mostly relates to issues covered under CFS-RAI Principle 6, "conserve and sustainably manage natural resources, increase resilience, and reduce disaster risks." Mahembe scores highly on the two subcategories, "the organisation identifies and manages its environmental risks" and "the organisation implements or promotes sustainable practices."

Tropic Coffee scores moderately high in both subcategories of this dimension: "the organization identifies and manages its environmental risks" and "the organization implements or promotes sustainable practices."

However, Tropic Coffee does not have a formal rigorous environmental scanning and evaluation system. In practical terms, when the company agronomist or quality manager visits farmers, they take note of farming practices that are environmentally unsustainable and make recommendations to farmers on how to correct them. A typical challenge is farming on steep slopes and the need to create runoff trenches and/or berms to attenuate water runoff and soil erosion. If not adequately controlled, runoff can cause friction between neighbours due to damage to crops.

When local respondents were asked whether there have been problematic changes in the environment (soil, water, climate, and vegetation), they were unanimous in saying there had been *no changes* and, in fact, some mentioned improvements due to the planting of shade trees. Nevertheless, what was observed during the field trip is that with population growth and land-use pressure generally, the landscape has been completely transformed into intensive agricultural use, with natural forests occurring only on the crests of hills (if they are not already planted with eucalyptus trees).



Communities generally reside in small, scattered villages, three of which are near Tropic Coffee's Gisanga CWS. These are reportedly a result of government policy to have communities in villages for economies of service delivery.

Tropic Coffee encourages the certification of farmers, either under Rainforest Alliance (previously UTZ), Organic (EcoCert, Fairtrade, or Starbucks' C.A.F.E. Practices). Currently, out of 3,000 suppliers, there are some 925 Rainforest Alliance-certified farmers (i.e., 31% of Tropic Coffee's suppliers), and 625 are C.A.F.E. Practices compliant (20% of Tropic Coffee suppliers). The costs of certification for small companies are relatively high in relation to the small numbers of farmers and the level of output. Independent third-party certification auditors charge a flat fee of between USD 5,000 to USD 10,000 per audit, with travel and logistics carried by the company costing an additional approximate USD 3,500, bringing the total cost per farmer to as high as USD 14.60 and raising the cost per kg of green bean produced by these farmers to about USD 0.28/kg. This reflects some 30% of an average green bean export price.

## Dimension 5: Responsible treatment of stakeholders

Because there are many types of stakeholders, Dimension 5 correlates with issues covered under several CFS-RAI Principles, especially 5 ("respect tenure of land, fisheries and forests, and access to water"), 7 ("respect cultural heritage and traditional knowledge, and support diversity and innovation"), and 2 ("contribute to sustainable and inclusive economic development and the eradication of poverty").

Tropic Coffee is very highly compliant in two of the subcategories in this dimension: "the organization respects legitimate tenure rights on land, fisheries, forests and water" and "the organization respects cultural heritage and traditional knowledge." However, compliance in the third sub-category ("the organization promotes responsible and fair contracting practices with its shareholders") is lower, although still respectable.

### Respect of Tenure Rights and Cultural Heritage

The high scores on tenure and respect for cultural heritage reflect the fact that farmers in Rwanda have secure tenure rights that the company respects and does not interfere in. When sites for CWSs were identified, they were done in consultation with the local government and the community before land sales were negotiated with landowners.

The land tenure system and consequent land market, with land values known and understood by landowners and potential buyers, is as an outcome of Rwanda's nationwide Land Tenure Regularisation programme, completed during 2009–2013 (Ministry of Environment, n.d.). This programme includes (i) land demarcation, (ii) adjudication, (iii) parcel digitisation, and (iv) land registration parcel by parcel. Every land record is available in a digital registry, with each parcel having a UPI assigned.



## Responsible and Fair Contracting Practices

The company, as is the case with all CWSs, benefits from the zoning policy that has been in place since 2017–2023. This policy directs growers within a zone to deliver to the nearest CWS, and thus there is no pressure on CWSs to formally contract with outgrowers.

The CWS social licence to operate is derived from the services and beneficial price it offers farmers.

“We provide support to the coffee co-ops who before had no access to markets, but now we sell their products to clients, giving them exclusivity over a geographically specified area as a single source coffee.”<sup>8</sup> Senior manager

These services include the collection of cherry by the company from established collection points, financial assistance in the off-season through non-interest loans, timely payment for cherry after delivery (requiring the company to have access to working capital), training, assisting with the establishment of women's groups, etc.

“I am a member of a women's savings group, the Ncyerekezo group. We have 30 members and repay loans we take from the savings group at 5%. After a year, we receive a share-out. The leader of the group has another job outside of farming, and she and the managers of the company showed us a system of how to do savings.” Women's group member, Mbuye zone

In future, with the abolition of the zoning policy by NAEB, farmers will be able to sell to anyone. This is a potential risk to the company, depending on proximity and ownership profile of neighbouring CWSs and their level of aggression of redirecting farmers to supply to them, with the associated price offering.

The most appropriate means for CWS to retain suppliers is to pay them an attractive price.

“The company pays bonuses to farmers and, in the off-season, helps those not able to pay school fees. These loans are recovered from the next season's crop. The company is also planning on providing support to schools. Sometimes, we work with the community and sector administration on fixing roads and damaged bridges.” Staff member

## Dimension 6: Responsible human resource development

Dimension 6 covers issues encompassed under CFS-RAI Principles 3, “foster gender equality and women's empowerment” and 4 “engage and empower youth,” as well as other human-resource-related issues.

Tropic Coffee's compliance on this dimension is relatively high, but this varies between subcategories. It is highest on “the organization creates a safe and equitable work environment,” a little lower on “the human resource development system is designed to attract and maintain a qualified and motivated workforce,” and least (but still respectable) on

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<sup>8</sup> Cherry from different geographic areas within their CWS catchment are branded as single source, e.g., coffee from a women's co-op farming in a close area is sold as single source.



“the organization’s human resource development system supports its strategy on responsible agriculture.”

The company complies with the Labour Act, which is used in its HR policy document. In the event of staff grievance, there is the option of using the suggestion box, approaching the staff committee or management.

Minimum wages for the lowest paid staff (RWF 150,000 per month) are set well above the prescribed RWF 60,000 per month minimum wage. Hours of work, social benefits, and overtime rates are all in line with legal requirements.

Non-discrimination based on age, gender, sexual orientation, etc., is a requirement in law and applied by the company. The company only employs staff above 18 years of age, while the minimum employment age in Rwanda is 16.

The fieldwork helped to establish the situation on the ground vis-à-vis key issues despite some shortcomings in formal practices and procedures.

As an SME, the company does not undertake a formal review of salaries to assess where its salaries are in relation to the sector. The industry is, however, small and there is some shared knowledge in the sector over wage rates paid.

At each of the CWSs, there is a health and safety officer to oversee compliance with standards.

While the company does not have formal preferential hiring practices for women and youth, the age and gender profiles of the company shows that these groups are well represented in the workforce. For example, women compose 60% of the board, 33% of the management, 45% of full-time staff, and 80% of temporary staff. The inference is that because the owners are young, they are recruiting from the younger generation.

The company does offer informal daycare facilities at CWSs to assist women casual workers with preschool children.

“We have a suggestion box, and staff can also use the grievance committee to raise any issues.”  
Senior manager

Given its small size and the regular contact management has with all staff, no formal employee satisfaction surveys are conducted. The company does also not have any formal training for staff or suppliers on RAI.

## Dimension 7: Financial transparency and benefit sharing

Dimension 7 primarily relates to CFS-RAI Principles 2, “contribute to sustainable and inclusive development and the eradication of poverty” and 10, “assess and address impacts and promote accountability.”

Tropic Coffee’s compliance in this dimension varies between the two subcategories. It scores relatively highly on “the organization has a transparent financial structure” but much lower on “the organization uses profits responsibly.”



As a private company, the organisation does not disclose its annual financial statements, but the finance, admin and HR manager do present highlights of the company's past year financial performance to staff annually. This sensitises them on how well or otherwise the company is performing.

The company reports a corporate tax rate of 30%, which is deemed a drain on profit retention to fund growth and expansion.

The shareholders' agreement (pre-incorporation agreement) was a simple document between husband and wife and did not formally include RAI principles, although both have a passion for assisting rural communities (and especially women) to become empowered.

The company does not have a formal dividend policy, and to date, no dividends have been declared. If any were to be paid, they would be determined by the level of profits and retained income available, decisions on funding company growth and development, and decisions on supporting communities. Examples of how funds have and are being spent on communities include:

- During the COVID-19 pandemic, the company provided some support in the form of masks, gloves, and sanitisers at CWSs, health insurance for farmers at RWF 3,000 per person for 367 farmers in need (identified by local authorities not able to pay).
- The nursery supplies free coffee and shade tree seedlings that cost the company about USD 10,000 to USD 15,000 per annum.
- The company provides seasonal loans to farmers prior to receiving delivery of cherry.





## 4.0 Recommendations to Investees, Investors, and Other Stakeholders

Tropic is an agribusiness that has invested responsibly in its agriculture value chain business, especially in its operations, processes, inclusive practices, and relations with staff and stakeholders. Interestingly, much of this is done by carefully complying with Rwandan law, such as incorporating employment regulations into its formal policy documents and practices. In addition, though not necessarily formally documented, the two company shareholders are sensitive to sustainable development, especially for women. This approach is evident, for example, in the company's support for women (e.g., farmer development and support programmes, as well as training and technical guidance) and its relatively high staff wages and prices paid to farmers.

The findings in Section 3 reveal a moderately high level of RAI compliance on average, which varies between dimensions. RAI compliance is not perfect, and several recommendations can be made based on interviews with Tropic Coffee staff and stakeholders.

Senior management and the board should undertake a formal review of the CFS-RAI Principles, together with the results of the RAI Tool, to take a position on how the company might respond to these guidelines. In doing so, they may wish to consider the findings in Section 3, especially to assess key areas in which to improve responsible and sustainable business conduct.

This review would lead to an action plan, with priorities built on the findings presented in this report, the review itself, and the relevant operating conditions of the company.

### Recommendations to the Company

Some suggestions, recommendations, or issues for consideration during the formal review are mentioned below.

#### Recommendations Related to Challenges Faced by the Company

In addressing some of the challenges and potential future challenges, Tropic Coffee could consider the following:

- Given that NAEB has discontinued the zoning policy for CWSs, which over time presents a risk of more intense competition, the company could develop a strategy to more strongly incentivise and secure commitments from farmers to supply to the CWS through
  - assessing the capacity of nearby CWS owners to aggressively compete for cherry, especially if nearby CWSs are owned by the big producers linked to multinational corporations;



- developing strategies to offset the risk of competition and create types of incentives to retain suppliers;
  - considering whether there is any merit to developing a more formalised outgrower supply agreement between farmers and the CWSs. This is a form of education of farmers on the importance of contracting and adherence to contracts. If appropriate, these contracts should set out pricing formulae, access to non-financial benefits on delivery (e.g., consideration for loans, rewards in kind for top quality, etc.) plus details of consequences of non-performance;
  - identifying means of contract enforcement.
- Gaining access to the necessary capital to (a) develop its own office space and supporting the brand image and (b) directly invest in warehousing and dry milling capacity, both directly or with other SME shareholders; and (c) pursue all avenues to access development funding windows with international development institutions and impact investors.
  - Investing in the capacity of enumerators engaged by the company by providing them with tablets to capture farmer data and transfer it directly onto NAEB's SMART Kungahara digital data system. This will facilitate improved accuracy in quantifying fertiliser and chemical input requirements and reporting on their distribution.
  - Exploring tax options: the company reports paying 30% in company tax, but there may be an opportunity to explore lower rates, given that a CMS Tax Law report (Tuyishime & van Welzen, n.d.), indicates a preferential corporate income tax rate of 15%–25% available to companies exporting goods and services. This should be further investigated with the tax authorities.

## Recommendations Related to CFS-RAI Alignment

Chapter 3 addresses the company's degree of alignment of business practices with CFS-RAI Principles. Some examples of commendable business practices and/or aspects to consider for improvement include:

- Given the importance of sustainability and food systems demanding evidence of ethical and responsible business practices, it is recommended that the board more fully inform itself on CFS-RAI. It should consider whether adopting a formal strategy would be beneficial to the business and review business practices to align as appropriate. This should include a discussion with impact investors as to whether they have any additional support for companies displaying evidence of strong alignment i.e., subsidisation of farmer training costs, farmer certification costs, efforts at minimising GHG emissions, establishment of a revolving farmer loan scheme, etc.
- The company should continue sending staff on available trainings on sustainable business practices.
- Continue to hold pre-season and post-season consultations with farmers to plan for the new season, review the past, identify farmer and company issues, and develop mutually beneficial activities.



- Develop the skills of the company agronomist to advise on intercropping options more fully with food crops and production of compost to offset the high cost of inorganic fertilisers.
- Establish a system for collecting used plastic chemical containers and delivering them to recycling plants in Kigali.
- Continue with the efforts of empowering women through the establishment of self-help groups and explore possibilities for doing similar things for youth.
- Be cautious about the lending limit to consider a policy of not going above 70% of the farmer repayment capacity.

## Recommendations to Investors, the Government, and Others

Working capital for cherry purchase from farmers is a significant constraint to the company and probably indicative of the situation across all small coffee processing businesses in Rwanda. Impact investors are attractive for such companies, including Tropic Coffee, as they offer terms that are more attractive regarding collateral requirements and flexibility in repayment, especially when there are delays in sales and payments by offshore customers. It is reported that the coupon rate on this finance is higher than that of local banks, so if this could be matched, SMEs would benefit further.

Impact investors prioritising support to companies whose business practices are aligned with CFS-RAI could consider providing a range of investment incentives to their investees that achieve a high alignment level.

The coffee sector in Rwanda is characterised by companies affiliated with multinational corporations, giving them a competitive advantage in terms of access to finance and markets over locally owned SMEs. NAEB supports local exporting SMEs through a Rwandan Coffee pavilion at international trade fairs, for which SMEs are currently expected to fully cover their own logistics costs. NAEB could consider further supporting local SMEs with partial subsidies to attend international trade fairs.

In certain respects, international companies have benefited from greater tax incentives than locally owned exporting entities. For example, the Rwandan corporate tax rate is 30%, with VAT at 18%; however, in the past, for Rwanda-based but internationally operating trading companies, a rate of only 3% was applied (on foreign-sourced trading income). Consideration could be given for special investment incentives and/or partial guarantees for investment in fixed infrastructure above the 50% depreciation write-off level currently applicable. This would assist SMEs investing in office and warehouse space as well as processing facilities.

NAEB could consider facilitating investment in a “coffee processing hub” in an industrial park in Kigali where SME coffee processors would have access to high-quality office facilities, including shared front office, meeting space, and warehousing along with the opportunity to be joint investors in their own dry milling capacity.



The minimum base price for cherry announced at the beginning of the year could be revisited a few times during the season, accounting for fluctuating international market conditions. This would help create a stronger link between cherry pricing levels and international green bean benchmark levels. It was suggested during the interviews that the price could even be revisited every 2 weeks. While this might be extreme, consideration could be given to developing a pricing framework where cherry price is linked to international benchmarks through a transparent formula. This would still allow for CWSs to pay above these price levels. Careful consideration should, however, be given to potential unintended consequences, such as behaviour that is counterproductive to the maintenance of quality. As an example, if farmers perceive that prices may go down as the season progresses, they may be incentivised to harvest as quickly as possible, thereby harvesting greater quantities of green cherry but at the cost of quality.



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